

POLICY NOTE

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The European Union at 60

Strategic Renewal or Adrift Amidst
Multiple Crises?

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Introduction

The European Union at 60 is beset by challenges that threaten its purpose, cohesiveness and impact. Some openly ponder whether the EU could disintegrate, Brexit just the first sign of a future trend, or whether the EU will disappear into a side-lined irrelevance.

Others are more positive. The EU's 27 leaders – now minus the UK for all strategic and practical purposes – insist that the EU will remain united and focused. As the EU's 60th birthday is celebrated, the EU27 will line up, rightly enough, to celebrate the Union's many achievements in its first six decades. But they know that the future looks unclear and challenging. Faced by an increasingly difficult and unstable neighbourhood, and with plenty of internal challenges too, the EU will need political leadership, wisdom and creative thinking to navigate its next decade.

In this policy note, we explore some of these challenges, the EU's responses to them, and suggest some new strategies for the EU to explore.

The EU's Long Decade – From Strategy to Crisis

Looking back to 2004, the EU appears then to have been at a strategic peak.

The turning point of the fall of the Berlin Wall in 1989 had finally led to eight new Central and Eastern European member states joining the EU in May 2004. In June that year, the EU's leaders agreed at their summit the Union's new constitutional treaty. By their December summit, the bold and strategic decision to open EU membership talks with Turkey was confirmed. Euro notes and coins had been introduced in 2001. And despite the deep divisions over the Iraq war in 2003, the EU appeared to be moving forward across the board in a strategic confident way.

Yet this hugely confident moment soon started to dissolve. In 2005, both France and the Netherlands rejected the constitutional treaty in referendums. The EU essentially re-introduced almost all the same changes into the Lisbon treaty which came into force in 2009. The Irish public voted 'no' to the Lisbon treaty in 2008, but in a second vote in 2009 switched to 'yes'. A constitutional exercise which had been meant to revitalise and improve the EU's democratic credentials had ended up as a technocratic fudge.

The global economic crisis in 2007/2008 led inexorably to the profound eurozone crisis still chronically present today. Greece's economy and society has been damaged and undermined by the austerity remedies prescribed by the Eurogroup – together with the IMF and ECB. High levels of youth unemployment persist across most of the southern EU member states still today. Other challenges followed: Turkey in recent years went from democratic progress to authoritarianism; the Arab Spring gave way to the Syrian conflict, renewal of authoritarian rule in Egypt, and more, while the rise of so-called Islamic State led to further conflict in Iraq as well as Syria. As the US fumbled its Syria response and Russia took advantage of this, the EU stood on the sidelines.

Refugee and migration flows into the EU in the last two to three years have become a major political challenge for EU leaders, who associate these flows in a simplistic way

with the rise of populist parties in many EU countries. In its neighbourhood and beyond, the EU's foreign policy challenges mount: from Russia's annexation of Crimea and conflict in Ukraine to the election of Donald Trump last November. Within the EU, terrorist attacks in France and Germany have added to the sense of crisis and insecurity. The UK's vote to leave the EU has added substantially to this extraordinary set of challenges on the EU leaders' agenda as the Union arrives at its 60th birthday.

Challenges from the Neighbourhood: A Defensive Response

Back in 2004, the EU's policy towards its neighbourhood, especially its enlargement strategy, was seen as one of its most powerful policy tools. The EU had a significant, catalytic impact on moves towards greater democracy and respect for human rights in Turkey. Bulgaria and Romania also headed towards EU membership in 2007, and the countries of the western Balkans were rebuilding politically, socially and economically, after the conflicts of the 1990s, and were too on the road (albeit slowly) to EU membership.

Today, in 2017, the EU's approach to its neighbourhood – despite detailed policy approaches in its European Neighbourhood Policy – is essentially a defensive one. In the face of a resurgent Russia, the EU and the US did respond to the annexation of Crimea and the conflict in eastern Ukraine with sanctions on Russia. EU and US sanctions are continuing, so far, since Donald Trump's inauguration, while the 2015 Minsk peace accord remains unfulfilled. But how to handle a more belligerent Russia remains a difficult strategic question for the EU – and for NATO. Germany and France have led on Ukraine for the EU – the UK, under David Cameron, choosing to take a backseat, even before the Brexit vote.

Meanwhile, the EU's confidence in its strategic enlargement approach has waned substantially in recent years. The EU's decision to open membership talks with Turkey soon foundered. This was not only over the unresolved challenge of Cyprus. Once Angela Merkel and Nicolas Sarkozy came to power in Germany and France, in 2005 and 2007 respectively, talks started to be put on the backburner long before Turkey's leader Recep Tayyip Erdogan moved in the authoritarian direction that he has increasingly intensified in recent years.

When Jean-Claude Juncker became President of the European Commission in 2014, he rapidly announced there would be no further enlargement of the EU in the next five years. Any hopes for the western Balkans candidate and potential candidate countries for reasonably swift progress were dashed. Today, political attention is starting to shift back to these countries, as EU leaders start to realise the extent of both Russian and Turkish influence in the western Balkans.

The EU's enlargement commissioner, Johannes Hahn, has suggested the six western Balkan countries still aiming at EU membership should form their own single market. While good neighbourly relations are a part of the EU's requirements for membership, promoting a western Balkans single market, rather than more rapid integration into the EU suggests the EU is still experiencing enlargement fatigue. The EU has lost confidence in its enlargement strategy – in the face of its own internal and external challenges.

Migration and Refugee Flows: Fortress Europe?

The challenge of migration and refugee flows both via Turkey to south-eastern Europe and across the central Mediterranean route to Italy, Malta and other member states has been at the top of EU leaders' political concerns for the last two to three years.

While Germany and Sweden, in particular, in 2015, took in large numbers of refugees, the EU as a whole has failed to act jointly in managing these challenges – other than when taking a defensive stance. The absence of solidarity across the EU – from the UK refusing to take more than a small number of refugees, to some member states including Slovakia insisting they should be able to discriminate by religion (against Muslims) to Hungary now detaining all asylum-seekers, the EU has struggled to manage the challenge according to its own values and to international norms.

The EU has faced substantial criticism both from human rights and other NGOs, and from some UN bodies, for many of its actions. This has included criticisms of the EU-Turkey deal to return asylum-seekers to Turkey, and the EU's attempts to work with Libya and other source and transit countries in Africa and the Middle East. The EU-Turkey deal may anyway now well founder as Erdogan increasingly engages in a verbal and political stand-off with EU leaders, as he attempts to cement his authoritarian rule in a referendum on creating an executive presidency in April.

In a sign of its inability to resolve even some of the simpler aspects of the refugee and migration challenges, the EU member states have failed to relocate more than a small number of asylum-seekers from Italy and Greece, despite agreeing in September 2015 to relocate 120,000 within two years. As of February 2017, only 11,966 had been [relocated](#) from Greece and Italy to other EU member states. The European Commission has clearly been more than frustrated with member states' failures to fulfil their relocation quotas. In the face of very bad conditions for people in Greek and Italian detention centres as well as in open camps, the EU has struggled to show it can handle appropriately and effectively even these relatively small numbers.

EU leaders' fear of migration flows in terms of their perceptions of its impact on domestic politics, including the growth of populism, is driving a defensive, 'fortress Europe' approach that is pervading many policy areas. In November, EU and African Union heads of state will meet in Abidjan in Ivory Coast for their three-yearly summit. The focus is expected to be on youth but EU policies towards Africa – both from a development and foreign policy perspective – are increasingly driven by attempts to stop migration flows in the shorter and longer term.

The EU's [Bratislava roadmap](#) – established in September 2016 as the EU27 met for the first time, in the aftermath of Brexit, to plot a strategic route forward – shows only too clearly, this defensive approach. The first two of its top three priorities are migration and borders, and internal and external security. Economic and social development and youth make up the third broad priority.

The EU faces huge challenges and instability in its neighbourhood. But if it cannot unite behind a more confident, more strategic approach, rather than a defensive one that

fails to paper over the lack of solidarity across EU member states, then it will not succeed in influencing developments rather than just responding to them.

The EU is looking at strengthening EU defence cooperation – made easier potentially by the departure of the UK. It also has a serious new [global strategy](#) launched in June 2016. But in the absence of political leadership, confidence, solidarity and a genuinely strategic approach in practice – not just on paper – the EU will continue to look defensive in response to its neighbourhood challenges.

Internal Challenges: Will the EU Bounce Back?

The EU faces a complex set of internal challenges – challenges that relate to policies and strategies at EU and at member state level. The Eurozone crisis has created major political and economic tensions over the last several years. At the same time, the politics of the EU has become more complicated in the face of disturbing anti-democratic developments in Hungary and Poland, in the face of rising populism, and in the face of the Brexit vote (also a facet of populism).

Unemployment and Austerity

The austerity policies imposed in the face of the global economic crisis and the Eurozone crisis have been particularly damaging in Greece but also resulted in high unemployment levels, especially youth unemployment, in a number of member states. The contrast between youth [unemployment rates](#) (in 2015) of 7.2% in Germany and 10.8% in Denmark with rates of 49.8% in Greece, 48.3% in Spain, 43% in Croatia, 40.3% in Italy, and 32% in Portugal and 24.7% in France tells its own story.

Juncker, as Commission president, introduced in 2015 an Investment Plan to promote growth and employment through a European Fund for Strategic Investments aiming to mobilise and catalyse up to 315 billion of investment in three years. This plan, though, relies on mobilising private sector investment rather than being a modern day Marshall Plan. It still fits too within the broad EU neoliberal approach to limiting the role of public sector investment even in times of high unemployment, targeting low budget deficits, and focusing more on infrastructure and skills than a broad industrial strategy. Debate over industrial strategy is returning though. How and in what ways the EU could take a bolder, broader industrial strategy approach needs to become a much more central issue.

Juncker himself has recently emphasised that youth unemployment cannot be solved at EU level alone and requires more action at member state level. But it also requires a fresh look at traditional EU macroeconomic and labour market policies. The EU has increasingly insisted budget deficits are a technocratic, even constitutional, rather than a political matter. The 2012 fiscal compact treaty enshrines this approach.

But in the face of growing populism and many internal divisions in EU member states, youth unemployment, pressures on welfare states and more, the EU needs to step back and reconsider these neoliberal approaches. A bold new green and sustainable industrial strategy could revitalise the EU in many ways – both politically and economically, yet there is a nervousness in the EU at adopting big strategic new approaches in the current period.

Brexit

The UK is embarking on the process of exiting the European Union – one that looks likely to take it towards a hard Brexit. As it does so, it is increasingly mired in a simmering political and constitutional crisis. Theresa May is in a stand-off with Scottish First Minister Nicola Sturgeon over whether and when Scotland can hold a second independence referendum in the face of the UK's Brexit vote (with Scotland having voted 62% to 38% to stay in the EU). Northern Ireland is currently without a government after its recent elections, and there are many fears about the re-introduction of even a soft border between the Republic of Ireland and Northern Ireland. Meanwhile, the Labour opposition at Westminster is in disarray.

The EU27, in response to Brexit, have so far presented a united stance. But for the EU's second largest member state to leave is not only a huge political shift for the UK, it is inevitably damaging to some considerable degree to the EU too, especially at a time of so many other major political challenges and tensions. The EU27 are aiming at maintaining a common position in the Brexit talks, defending the EU's key structures and principles, including the single market four freedoms, while – if possible – avoiding too many difficult flare-ups between the EU27 and the UK. In the UK, much emphasis has been put on the EU27's aim to show that leaving the EU is a worse outcome than EU membership. Yet with Theresa May aiming at a Canada-style trade agreement, it is inevitable that such a deal would introduce new non-tariff barriers and costs into EU-UK trade, and by definition will be less economically beneficial than EU membership.

The departure of the UK will change many political and policy balances within the EU on different issues – from free trade to relations with Russia. At the same time, the UK's lower profile and lower influence in the EU in the last few years may, in some ways, make this a less noticeable change than it might have done a decade ago.

Multi-speed EU?

Ahead of the EU's 60th birthday celebrations in Rome on 25th March, Juncker published a [White Paper](#) setting out options for the EU as it looks to the future as an EU of 27. The White Paper's five scenarios range from muddling through as now, to a more multi-speed approach to doing much more together at 27.

The idea of a multi-speed Europe has resurfaced on many occasions in the last 25 years or so, often at moments when moving forward with all EU member states together has looked challenging. In many ways, a multi-speed EU already exists – with 19 member states in the eurozone although only two (the UK and Denmark) with formal opt-outs from the euro, and with Ireland and the UK not in Schengen, for instance. The Lisbon treaty too already allows mechanisms for enhanced cooperation.

The Eurozone clearly needs to find ways to strengthen its internal policy structures and approaches – though there is much disagreement on key aspects of this, not least creating a transfer union. Flexibility too can have its benefits – as the EU has shown so far in its range of internal arrangements as well as in some of its external arrangements including the European Economic Area and its relationship with Switzerland.

The European Union at 60: Strategic Renewal or Adrift Amidst Multiple Crises?

Some EU leaders are clearly concerned too – in their proposals for a multi-speed EU – by the lack of solidarity across key policy areas within the EU27, not least at some of the intransigent stances of some of the newer member states notably Poland and Hungary. But multi-speed Europe as a stick to try to either cajole member states or leave them behind does not draw a picture of a confident, strategic Union. Previous attempts to build a stronger multi-speed EU have often also foundered on the simple political fact that most (or perhaps now with Brexit all) member states do not want to be left behind on an outer tier.

The real issue behind Juncker's five scenarios is not one of multi-speed Europe. Rather it is the crunch question of the EU's strategic direction, at 27, in the face of its many challenges. The question needs answering now, and at 27, if the EU is to regain its dynamism, confidence and strategic purpose.

Conclusion

The European Union at 60 has many achievements to celebrate. But it is also in the midst of its most difficult, cumulative set of challenges it has faced in its six decades. The EU needs a new, bold strategic approach but it does not have the political leadership, solidarity or confidence to create such an approach.

At a time of considerable political uncertainty, with instability and major geopolitical shifts in the EU's neighbourhood and beyond, leadership and strategic imagination is needed. Yet the EU's current political landscape is not encouraging in that regard. An EU resurgence is more likely to come slowly than quickly.

But not all the trends are gloomy. All eyes for now are on France's presidential election – and the recent Dutch election results have given hope that the populist trends of recent years can be combatted. If Le Pen is defeated in France, and once Germany's elections produce (it is assumed) either Merkel or Schulz as the new Chancellor in the early autumn, there are some hopes for the beginning of a better phase in EU politics.

A renewed and strategic EU will need more, though, than some reasonably good election results. The EU needs to take a thorough look at its own internal and external policies. It needs to move from defensiveness to a more strategic approach. Policies on energy, digital single market, or jobs and growth will only take the EU so far.

Political leaders need to find the courage to have a more open discussion on migration, on the EU's own demographics and aging population, and the EU's international responsibilities to refugees. They need to re-assess the damaging consequences of austerity policies, and look creatively at how a green new deal for the EU could open up a new direction for the EU. They need too to find ways to re-assert their democratic values both at home – when EU member states move towards more authoritarian practices – and abroad, whether in relations with close neighbours or further afield.

None of this will be easy. The EU at 60 will have to use all its accumulated resources of political and strategic wisdom to chart a path through the challenges ahead.

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