

## The beginning of a new political cycle: the results and consequences of a nomination summit

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### Summary

Despite a broader agenda, the June 2014 European Council was dominated by the decision of EU leaders – taken by qualified majority – to propose to the European Parliament Jean-Claude Juncker as the next Commission President. In this post-summit analysis Janis A. Emmanouilidis argues that recent developments could have four consequences: increasing politicisation at European level; opposition from the side of national governments to what they consider to be an unjustifiable shift of power; further complication, maybe even deterioration of the relationship between London and 'Brussels; and 'consolidation' as the predominant political attitude in the beginning of a new political cycle. Aside from all this, the Summit adopted a Strategic Agenda for the years to come, agreed to new strategic guidelines for the Area of Freedom, Security and Justice, postponed the decision on a new energy and climate framework to October, concluded the fourth European Semester with the adoption of country-specific recommendations, and, last but not least, EU leaders finally signed the Association Agreements with Georgia, Moldova and Ukraine demonstrating that the Union and these countries are ready to deepen political and economic ties.

### Full report

Marking the commemoration of the outbreak of the First World War 100 years ago in 1914, the first day of the meeting of the European Council on 26/27 June 2014 took place in the Belgian town of Ypres. The dinner on Day 1, and the entire afternoon of the next day, when EU leaders convened in Brussels, were devoted to a discussion on the Union's Strategic Agenda for 2014-2019 and the nomination of Jean-Claude Juncker, who on 16 July is likely to be elected Commission President by the European Parliament (EP). That same evening, the heads of state and government will come together to decide on the remaining top EU leadership posts.

The nomination of the next Commission President and the adoption of the Strategic Agenda are likely to have the following four immediate and potential long-term consequences: (1) the increasing *sui generis* politicisation of the Union and the circumstance that the EU is not likely to return to a *status quo ante*; (2) at the same time, the process of (s)electing the next Commission President has been a 'wake-up call' for many member state governments, which are likely to oppose what they consider an unjustifiable shift of power to the European level; (3) the British 'no' to the nomination of Juncker and the way in which Prime Minister Cameron has dealt with the issue will probably further complicate the relationship between London and Brussels; and, last but not least, (4) 'consolidation' is likely to remain the predominant 'mood of the day' in the years to come, which is not good news considering the manifold sources of economic, social and political fragmentation between and within EU member states (see pp. 3 to 7).

Other main issues, besides the nomination of Jean-Claude Juncker and the adoption of a Strategic Agenda, were: the agreement on new strategic guidelines for the Area of Freedom, Security and Justice; progress towards a new energy and climate framework; and the conclusion of the 2014 European Semester.

Widely unnoticed by the public and media, the European Council adopted the **Post-Stockholm strategic guidelines** for legislative and operation planning within the Area of Freedom, Security and

Justice, which move away from previous lengthy programmes while leaving EU institutions enough room of manoeuvre to develop and implement concrete policy solutions in the years to come.

Yet again, concrete policy decisions regarding the EU's future **energy and climate framework** were postponed to the October Summit. The chances that the European Council will take a decision then are high, given the external pressures resulting from the continuous 'political standoff' with Russia, and the need to reach a compromise among member states early enough in preparation for the December 2015 Global Climate Conference in Paris.

Although EU leaders did not devote much attention to economic issues at this Summit, the heads of state and government officially concluded the **2014 European Semester** by endorsing the country-specific recommendation and had, under intense pressure from Rome and Paris, a first discussion regarding **more flexibility in the implementation of the Stability and Growth Pact**.

Finally, EU leaders endorsed the Commission's proposal that **Lithuania** should adopt the euro on 1 January 2015, granted **Albania** the status of a candidate country, signed the **Association Agreements with Georgia, Moldova and Ukraine**, had an **exchange with the President of Ukraine** and gave their strong **support to his peace plan**, and endorsed a **European Union Maritime Security Strategy**.

### **Commission President, new EU leadership and Strategic Agenda – facts, decisions, next steps...**

The nomination of the next Commission President dominated the EU's public and political attention in the weeks and days before the meeting of the European Council and the Summit itself. Following intense and controversial discussions before and during the meeting, EU leaders nominated Jean-Claude Juncker, the former Prime Minister of Luxembourg and lead candidate (*'Spitzenkandidat'*) of the conservative European People's Party (EPP), as next Commission President.

Following pressure from the Prime Minister of the United Kingdom, David Cameron, the nomination, for the first time ever, required a vote in the European Council. The showing of hands ended with a clear endorsement for Jean-Claude Juncker, as 26 EU heads of state and government voted for him, while David Cameron and the Prime Minister of Hungary, Victor Orbán (EPP), opposed his nomination.

In his press conference after the end of the Summit, Prime Minister Cameron reiterated his position that Juncker is the "wrong person" ("career insider") and that the decision to "hand over power" to the European Parliament (EP) is the "wrong process", which undermines "the position of national governments" and "the power of national parliaments". In his own words: "If the European Council – the elected heads of government – is going to allow the European Parliament to choose the next President of the European Commission, I wanted it on the record that Britain opposed that."

Following Juncker's nomination and in line with the EU Treaty (Article 17.7 Treaty on European Union (TEU)), the new Parliament will now have to elect the next Commission President, who will succeed President Barroso in November 2014. The election will take place on 16 July and the designated head of the Commission will, in a secret ballot, require the support of a majority of 376 out of 751 Members of the European Parliament (MEP). It seems almost certain that a majority in the EP comprised of MEPs from the four pro-European 'mainstream' political groups (EPP, S&D, ALDE and Greens) will vote for Juncker. After his election, the new Commission President is expected to send official letters to EU governments and invite them to propose their candidates for the Commission college.

The heads of state and government also agreed to meet for an extraordinary European Council meeting in the evening of July 16 to decide on the remaining top EU leadership posts, i.e. the next President of the European Council, High Representative and Vice-President for Foreign Affairs and Security Policy (HR/VP), and next President of the Eurogroup. Before that, on July 1, the EP will elect the President of the European Parliament: the incumbent Martin Schulz (S&D), who will stay in office for another two and a half years.

More than two weeks ahead of the extraordinary meeting of EU leaders, it is not yet clear who the successors of Herman Van Rompuy, Catherine Ashton and Jeroen Dijsselbloem will be. The names of numerous potential candidates have been

floated. With respect to the post of European Council President the person regularly mentioned is the social-democrat Prime Minister of Denmark, Helle Thorning-Schmidt. Other names talked about for the succession of President Van Rompuy are (in alphabetical order): Lithuanian President Dalia Grybauskaitė (EPP), Irish Prime Minister Enda Kenny (EPP), and former Italian Prime Minister Enrico Letta (S&D). Regarding the next HR/VP a number of people are considered (again in alphabetical order): the Bulgarian Commissioner for International Cooperation, Humanitarian Aid and Crisis Response Kristalina Georgieva (EPP), the Slovak Foreign Minister Miroslav Lajčák (S&D), the new Italian Foreign Minister Federica Mogherini (S&D), and the Polish Foreign Minister Radosław Sikorski (EPP). Finally, with respect to the next (full-time) President of the Eurogroup, the Spanish Minister of Economy and Competitiveness Luis de Guindos Jurado (EPP) is seen as a potential frontrunner. What seems likely is that, following the unprecedented vote in the European Council on the Commission President, EU leaders will select the remaining main posts by consensus.

The overall composition of the Union's new leadership team will, at the end of the day, be the outcome of a complex and still unpredictable bargain among member states taking into account a number of geographical (north/south; east/west), political (political affiliation; euro/non-euro; old/young EU members) and gender related criteria. President Van Rompuy will in the upcoming weeks conduct consultations in view of the appointments to be made.

With respect to the next political-institutional cycle (2014-2019), EU leaders did not 'only' deal with issues related to the composition of the next EU leadership team, they also discussed the Union's future priorities. In line with EU Treaties, the European Council must define the Union's "general political directions and priorities" (Article 15 TEU), EU leaders adopted a "Strategic Agenda for the Union in times of change", which was finalised in the night between Day 1 and 2 of the Summit and annexed to the European Council Conclusions.

In terms of its overall narrative, the Strategic Agenda states that the EU finds itself in a "moment of political renewal" and that it is the "right time to set out what we want the Union to focus on". It argues that the first purpose of the Union's work must be "to equip our societies for the future" and "to foster confidence".

In terms of policy content, the Strategic Agenda is – as expected – a balanced document reflecting the individual interests and basic orientations of the EU 28. It includes no detailed programme but provides a rather general framework with plenty of room for manoeuvre in the years to come. In line with aforementioned basic narrative, the Union should – according to the Agenda – put emphasis on "concrete results" in the following five fields, while respecting the principles of subsidiarity and proportionality:

- 1) *A Union of jobs, growth and competitiveness* by fully exploiting the potential of the single market, promoting a climate of entrepreneurship and job creation, investing and preparing Europe's economies, reinforcing the EU's global attractiveness, and making EMU more solid and resilient.
- 2) *A Union that empowers and protects all citizens* by helping to develop skills and unlock talents, guaranteeing fairness by combatting tax evasion/fraud and helping to ensure that societies have safety nets in place to accompany change and reverse inequalities.
- 3) *Towards an Energy Union with a forward-looking climate policy* by focusing on affordable, secure and green energy.
- 4) *A Union of freedom, security and justice* aiming to better manage migration, prevent and combat crime and terrorism and improve judicial cooperation.
- 5) *The Union as a strong global actor* aspiring to maximise the Union's clout, to be a strong partner in the EU's neighbourhood, engage global strategic partners, and develop security and defence cooperation.

### **...and four immediate and potential long-term consequences**

Besides the concrete decisions taken during the Summit, one needs to analyse the more immediate and potential long-term consequences of recent developments. Four following four points seem particularly significant:

#### **(1) Increasing politicization and no return to a status quo ante**

The nomination of Jean-Claude Juncker by the European Council, which reflected the fact that the EPP had – in relative terms – won the EP elections and that all major European political parties had decided to nominate 'Spitzenkandidaten', as

well as the increased personalisation of European politics are clear indications for a progressing *sui generis* politicisation, which follows its own logic and not the traditional mode of political processes at national level.

Yes, the process of politicisation bears some risks. It has the potential to *inter alia* (i) weaken the EP's scrutiny role *vis-à-vis* the Commission, (ii) jeopardise the role of the Commission as an honest broker and independent 'guardian of the Treaties', (iii) create wrong expectations about the role and powers of EU institutions and here especially regarding the competences of the Commission; and (iv) negatively affect the ties between member states governments (as well as parliaments) and the Commission (President) as national capitals feel that the candidate was 'imposed' on them and that they have lost control of the process, which is now dominated much more than in the past by the EP.

However, the genie is long out of the bottle and it makes no sense to try and force it back in. The Commission is already a 'politicised institution', and 'bureaucratic independence' is a myth, which – for better or for worse – does not reflect reality. For example, the policy reactions to the euro area crisis adopted by the Brussels' executive, guided by a strong emphasis on fiscal consolidation and structural reforms, showed that the Commission followed and implemented a line of thinking going far beyond that of a purely 'technocratic apparatus'.

Decisions taken collectively in Brussels and Strasbourg increasingly affect the lives of Europe's citizens, it should thus come as no surprise that doubts on, and calls for, more 'democratic legitimacy' at EU level have become even more prominent in recent years. That a vast majority of EU leaders, many of whom were critical of the *Spitzenkandidaten* process, decided in the end to opt and even vote for Juncker shows that they had to respect the democratic outcome of the May 2014 elections and the fact that the EP would have not accepted the nomination of any other candidate.

Although many EU governments – not only those of the UK and Hungary – publicly or behind closed doors criticise the fact that they have lost control over the (s)election of the Commission President, there is no return to a *status quo ante*. However, the process needs further elaboration. It thus makes sense that the Summit Conclusions announce that the European Council will for the future "consider the process for the appointment" of the Commission President while "respecting the European Treaties".

However, the political links between the nomination of lead candidates, the outcome of EP elections and the effects of both on the (s)election of future Commission presidents are here to stay. Everyone needs to accept that the EU will and should not move back to a purely 'secretive horse-trading' in the European Council behind closed doors.

There is also a need to accept that the entire procedure has by no means been perfect, which comes as no surprise considering that it has been the product of an uncoordinated and conceptually half-baked process. In many ways, the nomination of *Spitzenkandidaten* has been a 'political experiment', which should not be prematurely judged in a static fashion after the 2014 EP elections. The nomination of lead candidates and the consequences deriving from it for the Union's political system are, and will continue to be part of a dynamic process, which will further develop in the course of future European elections.

Following the experience of 2014, all actors involved – European and national political parties, the EP, national governments and parliaments, and also those who organised public debates with the *Spitzenkandidaten* – will have to individually and collectively sit down and critically evaluate the results of the 'first experiment'. The Greens will have to ask themselves whether their primaries was a success and how they could in future attract more than 20.000 European citizens. The EPP needs to analyse whether the nomination of Jean-Claude Juncker came too late. European political groups in the EP will have to reflect whether it makes sense that the Parliament will in future (always) support the relative winner of EP elections. European political party families will also have to discuss why it was so difficult for their lead candidates to convey a convincing, coherent and politically attractive message to the electorates in different member states. National parties will have to re-think as to whether and how it makes sense to engage the *Spitzenkandidaten* in their national campaigns. Some national parties, who are not part of major European political parties (like e.g. the British Tories), will have to reconsider whether it might be wiser for them to (re-)join in order to increase their chances of influencing the nomination of future lead candidates. All member state governments and parliaments have to contemplate how they will deal with the circumstance that the links between lead candidates, election outcomes and the (s)election of the Commission are likely to stay or even increase in 2019, 2024 and thereafter.

## ***(2) Wake-up call for EU governments and uncertain outcome of a 'new normality'***

The outcome and consequences of the 2014 European elections have in many ways been a wake-up call for EU governments. Not only in the widely discussed sense that many citizens showed their discontent with the current state of the Union and with national political elites, by voting in favour of 'anti-forces' on the left and right. The EP elections and the subsequent nomination of the Commission President have been also another kind of wake-up call for national capitals: namely, that the European Parliament has – according to their perspective – imposed on them the choice of who will become head of the 'Brussels' executive'.

At the end of the day, many EU leaders felt they had to 'accept' that the majority in the EP would have not consented to any other candidate. For many in the member states this was a 'coup' they could not prevent. Now, there are good reasons to argue that the reality is more complicated than that. First and foremost, many of those criticising the process were themselves involved when their European political party families nominated 'their' lead candidate, so they should have been aware of the potential consequences of their action.

Independent of how one evaluates the process, it seems that national governments and parliaments will be (even more) inclined to prevent what they consider an unjustifiable shift of power to the European level. The fact that EU leaders were eager to elaborate and agree on a Strategic Agenda for the next political-institutional cycle, which shall in the words of the Summit Conclusions "guide the institutions in the annual and multiannual programming as well as in legislative planning", is merely a first indication that governments (and parliaments) will be (even more) eager to 'keep control' of EU affairs. Other actions motivated by the same reasons are likely to follow.

Following the events of recent weeks, EU member states will most likely be particularly wary regarding the role of the EP and the 'coalition building' between the Parliament and the new Commission (President). All this is happening, while the appreciation for the EP had been already damaged in many member states and while the calls for an increased role of national parliaments are strong. It is no coincidence that the Strategic Agenda states that the credibility of the Union "will also benefit from closer involvement of national parliaments". At the end of the day, those who have called the nomination process of the next head of the Brussels executive a "democratic victory" for the European Parliament might have to reconsider their assessment.

All this is happening while the EU is still in the process of defining a 'new institutional normality' after the Union has moved from 'crisis mode' to 'normal mode'. This 'new normality' will be different from the one before 2010, i.e. before the euro area crisis and before the entry into force of the Lisbon Treaty. It is not clear how the inter-institutional balance between the (European) Council, the Parliament and the Commission and how the relationship between the different levels of governance will develop in the years to come. But what is clearly unfortunate is that many in Brussels/Strasbourg and in national capitals perceive the 'institutional contest' as a zero-sum game – a perception that has the potential to harm the efficient and effective functioning of the EU.

## ***(3) Negative prospects for the relationship between London and Brussels***

The nomination of Jean-Claude Juncker against the vote of the British government and the way in which Prime Minister Cameron has confronted the issue over the past few weeks are likely to further complicate and maybe even deteriorate the relationship between London and Brussels.

Guided by the strategic concern to keep the UK in the Union, London's EU partners – led first and foremost by Chancellor Merkel – have in recent years been ready to accommodate specific British interests and concerns. But it seems that this approach is reaching its limits as Prime Minister Cameron, who acts under severe pressure from his own party and influential parts of the British media, is increasingly isolating himself at European level. The fact that at this Summit he compelled his fellow heads of state and government to have an unprecedented vote on the nomination of the next Commission President is merely the latest example of a process that started years ago, when Cameron opposed a limited amendment of the EU Treaties against all other EU governments or when London complicated a final deal on the multi-annual financial framework.



At home, the British Prime Minister is portraying himself as a leader defending the interests of the UK in and against 'Brussels'. In his press conference after the end of the Summit David Cameron said that by voting against the nomination he wanted to demonstrate that he was "deadly serious" in his opposition to Jean-Claude Juncker, whom he believes lacks the will and skills to overhaul the EU, and that his colleagues in the European Council know that he is "deadly serious about EU reform". Having said all that, he also declared that the UK must accept the result and that Britain will now "work with the Commission President, as we always do, to secure our national interest."

But despite all his determination, Cameron's actions weaken his position both at national and European levels. In the UK, he is not able to exit a vicious circle in which those who oppose the Union and ask for a resettlement of the relationship between the UK and the EU are increasingly putting Cameron under pressure to fight the battle against 'Brussels'. And all this is happening while the voices of those advocating an EU exit – led by the leader of UKIP Nigel Farage – are gaining attention and support.

At the European level, the patience in many national capitals and in EU institutions with London seems to be running out. Yes, EU leaders agreed to add a paragraph to the Summit Conclusions stating that the UK "raised some concerns" related to the EU's future development which "need to be addressed" and that the "concept of ever closer union allows for different paths of integration or different countries". But in spite of such concessions, the voices of those arguing that the EU could "do without the UK" are increasing and getting louder in public and behind closed doors.

Most European partners still believe that a deterioration of the relationship with London or let alone an exit of the country from the Union should be avoided, as it would not be in the interest neither of the EU nor the UK. However, the chances of a 'political accident' are increasing, i.e. that a majority of British voters might opt in an in/out referendum in favour of the UK leaving the Union. Prime Minister Cameron wants the UK to stay in the EU, but it seems less and less likely that he will achieve the 'deal' he wants, or needs, to keep Britain in the club. The logic of reforming the EU, holding a referendum and recommending British voters to decide in favour of staying in a reformed Union seems increasingly unlikely to materialise. Other member states are not ready/willing to change the EU Treaties (see also next point) and have found other ways to further deepen cooperation, for instance through intergovernmental treaties/agreements, also as there is a fear that London might ask for too much in exchange for its 'yes' to a revision of the Treaties.

As a consequence of all that, the EU and the UK seem to be moving towards an impasse. The UK Government is not achieving its objectives, London is increasingly isolated and the ongoing controversy has further complicated the relationship between the UK and Germany, a key ally of London. The relationship had been already under strain by the fact that the German Eurosceptic party, the Alternative für Deutschland, which are direct opponents of Chancellor Merkel's own party, were able to join the European Conservatives and Reformist group in the EP. In the end, all this increases the possibility of '[Brexit](#)', which would be costly for the EU but far more costly for the UK.

#### ***(4) Consolidation likely to remain the 'mood of the day'***

The Strategic Agenda, which reflects the different interests and basic orientations in the EU 28, is yet another indication that 'consolidation' seems to be the predominant 'mood of the day' in a vast majority of member states. The document adopted by the heads of state and government aims to demonstrate that the EU and its members will concentrate on implementation and delivery in those areas in which the Union's action can "make a difference". This approach makes sense, if one considers that the EU and its members need to demonstrate to citizens the future added value of European integration. But it also indicates that EU governments are not ready to go much beyond the current state of integration.

The Strategic Agenda reflects the predominant attitude in national capitals that the EU should concentrate on delivery and – at least at this point in time – steer free of overambitious attempts to substantially deepen cooperation. The dominant logic is characterised by the notion that the EU and its members have, under pressure from the crisis, achieved a lot over the past years and that the worst of the crisis seems to be behind us – at least in systemic terms, as the danger of a euro implosion has receded.

According to this line of thinking, structural reforms and innovations, especially at national level must continue. But any attempts to go much beyond the current level of integration could backfire given the negative political and public attitudes in many countries towards the EU. There is thus a need to concentrate on concrete results and not on new rounds of institutional reforms. In more specific terms, the political appetite to go much further with respect to the creation of a so-called “Genuine Economic and Monetary Union” has declined substantially. Key proposals included in the Commission’s blueprint (2012) or the ‘four Presidents’ report’ (2012) are not on the table and not included in the Strategic Agenda, which only marginally notes the need to make EMU “more solid and resilient”.

The outcome of the 2014 EP elections and the success of ‘anti-forces’ seems to have strengthened the assessment that now is not the right time for major European initiatives, especially if these would require a substantial reform of EU Treaties. The fear of opening Pandora’s box in the framework of another Convention; the fear of governments ‘losing control’ of the reform process in the context of yet another Convention exercise; the fear of high ‘consensus costs’ among 28 member states; and the fear of ratification failures in national parliaments or referenda – prohibit bolder steps.

There are many rational and comprehensible arguments to follow the logic of consolidation. But is this path sufficient when there is a risk of history repeating itself? When the euro was conceptualised and introduced, experts and decision-makers knew that its construction was by no means perfect. But political realities at the time did not ‘allow’ governments to introduce additional key elements to complete the construction of EMU. Ten years later, when the euro left calm waters and faced its first major storm, the EU, member states and citizens collectively and individually felt the severe consequences of the inability to complete the euro construction. Experience shows that European cooperation progresses when the immediate pressures are strong. But even if the today’s overall situation looks better than in 2012, should Europeans risk asking themselves five, ten, or twenty years down the road why they stopped halfway when they should have been aware of the potential dangers?

It goes without saying, that the EU and its members face numerous internal and external risks. But there is one strategic challenge, which seems more profound and precarious than others: the challenge of fragmentation in its different dimensions: (i) *fragmentation between the EU and its citizens* as Europeans are turning their back on the EU; (ii) *economic fragmentation between member states* resulting from an increasing divergence between Europe’s economies; (iii) *fragmentation between states and even national societies* evidenced by a resurgence of national stereotypes, historical resentments and a harmful blame game; and (iv) *social and political fragmentation within member states* manifested in an increasing divide between the ‘haves’ and ‘haves-less’ and a substantial loss of trust in political elites and their ability to manage current and future challenges.

All these forms of fragmentation have one thing in common: they provide fertile ground for populist anti-EU/euro forces to present simple answers to complex problems. And although these ‘anti-forces’ are not able to present persuasive and sustainable alternatives, they have done well in many member states in the 2014 EP elections.

It will be the key task of the EU’s next leadership to identify and implement – together with national capitals – ways how to effectively counter the manifold sources of economic, social and political fragmentation between and within EU member states. Taking into account the prevailing sense of complacency, national navel-gazing and risk-aversion in many EU countries, this will be no easy undertaking in the political-institutional cycle ahead of us.

### **Strategic guidelines for the Area of Freedom, Security and Justice – unnoticed, pragmatic, balanced, and flexible**

Widely unnoticed by the public and the media, a large part of the European Council Conclusions are devoted to the definition of the Post-Stockholm strategic guidelines for legislative and operational planning in the coming years within the Area of Freedom, Security and Justice.

The guidelines adopted by the heads of state and government move away from previous lengthy programmes, although they address all major fields: fundamental rights, legal migration, forced migration, asylum policy, border protection, organised crime and corruption, and issues related to the area of justice. EU leaders do not present any new ground-breaking policy initiatives and the general approach underlying the guidelines is rather pragmatic, underlining the need to

“consistently transpose” and to “effectively implement and consolidate” the legal instruments and policy measures already in place. In the words of Herman Van Rompuy at the final press conference: “Overall, our message is one of consolidation of the work in progress, and there are several important policies where we want to see more – for instance on cooperation with third countries on migration and asylum, or cross-border judicial cooperation.”

As expected, the guidelines are a balanced document reflecting both the different interests of member states and the need to balance between, on the one hand, security-related concerns linked to, for example, organised crime and the negative effects of irregular migration, and, on the other, the opportunities and benefits deriving from immigration and the free movement of people. With respect to the latter, and reflecting the negative discourse in many member states regarding the free movement of people, EU leaders recall that the right of citizens to move freely and reside and work in other countries needs to be protected as one of the “fundamental freedoms of the European Union”.

The strategic guidelines reflect the interests and concerns of countries particularly affected by increasing pressures on their borders, such as Bulgaria, Greece, Italy, Malta, or Spain. They call for a European asylum policy “based on solidarity”, the reinforcement of the operational assistance through Frontex to member states facing strong pressures, or the implementation of actions identified by the so-called Task Force Mediterranean, which highlight the need for solidarity with EU countries confronted with high migration pressures.

However, the European Council Conclusions do not define clear political orientations in this respect and do not mention any new major initiatives or the provision of additional financial support for EU countries in Europe’s southern/south-eastern periphery. In more concrete terms, the guidelines, for instance, do not take up calls from Italy to integrate into the EU framework the country’s Mare Nostrum initiative, which is a patrolling and search and rescue programme in the Mediterranean, saving thousands of lives over the past months.

What is very positive is the fact that the guidelines highlight the need to connect the dots between different internal and external policies related to the challenges in the Area of Freedom, Security and Justice. The document, for example, states that migration must become a “much stronger integral part” of the Union’s external and development policies, which should be reflected in the cooperation between EU institutions and bodies. In this respect, it will be interesting to see whether the need to link different aspects of mobility to and within the Union will be reflected in the structure of the new Commission. The latter could be accomplished through the creation of a ‘[mobility cluster](#)’ led by a Vice-President coordinating the work of Commissioners dealing with different portfolios related to each other.

With the adoption of the strategic legislative and operational guidelines, at a time when the Barroso II Commission is in ‘outgoing mode’ and the new European Parliament just elected, the European Council has demonstrated its willingness to [put its footprint on the respective policy fields](#). The European Council calls on the EU institutions and the member states to ensure the appropriate legislative and operational follow-up to these guidelines and will hold a mid-term review in 2017.

While the strategic guidelines and the provisions regarding *A Union of freedom, security and justice* included in the Strategic Agenda will frame the actions of the next Commission, the Brussels’ executive will still have enough room of manoeuvre to develop and initiate concrete policy proposals – provided that the new college and its President will dare to do so and find support in national capitals.

### **New energy and climate framework – still awaiting concrete decisions in October**

Regarding energy and climate the heads of state and government did not take any concrete policy decisions. The European Council took stock of progress made and the Summit Conclusions merely stress the importance to swiftly develop the key elements of the future climate and energy framework in order to reach a final decision at the October EU Summit.

With respect to **energy**, EU leaders welcomed the Commission’s communication on a European Energy Security Strategy (EESS) published at the end of May. Following the tensions with Russia over Ukraine and in an effort to enhance Europe’s energy security, the rather detailed Strategy advocates a number of elements: (i) a diversification of external energy supplies by seeking ties to new partner countries and supply routes; (ii) an upgrade of Europe’s energy infrastructure by



building missing critical infrastructure links (the Commission has identified 33 infrastructure projects); (iii) a completion of the Union's internal energy market by the end of 2014; (iv) a strengthening of emergency and solidarity mechanisms; (v) an increase of indigenous energy production including further deployment of renewables and "sustainable production" of fossil fuels; (vi) increased efforts to save energy; and (vii) improving coordination of national energy policies and speaking with one voice in external energy policy.

To ensure uninterrupted energy supplies, the Commission also proposes "comprehensive risk assessments" (stress tests) conducted on the regional or EU level by simulating a disruption of the gas supply in order to check how the energy system can cope with security of supply risks and based on that develop emergency plans and create back-up mechanisms. Such mechanisms could – according to the Commission – include gas stocks, decreasing gas demand via fuel-switching, developing emergency infrastructure like, for example, completing reverse flow possibilities and pooling parts of the existing energy security stocks.

In an effort to reduce Europe's high energy dependency and support the immediate implementation of a set of urgent measures to strengthen Europe's resilience and increase its energy security in the short term, the Summit Conclusions mention four particular elements: (i) to reinforce existing emergency and solidarity mechanisms to address the risk of short-term supply disruption in the most vulnerable member states; (ii) to pursue "relevant energy infrastructure investments" (without specifying which); (iii) to engage with international partners to reduce the risk of disruption of natural gas supplies; and (iv) to reinforce the establishment of an [Energy Community](#), which aims to expand the Union's energy *acquis* to enlargement and neighbourhood countries. In view of the October Summit, the European Council asks the Council to further analyse other medium to long-term measures to enhance the Union's energy security on the basis of the Commission's EESS.

The spirit of recent months, the elaboration of the EESS and the results of the Summit clearly indicate that EU governments are much more determined than in the past to reduce energy dependence, which comes as no surprise given the Ukrainian crisis and the challenges it poses to Europe's energy security. Russia provides around 30% of the EU's natural gas and is its main supplier of crude oil (around 35%). Within the Union, Germany is the largest importer of Russian gas and some EU countries – including the Baltic States, Bulgaria and Finland – import almost all their gas from Russia.

In recent years, the EU and its members have taken a number of steps to promote energy security and reduce dependence on individual suppliers. The Union's gas network has become more integrated, the installation of interconnectors has progressed and reverse-flow technology, which allows gas to be transported in the other direction, has been extended. However, progress has been slow and much more needs to be done, given that despite all these efforts, EU energy imports increased from 63.4% in 2009 to 65.8% in 2012 (Eurostat) and the EU's dependence on energy imports is predicted to grow still further given the expected decline of European gas resources.

The Summit Conclusions reflect the need to enhance Europe's energy security. However, no concrete results have been adopted, as the European Council will take a final decision on the new energy and climate framework "no later than October 2014". But the chances of EU leaders taking a decision at that point in time seem high given the external pressures resulting from the 'political standoff' with Russia.

With respect to **climate policy** and the goal of reaching a compromise among member states regarding the reduction of greenhouse gas emissions in preparation for the December 2015 Global Climate Conference in Paris, EU leaders at this point in time not did reach a compromise on the 2030 climate goals.

Earlier this year, the Commission had proposed to set a target for 2030 of reducing emissions by 40% from 1990 levels (up a 20% reduction by 2020). The Brussels executive wanted a political decision from EU governments already in June, so that the Union could go to the next United Nations summit in September with a joint position and thus spur other global powers to put forward their commitments to increase the chances of a successful outcome of the international climate negotiations in Paris.

But the issue continues to split the EU into different camps. A number of eastern European countries – including Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovakia – are worried about both the timeline and the overall target. This is why they had earlier in the year asked for a fair burden sharing between the EU-28 based on national impact assessments. Only then would they agree on specific targets and dates.

Other member states – including Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Slovenia, Spain, Sweden, Portugal, and the UK – actively support the Commission’s proposal and wanted a quicker agreement among EU governments. The so-called “Green Growth Group” also supports an EU-wide commitment to a renewable energy target of 27% (up from an expected share in 2020 of 21%).

### **Europe’s economy – European Semester and ways to improve the implementation rate**

Contrary to many EU Summits in recent years, the heads of state and government did not devote much attention to economic issues. However, EU leaders concluded the 2014 European Semester and had a first discussion in the European Council regarding more flexibility regarding the implementation of the Stability and Growth Pact while respecting existing fiscal rules.

With respect to the overall state of Europe’s economy the Summit Conclusions argue that the “recent signs of economic recovery are encouraging” and that the efforts of member states and EU institutions are bearing fruit as growth has “started to return”. At the same time, the Conclusions highlight that (youth) unemployment remains at “unprecedented and unacceptable levels”, that “poverty and social exclusion remain major concerns” and that the “recovery remains fragile and uneven”. While EU leaders did not present any new concrete economic initiatives they call for “increased action” to (i) reduce the tax wedge on labour, (ii) reform product and services markets and public administrations, (iii) improve the business and RDI environment, (iv) facilitate access to finance, (v) enhance the functioning of network industries, and (v) reform education systems.

The heads of states and governments officially concluded the fourth European Semester by endorsing the 2014 country-specific recommendations (CSR), which address 26 member states, excluding Greece and Cyprus as these countries are implementing more concrete and detailed economic adjustment programmes. EU leaders hold that the implementation of CSRs is key to accelerate growth. They call on the member states, i.e. on their own governments and parliaments, to respect the recommendations in their forthcoming decisions on budgets, structural reforms and employment and social policies. The Council and Commission will – according to the Summit Conclusions – further monitor CSR implementation and take action as required.

However, the experience of past years has repeatedly shown that the implementation rate of country-specific recommendations is low in almost all EU countries. In case of domestic opposition, member states are reluctant to translate the Commission’s economic recommendations – to which they have agreed to at European level – into practice and a number of EU governments have publicly criticised ‘Brussels’ for dictating them what to do.

The main advantage of the European Semester exercise is to reveal structural macroeconomic deficits in the member states and to, at least in some instances, help trigger a debate about what needs to be done at national level. A prominent recent case has been Germany, where leading representatives of the social democrats (SPD) picked up calls by the Commission to reduce the country’s trade surplus and to stimulate domestic demand, which fostered the debate about Berlin’s macroeconomic policies. However, in most cases the CSRs are not widely noticed and end up in the drawers of national public administrations, despite all the time and energy invested at both the national and European level.

As member states in the final instance cannot be forced to implement reforms against their will, there is a need to think of more innovative ways to foster the implementation of country-specific recommendations. Past experience shows that neither a simple reliance on peer pressure nor fines and sanctions will ‘do the trick’. The most promising ways forward could be twofold:

First, to link the implementation of structural reforms to more flexibility regarding the application of the Stability and Growth Pact. Following extensive pressure from a number of socialists/social democratic EU governments, led by the Italian Prime Minister Matteo Renzi and the French government, which are supported by the German social democrats (SPD), EU leaders have at the Summit agreed to explore the possibility of exploiting the fiscal flexibility provided by the Stability and Growth Pact and the rules enshrined in the Six Pack and Two Pack.

EU leaders have not taken any concrete decisions. The Summit Conclusions call on the Commission to report to the EP and the Council on the application of the EU governance framework by 14 December 2014. While the details and potential effects are not clear, it seems rather likely that those strongly defending the need to continue a strict path towards fiscal consolidation (led by Germany, the Netherlands and Finland) and those advocating a more flexible interpretation of the application of fiscal rules will, at the end of the day, find a compromise.

While nobody has asked for a revision of the Stability and Growth Pact, which would require treaty change, the language used in the Summit Conclusions already indicates the overall direction of a potential compromise. The document states that structural reforms that “enhance growth and improve fiscal sustainability” should be given “particular attention”, including through an “appropriate assessment of fiscal measures and structural reforms”, while making “best use of the flexibility that it built into the existing Stability and Growth Pact rules”. In her press conference after the Summit, Chancellor Merkel noted that the Commission already has sufficient flexibility to interpret the rules of the Pact.

Second, another way to improve the implementation rate of reforms proposed in the framework of the European Semester is to provide ‘carrots’ (not sticks!) by offering **targeted financial incentives** to member states ready to implement reforms included in the country-specific recommendations. In this context and although lengthy discussions between sherpas have not led to concrete results, it makes sense to restart the debate about some form of “competition pact” or “contractual arrangements” between individual member states and EU institutions supported by financial means coming from a new fiscal capacity and/or the European Investment Bank.

### **Other items – Lithuania, Albania, Association Agreements, Ukraine, and Maritime Security Strategy**

Besides the aforementioned main issues on the agenda EU leaders took also a number of decisions regarding the following **five other issues**.

EU leaders congratulated **Lithuania** on the convergence it has achieved and endorsed the Commission’s proposal that the country shall adopt the euro on 1 January 2015 thus becoming the 19<sup>th</sup> member of the euro area.

The European Council endorsed also the Council conclusions on **Albania** thereby granting the country the **status of a candidate country**. It is not clear when accession negotiations will start and the EU has in particular called on the country to reform its public administration and judiciary, fight against organised crime and corruption, improve the protection of human rights and anti-discrimination policies, and implement property rights.

At a ceremony in the morning of Day 2 of the Summit EU leaders signed the **Association Agreements** between the EU and **Georgia, Republic of Moldova and Ukraine**. Stronger economic and political ties, enshrined in the most far-reaching bilateral agreements the EU ever entered into, underline the attempt to move these countries closer to the European Union, while at the same time taking into account the interests of Russia. In the words of President Van Rompuy at the signing ceremony: “there is nothing in these agreements, nor in the European Union’s approach, that might harm Russia in any way.”

After the signing ceremony, EU leaders had an **exchange with** the newly elected President of Ukraine, **Boris Poroshenko** and gave their **strong support to the peace plan** announced by the new Ukrainian President in the week before the Summit. EU leaders urge the Russian Federation to “actively use its influence” and to stop the flow of weapons and militants across the Ukrainian-Russian border. Increasing pressure on the Kremlin, EU leaders announced that they would intensify sanctions against Moscow if the following steps are not taken within days (30 June): (i) agreement on a verification mechanism, monitored by the OSCE, for the cease-fire and for the effective control of the border; (ii) return of three border

checkpoints to the Ukrainian authorities; (iii) release of hostages including all OSCE observers; and (iv) launch of substantial negotiations on the implementation of President Poroshenko's peace plan. EU leaders asked the Council to assess the situation and adopt necessary decisions if required.

Following the mandate by EU leaders from last December, the European Council also endorsed a [European Union Maritime Security Strategy](#), which defines four guiding principles to address maritime security: a *cross-sectoral approach* linking national civilian and military players to EU bodies and industry; *functional* integrity via 'bureaucracy free' approach capitalising on existing European structures, regulations and funding; *respect for rules and principles* of sea governance; and *maritime multilateralism* as the guiding principle of EU's engagement with international partners and organisations.

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