

CHALLENGE EUROPE

Yes, we should!

**EU priorities
for 2019-2024**

OUR
FUTURE

IN
YOUR
HANDS

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Re-unite EUrope – A shared Leitmotiv for the next EU leadership

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MAIN RECOMMENDATION ▶ Introduce a new, shared *Leitmotiv* that will help to 'Re-unite EUrope' at both the European and national level.

WHAT TO DO:

- ▶ Need for a win-win package deal to counter fragmentation and distrust.
 - ▶ Counter polarisation within EU countries.
 - ▶ Allow for more differentiation but no 'core Europe'.
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As the European Union (EU) is entering a new politico-institutional cycle, it is the right moment to take a step back and reflect on the current state of and prospects for European integration. The EU's record over the past decade is somewhat mixed and it is highly difficult to predict its future path given the many uncertainties inside and outside Europe. One thing that is certain is that the Union and its members will face two fundamental, structural challenges in the coming years: a high degree of fragmentation between countries and a high level of polarisation within national societies. To counter these challenges, which will strongly affect the ability of EU institutions and member states to deal with future internal as well as external turbulences, the Union's new leadership should follow a shared Leitmotiv aiming to help *Re-unite EUrope* at both the European and national level.

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State of the Union – A tale of two narratives

At the end of the current cycle, one can tell two very different narratives about the state of the Union. Both accounts are valid, and it is unclear which path the EU will take in future.

On the one side, there is a positive and optimistic view of the state of affairs, characterised by the following features:

- ▶ High level of resilience: despite all the turmoil of recent years, the EU has survived multiple crises since 2008 and has been able to resist the many forces of disintegration pulling at the Union and its members since 2008. Many prophets of doom predicted the Union's collapse – they have been proved wrong on each and every occasion.

- ▶ Long-standing positive economic development: the EU and the euro area have collectively witnessed more than five years of continuous economic growth. This growth is less credit-fuelled and thus more sustainable compared to the period before the outbreak of the financial and economic crisis – although the exceptional countermeasures taken by governments and central banks could still backfire and fuel an economic downturn or another financial crisis.

- ▶ Substantial reforms and progress: the EU and its members have achieved progress that would have been unfeasible before the onset of the poly-crisis. Yes, the responses have often been slow, insufficient and sometimes ill-advised. But the EU and its members have individually and collectively made remarkable progress and, at times, painful adjustments in response to the severe challenges they faced in the past decade.

- ▶ High degree of unity: the EU has, on many occasions in recent years, been remarkably united. This is particularly true in the case of Brexit, with respect to maintaining consensus on the economic sanctions against Russia, or regarding the Union's collective response to President Trump, where the Union has delivered a unified message to the rest of the world that it is ready to defend the rules-based multilateral system. All this was by no means a given.

- ▶ Increasing public support: a growing number of citizens are in favour of their country's EU membership. People believe that the 'costs of non-Europe' would be very high and a clear majority wants their country to remain in the EU and the euro – and their numbers have grown since the Brexit vote in 2016. Nobody wants to move towards a cliff edge without a parachute.

All the above points are a testament to the Union's positive track record in recent years. However, this is only one side of the coin. There is also a much more negative and gloomier story characterised by another set of key features:

- ▶ Fragmentation and distrust: first and foremost, the levels of fragmentation and distrust have in the past decade increased significantly among member states and between national capitals and 'Brussels'. This is not a new phenomenon. But it is increasingly becoming a core element of Europe's integration narrative. The notion is spreading that the Union is not able to overcome the structural differences and fundamental schisms dividing EU countries and citizens. Mutual accusations of a lack of solidarity have deepened the divisions and eroded trust among member states.

European integration is no longer perceived as a win-win exercise from which all EU countries and their citizens profit. There are serious doubts about the Union's added value, with a palpable feeling in many countries that European integration is no longer a positive-sum project. These divisions do not only affect political elites, but also societies as a whole, with an unprecedented resurgence of national stereotyping, historical resentments and a damaging blame game. This is clearly one of the biggest collateral damages caused by the poly-crisis – and it will haunt the EU and its member for years to come.

► **Inability to achieve structural reforms in key areas:** the EU27 has not been able to make sufficient progress in crucial areas of integration. In late 2017, there was hope that the sense of optimism that had spread after the French and German elections would spark new reform momentum. Some thought the time had come to “re-energise Europe”. But the EU27 were not able to exploit that window of opportunity. Nobody knows when it will re-open. As a result, the EU runs the risk that its defences will be too weak to weather future storms – and new turbulences will occur, although we do not know when, where and how they will hit us.

► Living on ‘different planets’: policymakers, experts and the wider public assess the state of the Union and the root causes, nature and gravity of the multiple crises the EU and its members have faced in very different ways. At times, it seems as if Europeans are almost ‘living on different planets’: they do not share the same analysis, let alone agree on the remedy. This widening divergence of perceptions makes it much harder to forge compromises and implement joint actions and structural reforms.

► High degree of economic divergence and rising inequalities: there is a widening economic gap between and within EU countries. While some countries have managed to weather the financial and economic storm, many others are still struggling. Living standards and social conditions vary significantly across Europe, both between and within countries. Real and perceived social divisions have widened. There is a growing sense of social injustice, which has fuelled indignation, despair and even anger in many parts of society. National societies are seeking a new socio-economic balance – but struggle to reach a new equilibrium, which in return has led to a high level of political and societal volatility in the EU27. All this undermines traditional social contracts and may even endanger social peace within countries and between generations (see also the piece by Claire Dhéret in this volume).

► Europe's uncertain global role: the Union and its members struggle to (re-)define Europe's role in a more challenging

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international environment. It is unclear whether the EU will be willing and able to play in the top league of global shaping powers. Major power shifts are under way and there is a serious risk that Sino-American competition will emerge as one of the main features of international affairs, with Europeans and others exposed to the shockwaves (see the contribution of Giovanni Grevi). There is a growing sense of urgency and awareness that Europeans have to assume more responsibility for their own security both at the regional and global level. But despite all the commitments expressed in public speeches, strategy papers and joint communiqués, the EU27 struggle to fulfil the expectations they have raised with respect to the Union's future role as a comprehensive and credible security provider. Sunday speeches are not met in Monday's reality.

► Persistent threats to liberal democracy and the rule of law: last but certainly not least, authoritarian populists are threatening or even actively undermining the fundamental pillars of our open, liberal democracies. Illiberal democracy has been on the rise for some time and the 'populist surge' continues in many EU countries. But this is not just a European phenomenon, and there is much more at stake than the EU – it is about the future of our societies and democracies.

The Union is much more vulnerable than other political entities given that it is not as consolidated as mature nation states. Like any other organisation, the EU is not perfect, and it is a sign of increasing maturity that today's Union is being scrutinised much more than it was 20 or 30 years ago. But on many occasions, criticism towards the European project does not aim to move things forward constructively. The EU has become a popular punching bag, with many anti-EU, anti-euro and anti-migration forces using their opposition to the Union as a vehicle to achieve their ultimate objective: to strengthen their position at home. They

use fierce criticism of the EU to enhance their political influence and power at the national level.

But the underlying challenges are real: the populist surge did not come out of the blue, and it will stay with us for some time to come. It is the result of deeply rooted political, socio-economic, and societal challenges questioning the prevailing order. Populism is a phenomenon, and not the source of the problems facing open liberal democracies in Europe and beyond. Populists are successful when they can tap into people's grievances, insecurities and fears about the future, when citizens are deeply frustrated with those who have been in power, and when they are dissatisfied with the existing state of (representative) democracy (see also the contribution by Corina Stratulat and Paul Butcher in this volume).

Populists are most successful when societies are split, when they can exploit divisions by using an 'us versus them' logic in a strongly polarised political and societal environment. Polarisation is part of their political DNA, and they will do their utmost to nourish divisions within and between member states. They are dividers who actively oppose the notion of a pluralist society, portraying themselves as the champions and defenders of the 'ordinary, pure people' against the 'corrupt elite'. They want to establish 'homogeneous' societies and revert to 'national actions' to protect 'their people', although this makes no sense in a world that has long outstripped the confines of closed national frontiers. Their criticism of today's state of affairs often point in the right direction, but their proposed solutions are in most cases simplistic and flawed.

Battle of (split) camps

Both the positive and negative narrative are valid interpretations of the current state of the Union. The truth lies somewhere in the middle, and it is unclear which path the EU will follow in the next politico-institutional cycle. No doubt, today's situation is much better than it was at the height of the poly-crisis. But it is still not certain that the 'iron law' of European integration, i.e. that the EU always emerges stronger from a crisis, will prove itself again. The final verdict is still out, and future historians might eventually tell us that Europe's poly-crisis lasted much longer than we originally thought.

So, what will affect the Union's future direction, and which *Leitmotiv* (guiding principle and theme) should direct the next EU leadership in light of the above-described tale of two narratives and uncertainties ahead?

At the European level (and besides Brexit (see the piece by Larissa Brunner and Fabian Zuleeg)), the European Parliament (EP) elections dominated the first half of 2019. The second semester will focus on the (s)election of a new EU leadership and the need to agree on the Union's strategic agenda and priorities for the next five years. This will be no easy exercise.

In the run-up to the European elections, we have witnessed an increasing 'battle of (split) camps', which is likely to affect the Union in the years to come. On the one hand, there is a growing confrontation between those who wish to push Europe towards a more illiberal, nationalistic and closed direction and those who want to defend the values and principles of an open and pluralist society. On the other hand, there is also an escalating struggle within the liberal and illiberal camps that will not be resolved in the foreseeable future.

The homogeneity in the liberal camp is under pressure for three main reasons. First, its protagonists pursue different political strategies and recipes on how to deal with the so-called populists. Some want to ban and stigmatise the 'anti-forces', while others believe that the best way to cope with the 'populists' is to contain them by integrating them into the political machinery at national and/or European level. We already see both tactics at play, and it is not clear which will be more successful at the end of the day. Second, liberal forces disagree on the necessary policy responses at EU level to counter the populist phenomenon. Some, like President Macron, believe that EU countries should deepen integration in key areas (like EMU) to be able to defend the Union and its members from the 'populist threat'. But others in the liberal camp are much more cautious when it comes to a further pooling of sovereignty – they have even formed (negative) coalitions to prevent a further deepening. Third, we are witnessing an increasing clash within the liberal camp about who shall lead the political fight against the illiberal anti-forces. This split is not likely to disappear after the EP elections – it will rather increase the divisions in the liberal camp.

The illiberal camp is similarly split for a number of reasons. First, like on the liberal side, its protagonists quarrel over who should lead the charge for anti-EU, anti-euro and anti-migration forces. Matteo Salvini and Victor Órban are the two most prominent figures at European level. However, they follow different strategies vis-à-vis the 'old establishment' and neither wants to subordinate himself to the other. Second, these anti-forces subscribe to different policy recipes in key areas such as migration, especially concerning the solidarity dimension between member states. Third, their nationalistic focus is

another source of division. Their ‘my-country-comes-first’ attitude might strengthen them at home, but it makes it more difficult for them to form stable coalitions at European level, even though they know that they could collectively profit from a higher level of cooperation and strengthen their claim that they can change the EU from within if they do well in the EP elections.

This battle of (split) camps will further increase political divides in Europe. One cannot predict how this will affect actual policy choices in the years to come. What is certain is that the overall atmosphere between and within member states will not make EU business any easier in the next politico-institutional cycle, neither at the European nor the national level. Chances are high that it will amplify the level of fragmentation and distrust and thus limit the Union’s ability to come up with proactive policy responses to the manifold internal and external challenges the EU27 will face in the years to come.

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A shared Leitmotiv – Re-unite EUrope

But what does all this mean for the period after the EP elections? What should be the guiding principle when EU leaders define and implement the Union’s strategic agenda and future priorities for 2019-2024?

Two words should become the shared Leitmotiv of the next EU leadership: **Re-unite EUrope**.

There is a need to counter the increasing divisions between member states and the growing divisions within national societies. The level of fragmentation between member states, national capitals and national societies as well as the degree of polarisation within societies are already a cause for great concern, and chances are high that they will increase in the next politico-institutional cycle.

A collective commitment to Re-unite EUrope both at the EU and the national level should guide the ambitions and concrete work of the next (President of the) European Commission, the next President of the European Council, the next (President of the) European Parliament, and the next President of the European Central Bank. Cooperation between the next European Council and European Commission Presidents will be particularly important: continuous coordination and

collaboration across Rue de la Loi based on mutual trust and following a shared Leitmotiv in an increasingly divided Union will be crucial to progress at EU level (see also Poul Skytte Christoffersen's contribution in the present volume).

But agreeing on a shared Leitmotiv in abstract terms will not be enough. The ambition to Re-unite Europe needs to be reflected in the definition and implementation of the Union's strategic agenda and the Commission's strategic priorities for 2019-2024.

This is no simple exercise: there is no 'silver bullet', no one magic thing that can be done to counter the forces of fragmentation between member states and the forces of polarisation within countries. But three key elements could provide an overall sense of direction for the journey aiming to Re-unite Europe at different levels of policymaking:

► Need for a win-win package deal to counter fragmentation and distrust: Yes, the EU27 missed the last window of opportunity to re-energise Europe after the last French and German elections. However, the fact that things did not work out in 2017/2018 does not mean that one should not attempt to give it another try in the next politico-institutional cycle. The underlying logic will continue to apply: substantial progress in critical areas of European cooperation and integration will only be possible if EU institutions and national capitals have the political courage and will to elaborate and implement a win-win package deal.

Cooperation and compromises between Paris and Berlin will be decisive and indispensable in this respect – not against but with all those who are ready to form constructive reform coalitions. Obstructing a Franco-German understanding will be detrimental to the Union's future and is thus not in the interest of all those who say that they cherish and support European cooperation and integration.

For years now, the EU and its members are struggling to overcome blockages in crucial policy areas. Future attempts to reach significant compromises on EMU reform (see George Pagoulatos' contribution) or the future of EU migration and asylum policies (see Marie De Somer's and Evangelia (Lilian) Tsourdi's contribution) will only succeed if the EU27 can agree on an ambitious but pragmatic win-win package deal. A compromise that reflects the interests and considerations of all EU countries is necessary to (i) make the Union 'storm-proof', (ii) restore trust among member states and between national capitals and EU institutions, and (iii) (further) foster citizens' confidence in the Union. Aiming for a pro-active strategy is wiser than waiting for the eruption of another fundamental crisis to overcome national hesitations and reservations. Playing with fire is risky, especially if the collateral damage caused by previous crises still looms large.

► Counter polarisation within EU countries: The Union's next strategic agenda and the Commission's strategic priorities should reflect the aim to provide added value to counter the increasing polarisation within national societies. Divided societies are the fertile ground on which authoritarian populists thrive and they are already the source of many tensions or even crises at the national level, with adverse effects on the functioning of the Union.

To fight the danger of a more regressive, nationalistic, closed, illiberal and authoritarian Europe, the EU should address the fundamental factors fuelling the threats linked to an increasing polarisation of our societies. EU policies and the next Multiannual Financial Framework (MFF) (see Annika Hedberg's piece) should be guided by an ambition to help reduce the dividing lines between the (potential) 'winners and losers' of change in an age of massive transformation in all spheres of economic, social and political life.

To support this aim, the Union's strategic agenda and priorities should address the multiple insecurities felt by citizens:

- ▶ socio-economic insecurities and rising inequalities, with a growing number of people doubting that the economic benefits of globalisation are equally shared and believing they benefit only some privileged ranks of society (see Claire Dhéret's contribution);
- ▶ cultural and societal insecurities, with a growing number of people fearing that traditional values, norms and benefits are being eroded, prompting concerns about identity even among people who do not (fear to) feel the negative economic consequences of globalisation;
- ▶ generational insecurities, with a widening gap between generations in terms of current wealth and prospects as many young Europeans feel doomed to be part of a 'lost generation';
- ▶ technological insecurities, with large segments of society feeling that they are being left behind by technological developments and disruptions which they see as a risk rather than an opportunity from which they can profit in their personal and professional lives;
- ▶ and security insecurities linked to both internal and external threats related to terrorism, organized crime, regional instabilities (see Dimitar Benchev's piece), climate change, and increasing geopolitical tensions, especially in the EU's relationship with key strategic partners, including, first and foremost, the US and China (see Giovanni Grevi's contribution).

The next strategic agenda and priorities should aim to address all these insecurities to help counter the polarisation within the EU27. However, as long as the Union and its members are not willing and able to make a federal leap including, ultimately, treaty change (along the lines proposed in Andrew

Duff's contribution), one should not forget that the means to reduce the different sources of insecurity lie predominantly at the national level. It is thus primarily the responsibility of national actors to address them.

The EU certainly has a role to play in protecting its citizens from the above-listed insecurities, given the transnational character of the challenges facing Europe. However, the Union's next leadership team should be careful not to overburden the European level, given its limitations in terms of power, competences, and financial means – the Union must avoid falling into a 'capability-expectations trap'. The EU can provide added value in crucial areas, it can become "une Europe qui protégé" (see also Herman Van Rompuy's preface), but it cannot compensate for deficiencies at the national level, and it cannot, on its own, solve today's complex problems. The old narrative that what cannot be solved at the national level should be tackled at the European level needs to be refined, as this asks too much of an EU whose competences and powers remain constrained.

In the coming politico-institutional cycle, the Union should, therefore, concentrate on implementing initiatives in areas where it can make a tangible difference. It should listen and take the concerns expressed by European citizens seriously (see also the piece by Corina Stratulat and Paul Butcher). But the EU27 should apply a 'delivery filter' to scrutinise all new EU initiatives. It is not about 'less Europe', but rather about a more effective, realistic and credible EU. 'Gesture politics' – measures designed merely to show the EU is doing something – should be avoided, as a failure to actually implement policies raises valid criticism of the Union.

- ▶ More differentiation but no 'core Europe': progress at EU level will also in the coming years require a higher level of differentiated integration (see also Julian Rappold's contribution). Diverse groups of member states will have to intensify cooperation

in specific policy fields to move beyond the lowest common denominator. Enhanced collaboration in the defence field (within the framework of PESCO and beyond (see Jamie Shea's contribution)) or with respect to certain aspects of migration management must not always involve all EU countries; and further boosting the resilience of the euro will require deeper cooperation and integration among the countries that have already joined the common currency. Differentiation will also be necessary to tie non-EU countries closer to the Union beneath the level of full and unlimited EU membership while respecting the exclusive prerogatives of those who are members of the 'club'.

However, multiple speeds should be the exception, unity the rule. Higher levels of differentiated integration should not lead to the creation of a closed 'core Europe' (*Kerneuropa*) involving only a limited number of EU countries and actively excluding others. The establishment of an institutionalised 'two-tier' Europe with diverse classes of membership is neither likely nor desirable. It should not be the guiding principle steering the way towards a more differentiated Europe. It could fuel a deep rift in Europe between those who are part of the core and those who are not. For good reasons, differentiated integration has not, in the past, led to an institutionalised core, i.e. a small, coherent group of countries forming an exclusive avant-garde and distinguishing themselves from other member states.

Differentiation has been, is and will remain an indispensable feature of the European construction. At times, variable geometry has been and will be the only way forward. However, a higher level of differentiated integration is no magic potion and should not be considered an end in itself. It should instead be guided by functional and pragmatic needs, and the willingness of some to progress in specific areas to overcome stalemates in a bigger, more heterogeneous and more complex EU.

Europe's future will to a large extent depend on the ability of the European Union – including both its institutions and member states – to help counter the sources of fragmentation and polarisation which haunt it. That is why the EU's new leadership should follow a shared Leitmotiv aiming to Re-unite EUrope at both the European and national level. This will be no easy exercise. 'EU business' will not become simple or straightforward in the aftermath of the EP elections and in the course of the next politico-institutional cycle, neither in Brussels nor in national capitals. However, trying to move things forward while having a compass indicating the EU's future direction is still worth trying for the sake of current and future generations. At the end of the day, there is no better alternative than to continuously work on the European construction – even if this has been and will continue to be a cumbersome exercise full of ups and downs.

The ambition to Re-unite EUrope needs to be reflected in the definition and implementation of the Union's strategic agenda and the Commission's strategic priorities for 2019-2024.

Substantial progress in critical areas of European cooperation and integration will only be possible if EU institutions and national capitals have the political courage and will to elaborate and implement a win-win package deal.

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This issue of Challenge Europe – the 24th edition already – delivers an alternative to those who cynically claim that European cooperation no longer works and should be abandoned. It argues instead that integration can still work, and that it is still the best answer to the many problems we are now facing. We want to remind people of the value of European cooperation and offer some suggestions on how we can continue to shape and improve the project now, so that we are better equipped to respond to the underlying political, socio-economic, and cultural insecurities plaguing Europe, and later down the line, to radically re-think the way we organise our societies.

Each of the 24 contributions in this volume, authored by renowned experts and practitioners in their respective fields, presents a set of concrete recommendations for the next EU leadership, both in terms of key priority areas – sustainable prosperity, values, migration and Schengen, and Europe’s place in the world – and on how the EU can use the instruments it already has at its disposal to act in a more effective, transparent, and decisive way.

Challenge Europe is a multi-authored, periodical publication appearing at key moments and dealing with key issues in the EU integration debate.