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THE STATE OF THE EUROPEAN UNION

The European Parliament faces its most important elections yet

2019

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Table of contents

9 **Prologue. The future of Europe**
Josep Borrell Fontelles

13 **Introduction**
Gero Maass and Diego López Garrido

17 **Spain before a new European political cycle**
José Candela and Carlos Carnero

25 **More just. More social. Less unequal. What Germans expect from Europe**
Frieder Schmid and Martha Posthofen

33 **Emmanuel Macron: the end of an exception**
Thierry Pech

39 **Portugal. Uncertainty and diversity**
Guilherme d'Oliveira Martins

45 **Right-wing populism in the EU: a threat to the integration process**
Klaus Busch

57 **The difficult road towards a necessary European Federal Union**
José Enrique de Ayala

69 **The challenge of European citizenship: freedom, participation, welfare and culture**
Domènec Miquel Ruiz Devesa

73 **2018: a year of slow progress in eurozone reform**
Víctor Echeverría

83 **Social Europe – naming the myth, preserving the model and taking concrete action**
Gero Maass and María Pallares

93 **Global agreements on migration and refugees: challenges and proposals**
Paloma Favieres

103 **The United States: widening the breach with Europe**
Vicente Palacio and Juan Antonio Pavón Losada

109 **Protecting its citizens is becoming an ever more central part of the European Union's job, with the development of the Common Security and Defence Policy and the implementation of Permanent Structured Cooperation**
Francisco Aldecoa Luzarraga

117 **The uncertainties of Brexit: *quo vadis, Britannia?***
Mercedes Guinea Llorente

129 **A Europe that protects Spaniards**
Pablo Arnaldos

135 **Recommendations**
European Affairs Council of the Fundación Alternativas

143 **Biographies**

149 **Acronyms and abbreviations**

Prologue. The future of Europe

The European Union (EU) is a unique political project in the history of humankind. It is a process of supranational integration, of pooling of sovereignty to reach a series of goals, one which a state enters into voluntarily and which has put an end to the wars on our continent.

The EU is not an international organisation in the usual sense of the term, governed by a principle of voluntary cooperation. Quite the opposite, Europe has equipped itself with representative institutions, such as the European Parliament and the Council, which pass a good part of European laws by majority vote.

Furthermore, the EU has contributed to decades of prosperity thanks to the establishment of the internal market, the biggest in the world with 500 million consumers, but also as a result of regional and cohesion policy, or exchange programmes such as Erasmus or the European Voluntary Service, which have enriched our young people culturally and have helped to start to forge a sense of belonging to the common European home.

However, the euro crisis as of 2010 highlighted the fact that our monetary union is incomplete. The policies of fiscal adjustment at any cost increased unemployment and have left a legacy of inequality. The countries of Europe split into creditors and debtors.

Later, in 2015, came the refugee crisis, which split the continent into countries that showed solidarity and those that did not, just as the Commission made the Stability and Growth Pact more flexible so that fiscal adjustment did not harm economic growth and the Investment Plan for Europe was launched, partly moving beyond the paradigm of the procyclical polices pursued as of spring 2010.

In 2016 came the hammer blow of Brexit, though time has shown that the one that it plunged into an existential crisis is actually the United Kingdom, while the citizens, institutions and states have rallied round the Union.

No Member State has wished to imitate Great Britain. The Twenty-Seven have maintained a single negotiating position in the face of several attempts to divide it. And since the date of the referendum, popular support for the single currency and the Union has increased, hitting the highest levels since 2002, as recent Eurobarometer polls show.

Yet still today the euro, inequality and the collective management of migration remain outstanding challenges for the Union. We might also add the challenge of becoming a true global player. In 2050, Africa will have 2.5 billion inhabitants; India is set to have 1.7 billion. The Union will remain on more or less the same number as now: 500 million.

As a result of the growing inequality and the poor management of migratory flows, national populist movements have arisen that are either Europhobic or Eurosceptic.

These parties may capture and express the discontent of significant social sectors, but the challenges mentioned above will not be met by returning to the nation state. On the contrary. In an interdependent world like ours little can be done, however much one might brandish a sovereignty that is more formal than real.

If Spain had had the peseta and not the euro in 2004, it could not have taken its troops out of Iraq.

Therefore, what we need is more and better Europe.

More Europe means a Union with more competences and a budget to be able to address the major challenges of our era – which are transnational –, such security, climate change, migration, or inequality. It certainly should not mean "more austerity".

Quite the opposite, it must mean a Europe with a marked social dimension to improve quality of life and curb social disparities: European unemployment insurance, a minimum monthly wage and taxes on financial transactions and technological platforms.

Better Europe means a Europe that is more agile in its decision-making and more democratic.

That is why we must abolish the rule of unanimity in certain key areas, such as foreign policy, taxation, the establishment of new own resources and the multiannual budget.

It is also necessary to strengthen the European Parliament so that, on an equal footing with the Council, it can approve European taxes and the long-term budget, matters that today are reserved for the states.

This type of change would make it possible to complete European construction with a federal-style political union, which is essential to pursuing policies of the social Europe and acting with decision in the world.

This step probably cannot be taken by the entire Twenty-Seven. Therefore, we must be ready to form a vanguard group on fiscal, migration and defence matters, constituted around the eurozone. Spain must be in that driving nucleus, along with Germany and France.

This *Report on the State of the European Union* by the Fundación Alternativas and the Ebert Foundation analyses and proposes some of the solutions mentioned above to address the challenges that need to be met. It is a valuable contribution, as are the preceding documents, which have been published since 2011, always from a clearly pro-European and progressive point of view.

If we look over the complete series, we will see that they have barely lost their topicality, because the proposals have either ended up being adopted or are under discussion or in the process of being adopted.

It is around these major issues and proposals that the debate we must have in the European elections of May 2019 has to revolve. They will determine the future of Europe in the coming decades.

Josep Borrell Fontelles
Minister of Foreign Affairs, European Union and Cooperation

Introduction

After 10 years in permanent crisis, Europe currently finds itself facing numerous challenges ahead of the upcoming European elections, which are to be held between 23 and 26 May 2019. As a result of the policy of austerity, unemployment remains extremely high in some member states and affects many young people, especially in the countries of southern European. Economic disparity has deepened political and social differences in the Union.

The moment of the United Kingdom's departure from the European Union (EU) is near. In France, the barricades are ablaze again. There can be no doubt that the current Italian government poses a special challenge to the European institutions. It is openly speculating with the possibility of violating the European rules of the game in the hope of it being other countries that pay the price of its policy. The gradual de-democratisation of the Visegrad Group countries on the pretext that they only aspire to a slightly different type of democracy that is closer to the people actually affects the most sensitive point of the Union: the credibility of its common fundamental political values.

The political situation facing Europe is one of the most difficult and complex it has experienced since the Treaty of Rome – and it is not for want of public support. The latest opinion polls conducted by the European Parliament report the greatest sense of proximity to the European project since such surveys began.

The difficulties stem from the domestic policies of the member states and from their centripetal attitude in the face of the global challenges of the 21st century – on security, on socioeconomic relations, or on the environment.

It is necessary to rethink Europe and, above all, rethink it together. However, so far there has been a lack of the necessary courage and vision for such an initiative.

On what areas should the reform focus? How can the EU recover its capacity for political design? How can we stop the shift to the right currently taking place in Europe?

Our *Report on the State of the European Union* of 2018 began with an introduction entitled "The Resurgence of Nationalism". Indeed, we are seeing a nationalistic reaction caused by the sensation of impotence to adequately resolve the major problems that inevitable globalisation triggers. This dynamic has not varied significantly. One of the consequences is the appearance and development of populist parties that propose simplistic "solutions" characterised by the worst impulses of a disconcerted and insecure society: xenophobia, protectionism, authoritarianism and, particularly, anti-Europeanism.

The Union has to respond to this complicated situation, and it must do so with a European and consensual spirit. Yet above all it has to respond by making decisions, adopting concrete measures, some of which are long-awaited. These decisions will come after the elections to the European Parliament in May and they will depend on how citizens vote in those continental elections.

The political parties have the obvious duty to explain what they are proposing to the Union in the election campaign.

We in this report offer an analysis of the situation and, as in every edition, we make political recommendations.

Following a prologue by Foreign Affairs Minister Josep Borrell, the report begins with the view captured from the four countries that, in our opinion, have to step up and lead the political cycle that is to begin after the elections of 26 May, with a new Parliament, a new Commission and a new President of the European Council.

Those four countries are Germany (a study carried out by Frieder Schmid and Martha Posthofen), France (Thierry Pech), Portugal (Guilherme d'Oliveira) and Spain (Carlos Carnero and Jose Candela). The possible departure of the United Kingdom (analysed by Mercedes Guinea) and the populist dominance in Italy mean that a coming together of Germany, France, Portugal and Spain is a feasible strategic option. Not only feasible, but desirable to extricate the Union from the logjam it is in now, with the Visegrad Group and the so-called New Hanseatic League holding up progress in Europe, progress that is essential if we are to counter the United States' policy of protectionist pretensions and China's expansion in trade and investment.

In this context, the best way of taking the next step would be via a rapprochement of those that remain loyal to Europe, forming a European nucleus of countries capable of taking action and ready to do so – a group that, at the same time, remains open to all those that wish to contribute to the task, particularly the countries that share the single currency.

The threats posed by right-wing populism to the EU's process of integration (Klaus Busch) can only be averted if the European countries are capable of laying down five major strategic lines that are crucial to our future: a structure that is federal (José Enrique Ayala) and participative (Doménec Miquel Ruiz Devesa); a reform of the euro, including a budget (Víctor Echevarría); a true Social Europe with measures such as a minimum monthly wage to combat poverty and European unemployment insurance (Gero Maass and María Pallares); a European pact on migration and refugees (Paloma Favieres); and a policy on foreign affairs (Vicente Palacio and Juan Antonio Pavón) and defence (Francisco Aldecoa).

By no means can we allow ourselves to lose sleep thinking about Europe, as Heinrich Heine said happened to him when he thought about Germany. Rather what we need are ideas for a new "European spring" that could begin to be implemented tomorrow if some determined Europeans had the real will to act.

Gero Maass
Representative in Spain
Friedrich Ebert Foundation

Diego López Garrido
Executive Vice-President
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Spain before a new European political cycle

José Candela and Carlos Carnero

A pro-European country regardless of political swings? A history

Spain joined the then European Communities on 1 January 1986, following a decades-long delay caused by the persistence of the Franco dictatorship in the country.

Since that day, none of the main political parties have stood in the elections without a distinctly pro-European programme and no prime minister has been sworn in without a clear commitment along similar lines.

Obviously, each government has had its own character: Felipe González, José María Aznar, José Luis Rodríguez Zapatero, Mariano Rajoy and, lastly, Pedro Sánchez, have stressed with more or less emphasis the central importance of European policy.

Yet perhaps there were two moments when that stress could be most clearly perceived differently in two fields: content and pro-activeness.

In terms of content, it is worth recalling the marked difference between Aznar, his predecessor and his successor in the Moncloa, both of who were Socialists, when it came to establishing the precedence of the European Union (EU) over the transatlantic alliance – particularly in relation to the Iraq War – and also with regard to the Community's political deepening.

On the first issue, Aznar played at dividing the EU ("the letter of the eight") to favour George W. Bush's strategy, while neither González nor Zapatero ever put relations with Washington before strengthening Spain's presence in the EU.

On the second issue, Aznar blatantly dragged his feet in the European Convention (2002-2003), made Spain join the Eurosceptic group of the Convention, led by the United Kingdom, and ultimately blocked the approval of the constitutional project, a knot that was untied as soon as Zapatero came to power. Zapatero also called a referendum whose overwhelming "yes" vote, given the results of the referendums in France and the Netherlands, proved key to 95% of the constitution being rescued through the Treaty of Lisbon.

Political changes in 2018: going back, or going back to count for something in Europe?

Unlike on those occasions, in 2018 the political changes in Spain have introduced the variable of pro-activeness.

Unlike a Rajoy on the sidelines of events in the EU, with a minimal desire to be an active member of the European vanguard alongside Germany and France, and who was virtually invisible at European Council meetings, Prime Minister Sánchez made it abundantly clear that Europe was a priority.

From the outset, the Socialist defined his government as pro-European and has been very proactive indeed in highlighting Spain's determination to participate with proposals in that EU vanguard.

Without a doubt, it has been very well received by the community institutions in Brussels and by Berlin and Paris, for finally the eurozone's fourth-biggest economy has begun to play the role befitting it as a necessary ally in shaping the present and the future of the EU.

In that respect, particularly significant – though perhaps not afforded the proper importance publicly – was the German foreign minister's assertion in a debate in Madrid with Josep Borrell, his Spanish counterpart, explicitly placing Spain, perhaps for the first time in community history, as the third pillar of the Franco-German axis.

With the best of intentions, but not without certain exaggeration, it has often been said that with Rajoy Spain strayed from the EU and with Sanchez it returned to the fold, when it would probably be more accurate to say that the Socialist has gone back to counting in Europe. So, the difference before and after the vote of no confidence is not so much that there has been a change of positions, rather that now there is a desire to express them and assert them in the company of others.

That allows us to return for a moment to the well-known debate over Spain's weight in the EU, which both the government of Aznar and many diplomats and analysts understood in the formal manner – in the Treaty – of majorities in the Council of the EU and the European Council. Thus the replacement of the weighting of votes by the parameters of population and number of states would in practice mean crushing Spain's influence in Brussels, when in fact the weight of a country in the EU does not hang on it going on the defensive, digging in against the rest in such and such numbers, but on its capacity to form positive alliances, as the European policy of Felipe González showed in practice time and again.

It can be clearly inferred from the discourse of the Sánchez government that it is the second conception that takes precedence, along with another often asserted by González: the winning combination is to make the interests of Spain match the interests of Europe.

The proactive approach of the present government is moving in that direction and the results obtained in the first few months of its tenure testify to the success of its policy, particularly in view of the complex political situation that numerous member states are going through.

To be fair, we should also say that Spain's new proactive role in the EU is feasible because the country, still with its limitations, has to a large extent emerged from the economic turmoil that gripped it during the crisis, took it to the brink of a full-blown bailout on more than one occasion and required a bailout of the banks.

Nationalism and populism: the end of the Spanish exception in the EU?

However, first 2017 and then and, particularly, 2018 have shown that Spain is not quite an oasis amid the political and social turbulence that the EU is going through.

Spain is suffering a severe crisis caused by identity nationalism in Catalonia – one of its main autonomous communities -, which is determined to subvert the constitutional order, challenge the territorial integrity of the country and veer from European values and goals.

Neither before nor after the illegal referendum of 1 October 2017, nor after the elections held in December that year has this exclusionary nationalism offered any respite, either on the part of the Generalitat of Catalonia – the autonomous government – or on that of the political parties and civil society.

In that respect, we could say at the time of writing that Spain is the community member in which the nationalist phenomenon has acquired most virulence if we compare its situation with other states, such as Belgium, France, Italy or the United Kingdom.

Obviously, such a situation has forced Spain to make a special effort to explain the situation in Catalonia and to witness with a certain sense of impotence the consequences of the misconceptions and of the gaps or insufficient enactment of community regulations.

The examples of the incomprehensible application of the European arrest warrant by Belgian and German courts to pro-independence politicians who are fugitives from Spanish justice should serve to prompt the EU to take the necessary steps to unify criminal law and complete the European arrest warrant to make it necessarily automatic in all cases.

Meanwhile, the entry of the far right into the institutions – VOX in the Andalusian parliament in the elections of 2 December 2018 – has revealed that that type of populism exists in Spain too and will have more or less institutional representation.

However, although we are already seeing that the far right is having an influence on the hardening of the political positions of the PP, it hard to imagine that it will succeed in altering the pro-European character of the Spanish centre right, as happened in other European countries. Not just because of convictions and identity, but above all because without a shadow of a doubt the voters on that side of the spectrum stand firmly in the pro-European camp, as any poll will attest.

VOX's programme includes clearly Eurosceptic or Trump-like ideas, among which we might note the following:

– "Promote in Brussels a new European treaty in line with what the countries of the Visegrad Group defend in terms of borders, national sovereignty and respect for the values of European culture and which considerably increases Spain's weight in the decision-making process, at least as much as what the Treaty of Nice did".
– "Reduction of European political spending, eliminating duplications and agencies that interfere in national sovereignty. Exclusivity of the state as far as international relations are concerned (Article 149 of the Constitution). Elimination of all external political representation of regions or municipalities".
– "Stress the bilateral nature of international relations, leaving supranational bodies if they are contrary to the interests of Spain. Reassessment of Spain's contribution to said

bodies. Creation of an agency to help Christian minorities under threat, imitating the initiative of Hungary".

After finally finding a friend in Spain and for identifying with such approaches, it is no surprise that far-right parties in countries such as Germany, France or Italy, among others, should have welcomed the aforementioned political party's results in Andalusia.

Although the difference is clear: while significant sectors of the electorate in those countries may share the anti-European feeling of their respective far rights, the polls show – as we shall see later – that it does not look like taking root in Spanish public opinion, far from it.

Will Spain be the nemesis of Salvini, Orban and Kaczynski?

Pedro Sánchez's investiture in the spring of 2018 came at one of the most critical points of the action of community governments headed by populist or far-right politicians.

In Rome, the Conte government led by Di Maio and Salvini had recently taken office and in Budapest and Warsaw the governments of Orban and Kaczynski, respectively, were taking extremely serious decisions that, among other consequences, called into question European values or the pillars of the rule of law, such as the independence of the judiciary.

Inevitably, the initial and subsequent decisions of the Spanish government have clashed with such governments, and the clashes have been particularly virulent in the case of Rome and immigration.

The case of the Aquarius was a prime example. While Salvini denied any port to the boat, which had just rescued numerous illegal immigrants out at sea who otherwise would have drowned, despite the fact that it was very close to the Italian coast, Sanchez took the vessel in, honouring Spain's international and humanitarian obligations.

That triggered a pointed exchange between Rome and Madrid that then recurred on several occasions throughout the year in the same decision-making area.

At the same time, Spain has actively and prominently supported the decisions taken by the community institutions aimed at overturning the Hungarian and Polish laws against the independence of the judiciary and opening the procedure for applying Article 7 of the Treaty to safeguard the Union's values.

Spain's importance in the EU, the socialist and unequivocally left-wing nature of its government, the clarity of its policy in defence of European values and human rights, its progressive ideas on core issues such as immigration, refuge and asylum and equality between men and women augur almost constant confrontation with the European populist governments, probably of the same kind that they have with President Emmanuel Macron in France.

As long as it maintains the government of the Spanish Socialist Workers' Party (PSOE), Spain to a large extent will be the nemesis of populism and the far right in the EU. It can and it must be – it does it no harm as a country, on the contrary – and it is a faithful reflection of the progressive and pro-European attitudes of its citizens.

Spain in the European institutions

Pedro Sánchez's arrival in the Moncloa in 2018 brought about an increase in the truly diminished socialist presence in the European Council and in the Council of the EU.

At the time of writing, the Party of European Socialists only has five members in the Council, those of Spain, Slovakia, Malta, Portugal, Romania and Sweden.

As we can see, it is a limited number of countries that are in any case small in size. And for one reason or another some of their governments (Romania, Slovakia and Malta) are to a certain extent questioned in Brussels.

With the new government, then, Spain has taken on a new and significant role in the European Council and in the Council of the EU for having:

- Projected an unquestionable image of pro-European commitment and pro-activeness.
- Come to form part of the pro-European vanguard made up of Berlin and Paris.
- Served as a counterweight to the League against taking steps forward headed by the Netherlands and, on another level, the Visegrad Group.
- Challenged the populist government where it most hurts (values, rights, migration).
- Taken over leadership of a diminished socialist family, breathing spirit into it amid its relative political depression.

Once the European election are held, regardless of whether the Treaty is applied to reduce the College of Commissioners to two-thirds of the member states or, on the other hand, the current state of affairs is maintained so that there is one national from each member state, Spain will renew its presence there in terms of personnel and politically, with the departure of the PP's Miguel Arias Cañete and the presumable arrival of a Socialist.

The role of the "Spanish commissioner" will depend on many factors, starting with their functions in the Commission, but it seems clear that Spain will aspire to the most important possible. In fact, Spain will increase the socialist quota in the College of Commissioners, which is currently very small, and in the Council.

Lastly, unless the letter invoking Article 50 of the Treaty for the United Kingdom's withdrawal is cancelled, the European elections of 26 May will see 59 MEPs go to the Parliament in Strasbourg, that is to say five more than in 2014.

The increase was secured in 2018 and largely redresses the previous imbalance against Spain in the application of the principle of degressive proportionality established for the composition of the European Parliament, though it does not do so entirely (it would have been necessary to allocate 61 seats, not 59). The goal was actively pursued by all the political parties.

A comprehensive view of Spain's leading role in the EU

From what has been said, it follows that Spain is currently in a condition to play the leading role in the EU that the Union requires.

The country is emerging from the economic crisis, which means the end of a problem that was a source of embarrassment for its leaders when trying to get attention in the Union and which inevitably placed it in certain quarantine of credibility among the more solvent members.

What's more, its political problems are structurally limited, both as far as the crisis in Catalonia is concerned (the rule of law has demonstrated its capability) and the electoral rise of the far right.

At the same time, there is a strong pro-European consensus among the political and social forces and the public (see below).

And the government has rightly committed itself to a proactive pro-European line that is making it possible to match Spanish interests with European ones as a formula for success al-

ready proven on numerous occasions in the past since 1986. While few have mentioned it, the government's savvy tactics regarding Gibraltar because of Brexit is a prime example of that.

With who should Spain play that leading role in the Union?

Firstly, with Germany and France, forming a vanguard of proposals and action across all fields and on every occasion possible.

Then, pursuing Mediterranean leadership, since the Italian government of Conte, Di Maio and Salvini has dropped its traditional pro-European stance.

It should also remain active on the cohesion front, regardless of whether Spain becomes a net contributor to the community budget, which neither politically nor financially should lower the commitment to structural policy.

Lastly, Spain has to become a leading champion of European principles, values and rights, of the democratic and social model that characterises community construction.

Spain and the future of Europe: reasons to back a federal political union

On that basis, what might Spain's view on the future of Europe be? The issue is the subject of an informal EU summit in Sibiu on 9 May and has been up for debate since the European Commission launched its white paper with the famous five scenarios.

Spain should propose turning the new institutional cycle that, by definition, the European elections of May 2019 will open into a new European political cycle, which is obviously not the same thing.

A new political cycle in which to propose culminating political, economic and social union as the maximum goal, providing the EU with a Constitution – a goal that can later be adjusted over time and through formulas such as the different speeds or variable geometry.

It is in Spain's interest that the EU continues to grow stronger as a supranational democracy.

That will enhance its international weight and enable combating exclusionary nationalist phenomena with guarantees of success on the basis of a fundamental principle of the EU, namely that the source of legitimacy the Union springs from its states, represented in the Council, and its citizens, represented in the Parliament.

As for the effectiveness of the Union, Spain would be comfortable with the enlargement of decision-making by qualified majority (once it has re-established its capacity to form positive alliances) and with the extension of the ordinary legislative procedure to new fields.

In the economic and social sphere, the crisis has made it patently clear – harrowingly so for Spain and other members – that there is an urgent need for the Union to have its own Treasury, a big enough budget, a eurozone budget, tax harmonisation, full banking union (including a deposit guarantee fund), as well as a European minimum monthly wage and complementary unemployment insurance. Not forgetting a renewed and effective common asylum and refuge policy and, at long last, a real migration policy.

Spain would also benefit from a strengthening of foreign and defence policies, taking into account its geostrategic situation and interests.

Which means Spain must back Scenario 5 (doing much more together) or Scenario 3 (those who want more do more) out of those put forward by the European Commission in its *White Paper on the Future of Europe*, adopting the necessary changes in a new Convention, as the European Parliament is calling for.

Spanish citizens and the future of Europe

If the Spanish government chooses an ambitious role in the EU, it must take into account that, fortunately, the public has recovered its traditional majority pro-European conviction and, just as importantly, it has done so with great consistency, as all the opinion polls published show.

The first was the Eurobarometer of September 2018. Clearly above the average across the 28 Member States, 68% of those polled thought that the country belonging to the EU was positive and 75% (15 percentage points higher in a year) thought that Spain had benefitted from being a member of the EU.

Those figures were confirmed by the Barometer of December 2018 conducted by the Centre for Sociological Research (CIS). In all, 72% of the public backed Spain securing greater influence in the EU. What for? To promote a European minimum monthly wage (77%), create a community Economy and Finance Ministry (60%), or to make it a priority to address unemployment, immigration, education, health care, gender equality, inequality among citizens and countries, economic problems, or security and terrorism.

In addition to those European intentions, the CIS says that 59% of Spaniards support the existence of candidates from the political families for president of the Commission and they rate the EU and the European Parliament (the only institutions to make the grade on a scale of 1 to 10) more highly than their autonomous governments, or the central government and the Congress of Deputies (all of which fail the test).

Particularly interesting is the other side of the coin of these answers. While 57% think it very useful or quite useful to vote in the elections to the European Parliament to defend the interests of Spain, those that say they will abstain or are thinking about it do not do so out of discontent with Brussels or because they think that those elections serve no purpose, but out of distrust of or weariness with politics, the parties or just going to the polls.

Moreover, in the face of the cliché of disinformation on European matters, Spaniards appear to be well informed. They know that the European PP has had more influence on EU policy over the last five years (in the majority in the Council, the Parliament and the Commission, it could have been for better or for worse, for example, in the economic crisis) and primarily back it now being the turn of the Socialists and Democrats, in line with their opinion that it is Pedro Sanchez who can do more for the public out of the current Spanish politicians (scoring 18%, compared with 11% for Rivera, 9.6% for Casado, and 7.6% for Iglesias).

An analysis of the European elections in Spain

Once again, the European elections of 2019 will coincide in Spain with the staging of the municipal and regional votes on the same day.

First of all, that means that the abstention rate will be significantly reduced, since, with few exceptions, voters will turn out in similar numbers for the three polls.

The recurrent abstention above 55% will be reduced by a few tenths of a percent, which will have two consequences: it will raise the representativeness of the MEPs elected and favour the big parties over the small and medium-sized ones.

Taking into account the available opinion polls (from the CIS in December 2018) and the fact that in Spain the distribution of members of

parliament in the European elections is directly proportional to the votes obtained, using the D'Hont method, the substantial increase in ballot papers expected will reduce the number of seats for the nationalist parties, as well as for VOX, though in both cases they will benefit from the fact that there is no minimum threshold for entering into the calculation (a situation that is set to change in five years, in accordance with community regulations).

Therefore, the vast majority of Spain's 59 seats in the next European Parliament will go to groups from the traditional pro-European coalition (European People's Party, Party of European Socialists, Liberals, Greens) and to a lesser extent, to United Left.

Spain, then, will make only a minimum contribution to the increase in anti-European and populist MEPs and other countries (Germany, France, Italy, and so on) will do so to a much greater extent. That will bolster the country's position in the Union and the debate over its future.

As for the role of the main Spanish parties in their respective parliamentary groups, the PSOE may well comprise the biggest delegation among the Socialists, while the PP will suffer a strong decline in the EPP and Ciudadanos will make appreciable progress among the Liberals, as will Podemos in United Left. All that is vital for occupying positions of major responsibility in the groups and in the chamber itself, which should contribute to an influential Spanish presence in the European Parliament, recovering ground lost in previous terms.

Spain's European policy as part of its foreign policy

The pre-eminence of European policy in Spain's foreign policy since the arrival of the new government has not been limited solely to describing the executive as pro-European among its three main distinguishing traits.

It has been particularly important that the foreign minister was previously the President of the European Parliament, the head of the PSOE ticket in the European elections of 2004 and a member of the Constitutional Convention.

A symbolic gesture was the change in his Ministry's name, which is now called the Ministry of Foreign Affairs, European Union and Cooperation.

Fortunately, however, the traditional structure of the Office of the Secretary of State for the EU in the Ministry has been maintained, without entertaining the idea of any experiments.

Finally, it is worth pointing out the creation of the post of Secretary General for International Affairs, EU, G20 and Global Security in the Prime Minister's Office, to excellent effect. He acts as a Sherpa to the prime minister in all those spheres.

More just. More social. Less unequal. What Germans expect from Europe

Frieder Schmid and Martha Posthofen

Crisis has become the normal state of the European Union (EU). The EU member states reflect an image of political disagreement to the outside world. On the inside, more and more citizens are turning away from Europe as it fails to deliver on the promises of democracy, progress, and prosperity for many. Instead of a greater prosperity for everyone, competition, growing inequality and poor working conditions prevail. Europe is drifting apart economically and socially to a worrying extent. Yet, a European Union that has a future means solidarity, rather than everyone competing against everyone else. What is it exactly that Germans expect from Europe? To which extent do Germans agree to policies that lead to a more socially balanced EU? Friedrich-Ebert-Stiftung seeks to contribute to the debate over the future of Europe with its project "For a Better Tomorrow". This study marks the start of this contribution by surveying eligible voters in Germany on their attitudes and expectations towards the EU. The results show that there is a favourable, widespread agreement among the German public towards the EU. At the same time, two out of three citizens voice their concerns for the need of reforms. In particular, Germans wish the EU was more focused on social policy.

Demand for reforms of the EU

For the last decade, the EU member states have faced numerous critical incidences, e.g. the financial and economic crisis, the euro crisis, the handling of refugees and the British referendum on the EU membership. Nevertheless, approval of the EU is high. In September 2018, the Eurobarometer showed the highest approval of the EU ever measured[1]. A study conducted by Friedrich-Ebert-Stiftung showed substantially more optimistic attitudes towards the EU in 2017 compared to 2015[2].

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[1] *Eurobarometer 2018: Taking up the challenge: From (silent) support to actual vote.* http://www.europarl.europa.eu/at-your-service/en/be-heard/eurobarometer/parlemeter-2018-taking-up-the-challenge (2018/11/19).

[2] Hilmer, R.: *Was hält Europa zusammen? Die EU nach dem Brexit*. Friedrich-Ebert-Stiftung, Berlin, 2017.

In the autumn of 2018, the German public was divided regarding whether the membership in the EU is rather advantageous or disadvantageous for Germany (**Chart 1**). The share of citizens who think that the advantages of the German EU membership prevail is almost equal to the share of those who think the disadvantages prevail. Forty percent of Germans think that advantages and disadvantages are balanced. However, respondents from low-income classes evaluate the German membership in the EU as more disadvantageous as those from middle and high-income classes.

Citizens perceive the EU member states as disparate regarding their economic performance as well as their living standards and living conditions (**Chart 2**). Cultural differences are perceived to a lower extent. The more respondents perceive EU member states as different considering their living standards and living conditions, the more they evaluate the German membership in the EU as disadvantageous. This coherence may serve as an indicator for social issues being linked to the attitude towards the EU.

Citizens evaluate the differences between the EU member states as challenging. Three out of four citizens agree to the statement that most of the problems of the EU are caused by the economic and social differences between the EU member states. Moreover, there is a strong awareness of interdependency between the EU member states (**Chart 3**). Almost four out of five citizens agree to the statement that it is bad for Germany in the long run, if the other EU member states are not doing well economically.

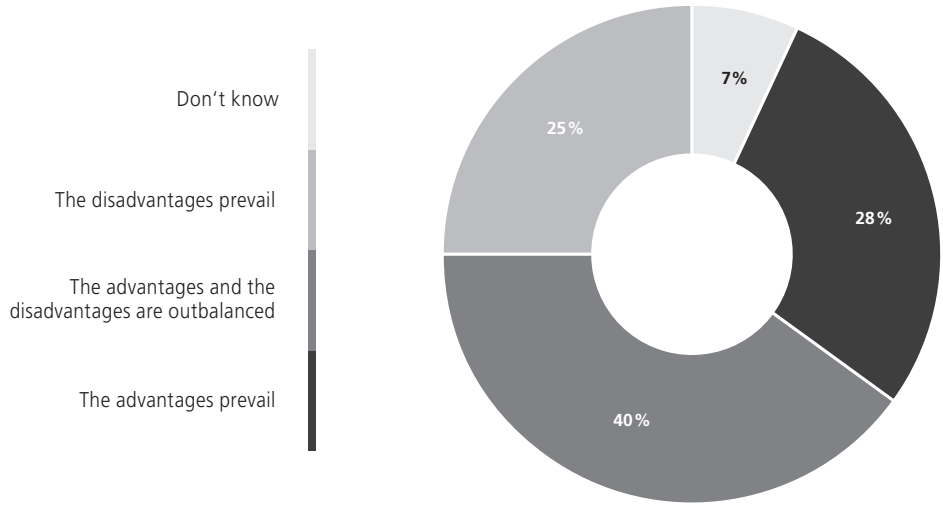
A great share of citizens thinks the EU is at least partly dysfunctional. Only one fifth thinks that the EU is working the way it should all in all (**Chart 4**). In contrast, two thirds express their demand for changing the EU: 46 percent agree to the statement that the EU works badly, yet might be fixed with some changes. At least 20 percent express their wish for changing the EU radically.

The EU has a deficiency regarding justice

If citizens are asked which values they currently associate with the EU, they attribute "justice" and "equal living conditions/livelihood opportunities" to a relatively low extent (13 percent in each case) (**Chart 5**). This finding is even more impressive against the results of the questions for which values the EU does not stand for. Almost one out of three citizens (30 percent) thinks that the EU does not stand for "equal living conditions/livelihood opportunities". For another 20 percent the EU does not stand for "justice". Citizens do think that this is a deficiency: one-third (33 percent) states that the EU should stand for "justice" to a higher extent. Only "protection against crime and terror" and "stability and reliability" show comparable figures. One fourth thinks that the EU should stand for "equal living conditions/livelihood opportunities" to a higher extent.

The gap between attributed values and demanded values shows clearly that citizens perceive a deficiency regarding justice. This gap is very pronounced regarding four issues in particular: 1) "justice" (20 percentage points gap); 2) "protection against crime and terror" (18 percentage points gap); 3) "equal living conditions/livelihood opportunities" (15 percentage points gap) and "stability and reliability" (nine percentage points gap). Apparently, there is a deficiency regarding social and distributional issues that the EU is currently not able to address.

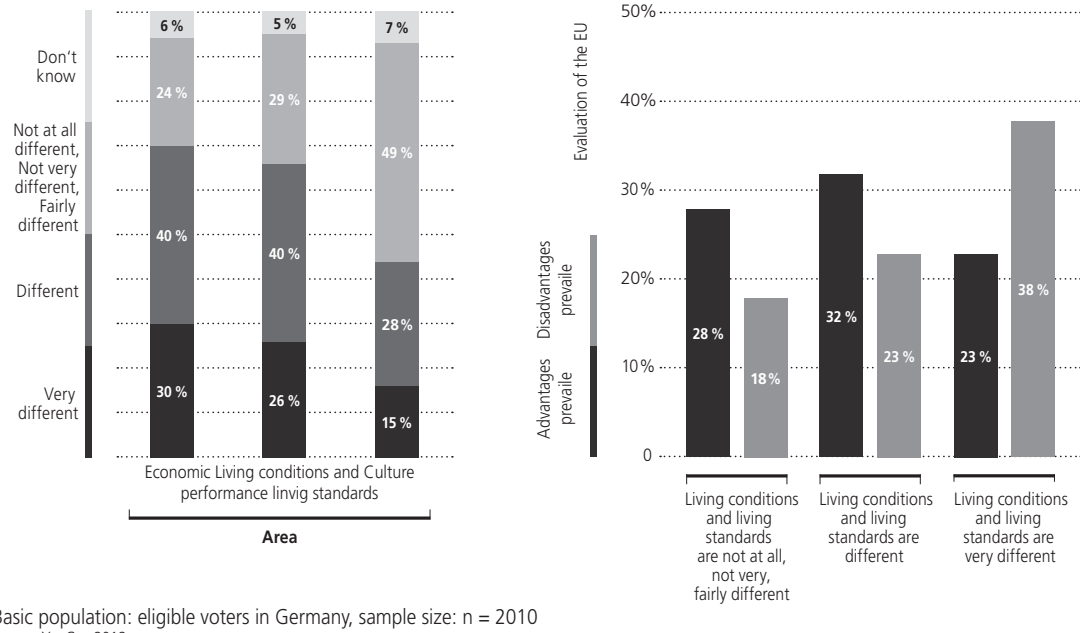
Thinking of Germany's membership in the EU, do you think that the advantages or the disadvanages prevail or that the advantages and the disadvantages are balanced?



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 1. Evaluation of Germany's membership in the EU

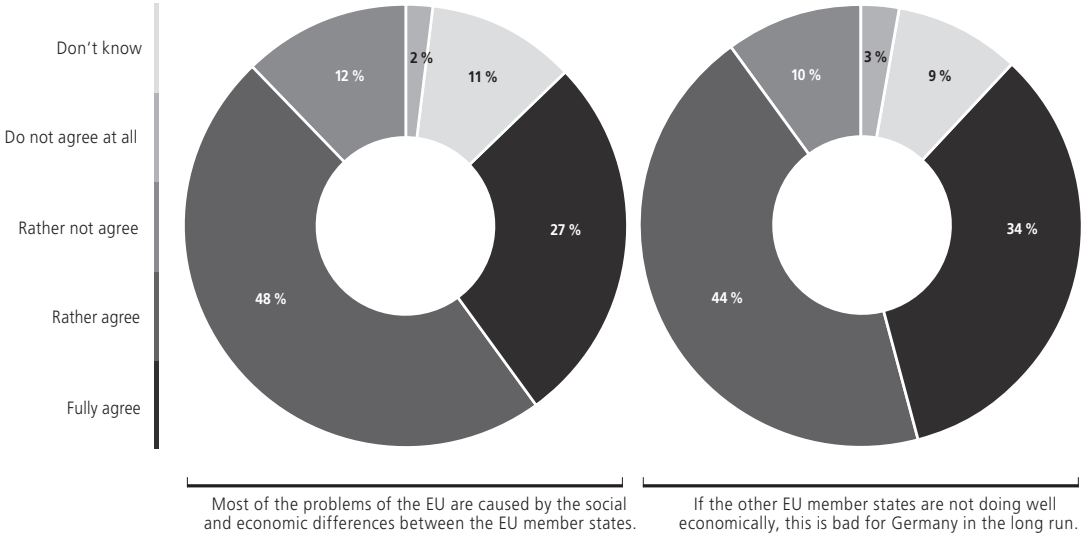
Thinking of the EU member states, to what extent are the EU member different regarding the following areas? - Living conditions and living standards
Thinking of Germany's membership in the EU, do you think that advantages or the disadvantages prevail or that the advantages and the disadvantages are balanced?



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 2. Evaluation of the EU by perception of differences regarding living conditions and living standards

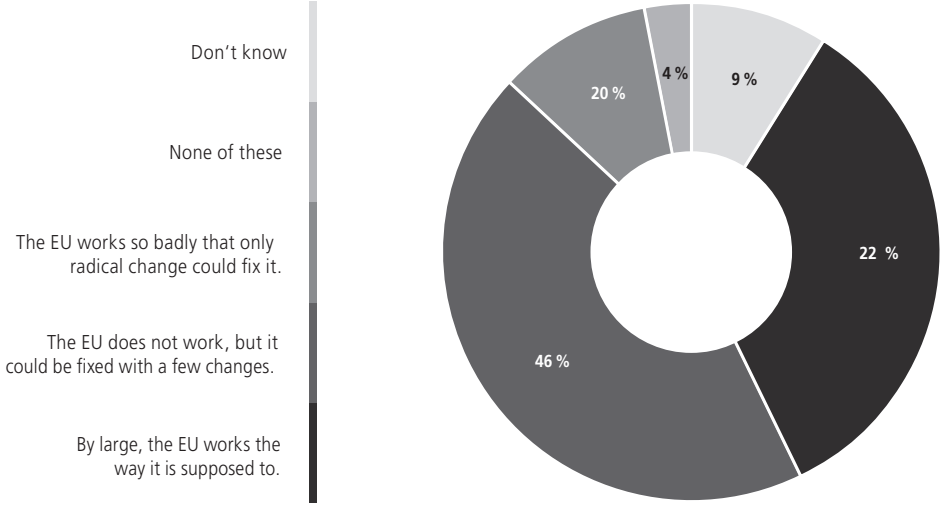
How far do you agree or not agree with the following statement?



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 3. Evaluation of differences in Europe

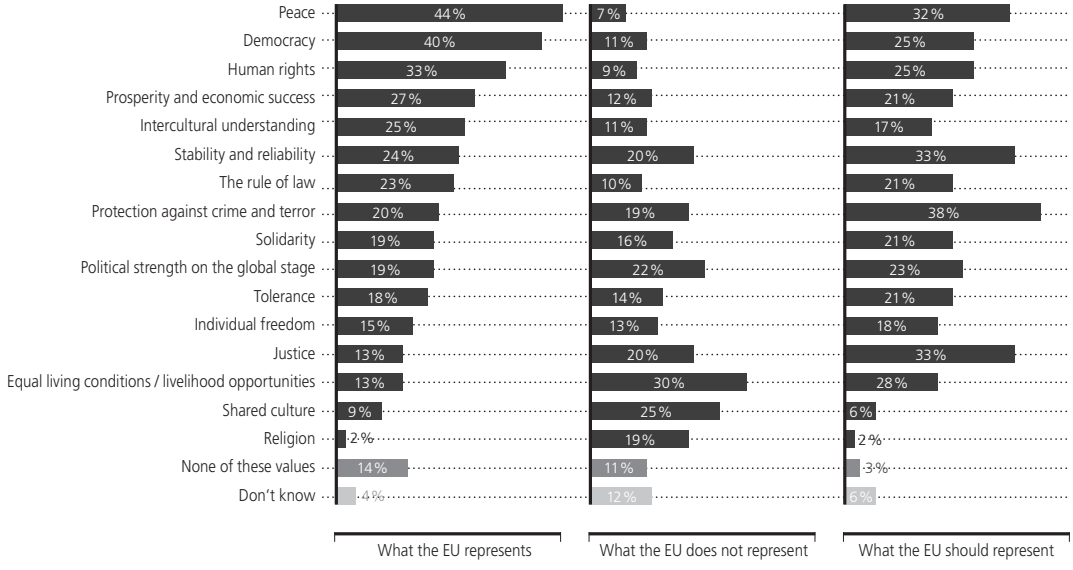
Which of the following statements do you most agree with?



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 4. Demand for reforming the EU

In your view, which of these values does the EU currently represent? Please select up to five values.
And which of these values does the EU currently not represent? Please select up to five values.
Which of these values do you wish the EU would currently represent more to a higher extent? Please select up to five values.



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 5. Values of the EU

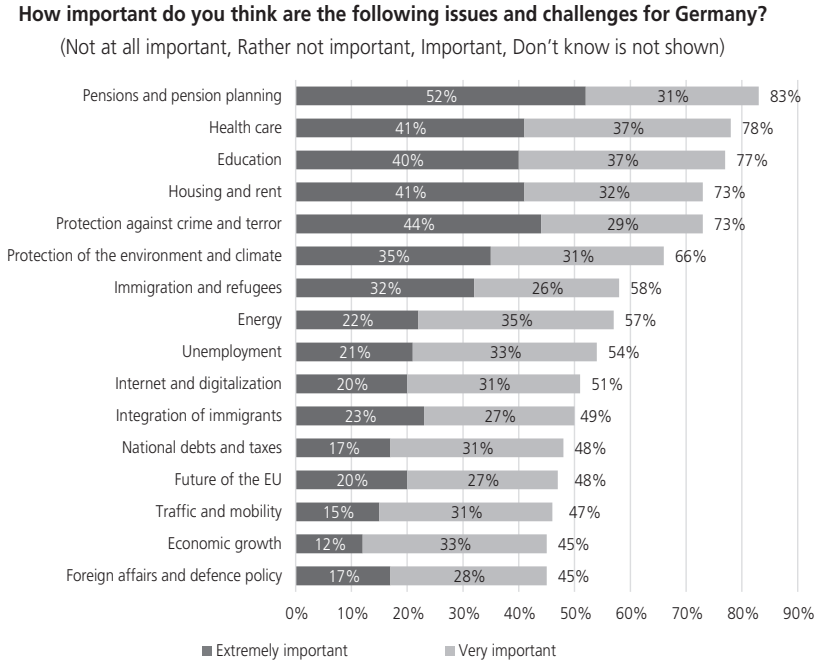
Social issues are most important

In the autumn of 2018, socio-political issues are most relevant to German citizens. Four out of the five most important issues address social issues and issues regarding equal living conditions (pensions and pensions planning, health care, education, housing and rents) (**Chart 6**).

The perception of the most important issues is different on the European level. "Immigration from the outside of the EU" (70 percent), "national debts of EU member states" (67 percent), "EU member states disagreeing politically" (63 percent) and "protecting the environment and the climate" (62 percent) are perceived as the four most important challenges for the EU at the time of the survey being conducted. Unsurprisingly, citizens see challenges that cannot be addressed by a single country alone (e.g. climate protection, migration) as well as issues that relate to the interaction of the EU member states (e.g. national debts, international collaboration) as crucial for the EU as a supranational institution.

However, citizens recognize the need for action regarding socio-political issues on the European level as well. More than half of the surveyed Germans think that each of the following issues represents a great challenge for the EU: Disparate living conditions (55 percent), disparate social security systems (57 percent) and economic differences between the EU member states (58 percent).

In which policy areas do citizens expect the EU to provide problem resolutions – and in which policy areas do expectations towards national institutions prevail? Citizens clearly attribute



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 6. Relevance of policy areas

responsibility for the most relevant issues "pensions and pensions planning", "health care", "education" and "housing and rents" to the national level (**Chart 7**). Attributing responsibility for these issues to the European level is less pronounced. Attribution to the European level is highest for "health care" (14 percent) and lowest for "housing and rents" (nine percent). The issue "unemployment" is attributed to the national level as well. Apparently, citizens expect problem resolutions in these policy areas from national institutions rather than from the EU.

Possible explanations for these interpretative patterns might be:

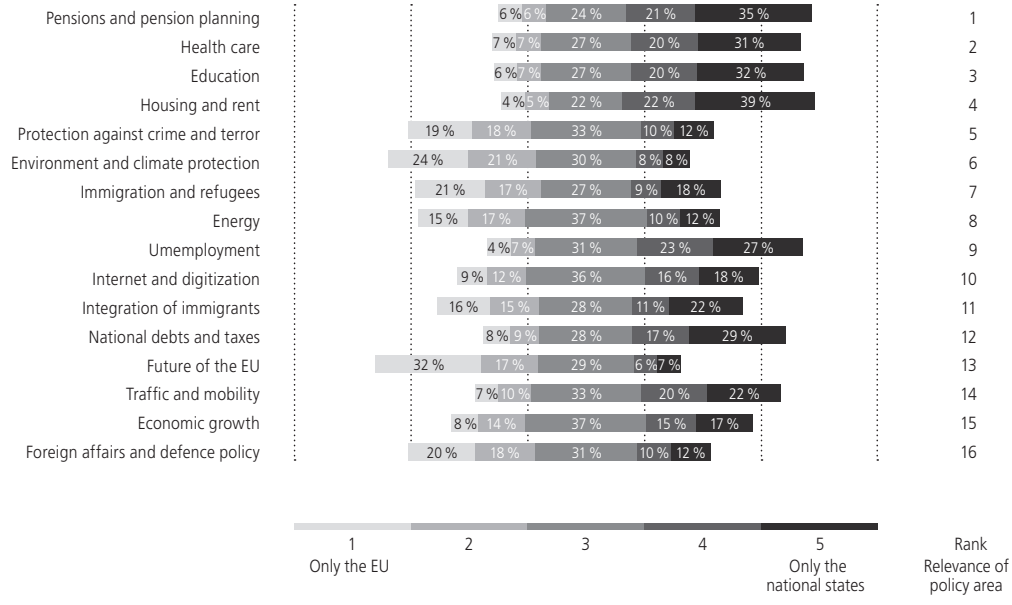
– Doubting the EU being effective as a political institution and lacking realistic possibilities for action and problem resolution in the European context.
– Perceiving the EU as an economic project, thus distrusting the motivation of the EU as a political institution.
– Historically restrained socio-political agenda and lacking political competencies due to the principle of subsidiarity.
– Attributing responsibility to the national level might be acquired and habitual.

How could a social Europe look like?

Against this background, is there public support at all for specific measures to cope with the issue of social justice on the European level?

There is widespread support for socio-political measures aimed at reducing social inequality in the European context. Three out of four (76 per cent) respondents support common minimum

Thinking about the following areas, do you think the EU should be responsible for decisions in these areas or should the national states (i.e. each EU member state by its own) be responsible? (Don't know is not shown)



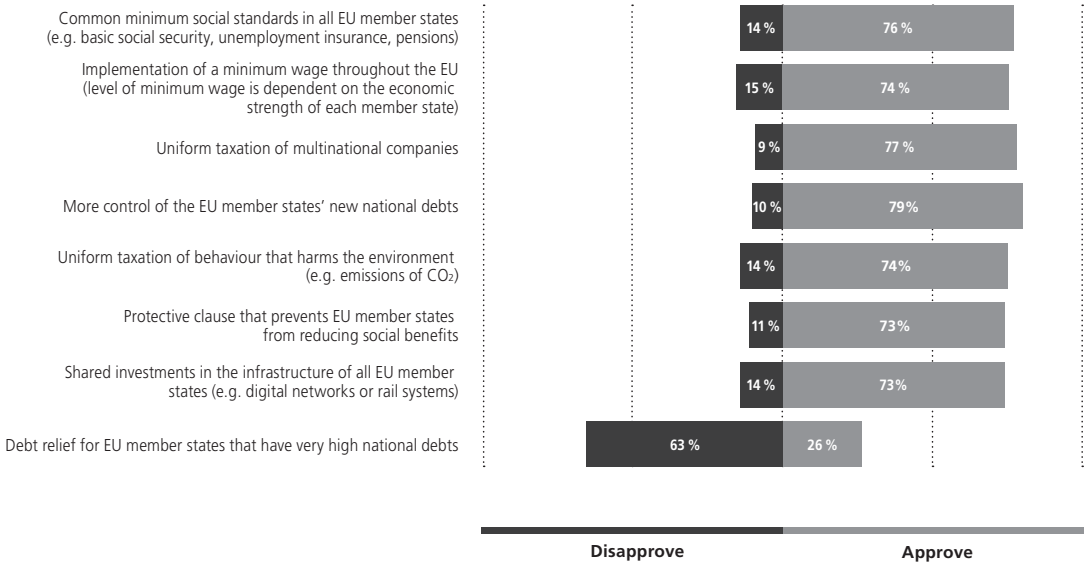
Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 7. Attribution of responsibility by policy areas

social standards in all EU member states (**Chart 8**). Support for a minimum wage throughout the EU (74 percent) as well as for a protective clause that prevents EU member states from reducing social benefits (73 percent) is comparably high. Joint efforts to regulate the economy like uniform taxation of multinational companies (77 percent) are highly supported. However, the findings show that support for political measures is not unconditional. High support for measures aimed at controlling EU member states fiscally indicates that accountability, transparency, and control are necessary constraints for the acceptance of specific measures.

If citizens are asked to prioritize among different measures aimed at reducing social inequality in the European context, they show clear-cut preferences for socio-political measures. Almost half of the respondents (48 percent) think that shared minimum social standards in all EU member states is one of the three most important measures. One out of five (20 percent) even thinks these measures are of the highest priority (**Chart 9**). A minimum wage throughout the EU and uniform taxation of multinational companies are ranked second and third. Thirty-seven percent of respondents consider more control of the EU member states' new national debts as one of the three most important measures. This measure is more polarizing than other ones. While one out of six (17 percent) considers greater fiscal control as the most important measure, another 63 percent do not consider this to be one of the three most important measures.

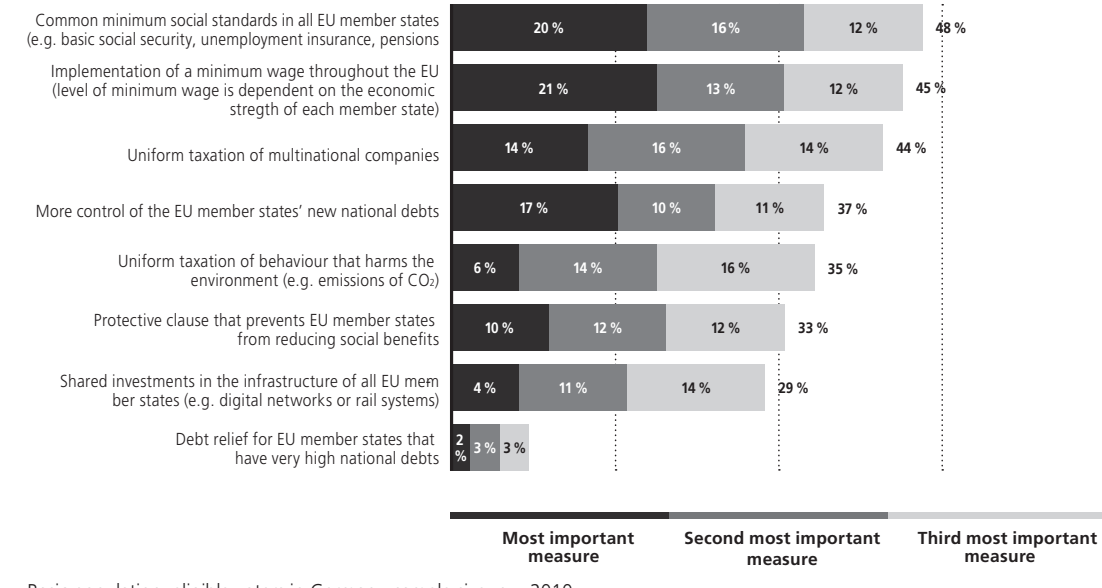
How important do you think are the following issues and challenges for Germany?
(not at all important, Rather not important, Important, Don't know is not shown)



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 8. Relevance of policy areas

In your view, which of these measures are most important? Please select the three most important measures.
Start with the most important one (*Don't know is not shown*)



Basic population: eligible voters in Germany, sample size: n = 2010
Source: YouGov 2018.

Chart 9. Priorities regarding political measures aimed at reducing social inequality in the European context

Emmanuel Macron: the end of an exception

Thierry Pech

The election of Emmanuel Macron in 2017 gave many observers the feeling that, after the Brexit referendum and the election of Donald Trump to the White House, Paris had brought the epidemic of populism that appeared to be spreading through Western democracies to an abrupt halt. Eighteen months later, the general feeling is that France is once again to some degree afflicted by the disease, or at least that the *En Marche!* medicine has certainly not managed to ward it off. This means the May 2019 European elections will be high-risk event for those in power in France.

Macron the European

If there is one political leader who has invested a great deal in the European vision it is undoubtedly Emmanuel Macron. In 2017, during the presidential campaign that brought him to power, he was the only clearly pro-European candidate in the race. Most of the others were openly Eurosceptic (Marine Le Pen's Front National went as far as to demand that France leave the single currency), or from political parties deeply divided on European issues. This was particularly true for the socialists, who have bitter memories of the failed European constitution referendum in 2005, but also the right-wing conservatives, as was shown in the primaries held by the centre and right-wing parties in late 2016.

In this context Emmanuel Macron managed to stand out rather surprisingly: he had people on their feet at meetings every time he mentioned his commitment to Europe and ambitions for the EU. His political party, *En Marche!* (now *La République en Marche*), attracted many activists from both the left and right, characterised by their Euro-optimism. Terra Nova polled about 8,000 members of the President's party and revealed this in spectacular fashion. When asked about their main concerns, the vast majority of them placed Europe just behind but almost level with unemployment.[1] They consider the destinies of France and Europe to be

[1] Cautrès, B., Lazar, M., Pech, T., Vitiello, T.: *La République en Marche : anatomie d'un mouvement*, Terra Nova, 2018. Available online: http://tnova.fr/rapports/la-republique-en-marche-anatomie-d-un-mouvement

closely linked, and that the EU has the scope to intervene on most matters associated with globalisation. And they are almost the only players on the French political chessboard who carry that conviction so strongly.

In any case, this was one of the strongest defining characteristics of Emmanuel Macron's programme in 2017. For him, it is mainly a matter of winning back the credibility France has lost on the European scene, particularly when compared to Germany. To achieve this, he sees it as essential to reduce the French public deficit and show that France is capable of going ahead with big structural reforms. As some observers have quite rightly written, Emmanuel Macron wants to be, for France, what Schröder and Merkel have successively been for Germany, rolled into one, transforming the national model of society and production and consolidating the public accounts.[2] The gamble was that, by moving forward in this direction (it must be remembered that at the time Schröder carried out his reforms at the price of a public deficit of 3%), the Franco-German partnership would be able to find its way back to the path of active cooperation and positive leadership in the European Union in general, and the economic and monetary union in particular. The young President of the Republic naturally expected something in return, specifically being able to pursue the reform of the eurozone and provide it with its own budget.

Disappointing European achievements

These first forays into Europe looked promising. Not only were there words – most notably the speeches at the Sorbonne and at Pnyx in Athens[3] – there was action too. Within a few months, Macron had obtained an agreement considered almost unattainable a few months earlier on the thorny issue of posted workers. In the eyes of France's European partners, and further afield in the Western world, Emmanuel Macron appeared to be the "future leader of Europe", as illustrated on the cover of *The Economist*.

Many saw in him charisma, vision and popularity. But this favourable situation was also the result of a progressively deteriorating European context: the weakening of Angela Merkel in Germany, particularly following the "migrant crisis"; the Brexit crisis in the United Kingdom; the coming to power in Italy of an ill-matched majority of populists from the extreme left and the extreme right, and so on. That made leadership a clear vacancy that seemed to be within very easy reach but at the same time more difficult to exercise considering the rising nationalist and populist passions in several member States.

In fact, within 18 months Emmanuel Macron's European programme has been largely left in tatters. There are many reasons why it has proved so fragile. The first undoubtedly lies in the fact that, for a long time, Paris was without a solid, stable partner across the Rhine, where there were problems in building the new governing coalition. The second is that the same partner has proved to be particularly reluctant to make concessions. It took months to get Angela Merkel to make a timid commitment on

[2] Martin, P., Pisani-Ferry, J.: "Ce que la politique économique de Macron doit faire pour les classes populaires et les classes moyennes", *Le Monde*, 1 November 2017.

[3] The full versions of the Sorbonne and Pnyx speeches are available at: https://www.elysee.fr/emmanuel-macron/2017/09/26/president-macron-gives-speech-on-new-initiative-for-europe.en and, in French, at https://www.elysee.fr/emmanuel-macron/2017/09/08/discours-du-president-de-la-republique-emmanuel-macron-a-la-pnyx-athenes-le-jeudi-7-septembre-2017

the issue of the eurozone budget at the Meseberg meeting in June 2018, although this was an issue that the French government had set as an important condition. The Germans even withdrew their support on other measures, like the European GAFA tax, which the French government has been particularly keen to push forward, fearing that such a measure would bring commercial reprisals from a Trump administration with strong protectionist tendencies. Finally, as European public opinion, under pressure from populist parties, has begun to become concerned about the migrant crisis, the plans for a European Asylum Office that the French President sketched out in his Sorbonne speech seem to be a step in the wrong direction. While the CSU were making trouble from within Angela Merkel's own majority, in Italy a multi-party coalition came to power in which Matteo Salvini's extreme right was keen to begin a tug-of-war with Paris over the issue of asylum-seekers arriving by sea from Libya. This meant the European summits that followed were more about damage limitation than moving forward on the road to the French President's new Europe.

Ultimately, after 20 months as President, Emmanuel Macron's European achievements are rather thin on the ground, particularly in comparison with the lofty ambitions he set out in his electoral campaign and just after taking office.

The end of the honeymoon

This is disappointing enough, but since last summer 2018, the French President has also been weakened domestically. "The Benalla Affair", involving a member of his security team discovered assaulting a demonstrator in Paris on 1 May and then impersonating a policeman, damaged the image of a head of State who until then had been considered quite exemplary. Instead of quickly firing the person concerned, the President's office merely gave him an official warning and a temporary suspension. Amid the controversy provoked by the affair, Alexandre Benalla was eventually sacked, but there were still several twists and turns to the tale, to the point where some people began to speak of it in a rather exaggerated way as an "affair of State". In any case, it cost Emmanuel several popularity points in the opinion polls.

But above all it is the movement known as the "yellow vests", who damaged his approval ratings and changed his agenda. Springing circumstantially from protests against an increase in fuel prices and, in particular, their tax component (particularly the increase in the "carbon tax") this highly atypical movement has quickly become a long-term phenomenon and has extended its demands to more general issues: purchasing power, tax fairness and participatory democracy. Demonstrations in towns and cities and around roadblocks on major routes every Saturday since 17 November (with a truce for Christmas) have led to many public order problems, violence against people and property, injuries to police officers and demonstrators, and many arrests and prosecutions.

Even at the movement's strongest, the number of protesters has never been spectacular compared to the demonstrations French society has become used to. But popular support for the movement (three out of four French people before Christmas and still more than half at the beginning of January) quickly reached unprecedented levels. This far-reaching popularity is undoubtedly linked, in part, to its relative lack of ideological definition: it is hard to characterise the orientation of a movement that seems to

bring together people with very different political horizons and gives a voice to social sectors that are not normally mobilised. Nor have the protests managed to create a structure or produce leaders with whom the public authorities could negotiate.

Above all, in a political system entirely focused on the presidential election, the President concentrates nearly all the national representative legitimacy and at the same time attracts all the criticism and abuse. That means Emmanuel Macron was immediately in the firing line of the "yellow vests", many of them directly demanding his resignation.

In response to the rising anger, the President finally decided to make several concessions. In a televised address, he announced a series of measures costing more than €10 billion of public money including increasing the "employment bonus" for households where income is around minimum wage level, reducing social security contributions for retired people receiving pensions of less than €2,000, and tax exemption for overtime. The planned carbon tax increases were also put on hold. All this, of course, will not make it any easier to balance the French budget, which, as Brussels sees it, has only just been put back on track.

Emmanuel Macron also decided to launch a broad consultation process (the "Great Debate") on purchasing power, taxation, democracy and public services. At the time of writing this article, the way this will operate is still unclear. But what is certain is that it will go on until mid-March. The government will then have to announce the conclusions drawn from it. In short, he risks not being able to free himself from the "yellow vests" saga before the spring. Until then, it is highly likely that the series of reforms begun or planned by the government will be shelved. In such a context it is hard to see how issues as explosive as the reform of pensions or unemployment insurance could be considered, and – still less dealt with seriously – without considerable political risk.

In any case, the effect of this saga on the confidence of the French people is clear. In the January 2019 edition of the public confidence indicator published by Cevipof at Sciences Po, confidence in the institution of the presidency had dropped by ten points in one year, and confidence in the person of the President by 16 points![4] Meanwhile, the government's rating has fallen back by eight points and the Prime Minister's by 11 points. The words those surveyed used to characterise their state of mind were "weariness" (32%), "gloom" (31%) and "mistrust" (29%). These results seem to indicate that *En Marche!* is no longer an exception in the French political landscape, just as France has ceased to be an exception on the international scene. Today, the President and his supporters embody the very political class they have so carefully distanced themselves from until now – a class strongly criticised by the French people. And, on the European and international scene, France no longer seems to be an exception to the rapid and worrying rise of populism.

A high-risk European election

Emmanuel Macron risks going into the European election campaign in a very uncomfortable position. In fact, many voters will probably use their ballot papers to give their verdict on the policies of the government in its first two years in office,

[4] Sciences Po, Opinionway: *En qu(o)i les Français ont-ils confiance aujourd'hui ?*, 2019. Available online at: https://www.sciencespo.fr/cevipof/sites/sciencespo.fr.cevipof/files/CEVIPOF_confiance_vague10-1.pdf

hardly concerning themselves with the European issues of the day. But, whether we like it or not, their decision will have direct consequences for the composition and political colour of the European Parliament, and this is where we can begin to see another difficulty for the French President.

Because, as a group who have declared themselves to be "from both the left and the right", the elected representatives from *La République en Marche*, will not be able to join either the ranks of the European People's Party or the Social Democrats. And, as attempts to a progressive versus nationalist division in France and a Macron versus Orban division in Europe have not really managed to split the conservative camp, they have not yet found many allies to their right. The attempt to export the strategy of bridging the left-right gap that made it possible to win the presidential and legislative elections in France in 2017 seems to be compromised. The *En Marche* members elected to the European Parliament in May will have to join a liberal group which could be quite diverse, but with little impact on the balance of the assembly, even in the hypothetical situation that they are needed to form a majority coalition.

The risk is, then, that the progressive versus populist division will impose itself in France in May, but to the detriment of those who began it and to the great joy of Marine Le Pen's *Rassemblement National* (formerly the *Front National*), who continually pits the government parties against one another. With the current state of the polls, it is this party that will reap the benefits of the disorder and disputes generated by the "yellow vests". Compared to them, neither the Republicans (the conservative right of the government) nor the Socialist party, nor even *La France Insoumise* (the populist, radical, left-wing movement), are holding their own. Quite the contrary. In these conditions, the May election risks seeming like a contest between a weakened *En Marche* and the nationalists reinvigorated by the recent protest movements, a contest barely disrupted by the Greens.

A victory by *Rassemblement National* in May would therefore not be a surprise. After all, Marine Le Pen's party won the previous European elections four years ago. Far from halting the process, France would end up making its own contribution to the nationalist and populist forces undermining the European project from the inside.

Because one of the most important developments by the French nationalists since May 2017 has been to shelve their plan to leave the euro, which had cost them so dearly at the elections. Realising that there is no electoral scope for a Frexit proposal in France today, they have got over their radical opposition to the common currency and the European project and decided to gamble instead on an alliance with the other European populist forces, particularly Matteo Salvini in Italy.

There is, of course, nothing certain about this scenario. Many events could still change the balance of the forces in play. But if it comes to pass it will confirm the end of the French exception to the ideological cycle now operating in the vast majority of Western democracies.

Portugal. Uncertainty and diversity

Guilherme d'Oliveira Martins

"What shall we do? We shall plot a course to India without the need to pass through Turkish land, without the need to navigate the Mediterranean".

António Sérgio (1883-1969)

The United Kingdom and the Brexit

2019 finds us in a world of unknowns. The internal political situation in Portugal is unfolding against a backdrop of unanswered questions for Europe and the world at large. As Brexit developments continue to shape European politics, we now know that whatever happens, the United Kingdom's departure from the European Union will have negative consequences not just Britain itself but the EU as a whole, including Portugal. The political erosion of the EU's Atlantic coastline will be viewed as a loss for all involved. Indeed, Portugal has been able to modernise its economy over the last sixty years thanks in no small part to the integration process led by the United Kingdom, which started in 1959 with the creation of EFTA and continued when Portugal followed the UK's lead by beginning its gradual process of accession to the European Communities in the 1970s. However, continued tensions between the Remain and Leave factions mean that clarification of the current Brexit situation is unlikely to arrive soon. In fact, the debate between the two opposing groups has not shed much light on the situation: those who want to revisit the referendum decision cannot agree on whether to put the question back to the people, and those who want to leave are aware that they are losing influence and credibility with every passing day.

The general European and international context

Developments in France and Germany have also revealed serious cause for concern, most notably creeping instability. Factionalism is also on the rise in Italy, and the increasing influence of populist and radical left- and right-wing political groups is being felt throughout central Europe.

The outcome of the next European Parliament elections is likely to signal the loss of influence of the centre-left and -right to the benefit of the extreme ends of the political spectrum. Furthermore, the American brand of protectionism spearheaded by President Trump is catalysing the loss of Atlantic influence on the international stage, especially in defence and security, the Russian Federation is asserting its regional (although not global) power, and China is gradually solidifying its global influence despite clear weaknesses in its monetary policy. We are now faced with a system of wildly polarised politics and a gamut of uncertainties, not forgetting the problems and tensions simmering in the Arab world.

The political equilibria in Portugal

Although Portugal possesses the basic prerequisites for political stability, this election year is sure to provide an opportunity for an intense debate on a whole host of unknowns. In this context, it is important to remember that external factors can pose risks and disruption that are not always easy to predict. There are, however, a number of questions to consider. Could the Socialist Party, under the leadership of António Costa, achieve an absolute majority, enabling him to govern without the current agreements with communists and the Left Block (Bloco de Esquerda) that have benefited him throughout the most recent parliament? How will Rui Rio's Social Democrat Party fare with its leadership caught in the crossfire between internal opposition groups? Will Pedro Santana Lopes, former prime minister and erstwhile president of the Social Democrat Party, clinch a result with his new party Alliance (Aliança) that will help him to develop an alternative to the current government? Will the Social Democratic Centre and Popular Party, led by Assunção Cristas, manage to strengthen its electoral position by presenting a centre-right alternative? Could the parties propping up António Costa's government – the communists and the Left Block – achieve a result that ensures their continued position as kingmakers? These questions cannot yet be answered, meaning that the 2019 European and general elections will determine the road ahead for Portuguese politics.

Parties and political forces

Portugal has not experienced a notable emergence or surge of populist or xenophobic forces. However, it would unwise to ignore the porousness of the modern world which has intensified with the rise of social media and digital technology, rendering a simplistic analysis of the phenomenon unfeasible. Although attempts to ignite movements like the "gilets jaunes" have been unsuccessful to date, there has been a surge in strike campaigns coordinated within the trade union movement, indicating the persistence of pockets of inherited discontent with the austerity politics enacted after the 2008 financial crisis. The impact of social fragmentation and the potential for populism have been lessened, however, by a number of factors: the pluralism of the coalition government, Portugal's location in Europe far from the regions most stretched by the pressures of migration, and the generally positive consequences of European integration and the single currency. The fact that a centre-right president, Marcelo Rebelo de Sousa, heads up a centre-left minority government shored up by left-wing parties also acts as a counterbalance and may also account for the lack of radical

anti-establishment, xenophobic and nationalist political forces in Portugal.

Economy

In the last few years, Portugal has undergone a gradual economic recovery after a deep recession. The positive effects of structural economic measures continue to be felt, especially in terms of the sustainability of public finances, the banking system, the labour market and levels of education and training. Elsewhere, political developments in Angola could lead to the rekindling of positive economic relations and cooperation between the two countries. Lower public debt, increased investment, heightened productivity and export growth continue to be key objectives in efforts to achieve real economic, financial and social sustainability. Portuguese GDP has already surpassed the figure recorded in 2008, the year of the crash, and the 2.3% growth recorded in 2018 is predicted to even out to around 2% in 2019. Growth has been bolstered by exports and domestic demand, with the latter proving the more significant in recent years. Tourism has also played a decisive role: Portuguese hotel occupancy increased by over 40% between 2013 and 2017 and the economic impact of tourism has doubled since 2008, with 8.4% of GDP now deriving from tourism. The IMF predicts that unemployment, which stood at 7% in 2018, will fall to 6.7% in 2019. Inflation is forecasted to reach 1.3% in 2018 and 2019. As regards public accounts, the OECD anticipates that the government will meet its deficit targets this and next year (0.7% and 0.2% of GDP respectively) and has even predicted a budgetary surplus of 0.1% of GDP in 2020. According to Eurostat, Portugal's public debt stands at 124.8% of GDP – the third highest figure in the European Union after Greece and Italy. Portugal has also emerged from the crisis with a stronger economic fabric that is less dominated by the banks and construction and more oriented towards transactional goods, especially in retail and tourism.

Education and professional training

Education levels among the working-age population continue to provide significant cause for concern. Only 43% of the population aged 25 to 64 years old have completed secondary education, in clear contrast with the OECD average of 76%, and only 64% of the population have completed basic education (defined for this purpose as nine years of schooling). However, Portugal is second only to South Korea among OECD countries recording improvements in education: although only 23% of the population aged 55 to 64 have completed secondary education, that figure is 65% among those aged 25 to 34 years old. This means that the younger generations are entering the labour market with more qualifications than their forebears – a trend that is set to continue. The better qualified the population, the greater the rate of economic productivity. As I wrote in a report analysing the profile of students in compulsory education, "learning is what makes the difference between progress and stagnation. Learning to understand things, learning to do things, learning to live together and with others and simply learning how to be are all facets of education that should be viewed in the context of their different synergies and effects. To that end, lifelong learning should be placed at the heart of society through an understanding of the myriad forces that shape human development. The global and the local, the whole and

the individual, tradition and modernity, the immediate and the distant, competition and equity with respect for all, routine and progress, ideals and reality – these all oblige us to reject prescriptivism and rigidity and to instead envisage and cultivate a common destiny for the emancipation of humankind." Equality of opportunity has been a common theme on the education agenda in Portugal, championed through initiatives such as the phased provision of free books for compulsory education and the push to recognise secondary education not just as a precursor to higher education but to increase flexibility to allow drive and success in education to be factored into standard-setting and quality assessment. Autonomy among further education institutions, universities and polytechnics and the optimisation of assessment mechanisms have also been highlighted in this connection. In terms of culture, Portugal has focused on the participation of schools in activities carried out in the scope of the European Year of Cultural Heritage in 2018 (including the school library network programme to name but one), placing the country at the forefront of a wide array of worthy initiatives that seek to counter reductive interpretations of our multifaceted cultural heritage.

The challenges of European democracy

Portugal is naturally feeling the effects of the turbulence and uncertainty currently surrounding the European debate. The EU is displaying symptoms of a chronic disease that is threatening to leave it irrelevant, weak and submissive in a polarised world fraught with uncertainty and risks that range from the growing influence of new Asian powers to disorder in the Middle East and from senseless terror to the dearth of effective intercultural dialogue. There is a lack of shared political will and capacity to solve an equation containing at least three unknowns: first, how do we ensure that citizens can actively participate in the setting of common goals through effective mediating institutions? How do we connect politics and economics to ensure that the EU has an active role in fostering balance and regulation on the international stage? And finally, how do we ensure that we are cultivating a sustainable development that takes into account knowledge, learning, innovation, cohesion and quality of life? These questions demand coherent and effective answers that lie in the realisation of subsidiarity, decentralisation, devolution and strategic planning among States in liaison with the European Union. The quality of a democracy thus depends on citizen participation, social cohesion and sustainability, all of which require genuine sharing of resources and responsibilities. The environment and climate change, the threat of cyberterrorism, the need for clean energy and the protection of our quality of life are all elements that oblige us to protect and promote responsible citizenship and human dignity. Financial and budgetary diligence and economic sustainability are key to a stable, organised society that has the capacity required to defend the common good. However, the only way to overcome populism and ensure that our institutions carry out their representative and mediating functions is to urgently consider a total redefinition of the social contract.

The right and the rights

The state exists for the people and not viceversa. The whole should not come before its constituent parts and the individual has intrinsic value, yet some believe that the individual has

no value if not part of an overarching whole. Democracy and freedom have therefore returned to the top of the agenda as items requiring urgent attention. Our fundamental rights – including subjective and social rights – are the cornerstone of this democracy and freedom, and we are now progressing towards a new generation of rights that link personal dignity to the safeguarding of cohesive and sustainable human development. Democracy must be based on inclusive citizenship, respect for human dignity, individuality and community openness, and must aim at fostering a culture of peace and peaceful coexistence as well as a permanent capacity for conflict resolution. Political and legal thought converge and complement one another on this point. The risks we now face are the weakening of the rule of law and the consequent fragmentation of society. If power is not limited and controlled by the law, society is at risk of ineffectiveness and centralisation. Voting is not enough, and neither are formal demonstrations of will. Participation is vital, but not sufficient. We need effective, legitimate mediating institutions that respect equal freedom and free equality. While we can create mechanisms to allow consultation with citizens in an instant through social networks and digital solutions, this still is not democracy. Democracy demands time and reflection if it is to evade the tyranny of the immediate and the majority that arises from manipulation and demagoguery. In our increasingly complex world, the smokescreen cast by reductive opinions allows manipulative forces to thrive and threatens individual freedom, as evidenced through the surge in post-truth ideas and the fake news phenomenon. The figure of the "silent majority" is invoked to conceal the need for our democracy to promote informed, carefully considered decisions. The Brexit narrative is a prime example of the effect that a lack of political guidance and democratic mediation can have, and shows how these factors can lead us down dangerous paths.

Inclusion, legitimacy and responsibility

Is there an acceptable alternative for representative democracy? Time and reflection necessitate diversity and dialogue across opposing factions. Individual freedom, mutual respect and social cohesion must be strengthened and implemented in line with the rule of law and democracy. As we discuss the collapse of models, notably the social contract that has persisted since the end of the Second World War, we should recall the importance attributed by Italian philosopher Norberto Bobbio to the need to understand what must changes and what must be preserved. We must work towards freedom with a social conscience, active citizenship and a culture of peace. Our common memory is the source of our teachings and wisdom. What can we do in this world fraught with danger? We must remain steadfast in our defence of diversity, pluralism and the separation and limitation of powers. Citizen representation and participation – suffrage and the right to exercise that suffrage – are therefore two sides of the same coin. Pierre Rosanvallon once said that populism thrives when actions are guided by feelings of rejection rather than of belonging. The power of a mediation system in which everyone has a place must be acknowledged – a point raised by those who feel capable of participating but have no voice. In addition to representation, there is an immutable responsibility to uphold accountability and the legitimacy of suffrage. Only the legitimacy of suffrage can ensure synergy between representation and participation,

and a new social contract has to start from the acceptance and development of this idea. Accountability means being answerable to present and future generations. The social-democratic model is still relevant because we know that the market alone cannot satisfy human needs. We should look to the trail blazed by former Portuguese president Mário Soares, who consolidated Portuguese democracy without ossifying it by blending individual freedom, solidarity, market regulation, the control of economic power through democratic political power and the position of the State as a catalyst for social initiatives, social cohesion, sustainability, pluralism, secularity and the defence of the common good.

Development and personal and social emancipation

Portuguese development depends on internal and external factors. Although integration in Europe is essential, we should also remember that the two Iberian states, Portugal and Spain, are central to the continuation and relevance of the EU and the Atlantic region through their links to the wider world. Yet while Europe is of course important, we must consider a question of variable geometry: how can we reap the benefits of our continental location and seafaring possibilities without smart joint ventures in the Atlantic, the Far East, Africa, the Americas and Northern Europe? We have to build on the work done towards European integration and the single currency and consolidate our position by strengthening our mediating institutions and ensuring that they truly represent citizens, boosting education, science and culture, sharpening our focus on wealth (not just its movement) and increasing and improving investment. Equal freedom and free equality should therefore beget a mature democracy and inclusive citizenship, tackle exclusion and counter unjust inequalities. By doing away with the idea of the productive, dirigiste state and mercantile utilitarianism, we can instead move towards personal and social emancipation.

Right-wing populism in the EU: a threat to the integration process

Klaus Busch

There have been parliamentary elections in various EU states over the last two years: the Netherlands, France, Austria, Germany, Italy, Hungary and Sweden. Right-wing populist parties have made clear gains in these elections. In Austria the Freedom Party of Austria (FPÖ) is now part of a ruling coalition, in Italy two populist parties (the Northern League and the Five Star Movement) have formed a government, and in Hungary Orban's party, Fidesz, maintained its grip on power. There are clear grounds to say there has been a marked shift to the right in the political spectrum of the EU.

The causes of the rise in right-wing populism in significant EU states

Comparative studies show that several factors have caused the rise in right-wing populism (Busch/ Bischoff/Funke 2018). Five influencing factors stand out as particularly relevant: the economic development of the country in question, the growth of social inequality, the political stability or instability of the state, the migration and refugee question, and a historical and cultural factor. These influencing factors carry differing weight from country to country. This article will explain the significance of these factors in the rise of right-wing populism in Italy, France, Austria, the Netherlands and Germany.

Italy

The clear winners in the Italian parliamentary elections in March 2018 were the populist parties: the Five Star Movement (M5S), with a 32% share of the vote (up 7 points), and the Northern League, with 17% (up 13 points). The "Social Democrats" (Partito Democratico, PD) got 18% (down 6 points), and Berlusconi's Forza Italia (FI) got 14% (down 7 points).

Italy is the EU state where (right-wing) populist parties are most dominant. Of the five countries, it is Italy where two of the five influencing factors of right-wing populism are most pronounced: the socio-economic crisis and the crisis

of the political party system. Italy is experiencing an ongoing phase of economic stagnation, unemployment reached above-average levels of 11-12% following the financial crisis, and the unresolved banking crisis is still a burden on the country to this day (Telljohann, 2016). The traditional system of parties in Italy (*Pentapartito*) broke down in the early 1990s under the pressure of corruption scandals (*Tangentopoli*), leaving the way clear for three right-wing populist parties (Forza Italia, the Northern League, and the National Alliance), which led the country under Berlusconi in a total of four governments, on and off from 1994 to 2011. It is part of the country's tragedy that these right-wing governments not only proved unable to solve the socio-economic problems of the country, but also collapsed – like the previous party system – due to scandals (tax evasion, corruption, Berlusconi's sex scandals). The Five Star Movement benefited from the situation in the ashes of the Berlusconi system, and received 25% of the votes in the 2013 parliamentary election at a stroke. The Five Star Movement may stress that it is neither on the left nor the right of the political spectrum, but in the European Parliament and on questions relating to the refugee crisis the party is aligned with the right-wing populist Northern League and the Brothers of Italy (Caccia, 2017). Italy is more strongly marked by political instability than virtually any other EU state. Along with the socio-economic crisis, this is one of the main factors explaining the strong influence of right-wing populism in the country.

In addition to this, there has been a refugee crisis since 2015, which has been exploited by the populist parties to stoke xenophobia and to brand migrants as scapegoats for the many crises in the country.

France

When Marine Le Pen became leader of the National Front (FN) in 2011 the party's election results began to stabilise strongly, above the 10% mark (Chwala, 2015).

In the Presidential elections in 2012 Marine Le Pen got nearly 18%. In 2017 she got around 21% of the vote and reached the second round against Emmanuel Macron, in which she got nearly 34%.

The FN got around 13% in the National Assembly elections in 2012 and 2017. The FN was particularly successful in the 2014 European elections, coming first with nearly 25% of the vote, and quadrupling its results from 2009 (see Ivaldi, 2017).

In France three factors are particularly relevant for explaining the development of right-wing populism: the socio-economic crisis, the failure of a conservative president and a socialist president to solve problems, and difficulty in overcoming the immigration question.

GDP growth in France has been very slow since the financial crisis. Levels of employment have increased very slowly, and the unemployment rate was still around 10% until 2016. Sarkozy and Hollande failed in their attempts to overcome economic stagnation. President Hollande's labour measures to "reverse the unemployment curve" had hardly any effect. Many people in France see globalisation and the introduction of the euro as the key causes of the country's socio-economic difficulties. They also hold the "political class" responsible for not protecting France enough against globalisation/Europeanisation.

A further problem is that immigration has not been dealt with adequately in the political arena and in society. France has often fallen short when it comes to social integration of

around 6 million first-generation immigrants and 7 million second-generation immigrants. People with a migrant background have a below-average level of participation in the labour market, and an above-average level of unemployment. The unemployment rate among this group is approximately 20% – about twice as high as the rate for French people without a migrant background. Many migrants, particularly those living in the "banlieues", are stigmatised and discriminated against, leaving some of them so disappointed that they are driven into the arms of Islamist and terrorist subcultures in search of a new identity (Kepel, 2016). At the same time, the gap is growing among French people without a migrant background between the winners and losers of globalisation/ Europeanisation, offering fertile ground for the National Front. This dual division in French society means that while some people want to feel more secure by strengthening their religious identity, others seek new stability by strengthening their nationalist identity. Terror attacks by Jihadists fuel the FN, and its growing political successes provide ammunition for the Islamist ideology.

Austria

The rise of right-wing populism has played a more significant role in Austria than in any of the other countries described here – except for Italy. One indication of this is that the FPÖ under Jörg Haider had a large upswing in the 1990s, enabling them to join the government of Wolfgang Schüssel (ÖVP) from 1999 to 2006. The significance of right-wing populism can also be seen in reactions to the financial crisis since 2010: Austria has shifted towards right-wing nationalism both in society and politics, including the parties in the grand coalition, particularly the ÖVP.

This development can only be understood in the context of the country's historical tradition. Of the five determining factors for the growth of right-wing populism, the historical and cultural component is therefore dominant in Austria.

After the financial crisis there has been economic stagnation in Austria: unemployment levels have been historically high for the country, wages have been shrinking slightly in real terms, and there have been tough austerity policies rather than any Austro-Keynesian response to the crisis. The socio-economic effects of the crisis have heightened fear of globalisation and Europeanisation among the working class and middle class. They have also led to increasing criticism of the ÖVP and SPÖ, the two parties that have shared power in Austria since 1945, ruling in a grand coalition for more than 50 years.

As in the other countries under investigation, the Austrian right-wing populist party takes up these socio-economic and political problems, and expresses them in a discourse that is anti-globalisation, anti-EU, against the established parties, and against foreigners. In Austria, as in the other countries, the refugee crisis has been used since 2015 by the FPÖ to brand migrants as the cause of the social crisis. However, the key difference with the four other countries is that the parties in the grand coalition have increasingly adapted to fit in with this anti-immigration discourse. This applies particularly to the ÖVP, but also to some extent among some portions of the SPÖ. Kurz's party has even tried to go further to the right than the FPÖ.

The abrupt shift to the right in Austria can be observed not just in the growing strength of the FPÖ. All political questions, including social questions, have taken on a nationalist tinge, even in the parties of the grand coalition, so

large portions of the country have shifted to the right. This development must be interpreted in the context of the long right-wing authoritarian history of Austria. Like Germany, Austria has a long tradition of right-wing nationalism. However, in Austria, unlike in Germany, it was not sufficiently processed after the Second World War. Anton Pelinka proposed the convincing theory (Pelinka, 2002; Pelinka, 2017) that Austria is the only country in Europe with a right-wing populist party tracing a line of continuity from fascist barbarism to the post-fascist period after the Second World War. The FPÖ represents the country's nationalist tradition, and it is still part of mainstream society.

The Netherlands

Of the five determining factors for the growth of right-wing populism, the relevant ones in the Netherlands are socio-economic development, increasing social inequality, criticism of established parties, and the migrant crisis. The particularly harsh austerity policies since 2010 and the growth in and perception of socio-economic inequality have been most significant since 2010 (see Busch/Bischoff/Funke, 2018, p. 110ff).

Economic growth has also been weak in the Netherlands since the crisis. The country suffered particularly in 2012 and 2013, when the eurozone was in recession as a result of the harsh European austerity regime. However, since then the country has recovered visibly: the GDP growth rate has risen considerably. Wages per capita have risen slightly in real terms since 2011.

Nonetheless, this improvement in the macroeconomic data is overshadowed for the Dutch public by the fact that no other country in the comparison group endured such harsh cuts. The Netherlands has transformed its financial situation from a budget deficit of around 5% in 2010 to a budget surplus of 0.4% in 2016. As a result, the Dutch have experienced a severe reduction in welfare-state services, in the areas of health, care, pensions and education. Furthermore, social inequality has increased in the Netherlands since the financial crisis. The income gap has grown, the problem of poverty has worsened, and there is more job insecurity in the Dutch job market than in the EU as a whole.

This was the context in which Geert Wilders' right-wing populist PVV party presented its policies on tolerance to the first Rutte government in 2012. This minority government, made up of the conservative liberal party VVD and the Christian CDA, had been in power since 2010. The PVV used this opportunity to present itself as a social party that rejected the austerity policies dictated by the European authorities.

The second Rutte government (2012-2017), a grand coalition of the VVD and the social democratic PvdA, continued with the harsh austerity measures, allowing the right-wing populist party of Geert Wilders to continue to portray itself as the defender of the Dutch welfare state. Like right-wing populists in the other countries, they link this to an anti-migration discourse, and they attempt to name scapegoats, particularly Muslims, for social cuts and growing social inequality.

The 2017 electoral campaign showed that Geert Wilders' strategy fell on fertile ground. For a long time it looked as if the PVV might be the strongest party. Wilders' plans were only thwarted when Rutte shifted to the right, writing a letter to the Dutch public asking migrants to act "normally" or leave the country. Wilders' PVV then "only" came second to Rutte's VVD party. The social democratic PvdA paid a high price for supporting austerity policies in the

grand coalition during Rutte's second term: its support crumbled in the 2017 elections from nearly 20% to 5.6%.

Germany

Of the five states examined, Germany (still) seems by far the most stable. The country has seen the highest growth rates and the greatest reduction in unemployment since the crisis. Wages are also growing in real terms once more. However, a problematic issue, and a key factor explaining the rise of right-wing populism, is the change in patterns of distribution and the increasing perception of socio-economic inequality. The bottom 40% of earners have hardly seen any increase in income over the last twenty years. There is a clear fear among the working class and the lower middle class of social decline due to the effects of globalisation. Furthermore, a large proportion of the population in the former East Germany feels like they are second-class citizens in comparison to West Germans.

In terms of the political stability of the country, the two parties of the grand coalition still dominated the landscape until recently, but they suffered severe losses in the latest federal election in 2017 (a total of 14 percentage points). In Germany too, there is a growing impression among part of the population that the large political parties are increasingly unable to resolve the country's problems satisfactorily. In the state elections in Bavaria and Hesse in 2018, the CDU/CSU (Christian Democrats) and the SPD (Social Democratic Party) both suffered double-digit losses. In the meantime, opinion polls for the federal elections showed that the CDU/CSU had slipped to the mid 20s, and the SPD sometimes dropped as low as 14%. The AfD (Alternative for Germany) entered the federal parliament for the first time in 2017 with 12.7% of the vote (see Funke/Mudra 2018). Without doubt, their success was fuelled by the fourth explanatory factor: the refugee crisis. If the culture of welcome was still dominant in 2015, this has long since been weakened by growing scepticism among most citizens, in view of the significant flow of immigrants. The centre parties have reacted to this situation with policies to seal off the country and carry out deportations (EU-Turkey agreement: more states are declared to be safe third countries). They have also increasingly taken on the rhetoric of the AfD on the issue of refugees.

Right-wing populism has still been kept in check in Germany to a greater extent than in the other countries, partly because of economic and political stability, and also because of the historical and cultural explanatory factor. In contrast with France, and particularly Austria, fascism has been critically processed in the Federal Republic of Germany since the time of the student movement and the period of democratic reform introduced by Willy Brandt. There is still a strong barrier in Germany to prevent election of parties that relativise the atrocities committed under the Nazis.

The rise of right-wing populism, growing political instability and the consequences for the upcoming European Parliament elections

This analysis of several countries has not just shown the growing strength of right-wing populism; it also reveals a growing level of instability in the party system in the countries examined. This trend is most striking in Italy and the Netherlands, but the systems in France

and Austria are also close to a radical change, and even in Germany there is a trend in this direction.

Italy experienced the breakdown of the "Pentapartito" in the 1990s, and was then faced with the upsurge of right-wing conservative and right-wing populist parties (Forza Italia, the Northern League, the National Alliance), which formed four governments under Berlusconi for various periods between 1994 and 2011. However, despite their grand promises, they were unable to overcome the socio-economic misery of the country, in fact exacerbating it. Since 2013, this dual collapse of the political system has benefited the Five Star Movement, which came to power with the Northern League after the parliamentary election in March 2018. The latest opinion polls show that the Northern League under Salvini has overtaken M5S, with 33% of votes while M5S has 30%. The left, which was decimated in the last elections, is now mired in internal power struggles and is looking on, virtually powerlessly, as the country lurches to the right on Europe and refugee policy. Although the populist parties and the right-wing nationalist Brothers of Italy command two thirds of the votes, this does not increase political stability. On the contrary: the confrontational course that the new Italian government has now taken towards the EU on the question of budgetary policy has, if anything, worsened the country's problems. Furthermore, there are considerable disagreements between the two governing parties over how to scale down the big electoral promises that have proved impossible to finance.

In the Netherlands the two parties that were previously strongest, the CDA and the PvdA, have long since lost control of the parliaments. Together with the right-wing liberal VVD, they still received more than 80% of votes in the 1990s. Since then their share has tended to shrink, and in the early 2000s it was still at around 60%. The CDA and PvdA each still received well more than 25% of the vote in 2003, but in the 2010 elections the share for each party fell below 20%, and in 2017 the PvdA dropped to 5.7% and the CDA dropped to 12.5%, while Rutte's party, the VVD, received 21.3 % and Wilders' party, the PVV, received 13.1%. In comparison to the 1990s and the early 2000s, the three largest parties' drop in vote share to less than 40% is dramatic. The party landscape became increasingly splintered, making it very difficult to form a government in 2017. It took Rutte six months to put together a four-party coalition government.

The French elections in 2017 saw the collapse of the two-party system that started with the "Quadrille bipolaire". Since the 1970s the 5th Republic had been dominated by the PS and Les Républicains (LR, previously UMP) as the left and right-wing alternatives. Macron's La République en Marche (LREM) is a centre party, which has taken some of its staff, even at the top level, from the PS and the LR. The PS was decimated (7.4%, down 22 points) and a reformist wing of Les Républicains led by Juppé has cooperated with Macron. Now the main opposition is made up of Mèlenchon's "La France Insoumise" and Le Pen's "Rassemblement National" – fringe parties of the left and right. The recently elected President of Les Républicains, Laurent Wauquiez, describes himself as "right-wing", and it remains to be seen what effect his appointment will have on the divided party.

The new system is not stable, and Macron's LREM is a weak party with little organisational structure, even by French standards. The system is also unstable because of Macron's position. He was already weakened before the emergence

of the "Yellow Vests", and if his reform programme fails and he has few socio-economic successes to show at the next presidential elections, he might well lose to a far-left or far-right candidate. The success of the "Yellow Vests" in their fight against Macron's policies in late 2018 has exacerbated this structural instability.

Political instability has also increased in Austria, following the failure of the grand coalition and the formation of an ÖVP-FPÖ government after the 2017 election. The unions and the SPÖ fear that the country›s shift to the right might mean that the new coalition will abolish the system of chambers of labour. However, this system makes up the administrative, intellectual and ideological foundation of the unions, and if they were weakened it would also hit the SPÖ hard. It appears that these possible developments may spell the end of the period of grand coalitions and consensus democracy.

As described above, the power of the parties in the grand coalition has been crumbling in Germany, while the Greens and the AfD have made significant progress in the polls. Following the election of Annegret Kramp-Karrenbauer as the new leader of the CDU, it is unclear how long Angela Merkel will stay on as Chancellor. It could lead to the end of the grand coalition, new elections, and a "Jamaica coalition" (a coalition of the CDU/CSU, the FDP and the Greens). Merkel›s loss of power and the shift to the right within the CDU/CSU are also largely a result of the rise of right-wing populism.

The increase in political instability, the significant losses suffered by conservative and social-democratic parties, and the rise of right-wing populism will also have a considerable effect on the European Parliament elections in May 2019 (see Körner, 2018).

The previously dominant grand coalition of the EPP and S&D, which was important for the stability of the legislative process, will probably lose its absolute majority. The EPP might get 25% of the seats (down 4 points), the S&D could lose out more, and get 19% (down 6 points). Depending on the alignment of Macron›s LREM, the liberal ALDE might get 10-13%. The largest gains would go to the anti-Europeans and Eurosceptics (ENF, EFDD, ECR), who could grow from 18% to about 25%.

This would not mean the change in power announced by Salvini, di Maio and Le Pen, but it would complicate the legislative process. Building a coalition to pass laws would now require not just the EPP and the S&D, but also the Liberals and/or the Greens (see Wientzek 2018).

Right-wing populism blocks the resolution of integration conflicts

The EU and the eurozone have been unable to solve problems that they are currently fighting on different fronts. On the contrary, the roadblocks seem to be growing. The most significant conflicts include:

- The exit of Great Britain from the EU, which may happen in Spring 2019 without a deal.
- The smouldering refugee crisis; the EU has not been able to implement an obligatory distribution mechanism in this context, although it is a European competence.
- A debate has been running since the height of the Euro crisis in 2011/2012, regarding the reforms needed to stabilise the eurozone; these reforms suffered a great setback at the summit in December 2018.
- There has been a breakdown of democracy and the rule of law in Poland, Hungary and Romania, and the EU has been unable to deflect these states from the path to "illiberal democracy".

The EU has had to face repeated setbacks throughout its history. However, it has always managed to get back on the path to integration with decisive steps towards a deeper relationship, even after difficult moments such as the "Empty Chair Crisis" triggered by de Gaulle in the mid-1960s or the failure of the first EMU plan in the late 1970s. The passing of the Single European Act (1987) and the treaties of Maastricht (1993), Amsterdam (1999) and Nice (2003) brought the EU into a "golden age" of integration with decisive political and economic progress. However, the failure of the EU Constitutional Treaty in 2005 ended the period of strong integration, and there have been no breakthroughs since then. In fact, the EU has reached a dead end in various areas.

The decisive cause of this period of integration stagnation can be found in the increasing trend towards right-wing populism, which has been bolstered particularly by the austerity policies introduced in the wake of the financial crisis in 2008/9. The politics of re-nationalisation gave rise to Brexit, they prevent a solidarity-based refugee distribution policy, they block any decisive progress in the reform of the eurozone, and they are the key force behind the PIS in Poland and Fidesz in Hungary.

Re-nationalisation and refugee policy

The rise of right-wing populism has exacerbated conflict on migration in the EU. There has been a massive policy of exclusion: a tightening up of asylum law, more deportations, the EU-Turkey agreement, expansion of Frontex, and strengthened cooperation with Libya. This has led to a marked reduction in the number of refugees, but no solution has yet been found to the key questions of the uneven refugee burden on EU states and the implementation of EU distribution decisions to relieve Italy and Greece. The Visegrad states refuse to participate in distribution of refugees, and Italy in particular complains that it has been abandoned by the EU.

The European Council summit in June 2018 decided on measures including sealing the continent off further (strengthening Frontex and the Libyan coastguard), building "disembarkation platforms" in third countries (detaining migrants caught during flight to clarify their status), and building "internal centres" in member states (detaining refugees to clarify their status and introduction of resettlement measures "regardless of the Dublin reform") (European Council, June 2018).

Even if the EU goes further down the path towards a right-wing populist refugee policy through these decisions, this policy will hardly resolve the conflicts between member states. This is because it has not been established which North-African states are prepared to build this type of "disembarkation platform"[1], nor which states want to take the refugees they would send to the EU. Nor has it been determined which states should set up the "internal centres", and which are prepared to participate in the related resettlement measures, because the voluntary principle takes precedence; the EU has accepted this in order to be able to make any decisions.

The EU's acceptance of the voluntary principle legitimises the behaviour of the Visegrad states, which has broken agreements, and ultimately makes it impossible to act in case of conflicts between member states. States will continue to be unequally burdened, and not all states will be involved in distribution of migrants

[1] Until December 2018, no African state had agreed to build such a "disembarkation platform"!

from North Africa or from the "internal centres" in individual states. In this way, the trend towards re-nationalisation means that there is still no resolution to the underlying problems between member states, which the June summit was originally intended to solve.

The EU summits of October and December 2018 did not achieve any breakthroughs on the contentious issues. There is agreement on increasing the number of staff at Frontex, albeit at a slower pace than suggested by the European Commission. More work is to be carried out on the questions of the Common European Asylum Law (seven legislative proposals), setting up an asylum agency, and a common return directive (European Council, December 2018). The Commission attempted to speed up consultations on a common asylum law by removing the question of a common distribution system from the legislative package, however, this failed due to German resistance, despite strong support from Austria and the Visegrad states.

The (continued) failure of EMU reforms

The failings of the Economic and Monetary Union (EMU) became abundantly clear from 2010 on, and since then the EU has talked increasingly about reforming the euro structures.

In 2012, under Barroso, the Commission put forward a blueprint for EMU reform, including the following key elements: introduction of an economic government responsible for anti-cyclical fiscal policy, Eurobonds, and a debt-relief fund for a common European debt policy. According to these plans, the EP would take on competence for democratic control of this economic government. However, the trend towards re-nationalisation was becoming evident by the European elections of 2014 at the latest, making it clear that these sensible but extensive reform plans would come up against massive resistance. The reform debate then ran aground, and was only revived in 2017 by new proposals from the European Commission and the new French President, Emmanuel Macron.

The Commission's plans in spring and autumn 2017 did not go nearly as far as Barroso's above-mentioned plans, and essentially consisted of a slightly larger EU budget, which should also receive resources for combating asymmetric crises and promoting (neoliberal) reforms in individual EU states, without, of course, providing transfer payments from the EU for these member states. The Commission also recommended converting the European Stability Mechanism (ESM) into a European monetary fund, and expanding the banking union through a common European deposit guarantee and a backstop for the resolution fund.

Emmanuel Macron's proposals went further, although the details of his plans were never fully formulated, of course. Macron's main concern was to significantly increase the EU budget, and to have an independent budget for the eurozone to combat crises and stimulate investments.

In the course of negotiations in 2018, most of the reform proposals made by the European Commission and Emmanuel Macron failed.

This failure came partly because of half-hearted support for Macron's ideas from Merkel's government, and partly because of resistance from the "Hanseatic League".

Merkel was reticent principally because the CDU-CSU parliamentary group rejected the plans for a larger EU budget and an independent eurozone budget for stabilisation purposes.

The idea of more resources for the EU and an independent eurozone budget was rejected even more strongly from spring 2018 onwards by a group of states dubbed the "Hanseatic League", initially consisting of eight EU states: the Netherlands, three Scandinavian states, three Baltic states, and Ireland, and later 12 states (with the addition of Belgium, Luxembourg, Malta and Austria).

The "Hanseatic League", which opposes a deepening of the European integration process, includes many states, such as Belgium, Denmark, Sweden, Finland, the Netherlands and Austria, where right-wing populist parties carry enough weight to strongly influence the country's political climate. In some of these states (Belgium, Denmark, Austria), they are now part of coalition governments.

Consensus is needed for all questions relating to EMU reform and the future medium-term financial framework of the EU. Thus, it was clear even before the summit in July 2018 that the upcoming negotiations offered a very low chance of realising Macron's larger plans, the less ambitious demands of the European Commission, or even the restrictive ideas of Germany.

At the summit in June 2018 all decisions were postponed, and the prospects for the success of the December summit did not improve over the summer and autumn.

French resentment of Germany's lack of support grew stronger from month to month.

France and Germany finally presented a proposal for a eurozone budget in November, but it had significant shortcomings. This eurozone budget was to become an integral component of the EU budget, which would have to be agreed by all 27 member states. The eurozone member states were to make additional contributions to this budget, and the scope of resources and the distribution model were still to be determined. On the basis of a programme that was still to be determined, the euro states could then apply for grants for investments and projects benefiting the convergence and/or competitiveness of the eurozone and/or increasing its stability. This proposal was generally considered to be a face-saving exercise for the French president.

However, even these modest ambitions were doomed to failure from the start, as the Netherlands, Austria and Italy immediately raised objections. The spokesman for the "Hanseatic League", Dutch Finance Minister Hoekstra, explained that he could see no point in the proposal.

At the meeting of Eurogroup finance ministers on 4th December 2018, the Franco-German proposal was dismantled. The report to the European Council said that negotiations could continue on a eurozone budget "to improve convergence and competitiveness", but that it was impossible to reach consensus among the member states on this type of budget for "stabilisation of the eurozone" (Eurogrup, 2018).

The European summit on 14th December 2018 then finally laid the idea of a stabilisation function to rest. It is not even mentioned in the summit declaration (European Summit, 2018). On the other hand, further work is to be carried out on the budget instrument for convergence and competitiveness. However, everything is still up in the air about this instrument, as a unanimous decision will have to be made at a later date regarding its financial scope in the context of the medium-term financial framework.

Decisions were also made at the European summit regarding the ESM, which is not to be transformed into a European Monetary Fund as the Commission wants, but merely expanded in certain respects. However, in this case too, the details will still need to be negotiated further in 2019 and 2020.

The key outcome from the December summit is that macro-economic stabilisation of the eurozone, the core element of all EMU reform proposals since the Barroso blueprint in 2011, has been laid to rest.

Overall, it can be observed that re-nationalisation in significant policy areas due to right-wing populism prevents deepening of the integration process. Also considering Brexit, and the way that right-wing populism is increasingly undermining democracy and the rule of law in key states in Eastern Europe, the EU's inability to act is clearly growing, and with it the threat it faces.

The difficult road towards a necessary European Federal Union

José Enrique de Ayala

The EU has faced many crises since its beginnings in the European Communities and it has always overcome them by reinforcing convergence and laying the foundations of the next stage. Since the Treaty of Maastricht (1992), taking in the Treaty of Amsterdam (1997) and the Treaty of Nice (2001) until the Treaty of Lisbon (2007) – which was not very different from the failed Constitutional Treaty –, progress has always been made on political integration and community competences, perhaps not as quickly as the most pro-European would have liked, but in a sustained manner. Now, since the signing of the Treaty of Lisbon, nearly 12 years have gone by (double that of previous occasions) without a fresh attempt at reform. And not because it is not necessary. The economic crisis that began in 2008 is probably the main cause of the reformist paralysis, but also its worst consequence, since its management has demonstrated all the defects and faults of an incomplete and scarcely effective political construction – as we have at present – and how those deficiencies can affect citizens.

The crisis widened the gap both between member states of the Union and inside each state itself and has created a climate of mistrust between citizens from one part of Europe and the other, as well as a general mistrust of community institutions that have not known how to or been able to manage the resources and policies required to mitigate its effects. This, along with the migration crisis of 2015 perhaps, is one of the most important causes of the growth of populist parties, far-right parties in particular – which are ultranationalist and hostile to European integration. Today, they pose the main threat to coexistence and to our common future. There is a certain sensation among part of the European population that the EU institutions are in the hands of political and economic elites that they do not understand and are out of their control. Europhobic tendencies are also reinforced by the hostility towards the Union from such powerful entities as the Trump administration in the United States and the Putin regime in Russia, which have no interest in the process of European integration being a success and the EU becoming a global player with a personality of its own.

For the first time, an EU member state has decided to leave. Brexit, should it finally happen, is another crisis of the Union. Yet it is also an opportunity for reform, because the United

Kingdom has acted as a very powerful brake on progress towards political integration, also leading others who in the current circumstances, devoid of that leadership, will perhaps put up less opposition. Now, with 27 members, is the time to tackle a difficult future – in which things are moving increasingly quickly, in which Europe is losing sway on the global stage, in which internal differences are increasing – and explore taking a fresh step forward to strengthen the Union and counter the hostile internal and external forces that threaten to jeopardise the Union's very existence.

Looking to the future

Concern about the uncertain future of the Union prompted much analysis and many proposals in the last European legislative term, both institutional and academic, seeking an improvement in the economic and political effectiveness of the European institutions, always moving towards greater integration. Among the former was the *Five Presidents' Report*[1] of June 2015 on how to complete the EMU, measures that materialised at the euro summit of December 2017, though most of them have still to take effect. For its part, the Commission published its *White Paper on the Future of Europe*[2] in March 2017, proposing five scenarios from less to more integration and clearly backing the most ambitious option. Barely a month earlier, on 16 February, the Parliament had passed a resolution on Guy Verhofstadt's paper on possible changes and adjustments to the current institutional setup of the EU[3], an extraordinarily interesting document that clearly backs a federal structure and proposes the calling of a convention. More recently (in May 2017), French President Emmanuel Macron and German Chancellor Angela Merkel, the leaders of the two most important countries in the UE, showed their readiness to tackle the reform of the treaties.

There are numerous analyses and studies on possible reforms in the academic or non-institutional sphere, but we shall mention just two recent ones. The *Manifesto for the Future of Europe: A Shared Destiny*[4], drawn up by a group of MEPs and former MEPs gathered in the so-called Spinelli Group, in memory of the person responsible for the Ventotene Manifesto – a precursor of European federalism –, which is an excellent and detailed analysis of the reforms of all kinds required to relaunch the EU on federal foundations, though some might be considered timid or realistic, depending on one's point of view. French economist Thomas Piketty, meanwhile, drew up the *Manifesto for the democratisation of Europe*[5], which has been endorsed by numerous politicians and intellectuals on the European left and also contains interesting proposals, though the most important, the creation of a new European assembly, could add more confusion to an already quite complex institutional structure.

All the documents we have mentioned start out from the premise that the institutional framework and current functioning of the Union have displayed multiple shortcomings in the political and economic fields and have proven

[1] https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_es.pdf

[2] https://ec.europa.eu/commission/sites/beta-political/files/libro_blanco_sobre_el_futuro_de_europa_es.pdf

[3] http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2017-0048+0+DOC+XML+V0//ES

[4] http://www.spinelligroup.eu/article/manifesto-future-europe-shared-destiny

[5] http://piketty.blog.lemonde.fr/2018/12/10/manifesto-for-the-democratisation-of-europe/

incapable of addressing crises like the one that has struck Europe over the last decade. There may be a repeat of the crisis, which means that it is necessary to tackle reforms that, at a bare minimum, complete an economic and fiscal union that backs monetary union and, at best, aspire to build a European federal union that completes the process begun in Rome in 1957 and which reached political maturity in Maastricht in 1992.

We favour the latter course of action. We believe that the EU is stuck halfway between a confederation of states and a federation of states and citizens and that this lack of definition is causing dysfunctions and ineffectiveness. It is also not very transparent and distant from citizens. The reluctance and fears of many towards greater integration, which could become irreversible, have hindered the completion of the process so far. We think that it is essential to complete the path taken, relaunching the EU on federal foundations, while aware of the ambition and the degree of difficulty that the endeavour involves, if we want the EU to achieve its main goal, which is to improve the life of Europeans. To do so, it will be necessary to reform the Union's institutional framework, following the principles of maximum participation and of clarity in terms of the goals (more democracy, more political integration, more effectiveness, more equity) and in terms of the distribution of competences among the institutions.

An institutional architecture for a federal Europe

The EU has a complex institutional architecture. Institutions that operate according to an intergovernmental method – by unanimity or majority, depending on the case –, where the member states of the Union are represented, sit side-by-side with others of a community nature containing the representatives chosen directly or indirectly by the citizens and which – in theory at least – are independent from the national states. This structure already prefigures a federal framework, in which doctrinally there is a dual legitimacy: that of the states that make up the federation and that of the individual citizens. However, in the case of the EU, the separation of the two sources of power has not been fully completed yet. It remains somewhat confused and the functioning of the whole suffers from certain legal imprecisions or shortcomings, which means that some institutions do not quite perform the functions that should fall to them, while others overstep the limits of their missions.

In a federal system, the balance between the representation of the territorial bodies and that of the citizens is essential for the whole to work. In the EU, those duties fall respectively to the Council of the EU or the Council, which acts like a territorial chamber – in the manner of the Senate in the United States –, and the European Parliament, which acts like a regular lower house in direct representation of the people. While there may be particular cases, the alignment of competences and powers between the two is fundamental if the delicate federal structure is not to founder. The Parliament also has control over the executive power, which is the European Commission. Judicial power lies in the Court of Justice of the EU. And crowning it all is the highest institution, the European Council, which must act as a collective head of state with no direct responsibilities in the management of ordinary affairs or in legislation.

If this architecture is completed properly, giving each institution its due competences and the legal, political and material instruments that it needs to exercise them, the EU will gain in

strength and effectiveness and will enjoy greater understanding and support among citizens.

The intergovernmental institutions: the European Council and the Council of the EU

The first source of the EU's legitimacy are the states that make it up as full members, as they are the signatories of the treaties that constitute it. The existence of a supranational political entity was only recognised with the signing of the TEU in Maastricht in 1992 and was concluded with the recognition in the Treaty of Lisbon (2007) that the EU has its own legal personality. Until Maastricht, the European Communities were purely intergovernmental and that legacy still weighs on the current institutional functioning of the Union and occasionally obstructs the functioning of the Community institutions.

As Article 15 of the TEU says, the chief responsibility of the European Council, as the Union's maximum institution, is to give the Union the necessary impetus for its development and to define its general political directions and priorities. The Treaty explicitly says that it will not exercise any legislative functions. It does not fall to the European Council to represent the members states in legislative functions. That is the function of the Council, acting as a territorial chamber in a bicameral parliament, as we have defined it. It should not intervene in any specific matter of the Union's daily life beyond the previously mentioned general directions, except when they are matters that affect sovereignty, such as the admission of new members, the signing of international treaties or defence issues.

That is the theory. In practice, many national governments of the member states, particularly the more powerful ones, have no interest in leaving matters that affect their interests in the hands of the European Commission and the Parliament, in the face of the risk that the result may not favour them, and prefer to deal with them through the intergovernmental method in the Council or in the European Council. This is what has happened during the crisis that began in 2008. The European Council has gradually taken on more and more responsibilities, sometimes starting from conversations between two heads of state or government and even on the initiative of just one, to the detriment of the competences of the Commission, which has become a mere auxiliary to give shape to the decisions taken by the European Council.

That completely distorts the balance between the two sources of legitimacy that we mentioned earlier and subverts the institutional framework, since the European Council adopts decisions of an executive nature. And it is not only on economic matters, which could be justified on some occasions owing to urgency, but on other matters such as immigration, which should be taken by the European Commission, as it is in a better position to act neutrally. The intergovernmental method is not transparent and has a democratic deficit. The European Council is not subject to the control of the Parliament and does not always act equitably. There are governments that have more economic and political power and they wield it to further their own views. Nor is it accountable to European citizens. Instead, each head of state or government is accountable to the electoral body of their own country.

Citizens, then, have no opportunity to choose or control most of those who have had a hand in decisions that profoundly affect them, such as many of those taken during the crisis.

Moreover, the consensus rule means that most decisions are very difficult to reach, through long and arduous negotiations that

normally produce a very poor result. It is also a very slow procedure as, except for extraordinary meetings, the European Council gathers every six months and they frequently have to put back decisions to one or two meetings down the line.

The Council of the EU is also in need of reforms that make it more agile and effective in its mission. Firstly, the different groups should be able to choose their own president for a period of two-and-a-half years, extendable to another period, thereby eliminating the rotating presidency, which could become a rotating secretariat, if necessary. It might also be a good idea, on the other hand, for the Eurogroup to be given official status as a permanent formation in the treaties, while taking into consideration its relationship with the Ecofin. And, most importantly, it is necessary to review the matters that have to be decided unanimously to reduce them to a minimum, that is to say, matters such as the accession of new members or the signing of international treaties or certain CFSP matters that might affect the sovereignty of member states. The rest – including tax issues and harmonisation of certain laws – could be decided by qualified majority. It is a matter of avoiding, within reason, a member state being able to obstruct the introduction of measures that benefit the whole.

The drift over the last few years towards the intergovernmental method over the community one has harmed the functioning of the institutional framework, eroded democracy and transparency and played a large part in causing the disaffection with the Union that has touched broad sections of the population. It is necessary, therefore, to strengthen the Union method, define its competences, give more power to the truly community institutions, in pursuit of a guarantee of equality, and express it clearly in the Treaties to prevent distortions and mistakes in the future.

The Community institutions: the European Parliament and the European Commission

Along with the member states, the second source of the EU's legitimacy are its citizens, who are represented in the political architecture of the Union by two institutions that arise from the European people, either directly by universal suffrage – the European Parliament –, or indirectly (through the European Parliament) – the European Commission. The functions of both and the interaction between them comprise the community method, in contrast with the intergovernmental method of the Council and the European Council. The competences of both have increased enormously since their creation through the successive treaties. The European Parliament has gone from being merely consultative to having power of codecision on most matters and the European Commission has grown in size, competences and legislative and administrative capability. However, they still have a long way to go if we are thinking about a structure of a federal nature, in which citizens feel truly represented, capable of taking transparent, democratic and equitable decisions.

This year, when a new European Parliament is being elected, is a good time to look at why European citizens express their lack of interest with very low turnouts, particularly in some countries. The elections to the European Parliament are too nationalised, they are carried out in each country under different systems, even on different dates. The political parties in each country consistently use them again to settle their internal disputes at a national level and the last thing they talk about is Europe. It is difficult, then, for voters to become aware of what they are voting for and its importance. If they took place throughout the Union on the same day and under the same system, even if they

were in national constituencies, and if there were transnational tickets, even only partially, the perception of voting for common institutions would be much greater.

The resolutions passed in the European Parliament get very little coverage – or none at all – in the member states. The media rarely bother with them, the vast majority of the population is unaware of them. The general sensation is that the institution serves little purpose and that the decisions are taken in the European Council, or to be more precise, by one or some of its leaders.

However, the European Parliament – as a community institution chosen by direct suffrage – is the only one in which European citizens can see they are represented and the only one that can offer them guarantees of democracy and direct accountability. If we wish to combat the population's disaffection, it is necessary to strengthen it and place it at the forefront of the community architecture. First, by scrapping the special legislative procedures – or consultation procedures – and extending the ordinary legislative procedure – or the European Parliament's codecision with the Council – to all matters, those of an economic nature too (including those relating to taxes), as well as international agreements within the framework of the CFSP. In addition, it should also have full legislative initiative, like the Council, without prejudice to the preference of the European Commission for drafting projects. It should also be given the power to bring a constructive motion of censure on the president of the Commission, by absolute majority. Finally, it needs a voting procedure for matters relating to the euro – similar to that of the Ecofin – that guarantees a majority for the member states that have the single currency, even if the debates extend to the entire European Parliament. Set up in this way and with those competences, it would become a true federal lower chamber and would be better understood and supported by the majority of European citizens.

The European Commission, meanwhile, has to be the true European government, the Union's only executive power, except in those matters explicitly reserved for the European Council, which, as we have said, should be kept to a minimum. To take on this role, the European Commission needs to be completely independent, free from all influence or mediatisation by the member states, which already have their channels – the Council and European Council – to make their influence felt within the EU's institutional whole. That is not happening now. Under the current system, the commissioners are actually appointed by the member states, according to the political colour of their governments. This means that the European Commission is always a college made up – at least – of People's Party members, Socialists and Liberals, who objectively can only implement a technical programme, never a political one, since there is no unity of purpose among them (for example, in the outgoing European Commission the Education and Youth Commissioner is from Hungary's Fidesz and the Economic Affairs Commissioner is from the French Socialist Party). The member states, then, exercise constant influence in the European Commission since, in the last instance, one is responsible – and normally loyal – to who really appoints them, which in the case of the Commissioners is the government of their country, not the president of the Commission. It is therefore difficult for them to act with neutrality when something affects the country they are from.

Still, the worst effect of this system is that the European voter finds that, in fact, no matter

who they vote for, the European Commission, that is to say the government of the Union, is going to be a coalition of all the parties that have some power in Europe. Even though their vote may have gone to the majority choice, it may be that the Commissioner who has most influence on their activity is of an opposing political stripe. Moreover, they cannot change them. A Polish citizen cannot vote for the Lithuanian government and therefore cannot prevent there being a Commissioner from the Social Democratic Party in charge of the Community health portfolio. In fact, the European voter has no alternative; they cannot choose between different European policies, because the European Commission always takes in almost the entire political spectrum. Consequently, if they do not agree with what is being done, their only opportunity to express their rejection is to vote for marginal or minority parties, which are usual populist and anti-European, or abstain. The upshot is that the EU is confused with certain transitory policies and voters think that if they reject them, they should also reject it.

The independence of the European Commission stems from the fact that, after the required consultations, the European Council appoints as candidate for president a person who can secure a majority in the European Parliament, as has been happening since the previous elections, preferably a top of the ticket in the elections to the European Parliament. We reject the widely debated idea of merging the posts of president of the European Council and president of the European Commission into one single figure – in line too with the Spinelli Group's s view –, as it would produce an undesirable merging of the intergovernmental and community spheres, which should be clearly separate, and of different levels of decision. Moreover, it would be very detrimental to the independence of the European Commission, which in practice could become an appendage of the European Council.

The most important thing is that – once the European Parliament is sworn in – the president can freely choose the commissioners, who could be no more than 18, without receiving any proposals from the member states. In other words, using exclusively technical and political criteria, though, of course, they must respect certain territorial and gender balances, in accordance with their political support, in the same way it is done in any member state. Only in that way will European citizens identify the European Commission with a certain political colour – or a coalition – according to the election results and with a certain set of policies that they will have the option of changing in the following election.

The second essential aspect of the European Commission's independence as a European government is that the budget it administers should not come from the budget of the member states, as happens now for the most part. He who pays the piper calls the tune. And he who pays more, has a bigger say. That is the origin of the EU's democratic limitations. The European Commission answers on how it spends its money to those who provide it, that is to say, it answers to the member states, through its legitimacy stems from the people. If the budget came from the people, it would answer to them and it would be truly independent of the member states. To achieve that, it would be necessary for the European institutions, that is, the European Commission, taking into account the power of codecision of the European Parliament and the Council, to have the capability to raise direct and indirect taxes at least in a certain percentage of the budget. That could gradually in-

crease until funding were completely independent from the member states. Then the European Commission would have true power – and it would be a truly European power.

On the other hand, the current EU budget, which amounts to a little over 1% of combined GDP, is ridiculously low if we are talking about European policies in a federal sense. It is absolutely insufficient to implement a European social policy with a guarantee of, for example, unemployment insurance or a minimum monthly wage, which would have a huge impact on the public perception of the Union's usefulness, or of major (and countercyclical) investment in infrastructure or in R&D+I, or to promote a true economic and social convergence among member states, a prerequisite for unity. To give us an idea, a quite decentralised federal country, such as the United States, allocates 16% of GDP to the federal government (though 20% of that amount goes on defence). Piketty's manifesto speaks of a European budget of 4%, while the Spinelli Group mentions the MacDougall Report, which already predicted in 1977 that the EMU would require a budget of 5% of GDP. That seems to be a reasonable percentage for a federal Europe, at least while it does not have competences in defence. Naturally, it should be considered a goal to reach gradually, yet we must be aware that with a 1% budget speaking of federalism is an act of irony.

A European Parliament elected in a single European vote, with similar competences to those of any national parliament, controlling a European Commission formed according to majority political criteria, entirely independent of the member states and provided with an autonomous and sufficient budget, would be a solid foundation for a European Federal Union and would be tremendously effective in resolving the common problems of European citizens that have to be addressed at that level, without harming the competences that fall to the states, regions, or cities, according to the principle of subsidiarity.

While we believe that what we have just described is the keystone of the political architecture that would bring about a federal union, in the light of experience there are other reforms that have to be addressed to make the EU more effective and closer to citizens, among which we might mention, without any intention of being exhaustive:

– Drawing up a new statute for the ECB so that it is responsible not only for monetary stability but also for promoting growth and employment and is the official lender of last resort.
– Completing the EMU to create a common economic and fiscal policy, including, among other things, the creation of a European Monetary Fund (on the foundations of the ESM), a European ratings agency, a vice-president of fiscal affairs in the European Commission (and president of the Ecofin and the Eurogroup) with a European treasury (initially for the eurozone) that can finance itself with Eurobonds, giving official status to the Eurogroup and completing banking union with a European deposit guarantee fund, as well as incorporating intergovernmental agreements, such as the fiscal compact, into the Community acquis once and for all.
– Reinforcing the Court of Justice of the EU's capacity to act as a Constitutional Court, giving it the capacity to settle conflicts of competences between European institutions, including the European Council, and to take action against violations of the rule of law and the values gathered in Article 2 of the TEU.
– Specifying the future scope of Article 42 of the TEU relating to the common security and defence policy and opening the door to the

creation of the necessary structure to put into effect the commitment to mutual defence contained in Article 42.7.

- Revising the functions and competences of the Committee of the Regions so that regions and cities have greater influence over the decisions adopted, making it a rule for example that they must necessarily be consulted by the European Parliament and the Council before any legislative act that affects them.
- Reforming the rules of citizen participation to promote it, making the European citizen initiative – which should be addressed directly to the European Parliament – more accessible and creating the possibility of European referendums.
- Regulating the different degrees of association for countries that cannot or do not want to be full members of the EU or those that do not accept subsequent revisions of the Treaties, so that there are no a la carte associations, but ones that follow one model or other.

The third convention

The changes that the EU urgently needs, and which we have tried to outline briefly here, involve a major amendment of the treaties in accordance with an ordinary revision procedure, which given its importance requires the calling of a convention. The procedure can be initiated by the government of any member state, by the European Parliament or by the European Commission through the presentation of revision project. In this case, it would be a good idea if it were the European Parliament that emerges from the elections in May that took the initiative, as the holder of the democratic legitimacy that only the ballot box can give and in line with the resolution approved on 16 February 2017, if there is a majority in the new European Parliament in favour of reform similar to that of its predecessor.

If the European Parliament takes that initiative, and the European Council approves studying the proposal by a simple majority, its president will call the convention, which would be the third, after the one that drafted the Charter of Fundamental Rights of the EU (1999-2000) and the one that drew up the draft of the aborted European Constitutional Treaty (2001-2003). The convention will study the revision project and will adopt by consensus a recommendation addressed to a conference of representatives of the governments of the member states, which is the body that will ultimately approve the modifications that have to be made in the treaties.

According to Article 48 of the TEU, the convention will be composed of representatives of the national parliaments, of the heads of state or government of the member states, of the European Parliament and of the European Commission. If the reform affects the monetary area – as will necessarily be the case –, the ECB will be represented. The Spinelli Group proposes including the Committee of the Regions too, which seems an excellent idea since – as we have said – it is essential to review the role that the regions and cities play in the Union's institutional architecture. We would also add the Economic and Social Committee to give to the workers' and employers' organisations, and other interest groups, an opportunity to have their say.

Yet beyond who might officially make up the convention, the most important thing will be the way in which it does its work, to prevent European citizens from feeling once again alienated and distant from what is discussed and its

outcome. It is essential that the process of drawing up the proposal is participative, open, inclusive and transparent, and that it involves the civil society of each of the member states, through debates that are open to citizens, seeking the cooperation of the media to disseminate the proposals and its treatment, involving parties, unions, nongovernmental organisations and associations. In other words, it is essential that the debate is in the street and that citizens are aware of the scope of what is under discussion and how it might affect their lives. Only then will the reform move out of political circles that are sometimes poorly understood by the majority of the population and acquire a social legitimacy that will be very useful when the times comes for ratification. Apart from the interests of certain national political players, the failure to ratify the Constitutional Treaty in France and the Netherlands in 2005 was probably down to the population's lack of knowledge about the content of the proposal, its causes and its goals.

As for the final process of reform, Section 4 of Article 48 of the TEU states literally that "… the amendments shall enter into force after being ratified by all the member states in accordance with their respective constitutional requirements", and that is without doubt the most conflictive and complicated aspect of the reform process. Firstly, because it contravenes the principle of dual legitimacy derived from the states and the people that is fundamental to the Union. There are member states in which ratification requires a referendum, others in which a nonbinding vote is carried out and still others in which voters are not consulted. Therefore, not all European citizens will vote on the reform of the treaties, the European populace is fragmented and even those who do vote will not do so simultaneously, which means that the vote of some may influence that of others. To maintain dual legitimacy, the appropriate procedure would be for the reform to be approved first by the governments of the member states, then by the European Parliament and after that a European referendum would be called in which all the citizens of the Union would participate, to approve the reform by simple majority in a single, Europewide constituency. That would be final proof of the existence of a European sovereignty and would give the people the definitive perception that the EU belongs to them and that they are responsible for it.

Unanimity also makes it very difficult for any reform of certain depth to prosper and provides member states – particularly the smaller ones – with a powerful negotiating tool to obtain advantages and exceptions, as was the case of Denmark in 1993 in relation to the Treaty of Maastricht and of Ireland in 2002 in relation to the Treaty of Nice. The Spinelli Group proposes that subsequent amendments to the treaties should not require unanimity and can enter into force when they have been approved by four fifths of the member states that represent at least three quarters of the population. The member states that do not approve the reform would be offered a statute of association.

Evidently, this would be a great step forward that would facilitate reforms that can currently be blocked by just one member state. It would probably deter some from the temptation of not ratifying. However, that is impossible on this occasion, because the reform has to be done in accordance with what is laid down in the current TEU, and while Section 5 of Article 48 states that "…if, two years after the signature of a treaty amending the Treaties, four fifths of the Member States have ratified it and one or more Member States have encountered difficulties in proceeding with ratification, the matter

shall be referred to the European Council", under no circumstances can that examination deprive a member state of the right given to it by the rest of the TEU, particularly Section 4 of the same Article. Scrapping unanimity, as well as the proposed European ratification referendum, could be included in the reform undertaken now – and it would be good to do so –, but – if they are finally written into the treaties – they will only apply to subsequent reforms.

Conclusion

The reforms presented here – sometimes in a schematic manner, owing to the format – may seem ambitious, especially in certain aspects but they are actually the logical progression of those introduced so far and an inevitable consequence of the situation inside and outside Europe. We believe that it is the time to start purposefully down the road towards a federal union to overcome the current political deterioration and resulting danger of the disintegration of the EU. And we are convinced that if it is explained well it will ultimately enjoy the support of a majority of Europeans.

However, we know that it will be far from easy to reach an agreement on the scope and content of the institutional and regulatory reforms that the EU needs to make progress down that road and, above all, for that agreement to be ratified by each and every one of the member states. There are many anti-European forces – both on the inside and the outside – who are not in the least interested in that project prospering and become a reality and that they will do everything in their power to stop it. Some of those forces are currently in power in certain member states, such as Hungary, Poland or Italy, and they could wreck the attempt, though probably not at its outset. However, a lot can happen in five years, the time that the new European legislative term is set to last, and opinions and interests can realign one way or another. Common sense prevails in the end, even if it is in small steps. Right now, the most sensible thing is to move forward.

The existence of Europhobic sectors cannot paralyse the process, but act as a stimulus to offer European citizens something better than what there is now. The worst thing we can do in the face of those who attack the EU is do nothing. Paralysis only encourages those who are against integration. Just as wolves hound their prey when it is tired or sick, nationalist and anti-European populisms are attacking a Union weakened by the alienation of its citizens, its incomplete institutional structure, its mistakes and the democratic deficit of its decisions during the crisis, which have led to greater inequality among countries and among sectors of society.

Only a new political impetus that democratises the institutions and brings them closer to the people; the extension of the community method – undoubtedly the fairest and most neutral –; the construction of a solid federal political union that can manage a real economic and fiscal union to the benefit of all; the consolidation of a more effective, more transparent structure, with more social policies, can combat the divisive tendencies and restore hope in a brighter future to citizens on the road to an ever closer union among the peoples of Europe.

The challenge of European citizenship: freedom, participation, welfare and culture

Domènec Miquel Ruiz Devesa*

European citizenship was a major Spanish contribution to the integration project, and is recognized in the EU treaties, which also incorporate the Charter of Fundamental Rights. As a result, the legal system of the EU grants the citizens of Member states a series of rights, in addition to those provided by national constitutions, and these rights are protected by the Court of Justice. Moreover, all Member states are represented on the Council of Europe, which provides the framework for the European Court of Human Rights, whose rulings must be respected.

European citizens therefore represent a huge potential reservoir of support that could be mobilized in favour of European unity, but for this potential to be exploited, the unification project itself must be completed, publicized and recognized, and must be comprehensive and multidimensional.

In his famous essay, *Le passage a l'Europe* (2012), Luuk van Middlelaar argued that there are three ways of gaining people's support for a national or supra-national political project. The first of these approaches is based on Greek democracy, which grants individuals the right to participate in decisions that affect the political entity in question. A second model draws on the Roman Republic (and subsequently the Empire), which granted its citizens certain material benefits (money, allocations of grain or bread, public spectacles) to guarantee their support. The third strategy, which van Middlelaar terms the German approach, consists in appealing to a shared language or culture, inspired by romanticism, to ensure the backing of the people.

* This article reflects the opinions of the author, and does not represent the positions of the Spanish Ministry for Foreign Affairs, the European Union and Cooperation.

One might simplify this by saying that the first approach appeals to the mind, the second to the stomach, and the third to the heart. We will need a combination of all three approaches to construct a European citizenship that can actually be exercised, enjoyed and fully appreciated by the great majority of Europeans and those who live in Europe.

Conceptually, citizens' rights can be classified along four dimensions. The first of these corresponds to civil liberties (freedom of thought and expression, religious freedom, etc.). The second refers to political rights (the right to participate in public affairs, to vote and stand in elections etc.). These two categories reflect the Greek model of citizenship. The third group relates to economic and social rights (education, health, social security etc.), and broadly corresponds to the Roman path to citizenship. The fourth potential category would include rights which we might once have termed "new generation", such as the right to the environment or to culture, but which are perhaps better considered as the right to enjoy a full life on post-materialist terms, once the basic material conditions of life have been guaranteed. This fourth dimension, in post-nationalist terms, can be equated with the German or romantic conception of citizenship.

It is important to remember that this multidimensional model of citizenship is indivisible if it is to operate correctly. Civil, political and cultural freedoms are of little value if the most basic needs of large numbers of people are unmet. At the same time, a model such as that found in certain Asian countries, where social welfare is provided (albeit with high levels of inequality) but without freedom of expression or participation, is completely unsatisfactory and would be unthinkable in the west.

What role does the EU play in providing these citizenship rights? With respect to civil and political rights, it is clear that the EU is the place where such freedoms are most extensive and enjoy the strongest protection, both from Member states and from EU institutions and the Council of Europe system. However, there is still much work to be done. For example, with respect to the protection of fundamental rights, the European Convention on Human Rights still has to be ratified by the EU.

Nonetheless, the Greek path to European citizenship surely still has some way to run, particularly with respect to strengthening those EU institutions in which citizens are directly represented, such as the European Parliament – or, to put it another way, any institutional reforms that enhance the powers of the directly elected parliament work to strengthen the political dimension of European citizenship.

It is therefore necessary to reaffirm the principle of *Spitzenkandidaten*, applied for the first time in the 2014 elections, according to which the European Council always nominates the candidate with the widest support in the European Parliament as president of the Commission. It is also essential to conduct elections on a pan-European basis, so that they are contested not solely on the basis of national issues, and in order to generate a genuinely continental debate. The Franco-German declaration of Meseberg restates this proposal with a view to the European Parliament elections of 2024. And European political parties also need to be encouraged to present joint electoral programmes supported by unified electoral campaigns.

Thirdly, power needs to be shared more evenly between the Council and the Parliament. The European Parliament should take decisions jointly with the Council, a move that would require treaty reform. At the same time, decision-

making within the Council should be democratized, with the abolition of national vetos, particularly with regard to foreign policy, taxation, multi-annual budgeting and resources. The passerelle clauses of the Treaty of Lisbon provide a possible means of addressing this, so long as there is unanimous agreement among Member states regarding their activation.

Finally, serious consideration should be given to combining the role of president of the European Council with that of president of the Commission, to reduce the imbalance in favour of the former, a solution that is not excluded by the wording of the Treaty of Lisbon. Under this approach, the head of the Commission, elected according to the *Spitzenkandidat* principle, would also become the president of the European Council, and this individual would then be a "European president", on a par with the leaders of powers such as Russia and the United States.

With respect to economic and social rights, we can also say that Europe is more wide-ranging and generous in this area, despite the regrettable rise in inequality as a result of misconceived austerity policies implemented by EU institutions under the control of the centre-right during the period 2009 to 2014.

For European citizens, social welfare continues to be primarily the responsibility of Member states, although the EU has significantly strengthened the employment rights of workers. However, the tax-raising capacity of these states has been constrained by the impact of globalization, both in financial services and manufacturing, while they are also required to comply with the public deficit and sovereign debt limits established in the Stability and Growth Pact.

It is therefore reasonable for European citizenship to include a powerful social dimension, which would also help to bolster public support for the integration project. Although the 2014-2019 legislature approved the European Pillar of Social Rights, this is not legally binding.

The anti-cyclical version of the projected eurozone budget could be used to fund an unemployment insurance system to complement national systems. Beyond that, if inflation rates remain low, the EU would easily be able to guarantee a minimum income to citizens of the eurozone, either as an occasional or annual contribution, via the ECB, and thus having no impact on public deficits. This transfer is possible within the framework of the existing statutes of the ECB, so long as the inflation target is not exceeded.

Finally, it is essential to promote the cultural dimension of European citizenship, firstly because human beings can never be content solely with satisfying their material needs, and secondly, because any sense of belonging to the EU must entail an emotional component drawing on a post-national identity in which the arts, shared history and creativity all play an essential role.

Strengthening European identity has been one of the specific objectives of the EU since the European Council of Stuttgart in June 1983, but it requires fresh impetus. In particular, there needs to be a shared curriculum for teaching European and global citizenship, and a programme to support research into and dissemination of Europe's cultural heritage, which is more than the mere sum or combination of existing national cultures.

Without these two elements, many European citizens will remain unaware of the rights and opportunities the union offers, or of their origins, values and shared cultural heritage. It is difficult to love something that you don't understand.

The EU has a wide range of resources at its disposal to strengthen the content of European citizenship from the civil, political, economic and cultural perspective, without the need for treaty reform, if supported by political majorities in the Council and in the European Parliament.

Finally, the fundamental elements of European citizenship should not be restricted to those who hold nationality of a Member state but should, rather, be extended to the immigrant population.

The elections of 26 May 2019 provide a perfect opportunity for political parties to set out their proposals of what European citizenship should offer during the coming years, so that citizens can make their choice on that basis.

2018: a year of slow progress in eurozone reform

Víctor Echeverría

Completing monetary union has become a European economic policy priority for the countries of the eurozone. If monetary union is not consolidated, we cannot rule out the possibility that a specific shock in one or more member countries could threaten the break-up of the entire eurozone. Although there is a broad consensus as to the need to undertake reforms to ensure the irreversibility of the single currency, there are very significant differences between Member states with respect to the steps that must be taken to achieve this objective. As a result, progress in this area has been slow, and in the meantime the eurozone remains exposed to the danger of negative shocks.

The difficulty in reaching agreement derives not only from divergences of opinion with respect to the steps to be taken, but also reflects the fact that countries differ in their diagnoses of the underlying causes of the economic crisis itself. In the absence of a shared analysis, and with different views of the role that European institutions should play in the economy, member countries have struggled to reach agreement.

While each country has its own specific concerns and emphases, and these are explored below, we can start by identifying two broad diametrically opposed positions. The first of these, traditionally associated with the countries of northern Europe, starts from the view that satisfactory operation of monetary union depends on convergence between member countries, both in general economic terms and, specifically, with regard to productivity. If this convergence occurs, it is argued, the imbalances within the monetary union will be reduced: for example, increased productivity in countries with a current account deficit (traditionally, those of southern Europe) would make it possible to reduce these deficits. Improved productivity in these countries would also generate a corresponding reduction in the current account balance of countries such as Germany, and would thus contribute to more balanced growth. As a result, the financial positions of these countries would also become more balanced, so that the countries of the eurozone as a whole would be less exposed to the specific

shocks that could arise as a result of changes in investment flows. This increased protection would reduce the attraction of leaving the eurozone in order to devalue the national currency, and this in turn would lessen fears of members exiting the eurozone.

In this view, convergence will only come about if those countries with lower levels of productivity reform both their product markets (goods and services) and their factor markets (in particular, the labour market) to make resource allocation more efficient. These reforms would increase competitivity and growth, facilitating convergence at the European level.

Secondly, from this perspective, the irreversibility of the eurozone would be guaranteed if measures were taken to facilitate the fiscal sustainability of each of its members. Countries with a high level of public debt are exposed to higher borrowing costs for the economy as a whole. According to this theory, fears about the integrity of the eurozone are due not just to falls in competitiveness but also to excessively expansive fiscal policies that are ultimately incompatible with an individual country's long-term membership of the area.

In this view, the reforms required to make the eurozone irreversible entail reducing national risks, in the form of fiscal consolidation and the other reforms described above. These countries argue that the shared architecture should be minimal and, in any event, should only be created after the aforementioned reforms have been implemented at national level. Only in this way is it possible to prevent the moral hazard that would arise if countries with low productivity and unsustainable public finances were to receive guarantees from other members of the zone.

Against this position, other countries stress the need to provide the monetary union with the shared mechanisms required to cope with external shocks. According to this perspective, in light of the absence of an independent monetary policy, members should use other measures so that, in the event of shocks to individual countries, there are shared mechanisms that can be used to mitigate their impact.

These mechanisms require additional elements to be included in monetary union. To ensure their irreversibility, measures must be taken not only at the national level but also through the development of instruments that operate Europe-wide. These instruments must enable progress towards the creation of a financial union, including a banking and capital market union, the creation of a fiscal union, and the development of shared governance mechanisms.

Although it would seem difficult to reconcile these positions, over the last year there has been an intense debate between the countries of the eurozone, and a number of measures have been agreed to facilitate European integration. These are analysed below.

The rest of this document is structured as follows. The next section analyses how recent European economic growth trends demonstrate the continuing need for reform of the eurozone. The following section reviews progress towards reform during 2018, taking as a starting point the roadmap proposed by the European Commission in December 2017, and analysing the agreements reached during the year. The chapter then concludes with a reflection both on the difficulties faced by a programme of radical reforms, as has become clear during 2018, and the urgency with which such reforms are needed.

Economic recovery: signs that the eurozone still needs to be reformed

Since 2014, the eurozone has generated economic growth under generally benign conditions. Although the eurozone's ongoing economic recovery might suggest that the common currency has been stabilized, some aspects of this recovery point to the need for major reforms.

Firstly, the trade imbalances between members of the eurozone have scarcely changed. Over recent years, the current account balance of countries on the southern periphery, such as Spain and Portugal, has improved significantly: from pre-crisis deficits of -12 and -10% of GDP to small surpluses. However, the current account balance of core countries has continued to increase, with Germany's surplus rising from a pre-crisis figure of 5% to reach almost 8% at present.

If, during the period prior to the financial crisis, the high borrowing needs of countries on the periphery created a vulnerability to the interruption of flows within the eurozone, during the recovery we have seen that some of the core countries, such as Germany, have maintained a high funding capacity while the capacity of countries on the periphery continues to be greatly reduced. This trend is particularly worrying given that the core countries have maintained their current account surpluses even though, during the period 2011 to 2015, their economies grew at significantly faster rates than the eurozone as a whole. Moreover, recent episodes of concern about levels of financial risk have confirmed that financial markets continue to consider the debt of core countries as the risk-free European asset *par excellence*, whereas the debt of peripheral countries is viewed as less safe.

Secondly, the recovery process has occurred within the context of low growth in the eurozone as a whole, accompanied by sluggish investment, which bodes ill for the future. If this growth is to increase, it will need to be driven by higher levels of investment to expand the productive capacity of member countries. And for investment to increase in this way, measures must be implemented Europe-wide, particularly in those countries with high fiscal deficits. The combination of low inflation with high current account surpluses in some countries, as mentioned above, could also be solved through increased investment in those countries with high savings rates. A Europe-wide investment programme led by these countries would not just increase potential growth but would also reduce imbalances within the eurozone.

Thirdly, while fears about the possible reversibility of the monetary union have declined, this threat has not completely disappeared. Although the eurozone has experienced continuous growth since 2012, there have been a number of episodes during this period where investors have lost confidence, including fears that Greece would crash out of the eurozone in 2015. And, in 2018, the financial markets became jittery in response to the possibility of the Italian government implementing measures that would be hard to reconcile with continued membership of the single currency. During each of these episodes, although contagion of other countries such as Spain was on a smaller scale than during the crisis, it remained an issue. Moreover, the limited scope of this contagion may not have been the result of the enhanced credibility of the eurozone but may instead have been due to other factors, such as the sovereign debt purchasing programme of the European Central Bank (ECB). The risk of contagion as a result of a member country leaving the eurozone cannot,

therefore, be ruled out in the future. And this is why there is a need for further additional measures to ensure that this eventuality does not arise.

Progress in eurozone reform

Steps prior to 2018: progress in the midst of crisis

The need to strengthen the eurozone was identified when the financial crisis was at its height, and the main progress to date consists of measures undertaken to ensure the stability of the monetary area at a time when it was under threat. In particular, there was progress towards banking union, through the creation of European institutions with enhanced supervisory and resolution powers. At the same time, a range of regulatory measures were adopted in the financial sphere.

In tax affairs, the countries of the eurozone adopted a number of harmonized budgetary procedures, and the tax monitoring and inspection framework was strengthened. Of particular importance was the creation of a permanent European Stability Mechanism (ESM). Its purpose was to provide an intra-European solution for countries who found themselves shut out of the financial markets, so that they wouldn't always have to turn to the International Monetary Fund, thus reducing the likelihood of restricted access to lending causing a country to exit the monetary union.

Finally, the most important measures (at least in the short term) to guarantee the stability of the eurozone were those taken by the ECB. The introduction of outright monetary transactions (OMT) in October 2012, following a speech by the chairman of the ECB, Mario Draghi, in July of that year, in which he promised to do "whatever it takes", substantially reduced fears of a possible break-up of the monetary area. OMTs were created by the ECB to purchase sovereign debt as part of an operation to rescue a member country. The potentially unlimited purchase of sovereign debt by the central bank was justified on the grounds that dramatic differences between public borrowing costs could threaten the transmission of monetary policy. In this way, the ECB supported the eurozone and helped reduce the fear that it might disintegrate at the height of the crisis.

However, these measures were generally adopted in situations of financial tension and, although they represented a significant change to the architecture of the eurozone, they did not grow out of analysis of the medium-term requirements of the single currency.

A clear example of how these key decisions were taken outside of the normal channels is provided, precisely, by the path followed by the ECB in creating the OMTs, announced in Draghi's speech in July 2012, in which, by reaffirming the bank's commitment to monetary union, he dispelled fears of a possible break-up. Draghi's announcement was quite unusual. It was not contained in a communiqué following a meeting of the ECB's Governing Council, the body responsible for taking decisions on monetary policy. Instead, the announcement was made in a speech to private investors in London. We don't know whether the other members of the Governing Council knew about his planned statement in advance, or what view they took of it (and there are contradictory versions of this). However, it seems clear that, at the time of the speech, the ECB's proposed roadmap was the object of major differences between member countries, and the measures taken to implement Draghi's initiative were only approved by

the Governing Council in October 2012, three months after the speech, and without unanimous support.

The measures of 2018: a starting point

The measure that ended fears that the euro might collapse was approved in an unconventional manner. If the architecture of the euro had been complete, the mechanisms to preserve monetary union would have derived from pre-existing structures and procedures. That was why, as economic recovery continued, the member countries recognized that they needed to agree on thoroughgoing reforms, so that the integrity of the eurozone would not depend on isolated initiatives but would instead be at the centre of the activities of the monetary union.

However, the differences identified above with regard both to the diagnosis of the single currency's existing problems and the vision of the future made it difficult to reach agreement. In this context, the document published by the European Commission in December 2017 represented significant progress, as it set out the path to follow to deepen the eurozone. This was a roadmap, and included elements to bring together the divergent positions of members, and it also provided a standard against which to measure any progress achieved in 2018.

According to the Commission, reform of the eurozone needed to operate on several dimensions. Firstly, the eurozone needed to make progress towards financial union, consisting of improvements to both capital market union and banking union. In the Commission's view, delivering such progress would require, during the course of 2018, the implementation of decisions to reduce the risk of financial institutions, such as reducing the volume of non-performing assets and holdings of sovereign debt of the host country. The document also identified the need to implement a Single Resolution Fund, that would operate across the banking union. Furthermore, after adopting the first two pillars of banking union in previous years (the single resolution fund and the single supervisory mechanism), the Commission identified the need to create the final pillar – a European deposit guarantee fund – in 2018.

This fund would be accessed by domestic institutions in the event of liquidity problems. Its creation is fundamental to the completion of banking union and to ensuring that concerns about the solvency of individual institutions would not affect the host country, as the institution could have direct recourse to the European fund, without compromising the resources of the state where it was based. However, because this meant that risk would be shared more evenly between financial institutions, some argued that the risk profiles of these institutions should be significantly reduced before the measure itself was implemented.

Secondly, the Commission proposed that substantial progress towards economic and fiscal union be made in 2018. This would require the creation of European instruments to support structural reforms. In addition, the ground should be prepared for the adoption of measures such as the creation of a fund to support convergence between Member states and the creation of European fiscal capacity in mid-2019, with the aim of providing stability in the face of shocks affecting individual countries. And there would also be a fund to facilitate the implementation of structural reforms by eurozone members. Taken together, these measures would entail creating an embryonic fiscal union.

Finally, the Commission proposed the discussion of institutional reforms in a number of areas

during 2018. These included strengthening the ESM and transforming it into a European Monetary Fund, with enhanced autonomy. This monetary fund would be the backstop for the resolution mechanism, so that it could provide funding in the event of failure of a financial institution. The purpose of this function is to offer solutions to the insolvency of financial institutions at the European level, reducing the possibility of contagion of the host country or of other financial institutions. At the same time, the Commission proposed that ESM decision-making be accelerated and that the institution should play a larger role in financial assistance programmes. In addition, the post of European Minister of Finance should be created, to serve as Vice-president of the European Commission and head of the Eurogroup. The aim of bringing together a number of economic functions in a single position would be to improve both the coordination and transparency of European economic decision-taking.

With these proposals, the European Commission was establishing a roadmap to be followed by Member states. In this way, it sought to strike a balance between those who argued for greater integration and those who set very demanding risk reduction requirements as a prerequisite for further integration. The aim was to identify the principle elements of the debate in the hope of facilitating tangible results. The importance of the roadmap lies in its attempt to replace an approach based on taking decisions on a case-by-case basis with one that establishes a broad package of measures to strengthen the whole eurozone. If these measures are to be approved, all parties will need to make significant concessions, but the hope is that members will have a greater incentive to compromise, in the knowledge that concessions they make in some areas may be offset by achieving their objectives in others.

Setting out positions: March 2019

It was not long before the Commission's roadmap ran into trouble. In March 2018, the economics ministers of Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands and Sweden published a letter setting out their position on reform of the euro. The signatories argued that, to stabilize the eurozone, it would first be necessary to take measures at the national level. In their view, such measures should be designed to ensure fiscal sustainability. From the perspective of these countries, fiscal consolidation and the consequent creation of a fiscal space would provide a cushion against a possible slowdown and thus constitute a key reform to strengthen the eurozone.

Secondly, these countries took the view that monetary union should concentrate its efforts on those reforms that enjoyed broad public support, rather than ones that entailed the significant transfer of competencies from individual states to the EU. These countries prefer to emphasize those areas that have already been identified and have been the focus of European cooperation, rather than opening the debate to wider reforms that would involve new elements. In this respect, they argue for the need to complete banking union before starting to discuss integration in other areas, such as fiscal union.

However, even in areas such as banking union, the signatories impose significant limits on the scope for far-reaching reforms. In their view, before any deposit insurance scheme is introduced, other elements of banking union must be addressed, such as improved regulation with respect to non-performing loans and sovereign debt holdings. They also argued for improved insolvency procedures and criteria for intervention by the public sector. The upshot of all this is that any measure to share risk between countries

of the eurozone is subordinated to compliance with a long list of prior requirements.

Moreover, while they argue that the ESM needs to be strengthened, they do not advocate changes to the existing rules, instead leaving decision-making power in the hands of individual countries. As a result, the ESM's scope for action is limited, and the institution would have less flexibility when drawing up rescue programmes.

The purpose of the letter, then, appeared to be to establish a series of red lines to restrict the more radical elements of the Commission's proposal. Against the Commission's attempt to broaden the debate, as set out in the roadmap, the signatories argue for focusing on specific goals that are easy to achieve.

Meseberg

This position contrasts with the agreement signed between France and Germany at Meseberg in June. These countries, in an accord that also covered non-economic issues, sought to find a balance between their traditionally contrasting positions, in a way that would not rule out far-reaching reforms. The importance of this accord was that it represented an agreement between two countries with opposing visions of the future of the eurozone.

According to the Meseberg declaration, strengthening the ESM needed to go beyond intervention in restructuring procedures, the position set out in the foreign ministers' letter discussed above. Instead, they restated the need to create an instrument that would act as a fiscal backstop in the event of a bank resolution, and argued for a shorter time lapse before this function would be activated (although it would remain subject to reducing the risk profile of financial institutions). At the same time, the Meseberg declaration argued that precautionary mechanisms needed to be strengthened. These mechanisms grant access to funding for countries that already satisfy certain criteria, obviating the need to waste time in lengthy negotiations in the wake of a rescue request, something that generally occurs at a time of economic crisis.

These countries went further, proposing the creation of a eurozone budget with new functions. This proposal, which could be funded through measures such as a financial transactions tax, represented a move towards fiscal union. According to the Meseberg declaration, this budget would act as a stabilizer and would also promote competitivity and convergence, through investment in areas such as human capital and research. However, the size of the budget – a key issue – was not specified.

Furthermore, in line with the creation of a fiscal capacity to stabilize the eurozone, the declaration called for progress towards the creation of a budget for unemployment benefit. However, it also stipulated that this instrument should not involve transfers between countries. The effectiveness of the mechanism would therefore depend on the final design of the instrument.

In any event, even if many of the elements of the Meseberg declaration were quite vague, its scope was promising, addressing the need for broad reform of the eurozone. However, reaching firm decisions in the second half of 2018 would prove challenging.

Euro summit, June 2018

The achievements of the euro summit in June were limited. Although the wording of the conclusions with respect to deeper integration of

banking union was marginally more ambitious, it merely called for the start of work to initiate political negotiations for the European Deposit Insurance System.

Perhaps the most promising aspect of the summit related to the issue of whether the ESM might be enabled to perform an effective backstop function in resolution procedures, with the possibility of accelerating the timeframe for implementing the resolution fund. However, following the sense that Meseberg had expanded horizons, the euro summit generally represented a return to pursuing concrete objectives in those areas where resistance was minimal.

Euro summit, December 2018

In this context, and in the light of ongoing negotiations, great uncertainty surrounded the December euro summit. There was a degree of progress in some of the areas mentioned above. In particular, the heads of state agreed to establish the Single Resolution Mechanism. In principle, this should make it easier to recapitalize banks directly through the ESM. However, some of the details of this agreement remain to be clarified. For example, access to funds may continue to be conditional upon compliance with fiscal rules by host countries. Furthermore, there continues to be a requirement on institutions to reduce their risk profile before the Single Resolution Mechanism can be introduced, without specifying, at least for the moment, what these risk reduction measures would be.

On the other hand, the summit did support the creation of precautionary instruments as part of the ESM. As mentioned above, this could help facilitate rapid funding when countries find themselves in difficulty. However, the scope of these changes is unclear, as the ESM's status as lender of last resort must be preserved.

Overall, the December summit reached some agreements that strengthen the eurozone, such as increasing the capacity of the ESM, both by designing precautionary instruments and through its capacity as a backstop in resolution processes. However, the impact of such moves will depend on the small print of the final agreements. Moreover, the lack of progress towards creating an independent fiscal capacity, subordinating progress to unspecified risk reduction criteria for financial institutions, and the lack of genuine progress towards the creation of a shared deposit insurance scheme, reflect how difficult it is to make radical changes to the architecture of the eurozone.

Conclusions

Improving the architecture of the eurozone is a work in progress. Progress has been slow, but some improvements have been made over the past year, as described above, although these are still lacking in detail. The process is beset by small steps, long deadlines and obstacles to the implementation of any measures that are actually agreed. Despite this, the instruments at the monetary union's disposal to deal with shocks are more powerful than those available before the sovereign debt crisis.

However, there are significant risks associated with failure to undertake further reforms. In particular, the slow pace of decision-making – while perhaps inevitable in a process in which the parties have different interests and different visions of how the eurozone should operate – is very dangerous. The deterioration in the global economic environment in recent months, signs of reduced cooperation between countries, reflected in rising protectionism, and a general increase in uncertainty, all pose a threat to the

global and European economies. As a result, slow progress may mean that the eurozone lacks the mechanisms it needs to cope with the next crisis, leaving it exposed to renewed fears of disintegration.

Secondly, it would clearly be desirable to avoid the situation that arose during the sovereign debt crisis, where decisions were left to the last minute. While there is a political logic to taking such decisions under pressure, it usually entails a high level of uncertainty, which can in turn have a negative impact on the economy, and increases the need for compensatory measures. In the European case, the failure to implement reforms is particularly serious, given that the opposing views of the different parties do not reflect economic realities. In an economy as closely integrated as Europe's, overspill effects between countries can be dramatic. A recession in one country will have a major impact on all the countries of the monetary area. This means that European decisions cannot be taken on the basis of winners and losers, but should, rather, reflect the fact that all members will benefit if mechanisms are available to address imbalances. Guaranteeing the irreversibility of the eurozone is thus not a zero sum game, but something that is of benefit to all. And this fact should provide the motivation for ambitious reforms towards a more closely integrated monetary union.

Social Europe – naming the myth, preserving the model and taking concrete action

Gero Maass and María Pallares

The recent past has shown that Europe has been anything but social. The EU crisis of recent years is primarily responsible for this situation. It poses the greatest threat to the European social model in the history of European integration. Drastic reform programmes were imposed on Member States, forcing countries to implement rigid austerity policies and deregulate their labour markets and collective bargaining systems. This particularly affected the countries where the troika had a presence. Therefore, when the economic expansion has reached all Member States, divergence still remains in some areas, specially employment.

The 2018 Joint Employment Report approved last March 15th by the EPSCO[1] Council shows clear differences in this regard. The unemployment rates in Spain or Greece remain significantly high (respectively of 16.8% and 20.7%) compared to the ones in the Czech Republic (2.8%) or Germany (3.7%) (Q3- 2017). On the employment side, the rates of Germany (79,1%) and Sweden (81.8%) contrast the situation in Greece or Italy (respectively 58.1% and 62.6%) (Q3-2017). "In many Member States, employment rates have still some way to go to recover from the crisis and notably also to attain the Europe 2020 national targets" the Report says.

The reforms held during the crisis also had implications for all the members of euro area: the eurozone's reformed economic and fiscal policy architecture is socially imbalanced; new procedures, underpinned by sanctions, are unilaterally aimed at budgetary consolidation and increased competitiveness. The "constitutional asymmetry" between a very advanced economic integration fostered by the market and a

[1] Joint Employment Report 2018, as adopted by the EPSCO Council on 15th March 2018. Available at: https://ec.europa.eu/social/main.jsp?advSearchKey=joint+employment+report&mode=advancedSubmit&catId=22&policyArea=0&policyAreaSub=0&country=0&year=0

social integration that balances the market has not been corrected[2]. The main problem is not only that the EU has brought about too little social progress but that European policy itself has impaired achievements in the social sphere.

However, it is crucial to resolve this equation. A social dimension is mandatory for a good functioning of the single market and the monetary union. Beyond this "functionals needs", this is a question of the EU ambition of promoting cohesion and upwards convergence. In times of rising populism and Euroscepticism, there is a strong need to re-legitimize the EU project[3].

Myth and symbolic politics

Former President of the European Commission Jacques Delors knew that nobody could "fall in love with the single market" and in 1989 put the European social area on the agenda.[4] Since then, the support of trade unions and progressive parties for the EU has rested on the hope that more European integration would bring about a more social Europe. So far, however, these hopes have been thwarted. Social Europe is a myth that urgently needs to be debunked.[5]

There is not a specific social policy at the EU level. The social policy remains an exclusive competence of the Member States. The EU can legislate over minimal rules (ex. the working time directive of 2003)[6] or coordinate policies within a larger common strategy (ex. European employment strategy of 1997). It covers the areas of free circulation of workers, the fight a against discrimination and gender and labour rights. However, the social Europe that has been emerging over the years has a more complicated and vague structure, with a lot of actors involved, which makes it very difficult to evaluate[7].

The Commission responded to the major social problems that were persisting in many EU countries in late 2017. On 17 November 2017, acting on a Commission proposal, the heads of state and government proclaimed and signed the European Pillar of Social Rights at the EU Social Summit in Gothenburg[8]. This document sets out a total of 20 general principles relating to the areas of welfare and employment. The various headings include "equal opportunities and access to the labour market", "fair working conditions" and "social protection and inclusion". The Pillar primarily describes only the EU's existing social acquis. In some respects, however, it also goes beyond it. Among other things, it formulates a right to minimum income benefits and a right to a minimum wage.

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[2] Hacker, B.: *Nutzung und Nutzen der „europäischen Säule sozialer Rechte": Bestandsaufnahme und Empfehlungen*. Available at: https://www.pw-portal.de/die-krise-der-europaeischen-union/40851-nutzung-und-nutzen-der-europaeischen-saeule-sozialer-rechte?fbclid=IwAR39kW3FvFE1NLqO2MY-_F0zA5Fv2VaoYtQAWNaJa3leAlEt_bflFjjmQWA

[3] Fernandes, S., Vandenbroucke, F.: *Europe sociale : du slogan à la réalité,* 2018. Visto en http://institutdelors.eu/wp-content/uploads/2018/10/Europesocialeduslogananalarealite-FernandesVandenbroucke-sept18.pdf

[4] https://www.cvce.eu/content/publication/2003/8/22/b9c06b95-db97-4774-a700-e8aea5172233/publishable_en.pdf

[5] https://www.ips-journal.eu/regions/europe/article/show/social-europe-is-a-myth-3037/

[6] Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 concerning certain aspects of the organisation of working time. Available at https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32003L0088&from=en

[7] Béthoux, E.: "L'Europe sociale en chantier(s)", *Revue des idées économiques et sociales*, 2015. Available at: https://www.cairn.info/revue-idees-economiques-et-sociales-2015-1-page-36.htm

[8] https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en

The name of this initiative suggests a significant breakthrough in European social policy. However, the concrete political significance of the Pillar remains hidden behind the auspicious title: it may potentially be useful as a starting point for further initiatives but it is unlikely that much will change as a result. Indeed, the Pillar will not be added to any European treaties or to EU secondary law. As a European Council, European Parliament and European Commission proclamation, it is not legally binding. The room for manoeuvre to implement the Pillar's principles is extremely narrow. For this reason alone, the Pillar has limited impact in practice. Impetus is still most likely expected for European legislation – provided that the Commission engages with the Pillar's principles[9].

The Pillar is therefore first and foremost an example of symbolic politics – at least until some concrete action has been taken. However, the (hitherto futile) wait for a social Europe is not solely a result of trepidation on the part of the Commission, but is due primarily to structural causes. The formal options for shaping European social policy and collective labour law are narrowly defined. Moreover, considerable differences exist between Member States in terms of the organisation, standard and capacity of their social systems. A European social policy would have to be as suitable for the Romanian and Spanish welfare state as it is for the Swedish or French situation – without reducing social standards in countries with well-developed welfare states.

Complicating matters even further are the large majorities required in European decision-making processes and the fundamental programmatic differences between national governments on what constitutes a "correct" (European) social policy. Member States are, understandably, keeping a close eye on

their responsibilities in terms of social policy and labour law. There is unlikely to be much change in this regard even after Brexit, even if in the past it was primarily the British who had their foot on the social policy brake.

Both the lack of legal competence and the necessary political unity between the Member States are obstructing the formulation of ambitious social policies at European level. The Pillar reflects the Commission's currently limited opportunities for action from both a legal and political perspective. However, the Commission should not escape criticism in the future if it fails to align its own behaviour consistently with the Pillar's principles.

A plea for a European social market economy model

While the conjuring up of the European social area might seem to be something of a pipe dream, it nevertheless remains a meaningful model that needs to be accompanied by concrete action. Initiating a national retreat or invoking the European mantra of "more of the same" is not the answer. Renationalisation in the name of sovereignty and democracy, recommendations to leave the euro area or suggestions – with reference to subsidiarity and an "enlightened protectionism" – that Members should align themselves nationally, are less than helpful. The consequences of such non-integration would be considerable and the side effects

[9] Gruny, P.; Harribey, L.: *Rapport d'information fait au nom de la commission des affaires européennes sur la convergence sociales dans l'Union Européenne*, n. 457 (2017-2018), 2018. Available at: http://www.senat.fr/rap/r17-457/r17-457_mono.html

would be difficult to calculate: it would threaten the fundamentals of the European lifeworld of democracy, freedom, peace, cultural diversity and prosperity, and consequently also the opportunity to maintain an alternative social model to US or Asian capitalism. This is especially important with the challenges of digitalization.

What is at stake is the construction of a social union, not the harmonisation of social models. Social union means an environment which favours the national welfare systems and fosters convergence.

After the peace model, however, the social model is now the main European mandate. At both a national and a European level, social democracy is seeking a conceptual reorientation, which, against the backdrop of current challenges, would mould core social democratic values into new policy packages. The regulation of globalised European capitalism offers an opportunity: if social democracy previously helped to contain the market economy in the nation state, it now faces the challenge of developing new regulatory patterns for globalised capital. Such Europeanised policies only make sense if they genuinely operate in a way that limits the scope of the market and not, as has been the case up to now, serve as a political and institutional framework for economic globalisation in the name of single market and competition policy.

Instead of introducing a balanced budget amendment, Germany, as the largest country in the EU, could have proposed a much more promising model: regulated capitalism in a social market economy. The term "social market economy" was coined by the German professor of economics Alfred Müller-Armack, who considered it to be a formula that could combine the principle of market freedom with the principle of social balance. In an international context, this economic system is sometimes known as "Rhine capitalism". The concept is of course open to interpretation and can be construed in a way that favours either "more free market" or "more government", social justice and vibrant trade unions in the spirit of social democracy and underpinned by the relevant policies. In terms of Germany's Basic Law, it is in line with the constitutional principle of the social state (Article 20.1 of the Basic Law) or the "'social state governed by the rule of law' (Article 28 of the Basic Law).

Despite all the differences in welfare state systems, there are some connecting factors that favour a European extension of the social market economy with distinctive social democratic characteristics. According to the Lisbon Treaty of 2009 (Article 3), the EU's aim is to establish a "competitive social market economy". Amidst all the diversity, however, European societies are characterised by a set of economic and social structural features that reflect the core constituents of a social market economy: a state that is capable of intervening effectively; a robust social system; vibrant and capable trade unions with social policy ambitions supported by legislation rooted in economic democracy; a consensus on maintaining social cohesion; and a long-term view of corporate management. These core constituents can be gradually developed even further.

Even in Germany, interpretations have differed and continue to differ as to the social policy direction that a social, competitive market economy should take. Depending on the political camp, a conflict arises between social capitalism and progressive social policy reorientation.[10]

[10] Still a seminal work in relation to the earlier German debate: Hans-Hermann Hartwich, *Sozialstaatspostulat und gesellschaftlicher Status quo*, Opladen, 1970.

Implementing four pillars of regulatory policy

Firstly: protect national achievements, nurture catch-up development

The EU's economic and social policy needs to be restructured in a way that respects and no longer undermines existing social rights, including the national social security and collective bargaining systems. This applies in particular to the eurozone. This restructuring is unlikely to take place solely on the basis of a non-binding recommendation for individual social rights.

National welfare states and collective bargaining systems will remain important, if not the most important, building blocks of a social Europe in the foreseeable future. However, without the accompanying European regulations, which draw a red line under the mutual race to the bottom in liberalised capitalism, there is little hope of achieving a social Europe. Ultimately, an intelligent mix of more Europe in some areas and less Europe in others, is required. European integration must be structured in such a way that it supports economic and social catch-up development in the Member States.

Secondly: European economic and fiscal policy needs to focus more on growth

A policy that enables Member States to invest more, rather than subjecting them to an excessively rigorous budgetary policy, is needed. Additional EU funding for targeted investment in infrastructure, education and energy would be helpful in this regard.

In terms of European policy, one of the most important ways in which European and German social democracy made its mark in recent years was in its insistence on a broad-based "investment offensive" for Europe. The European dimension of this insistence during the crisis was well-founded in terms of economic policy. The prospect of also satisfying an existing structural investment requirement in Germany broadened political support for this approach. While the widespread fundamental support for a European investment offensive made it possible to sporadically increase investment, it did not result in a macroeconomic investment offensive. Meanwhile, the economic situation has improved significantly in the eurozone as a whole, which is why the economic argument for investment no longer carries weight. And the elimination of structural underfunding in Member States could be seen, in accordance with the subsidiarity principle, as a national rather than a European responsibility. To exploit the political momentum behind the recent European investment offensive, without getting into greater difficulties of justification, it would make sense for future European investment to focus to a certain extent on European public goods.

Thirdly: Taking into account the provision of European public goods

The quality of life for citizens depends largely on the availability of public or collective goods. Regional disparities are increasing in all Member States. Quality of life in our cities, towns and villages is determined by the condition of public streets and squares, public buildings, schools and cultural institutions. The quality of the environment depends on the cleanliness of the air and water, intact natural habitats, biodiversity and the wealth of resources. The social quality of our society is determined by dealing humanely

with problematic situations that are difficult to overcome without help: illness, unemployment, old age and the need for care. The cultural quality of our society depends on public education services, cultural institutions and democratic participation.

There needs to be a much greater focus on the European financing and organisation of such critical European public goods, which will also have significant implications for the next European budgetary period.

In some ("wealthier') Member States, an impending transfer union is seen in a negative light and has met with a subdued political response so far. The situation would be different if this larger European budget was used to create true added value for the entire EU, and thus also for Germany. If everyone makes a fair contribution to these European public goods, would it be so bad if some European Member States benefited more than others in certain areas? If eastern European states, which are particularly concerned about Russia, benefited disproportionately from a security policy? Or if southern Europe enjoyed more advantages in terms of catch-up development on foot of a successful investment initiative? Or a genuine European refugee regime offered more advantages to Sweden and Germany? The European financing of European public goods would bring home to the overwhelming majority of voters, even those in the wealthier countries as well as our negotiating partners in the Union, the necessity that emerges directly from our own best interests.

Fourthly: regulating the financial sector – finally pushing through a preventive reform policy

The 2008 financial, economic and debt crisis shattered the belief that financial markets could regulate themselves. The major weaknesses in the global financial system were dramatically exposed. The sheer size and deeply integrated nature of the financial markets made it impossible to contain the damage to a particular region or sector. Companies were bankrupted, economies head into recession and unemployment increased.

Nevertheless, it was the state and the social partners, that prevented the situation from deteriorating even further. The governments managed to put together big rescue packages. Within the framework of the German social partnership, in cooperation with the state, it arrived to stabilise the labour market. Hope was rekindled that the era of neoliberal markets was drawing to a close.

Ten years later, little remains of this optimism.[11] Instead, the financial crisis has damaged social cohesion and led to increased scepticism towards elites and the social market economy. Many states saw diminishing tax receipts and higher welfare bills. Government spending in several eurozone countries increased to such a level that they threatened to become insolvent. In response, bailout packages were launched, accompanied by further demands for budget cuts. These cuts led to serious social crises, particularly in southern Europe. While some strong economies were able to stabilise themselves quickly again and return to growth, others have still to reach their pre-crisis levels. The ECB's interest rate policy remains in crisis mode, favouring state finances at the expense of savers. This could be the calm before the next storm.

Immediately after the crisis, far-reaching reforms were discussed. These included increased

[11] https://www.ips-journal.eu/regions/global/article/show/whatever-it-takes-3047/

capital requirements for the banks, limited bonuses for bankers and greater transparency. Taxpayers should never again have to pick up the tab for an investment banking gamble gone wrong. Meanwhile, however, actual regulatory initiatives ran aground. A Europe-wide tax on financial transactions, for instance, was agreed in theory in 2013. It would have made particularly risky transactions unattractive by increasing their costs without putting too much pressure on real-world investment. However, the tax has been simply watered down more and more.

Another idea that was not implemented was the separation of speculative investment banking from the operations of commercial institutions. The investment banks could have been allowed to go bust if they had overstretched themselves, without risking customer deposits or disrupting the supply of credit. The EU has talked about a banking union for years, but not with the aim of making the financial markets more stable and more capable of handling risk. Instead, it has become a vehicle for the large banks in the euro economies to unload collective liability onto the eurozone countries and their taxpayers. As such, it has no preventive effect.

Essentially, we ended up with tranquilisers and sticking plasters. Experts now assume that financial stability has actually declined compared to 2008. Regulation of the financial sector; the involvement of multinationals; an environmentally friendly, modernised infrastructure; and European harmonisation of tax rates must be put back onto a progressive European agenda.

For the foreseeable future, the EU will remain a construct that is not a nation, not a federation but also not a Europe of native countries but rather a network of interlacing mechanisms of cooperation and compromise at multiple levels. The periodic admission of increasing numbers of new members is part of the European success story, and has contributed both to economic catch-up development and to the political stability of the continent. In the face of the challenges outlined above, new rounds of expansion threaten to render the community incapable of making decisions or taking control. Finally, forms of deepened cooperation have been developing since the Treaty of Rome, with the result that the EU now has a dense network of various degrees of cooperation. Other differentiated integration concepts for individual social policy areas with widely differing memberships and a different legal basis are possible.

Three concrete social policy steps that can be implemented

First step – European minimum standards, especially a poverty-proof minimum wage

European minimum standards for unemployment, basic social security, pensions and minimum wages would be one possible way of not losing sight of the goal of long-term convergence in the social area. Again, additional EU funding would be needed to support the process. While the structural difficulties inherent in European social policy must be overcome to establish minimum social standards, the prospects for success in achieving this would be greater than for full harmonisation of social policy, which may never happen.

A first step could be to formulate European legislation on minimum wages. Different regulations already govern the minimum wage in 22 out of the 28 Member States[12]. Finland, Italy, Sweden, Cyprus, Denmark and Austria are the

[12] https://www.boeckler.de/wsi-tarifarchiv_44064.htm

only countries without a statutory minimum wage. This is the case in northern Europe as the collective bargaining system is still intact there. Up to now, minimum wage legislation has always been interpreted, even by the northern trade unions, as state intervention, which undermines bargaining autonomy and ultimately yields poorer results. They feared that European legislation would harmonise wage rates downwards, as there are enormous differences between minimum wages in Europe.

A statutory minimum wage automatically adapts to price and wage developments or is set by the legislature or a commission. There are almost always two main motivations for setting a minimum wage. One of the aims of this type of remuneration is to protect employees who have very little negotiating power and power of representation from potential exploitation by an employer. In such cases, the term "wage dumping" plays an important role. In addition, a minimum wage is designed to help the working poor. The idea is that the economically active population can independently support themselves without having to depend on state benefits or grants. Currently, however, only French legislation supports the working poor – a European guideline must be formulated to address precisely this issue and it must be applied to all countries.

Second step – European unemployment (re) insurance

One possible remedy would be to turn the euro area into a full-scale fiscal union. However, a number of Member States are adamant that they do not wish to go down that route out of fear that this could result in large-scale permanent transfers. Therefore, solidarity by means of large-scale transfers is not a convincing solution for the future of the euro area. Instead, the euro area will require solidarity that is based on a fair system of insurance where no Member State will have to feel unduly disadvantaged in the long run. And politically, by far the most attractive form of "solidarity' insurance is unemployment insurance since it tackles head-on the worst and most visible consequence of large-scale economic shocks and alleviates the fiscal strain in bad times in the context of the Stability and Growth Pact.

However, designing a full-blown and fair system for euro area unemployment insurance would require a substantial harmonisation of euro area Member States' labour market regulation and welfare systems, which is definitely not on the cards for the time being. Therefore, a slightly less ambitious model that still offers sufficient shock absorption capacity should be envisaged. Designing such a system, which works both politically and economically, is precisely what a German-Spanish working group had in mind when it proposed "a European Unemployment Insurance fit for purpose":[13] 'From insurance theory we know that ordinary insurance across a longer period of time can typically be closely modelled as a mix of self-insurance and reinsurance. For example, in car insurance a significant part of the insurance is self-insurance. In fact, after an accident, the insurance premium increases, allowing for a substantial share of the losses to be paid back to the insurance company over time. On the other hand, in case of accidents with very high dam-

[13] Dullien, S.; Fernández, J.; López, M.; Maass, G.; del Prado, D.; von Weizsäcker, J.: *Fit for purpose: a German-Spanish proposal for a robust European Unemployment Insurance*, Madrid, 2018. Available at: http://fes-madrid.org/media/2017_FESpublicaciones/FES_Propuestas.pdf

age, the losses incurred are absorbed to a large extent by the insurance community.'

This basic insight from insurance theory inspired our proposal for a workable euro area unemployment insurance framework. In normal times, euro area Member States would pay 0.1 % of GDP per year into a common European unemployment fund. The lion's share of this would go into a national compartment earmarked specifically for this country which is the self-insurance compartment. The rest would go into a common "rainy day" compartment for very large shocks for the purpose of re-insurance.

If a Member State experiences a rise in unemployment over a set reference value (say 0.2 percentage points), it would receive a net payout from its national compartment to support the increased unemployment benefits. If a country is hit by a very large economic shock (say over 2 percentage point rise in unemployment), it would receive additional payments from the stormy day fund as re-insurance.

By excluding net payments into the system from the Stability and Growth Pact in good times, the fiscal restriction in good times would de facto become tighter. Conversely, in bad times, the net payments out of the system would also not be counted for the purpose of the Stability and Growth Pact so that these extra funds would relax the overall fiscal constraint of a country in shock. In this way, the system would contribute significantly to more reliable and credible fiscal stabilisation in the face of asymmetric and even, to some extent, symmetric shocks.

The extent to which the different compartments would be allowed to run a deficit in order to enhance the stabilisation effect beyond the workings of a pure rainy day fund will depend on the credibility of the overall institutional set-up. In any event, Member States with deficits in their national compartments would be required to make higher contributions once their economies recover. Simulations based on these principles show a significant economic stabilisation potential from the system, with minimal net costs to its contributors over time. This form of unemployment insurance would be as much an institutionalisation of counter-cyclical economic policy, as it would be a form of solidarity that would ensure a much smoother ride for the citizens of the euro area.

Third step – work in an era of digital challenges, the Personal Activity Account

The Personal Activity Account was proposed as an instrument for discussion in the white paper entitled *Re-imagining Work. Work 4.0.* prepared by Germany's Federal Ministry of Labour and Social Affairs (BMAS). Such an account could ensure a work-centric social policy over the course of a person's life and could be more responsive to individual needs.[14] Elsewhere, reference is made to comparable approaches in other EU Member States, which could make it into a shared project focused on labour and social policy.[15]

Such an account could be created for everyone who enters the labour force. Even if the details differ in many respects, particularly in relation to financing and "drawing rights", the objective to increase individual autonomy, com-

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[14] https://www.bmas.de/SharedDocs/Downloads/EN/PDF-Publikationen/a883-white-paper.pdf;jsessionid=F7A03817C6861C736FAC36A252301231?__blob=publicationFile&v=3

[15] https://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/Forschungsberichte/fb493-persoenliches-erwerbstaetigenkonto.pdf;jsessionid=2BD8D0F1A87F32CB1AAF5D280457F71F?__blob=publicationFile&v=3

pared to the way welfare state benefits are currently organised, is common to all approaches. Through the transfer of state resources and/or the support provided by the accumulation of assets from their own contributions in an account, the individual should be in a position, according to their own judgement, to adapt to certain changing demands in life and to use the available funding to do this. This is an issue, particularly when it comes to building up a financial cushion in the event of breaks in employment or periods of part-time work, continuing professional development or vocational redirection but also when it comes to ensuring a flexible transition into retirement. The accounts could supplement or replace other social welfare benefits.

Similar approaches already exist in five European countries, each of which is structured differently: the personal activity account in France (Compte Personnel d'Activité, CPA); the new severance payments scheme in Austria (Abfertigung Neu); the life-cycle savings scheme in the Netherlands (Levensloopregeling); the Individual Learning Account (ILA) in the UK; and the career interruption model in Belgium (Loopbaanonderbreking). The examples show that the principle of transferable and – at least partially – autonomously managed benefit entitlements has already been implemented and thus creates best practice approaches for Europe-wide legislation.

Global agreements on migration and refugees: challenges and proposals

Paloma Favieres

EU policy for the period of 2018–2019 should contemplate serious action on commitments made by its Member States in the context of recent global compacts on migrants and refugees providing the foundation for the integral management of safe, orderly and regular migration and greater co-responsibility between countries of origin, transit and destination of asylum seekers and refugees.

The parameters of human mobility in the twenty-first century hinge to a great extent on multilateral accord. Mass migratory and refugee flows constitute one of the greatest challenges facing the international community today. The solution to this problem, which affects all members of United Nations, lies in closer cooperation between states, collective action and a more equitable sharing of the burden of responsibility for the welfare of displaced persons.

On 19 September 2016, members of the UN General Assembly unanimously adopted the New York Declaration for Refugees and Migrants,[1] a landmark document intended to serve as a blueprint for improving international response to large flows of refugees and migrants and provisions for their sustained welfare.

On 19 December 2018, the UN General Assembly formally endorsed the Global Compact on Safe, Orderly and Regular Migration,[2] an agreement frequently referred to as the Marrakesh Pact in the context of its previous adoption by 164 UN member states during a special intergovernmental conference held in Marrakesh, Morocco on the 10th and 11th of the same month. The United States, Israel, Australia, Chile, Hungary, Poland, the Czech Republic, Slovakia and Bulgaria did not sign onto the pact.

The Global Compact on Safe, Orderly and Regular Migration (referred to hereafter in this

[1] https://www.acnur.org/5b4d0eee4.pdf
[2] https://undocs.org/es/A/CONF.231/3

chapter as the Global Pact on Migration or the Marrakesh Pact), adopted by world leaders in Marrakesh on 11 December 2018, is the first intergovernmental agreement struck on migration. The 258 million migrants living in different points of the globe today account for 3.4% the world population. In the light of this reality, the Global Pact on Migration constitutes a landmark agreement that represents the first global, intergovernmental consensus on an integrated, comprehensive, coordinated, human rights-based response to this many-faceted phenomenon.

The pact, which is rooted in the principles of shared responsibility and international cooperation, respects individual national sovereignty over migratory policy and management. It is also aligned with the UN's 2030 Agenda for Sustainable Development and the protection of the human rights of vulnerable persons. Mechanisms for monitoring signatories' compliance are expected to be in place by 2022.

The Marrakesh Pact sets out twenty-three objectives that fall thematically within the following blocks: the compilation of adequate data and data sharing between states, the minimisation of structural factors leading to migration, legal pathways for migration and effective protection, access to basic services, sustainable development, the fight against human trafficking and alternatives to detention. It also establishes the final, more general, objective of strengthening international cooperation and global partnerships to ensure the fulfilment of other stated goals.

The pact contemplates the improvement of registry and documentation systems to ensure that migrants are properly able to establish their identities during migration procedures and that their privacy and personal data are protected. It also seeks to promote the development of safer, more flexible, legal migration pathways, save lives and improve assistance provided in transit and coordinate efforts to stop human trafficking. The document also addresses issues such the need to ensure migrants' access to basic social services, employment opportunities and training, combat all forms of discrimination and promote complete social inclusion and cohesion. The pact underscores the responsibility of all countries to contribute to sustainable development around the world, including sending and transit countries. Last, but not least, it calls upon governments to consider the detention of migrants a last resort measure, seek alternatives to this option and facilitate safe and dignified return and readmission.

Although the non-binding status of the Marrakesh Pact makes the implementation of the measures it contemplates challenging, it does provide a sound basis on which to forge a basic framework for multilateral cooperation, shared responsibility and solidarity between signatory states. One can only hope that its greatest debility – which is the refusal of some nations to sign on to the document – will be remedied by a change of heart on their part further along the road.

A signatory to the pact, the Spanish government has demonstrated further leadership in this area with its announcement of a new Strategic Plan for Citizenship and Integration and a State Fund for Integration (both yet to implemented) as well as vigorous denunciations of the increase of xenophobic discourses in European politics.

This drift towards xenophobia makes it more important than ever for signatory governments to align their migration policies with the tenets of the Marrakesh Pact. They must not forget that in signing the pact they have made a firm commitment to respect the rights of all migrants,

whatever their administrative situation may be. In the case of the government of Spain, this implies halting illegal pushbacks at border points and guaranteeing access and respect of migrants' human rights.

This is an issue meriting special attention for being the object of an appeal currently being considered in the Grand Chamber of the European Court of Human Rights (ECHR) in which several organisations including the Comisión Española de Ayuda al Refugiado (CEAR) have intervened in written proceedings as third parties. The appeal in question was lodged by the Spanish government in response to an ECHR ruling issued on 3 October 2017 that the forced 'hot' expulsion from Melilla of two Sub-Saharan migrants in August 2014 was illegal.

The judgement handed down in this case indicated that the issue of whether or not the line formed by state security forces had been crossed was immaterial and persons scaling border fencing and in the area immediately past that fencing were in both cases under Spanish jurisdiction. On this basis, the court ruled that the two individuals lodging the case had been under the continuous and exclusive control of Spanish authorities and had been summarily returned to Moroccan territory against their will without their individual circumstances having been duly considered. In light of these facts, the court concluded that the two plaintiffs had been the objects of a collective expulsion, a practice violating Article 4 Protocol 4 of the European Convention on Human Rights (ECHR).

This conclusion coincides with the opinion CEAR had presented to the ECHR. In its written intervention, the organisation also stressed that the two plaintiffs had not been subjected to any administrative procedure, had not received legal assistance or been provided with an interpreter and had not been afforded the opportunity to request international protection, all of which constituted serious violations of their human rights.

In its intervention before the Grand Chamber of the ECHR, CEAR pointed to the prohibition of collective expulsions established in Article 4 Protocol 4 of the European Convention on Human Rights, regardless of the term used to describe the practice of summary return. It also emphasised that the creation of reception offices in Ceuta and Melilla did not constitute any guarantee of respect for the principle of *non-refoulement* or human rights in general, an issue of great concern considering that since October 2014 no application for asylum had been formally lodged at the border post in Ceuta and the four lodged by Sub-Saharan migrants in Melilla since that time had all been presented in the city of Ceuta rather than the border post located there.

Pushbacks at the border violated other legal instruments in addition to Article 4 Protocol 4 of the ECHR including various dispositions or instruments of EU law such as EU directives on asylum[3] and EU directives establishing common standards and procedures for the return of irregular third-country nationals within the territory of EU Member States.[4] All three documets

[3] Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection (recast). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0032&from=en

[4] Directive 2013/33/EU of the European Parliament and of the Council of 26 June 2013 laying down standards for the reception of applicants for international protection (recast). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0033&from=EN and Directive 2008/115/EC of the European Parliament and Council of 16 December 2008 on common standards and procedures in Member States for returning illegally staying third-country nationals. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32008L0115&from=EN

in question are currently under revision, the first two as part of the reform of the Common European System of Asylum (CEAS) and the third as part of a routine procedure of recasting. Due to a lack of consensus on a number of issues and a hiatus in activity caused by upcoming May 2019 EU parliamentary elections, new versions are not expected to be issued in the immediate future.

The conclusions adopted at the 28 June 2018 European Council meeting stressed the need to accelerate the effective return of irregular migrants, a notion President Junker repeated in his September 2018 State of the Union address.

To this end, the European Commission has presented a proposal to recast Directive 2008/115/EC on common standards and procedures in Member States for returning illegally staying third-country nationals drafted by European leaders at the 18-19 September 2018 summit meeting in Salzburg. A previous recommendation issued by the Council in 2017 intended to improve the efficiency of returns implemented under Directive 2008/115/EC does not appear to have had the intended effect.

The European Commission has identified what it considers to be two major circumstances hindering the effective return of irregular migrants. One is the inefficiency and lack of coherence of return practices, which tend to vary considerably from country to country. It has been observed, for example, that 'inconsistent definitions interpretations of the risk of absconding and the use of detention result in the absconding of irregular migrants and in secondary movements absconding and secondary movements'. The second is the fact that the efficiency of the EU's return policy hinges to a great extent on the cooperation of countries of origin. The Union has made significant progress on this issue by negotiating non-binding return and readmission agreements with countries of origin. The Commission has urged Member States to make greater use such mechanisms to boost their rates of return and use Schengen visa requirements as leverage in negotiations with third-country cooperation on return and readmission issues.

As proposed, the recast version of the Return Directive would simplify return procedures, establish a link between asylum procedures and return procedures and reduce the risk of absconding. From the perspective of the Commission, the pending recast of the directive should:

- Establish a new border procedure for the immediate return of individuals whose applications have been rejected following a border procedure.
- Provide a clear framework of cooperation between irregular migrants and competent national authorities, streamline the rules on the granting of a period for voluntary departure and establish a framework for the granting of financial, material and in-kind assistance to irregular migrants willing to return voluntarily.
- Establish more efficient instruments to manage and facilitate the administrative processing of returns, the exchange of information among competent authorities and the execution of return.
- Ensure coherence and synergies with asylum procedures.
- Ensure a more effective use of detention to support the enforcement of returns.

Balancing compliance with their responsibilities as envisaged in the proposed new version of the EU Return Directive and commitments related to the Global Pact on Migration will undoubtedly be a challenge for signatories of the UN agreement.

The alarming rise in xenophobic and racist discourses specifically targeting migrants over the past few years underscores the need to implement measures designed to foster coexistence, ensure social inclusion and reduce instances of discrimination, racism and xenophobia.

Such arguments, which tend to form part of a greater anti-immigration narrative, suppose an additional stumbling block in an already difficult path to full social insertion. In addition to having to deal with discrimination based on a range of factors such as race and gender that go beyond their status as foreigners, migrants are especially vulnerable to social exclusion. The increasing incidence of such negative and demeaning messages must be firmly counteracted in an appropriate and integrated manner through public and private consciousness-raising initiatives that highlight the problem, promote tolerance and foster the construction of a more inclusive society.

Migrants and refugees are frequent targets of discrimination. The UN Comittee on the Elimination of Racial Discrimination has expressed concern about the vulnerability and marginalisation suffered by people in both of these categories due to discrimination in general and discrimination on the basis of race in particular. The discourses framing migrants and refugees as criminal elements now being articulated in industrialised countries are provoking a growing level of racism and xenophobia aimed against these groups that is causing grave social damage. In terms of the situation in Europe, it should be noted that despite vigorous efforts on the part of EU institutions and the Council of Europe to combat it by means of legal instruments, discrimination persists in the Union and many people continue to suffer its effects there.

Respondents to the EU's Fundamental Rights Agency's Second European Union Minorities and Discrimination Survey[5] perceived their ethnic or immigrant background as being the greatest underlying factor of the discrimination they face in Europe, citing their foreign-sounding names, skin colour and religion as other important triggers of such behaviour. The FRA notes in its 2018 annual report on fundamental rights that seventeen years after the adoption of the Racial Equality Directive and almost a decade after the adoption of the Framework Decision on Racism and Xenophobia, immigrants and minority ethnic groups in the EU continue to face widespread discrimination, harassment and discriminatory ethnic profiling.

In light of these findings, it is crucial to ensure the protection of all migrants arriving in Spain, paying special attention to the needs of especially vulnerable individuals such as children, implementing the Global Compact on Migration in a coherent fashion in alignment with sustainable development and climate change agendas and affording civil society organisations a major role to guarantee that all processes have a people-centred, human-rights focus.

We must remain conscious of the challenges the effective implementation of the Compact supposes in the context of new realities of a global nature such as climate change and environmental degradation that are leading to untenable situations that will undoubtedly cause the total number of migrants around the world to increase dramatically over next few years and decades. A massive coordinated effort will be needed to ensure that these people receive the protection and assistance they require.

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[5] Second European Union Minorities and Discrimination Survey Main results, European Union Agency for Fundamental Rights. Available at: https://fra.europa.eu/sites/default/files/fra_uploads/fra-2017-eu-midis-ii-main-results_en.pdf

The Global Pact on Migration recognises the need to mitigate the adverse drivers and structural factors that compel people to leave their countries of origin, including natural disasters, the adverse effects of climate change and environmental degradation and provides a list of specific actions required to meet this challenge. These include:

- Strengthening joint analysis and information sharing so as to better understand, predict and prepare responses to migratory flows such as those that may result from sudden-onset and slow-onset natural disasters, the adverse effects of climate change and environmental degradation as well as other precarious situations, while ensuring the effective respect, protection and fulfilment of the human rights of all migrants.
- Developing adaptation and resilience strategies to sudden-onset and slow-onset natural disasters and the adverse effects of climate change that take into account the potential implications for migration while recognizing that adaptation in the country of origin is a priority.
- Integrating displacement considerations into disaster preparedness strategies and promoting cooperation with neighbouring countries to prepare for early warning, contingency planning, stockpiling, coordination mechanisms, evacuation planning, reception and assistance arrangements and public information.
- Developing coherent approaches to address the challenges of migration movements in the context of sudden-onset and slow-onset natural disasters, taking into consideration relevant recommendations from State-led consultative processes such as the Agenda for the Protection of Cross-Border Displaced Persons in the Context of Disasters and Climate Change (the Nansen Initiative) and the Platform on Disaster Displacement.

The Global Pact on Migration falls short on one key issue. While its landmark recognition of natural disasters, the adverse effects of climate change and environmental degradation as drivers of migratory flows and its calls upon signatory nations to mitigate the structural factors that lead to such displacements are laudable, the agreement does not contemplate the obligation to extend any form of *legal migrant status*, only humanitarian assistance to address the vulnerabilities of persons affected by sudden-onset and slow-onset natural disasters at the regional and sub-regional level.

One week after the Global Pact on Migration was approved in the atmosphere of a major media event, the international community quietly approved another accord on which there had been far greater consensus: The Global Compact on Refugees.[6]

UN High Commissioner for Refugees Filippo Grandi has described the Global Pact on Refugees as the greatest effort made to date to share responsibility for refugee-related issues[7] that comes at a crucial moment when the need for refugee relief has reached unprecedented dimensions in places as diverse as Central America, Bangladesh, Syria, the Euro–Mediterranean region and Sub-Saharan Africa.

In his opening statement at the 69th session of the Executive Committee of the High Commissioner's Programme held in October 2018, Grandi praised multilateral commitments such as the Global Pact on Refugees for providing 'a rallying point for humane, practical people from all parts of society', further noting,

[6] https://undocs.org/es/A/73/12(PARTII)

[7] https://www.cear.es/cear-reclama-a-espana-coherencia-tras-la-firma-del-pacto-mundial-sobre-migracion/

'Granting asylum is one of the most ancient and shared gestures of solidarity in the history of humankind. It has helped save lives, build and rebuild nations, and preserve our sense of humanity'.[8]

One hundred and eighty-one Member States voted in favour of the UN's adoption of the pact, which, like the Global Pact on Migration, is non-binding. The United States and Hungary voted against the measure and the Dominican Republic, Eritrea and Libya abstained.

The pact is intended to offer a predictable, shared and equitable response to forced displacements by means of the application of the Comprehensive Refugee Response Framework (CRRF). A Global Refugee Forum to handle follow-up and review will be convened every four years.

The four most fundamental objectives of this pact are to:

– Ease pressures on host countries.
– Enhance refugee self-reliance.
– Expand access to third-country solutions.
– Support conditions in countries of origin for return in safety and dignity.

Funding for implementation is expected to come primarily from donors, governments and private sector entities in line with the pact's vision of shared responsibility and its ambition to provide long-term development assistance rather than short-term humanitarian assistance. This focus on engaging as many actors as possible is one of its principle added values and encouraging aspects of the initiative, which has placed a strong emphasis on opening up new opportunities for resettlement, family reunification and the concession of humanitarian visas.

Regarding the first of these three issues, the European Commission presented a legislative proposal to create a resettlement framework in 2016 that entered the negotiation stage in early 2018.

Participation in EU resettlement schemes continues to be a voluntary action on the part of Member States. The initial idea was to establish a permanent mechanism based on quotas, human corridor schemes and channels for family reunification. This formulation was however criticised as being discriminatory for giving preference to family members over especially vulnerable persons more in need of protection. The text finally agreed upon in the European Parliament, which embraced both the concept of an EU humanitarian visa and voluntary resettlement, has sparked considerable debate over the voluntary nature of EU resettlement schemes and the discretion Member States are allowed to exercise in the selection process, which includes the application of criteria such as cultural characteristics and affinities that could facilitate integration.

Concerning humanitarian visas, it is important to note that to date such documents have been issued by some – but not all – Member States on a discretionary basis. Such visas afford asylum seekers a secure means of leaving third countries and entering the Schengen zone, where they can formally present applications for international protection.

The concession of humanitarian visas is currently contingent upon the willingness of a government to make this gesture, the criteria used by its embassies and consulates in decisions to admit or reject requests and relevant national law, which varies from state to state. Certain EU countries such as Germany, Belgium, France and Denmark have legislation in place that contemplates the concession of visas of this nature.

[8] https://www.unhcr.org/admin/hcspeeches/5bb1d07f4/opening-statement-69th-session-executive-committee-high-commissioners-programme.html

According to the European Court of Justice, the Community Code on Visas does not oblige Member States to issue humanitarian visas. However, this issue is being currently debated in a case pending before the Grand Chamber of the ECHR – Nahhas and Hadri v. Belgium.

Following several failed attempts, the European Parliament passed a resolution on a legislative proposal concerning humanitarian visas on 11 December 2018.[9] In its resolution, the EP requested that the Commission table a legislative proposal establishing the right of third-country nationals seeking international protection to apply for humanitarian visas at the embassies and consulates of EU Member States. Although non-binding, this resolution does constitute a message to the Commission of the EP's strong interest in seeing such legislation formally presented for consideration and debate.

This initiative could have a crucial impact over the next few years. Thousands of lives would be saved if EU embassies and consulates were to issue humanitarian visas to people seeking to apply for asylum in Europe. Doing so would provide a safe, legal channel for people in danger to seek international protection and weaken the trafficking networks currently taking advantage of their desperation.

The Pact on Refugees has the potential to improve response and provide a higher level of protection to refugees in host countries. Its success, however, hinges on the degree to which all countries involved work within the Comprehensive Refugee Response Framework, demonstrate accountability and embrace the concept of co-responsibility.

Some of the sharpest criticism of the Pact to date concerns its provisions for the equitable distribution of responsibility. Many maintain that the humanitarian aid, development assistance and private investment provided by wealthy countries will not be enough to offset the enormous sacrifices being made by their poorer counterparts.

The responsibility for hosting the vast majority of today's refugees (9 out of 10) is currently being borne by developing countries. This burden must be distributed more fairly and equitably so as to allow poorer countries that have generously opened their doors to vast numbers of homeless strangers to address their own pressing needs. Close inspection nevertheless reveals provisions laid out in the Pact for addressing this issue to be insufficient, vague and not fully-fledged.

One example are the specifications for Global Refugee Forums (the first of which is scheduled to take place in 2019), which are cursorily described as events at which Member States and other stakeholders will explore opportunities, challenges and ways of improving burden- and responsibility-sharing. Such mechanisms should have been defined in a much clearer manner given the key role they are expected to play in ensuring that pact objectives are met on a global scale.

The pact has also drawn criticism for certain issues it fails to address or only addresses minimally such as internally displaced persons, climate refugees and special protection for women and children.

At the end of the day, beyond good intentions, the pact's success will depend upon the implementation of specific indicators for measuring commitment to each of the four main objectives it lays out and the continuous transparent,

[9] http://www.europarl.europa.eu/news/en/press-room/20181205IPR20933/humanitarian-visas-to-avoid-deaths-and-improve-management-of-refugee-flows

publicly available assessment of ongoing progress towards these goals.

To this end, all countries involved must make full use of mechanisms established for multilateral action and take active part in contemplated cooperative and best practice sharing activities aligned with the objective of achieving a better distribution of the responsibility for, and burdens related to, the protection of refugees, acknowledging the role that civil society must play in the implementation, monitoring and assessment of the pact.

Programmatic elements envisaged include high-level official meetings to be held beginning in 2021 in tandem with the High Commissioner for Refugee's Dialogues on Protection Challenges, Asylum Capacity Support Groups activated at the request of countries requiring greater assistance and other support forums eventually to be convened, for example, by Euro-Mediterranean countries. Broad participation in the 2019 Global Refugee Forum, the first of a series of periodic forums conceived as the pact's main vehicle for follow-up and assessment at which countries are expected to report their contributions and achieves to date, wiil be crucial.

How these events play out is important, as they will provide a barometer of the extent to which countries as leaders of the international community and international law (which are entwined) support the protection of refugees and actually uphold the often-voiced principle that no one should be left behind.

The United States: widening the breach with Europe

Vicente Palacio and Juan Antonio Pavón Losada

Introduction: an alliance under strain

Since the end of World War Two, the United States has been Europe's closest ally. The two partners have shared interests and common values, and a vision of the world that has guided their international relations and joint actions.

However, the events of 2018, the second year of Donald Trump's term as president, have confirmed the existence of a huge breach between the USA and the EU. During this period, there has been an alarming lack of political and strategic dialogue. The practical implications of "America First" affect a number of thematic areas, starting with security (the role and status of NATO, which was founded in 1948), and including trade, climate change, multilateral institutions, and geopolitics in the Middle East, Russia and China.

During this time, Trump has amplified his demands that Europe should pay more for security via NATO, and that Germany should reduce its car exports to the US. The American president has begun to refer to the EU as the "enemy" while his Secretary of State, Mike Pompeo, has ridiculed what he views as Europe's mistaken vision of multilateralism as "an end in itself". At the UN Annual Assembly, Trump rejected "globalism" and advocated "national sovereignty", a stance that has translated into a withdrawal from the Human Rights Council, the International Criminal Court, UNRWA and UNESCO, and to the US blocking the appointment of judges in the World Trade Organization (WTO). At the same time, the nationalist wave that is currently sweeping Europe, and which leaders such as President Macron and Chancellor Merkel view as a direct threat, has been explicitly supported by the US president.

These divergences are amplified by the unpredictability of the Trump presidency and the way that the ground is constantly shifting beneath the feet of those involved in discussions. Those holding key positions have either been undermined or replaced: with Secretary of State Rex Tillerson giving way to Mike Pompeo; National Security Advisor Michael Flynn being replaced by H. R. McMaster, who in turn gave way to John Bolton; and Secretary of Defense James Mattis being replaced by Pentagon number two, Patrick Shanahan.

The reality is that Europe is losing its major ally in the struggle for an open international order. This leaves Europeans at a crossroads: will

these divisions be replicated within Europe, or can we make the most of this confrontation by using it as a catalyst to move towards greater integration within the EU? The main areas of conflict within the relationship over the past year are outlined below.

America First and trade wars

First of all, it is important to recall the background to the current economic conflict between the United States and Europe. The EU is an almost completely unified trade block: along with competition policy, it provides the major pillar of the transatlantic relationship. Despite the current tensions, the United States and Europe remain each other's most important markets. The combined EU–US market is the largest and richest in the world, representing a third of global GDP and half of total global consumption. Commercial sales account for 5.5 trillion dollars and generate 15 million jobs on both sides of the Atlantic. There are huge links in foreign direct investment and services: portfolio investment, financial transactions, banks, commerce and the sale of goods and services, investment in R&D and technology flows. The United States' trade deficit with Europe (146 billion dollars in 2017) fell by 6 per cent compared to 2015, and is now less than half of the country's deficit with China (376 billion).

However, despite this interdependence, at least four events have significantly increased tensions in the relationship between the two partners:

– The decision of the US government in spring 2018 to impose tariffs on imports of steel and aluminium, under the pretext of national security, and its refusal to grant the EU a permanent exemption.
– The US' ongoing blocking of new appointments to the WTO Appellate Body, which threatens to paralyse the disputes resolution system.
– The imposition of anti-dumping and compensatory duties on Spanish ripe olives in 2018, which could have more far-reaching implications for the EU's common agricultural policy.
– Threats by the US to impose tariffs of up to 25 per cent on imported cars and car parts, and 10 per cent on aluminium imports.

The breach began in March 2018, when President Trump imposed tariffs on steel and aluminium. The President of the European Commission, Jean-Claude Juncker, promised immediate reprisals following the announcement by US Secretary of Commerce, Wilbur Ross. As Germany has by far the largest car industry in the EU, the tariff on automotive imports represented a direct attack on Chancellor Merkel. This issue was therefore a priority for Germany, and the country's ambassador to the US, Emily Haber, stated that EU officials would require a clear mandate to reach agreement before elections to the European Parliament in May 2019.

To calm tensions, on 25 July 2018, Juncker reached agreement with President Trump to avoid further escalation.[1] Both of them agreed, among other things, to work towards zero tariffs and reduce non-tariff barriers and subsidies for non-automotive industrial goods. One of the Commission's concessions was to make a commitment to seek to facilitate increased imports of liquefied natural gas from the United States, and to strengthen trade in several other areas,

[1] European Commission Statement: *Joint US–EU Statement following President Juncker's visit to the White House,* Washington, 25 July 2018. Available at: http://europa.eu/rapid/press-release_STATEMENT-18-4687_en.htm

including soy. The two parties also agreed not to contravene the spirit of the agreement while negotiations continued. President Trump promised not to impose new tariffs on cars while progress was being made (although in August 2018 he restated his intention to do exactly this) and to reconsider US measures on steel and aluminium. The French president, Emmanuel Macron, stated in July that he viewed the conversations between Trump and Juncker as "useful", but that he was not in favour of a "major new trade agreement" along the lines of the failed Transatlantic Trade and Investment Partnership (TTIP).

So far, soy has been a key element of the negotiations because of the European promise to increase imports of this product from the US. Although Europe is ready to defend its industrial sector, these tariffs could have a protectionist domino effect, damaging companies, employees and consumers in the United States, the United Kingdom and many other trade partners, and ultimately giving nationalists and the European far right an electoral dividend. This is hardly the moment to escalate tensions further.

Finally, another focus of problems has been the intensification of debate about the tax regulation of the "GAFAM" (Google, Amazon, Facebook, Apple, Microsoft). This is closely tied to wider European efforts to reduce the continent's dependency on US technology firms, which include regulations and directives already implemented by Brussels, and measures such as the fine imposed on Apple by the European Commission for unpaid taxes worth more than 14 billion euros.

Security and NATO: closing the US umbrella

In June 2018, less than a week after Chancellor Merkel had met President Trump at the G7 summit in Canada, Germany's newly appointed Foreign Minister, Heiko Maas, set out the German and European position. Between Trumps' "selfish policy of America First" and the threats from Russia and China, Germany needed to lead a convincing European response and to resume global leadership. In July, on the final day of the NATO summit in Brussels, the German chancellor proposed an emergency meeting behind closed doors, following statements by the US president in which he had questioned the purpose of NATO and trade with Europe. Many European governments felt that US complaints at bearing at least 70 per cent of the cost of NATO military expenditure provided no political incentive to increase spending, and failed to put such spending in the context of national budgets or consider factors such as foreign missions. At the same time, US insistence on a target of 2 per cent of GDP reflected an attempt to redirect investment and sales to benefit North American arms manufacturers, and not to lose ground in the technology race with Europe.

Paradoxically, in response to US threats to withdraw, the EU has made progress over the last year towards defining a number of initiatives designed to provide Europe with strategic autonomy. These include Permanent Structured Cooperation (PESCO), an initiative to develop, fund and operate European defence and security capacities. And the European Intervention Initiative, proposed by French president, Emmanuel Macron, consisting in a coalition of volunteers not subject to EU institutions or Member states, which would be responsible for the rapid deployment of troops in crisis

situations close to Europe's borders. Although these initiatives are modest in their scope, they both point to the fact that the EU and NATO need to face up to the realities of the post Atlantic era.

Finally, with respect to nuclear issues, Trump has opened up two fronts. First was his announcement that the US would be withdrawing from the Intermediate-Range Nuclear Forces Treaty, agreed by Reagan and Gorbachev in 1987, which consisted in the elimination of nuclear ballistic and cruise missiles with a range of between 500 and 5500 km. This unilateral decision excludes Europe from the geostrategic chessboard on which the United States, Russia and China compete. With the United Kingdom's position in the EU unclear, France would have to 'Europeanize' its nuclear capacity, putting it at the service of the countries that need it.

The second front was the United States' unilateral withdrawal, in May 2018, from the Iran nuclear deal (the Joint Comprehensive Plan of Action) and the reintroduction of sanctions. This multilateral agreement had been reached by the Obama Administration in July 2015, and included France, Germany, the United Kingdom, the EU, Russia and China. However, despite the opposition of Defense Secretary James Mattis and last-minute personal visits to Washington by Macron and Merkel, Trump followed through on his threat. For Europe, this move by a key ally was not just a severe blow to one of the EU's major diplomatic achievements, but also had negative implications for the economic order. Sanctions not only prevent US companies from doing business in Iran, but also affect companies from other countries (including European ones). In response, the European Commission updated its Blocking Statute to enable EU companies to recover damages arising from extra-territorial sanctions, a measure that came into force in August 2018[2]. However, this has not prevented some European companies from withdrawing from Iran due to the threat of US reprisals. The case of Iran is a clear sign of the major divergence between the strategic visions of the US and the EU with respect to the Middle East, the nuclear arms regime or regional powers such as Israel or Saudi Arabia.

The United States withdraws from the Paris Agreement

The United States – the world's biggest producer of carbon emissions, per capita – withdrew from the Paris Agreement on Climate Change in November 2016. Washington formally notified the United Nations of its intention on 4 August 2017,[3] although it will not officially leave the agreement until November 2020.

In light of the attitude of its transatlantic partner, the EU has pursued its own path, along with 195 countries who have signed the agreement, and the 184 who have ratified it. At the end of 2018, the UN Climate Change Conference (COP24) in Katowice (Poland) concluded with the adoption of regulations to develop the Paris Agreement and implement it worldwide. The EU's obligation in these negoti-

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[2] *Commission Implementing Regulation (EU) 2018/1101 of August 2018 laying down the criteria for the application of the second paragraph of Article 5 of Council Regulation (EC) No 2271/96 protecting against the effects of the extraterritorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom*. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.LI.2018.199.01.0007.01.ENG&toc=OJ:L:2018:199I:TOC

[3] *Communication Regarding Intent to Withdraw From Paris Agreement*. Available at: https://www.state.gov/r/pa/prs/ps/2017/08/273050.htm

ations was to finalize these regulations.[4] As this commitment was being agreed, the response of the Trump Administration was to emphasize its "balanced approach" to promote economic growth and protect the environment. This rejection of Paris was combined with a refusal by all the members of the fossil four (Kuwait, Russia, Saudi Arabia and the United States, with the support of major fossil-fuel companies) to officially recognize a report on the consequences of global warming. This position contradicts that of the US Environmental Production Agency, directed by Mark Green, which did not endorse a report linking climate change to public health. The EU has more ambitious goals beyond 2030. Following the invitation of the leaders of the Council, in November 2018 the European Commission presented a long-term strategic vision for a competitive, modern, prosperous European economy that would be climate neutral by 2050.

This discrepancy reveals not just a political commitment but underlying structural differences. The US position has its roots in the objective fact that the United States still has extensive coal reserves, along with gas and petroleum – some of which is obtained by fracking – while Europe has to import these fuels, primarily from Russia, and is therefore keen to identify new energy sources, such as renewables. However, from a European perspective there are two issues to take into account. Firstly, it hardly seems reasonable that the United States, with a population only slightly more than two thirds that of Europe's, should emit 15 per cent of total global CO_2 – only exceeded by China, which accounts for 30 per cent, while the EU as a whole generates just 9 per cent. And secondly, there is also room for political choice in this area, as demonstrated by the fact that dozens of US city mayors and state governors have endorsed the agreement, with many of them also supporting Macron's initiatives and the Katowice Summit. As the French president observed, for Europe it's not a question of choosing between "Pittsburgh and Paris".

Outlook following the US mid-term elections

Finally, it is worth considering the potential consequences of the results of the US mid-term elections of November 2018, which replaced a third of the Senate and the entire Chamber of Representatives, along with numerous governors and mayors. In regaining control of the lower chamber, the Democrats shifted the internal balance of power, and this could benefit Europe. However, major changes are unlikely, as the Republicans still control the Senate, which is decisive for foreign policy. There is no guarantee that Democrat pressure will halt the current drift or lead to the development of a more positive strategy. However, it is possible that investigations into links with countries such as Saudi Arabia and Russia could force the administration to take a clearer position on the war in Yemen or the type of relationship it wants to have with Moscow. And the new balance of power will ensure that no funds are available to build a wall on the Mexican border or to pay for overseas adventures, while half the country's mayors and governors remain committed to the Paris Agreement and will take independent action to support it. At the same time, it seems likely that there will be a thaw in the trade dispute, if only to avoid fighting on too many

[4] *UN Climate talks: EU plays instrumental role in making the Paris Agreement operational.* Available at: http://europa.eu/rapid/press-release_IP-18-6824_en.htm

fronts at the same time. This has been reflected by initiatives such as the Juncker Commission's efforts to address issues such as the causes of "unfair trade", or Macron's proposal to create a working group on trade and the world order under the auspices of the OECD, comprising the United States, the EU, China and Japan.

At the same time, we cannot rule out the possibility of Trump opting for a strategy of confrontation, both domestically and internationally, given his conviction that his electoral base thrives on permanent tension. There are several options, but it is quite possible that Trump will create difficulties for Europe as a result of his policies towards countries such as Iran, Venezuela and Cuba, his anti-immigration rhetoric or his aggressive tax policy to attract international capital. Certainly, there have been symbolic gestures that do nothing to inspire optimism about the prospect of improved relations in the short term. At the start of 2019, the status of the EU ambassador in the US, David Sullivan, was reduced from that of Member state, granted under Obama in September 2016, to that of mere international organization, putting it on the lowest rung of the diplomatic ladder. The European delegation responded by lodging a letter of protest to Nancy Pelosi, president of the Chamber of Representatives, demanding a response. We are at the start of a decisive period for Europe, starting with the European Parliament elections in May 2019, and counting down towards the US presidential elections of November 2020.

Protecting its citizens is becoming an ever more central part of the European Union's job, with the development of the Common Security and Defence Policy and the implementation of Permanent Structured Cooperation

Francisco Aldecoa Luzarraga

In the previous two editions of this report, I have analysed the development of the EU's foreign and security policy, and – in particular – its defence policy, following the presentation of the Common Security and Defence Policy (CSDP) in June 2016, which established the important principle of strategic autonomy and has had a major impact on the development of the EU's defence policy.

Background

This chapter will reflect on the progress that has been made towards creating an EU that protects its citizens, with growing momentum behind a defence policy and the development of an EU foreign policy. This has, to a large degree, been made possible as a result of the Brexit referendum, which has meant that the United

Kingdom has not stood in the way of the development of an EU defence policy. Prior to that, the UK had obstructed the development of a defence policy, preferring to entrust the defence and security of Europe almost exclusively to NATO.

In the 2017 report, I published an article with the title "The defence policy of the European Union within the framework of a global strategy on foreign and security policy", in which I argued that the successful development of the CSDP reflected the global strategy presented by Federica Mogherini. In 2018, I published another article titled "A major new commitment by Member states in Defence and Security: Permanent Structured Cooperation (PESCO)", arguing that, if anything, decisions regarding the implementation of Permanent Structured Cooperation were accelerating.

As I argued at the time, "defence policy is already on its way, and the challenge now is to ensure that the train does not derail as it picks up speed [...]". In this article, I argue that the European defence train has gathered speed but that, because the train has many wagons and is very heavy, it will take at least five years before PESCO provides a basis for a credible CSDP and also as the foundation of the defensive alliance more generally (2025 is usually given as an end date), with the ultimate objective of ensuring the security of citizens and the territorial integrity of Member states of the EU.

I will explain what has happened during 2018, and I will evaluate the nine-month period from April 2018 until January 2019. The central issue I address is the overall development of the CSDP, with a particular focus on PESCO, as this has become the most important instrument of the common security and defence policy.

The past year has been one of intense activity with respect to the implementation of PESCO, which was only approved at the end of 2017. Following approval, a number of very important decisions were taken to make PESCO a reality. So far, 34 projects have been approved, in two distinct phases: the first of which occurred in March, when 17 projects were given the go-ahead, followed by a second tranche of another 17 projects, that were established in November. All 25 PESCO Member states participate in these projects, although with varying levels of involvement. It should also be noted that the magnitude of these projects varies greatly, and that there are four lead countries: France, Germany, Italy and Spain.

There were also other far-reaching decisions taken in 2018, some of which were required for the implementation of PESCO to proceed, while others were the result of the catalysing role of PESCO on the development of the CSDP, such as the Coordinated Annual Review on Defence (CARD), Military Planning and Conduct Capability (MPCC), battle groups, the European Defence Fund (EDF) and the industrial development programme, among others, and all of this is driving advances in CSDP as a whole, with far more progress than had been expected.

The creation of PESCO in 2017: a new commitment by Member States

As noted in last year's article, 2017 saw the adoption of major decisions to implement articles 42.6 and 46, and article 1 of Protocol 10 of the Treaty of the European Union (TEU) – a treaty which was ratified in December 2009 but which, for various reasons, was only now being implemented. The main development was the creation of a 25-member PESCO in December 2017, following a European Council resolution. The only countries not to be included were

Denmark, Malta and – of course – the United Kingdom.

At the time, it was argued that the version of Permanent Structured Cooperation that had been adopted did not fully match the provisions of the aforementioned articles, as these establish that cooperation is for those states that wish to participate and have the required military capacities. This was understood to be similar to the need to comply with convergence criteria to join the Economic and Monetary Union, which is designed solely for those who satisfy these requirements.

However, this solution was a consequence of the German proposal to include all members in PESCO, with the aim of strengthening unity and a sense of belonging. This decision was taken despite the fact that it contrasted with the French position that membership should be restricted to those states which possessed both sufficient military capacity and the willingness to deploy against potential aggression, as per the criteria established in the protocol.

The solution adopted was an attempt to seek a formula which reconciled these two positions. On the one hand, almost all Member states (25 out of 27) would be included; on the other, there would be a hard core formed of France, Germany, Italy and Spain who were prepared to make a deeper commitment and implement the genuine mandate of the second paragraph of the protocol. This means that almost all Member states are included in PESCO, although the key questions are decided by the four lead states, who are the ones with fully developed defence capacities.

The development and application of the CSDP, linked to PESCO

At the same time as the creation of PESCO was formally decided, the "Group of Four" set out the strategic guidelines for relaunching a European defence capacity in the form of a letter from the Defence Ministers of France, Germany, Italy and Spain to the High Representative for Common Foreign and Security Policy, Federica Mogherini. In this letter, the ministers proposed a series of steps to be taken to achieve the medium-term goal of a more closely integrated and independent European defence policy. They argued that the new commitment to PESCO represented a historic moment, a major change that offered an opportunity to relaunch the CSDP as a whole.

During 2018, the contents of this letter were put into action, and a number of decisions relating to CSDP were adopted, enabling implementation of the policy and with far-reaching implications for the future. Key among these were CARD, EDF, the European Industrial Development Programme, MPCC, the new form of EU–NATO cooperation, the Action Plan on Military Mobility, and the European Peace Facility, among others:

– CARD. The mechanisms to establish CARD were approved at the European Council of 18 May, following on from decisions taken in October 2017, and a pilot scheme was launched through the European Defence Agency, the agency responsible for evaluating the requirements. The first evaluation is due to take place in autumn 2019. On 25 June 2018, the Council approved a number of measures, evaluating capacity shortfalls and the objectives to be achieved. At this meeting, it also approved the capacity development plan, designed to guide cooperation

between Member states when identifying the capacities required to exploit opportunities arising from the new cooperative initiatives, and PESCO in particular. EDF. In June 2018, the European Commission began to implement the European Council decision, taken the previous year, to establish this fund. The basic objective is to coordinate, complement and expand national investment in research and defence, in developing prototypes and the acquisition of military technology and equipment, and a 13-billion-euro budget has been allocated to this, which will increase significantly for the period 2021 to 2027.

– European Industrial Development Programme. The Commission launched this programme, which is dependent on the EDF, with the regulations being approved by the European Parliament on 3 July 2018. This funding programme will run from 1 January 2019 to 31 December 2020, providing 500 million euros to support the development of European industry initiatives. Its aim is to promote competitiveness, efficiency and the capacity for innovation of the defence industries.
– MPCC. This was created in June 2017, and answers to the Military Staff of the EU, a unified command designed to enhance cooperation and coordination between civil and military partners, to strengthen the planning and implementation of EU non-executive military missions. On 19 November 2018, the Foreign Affairs and Defence Council agreed to expand the competencies and leadership of an executive mission of the CSDP, restricting combat missions to the size of one EU battle group. This progress reinforces the notion that the MPCC will gradually become a strategic general HQ requested by numerous countries.
– The new form of EU-NATO cooperation. Cooperation between the two organizations has been strengthened since 2017. This enabled NATO to accept the development of PESCO. On 10 July 2018, an updated joint declaration was released, establishing combined action in response to threats to common security. The declaration highlighted aspects of this cooperation in the fight against smuggling and people trafficking, increased capacity to respond to hybrid threats, and defence and security support for neighbours to the south and east. The declaration stressed European strategic autonomy and the importance of PESCO and the EDF to the achievement of shared objectives, with more than 70 joint programmes being implemented by the two organizations over the past two years.
– European Action Plan on Military Mobility. On 10 November 2017, High Representative Federica Mogherini issued a communication on improving military mobility in the EU. In it, she set out a series of proposals to eliminate the existing barriers to joint exercises and other collaboration between countries, which had previously been subject to delays. The Commission hopes that there will be a fully developed European Defence Union by 2025.
– The European Peace Facility. The creation of this fund was approved in June 2018, with the aim of improving the funding of EU military operations and supporting our partners' actions to fund their crisis management operations. This is a new fund that will replace the African Peace Facility and the Athena mechanism, and will provide continued funding for the programmes and actions supported by those funds. Its aim is to improve the effectiveness of operations, to

fund shared costs of military missions and operations, and to put this funding on a permanent footing.

Key progress in application of PESCO during 2018

The first ever meeting of EU defence ministers was held on 6 March 2018, attended only by the 25 members of PESCO. This meeting approved a roadmap to implement PESCO, setting out deadlines and taking several specific decisions with respect to the implementation. It noted that participating states needed to submit their national plans each January, following which, the High Representative would submit her report to the Council in spring, so that the Council could then evaluate the participation of Member states and their compliance with commitments.

The PESCO meeting on 25 June 2018 then agreed a set of rules to govern PESCO projects. This document was endorsed by Member states following the Foreign Affairs Council, and established which states may intervene in projects and set out the basis for such intervention. It also agreed the project management and implementation rules, and established provisional contributions by Member states to each project.

The participating states then presented a national plan, setting out how it would meet its binding commitments. The PESCO secretariat will then evaluate compliance. These national plans are not currently publicly available, with the exception of some countries, such as the Netherlands.

The most important of the decisions to be implemented are those designed to integrate defence structures. The purpose of these projects is to ensure that, in the EU, there are one or two types of aircraft (instead of six or seven), one or two types of tank (instead of more than ten), one type of frigate (rather than several). The aim, then, is to rationalize and significantly reduce defence spending by unifying the manufacture of key components, as occurs in the United States system (where there is one model of plane, one tank, and one battleship).

To achieve this, PESCO provides European funding through the sources described above. This stimulates defence projects involving several Member states, because any project involving three or more states may be classified as a PESCO project and is thus eligible for significant European funding. It is also important to note that third party countries may take part in PESCO projects. This would enable the United Kingdom to participate, for example, although such countries would obviously not receive funding.

The different scope and range of the 34 initial PESCO projects

As noted above, the PESCO Council approved 34 projects in two blocks. The first of these was in March 2018 and the second in November. These projects vary greatly in scope and range, from the creation, improvement and promotion of radio systems or tanks, to military mobility systems or projects related to the manufacture of new combat weapons, such as development of the tiger helicopter, or a project in the field of cybersecurity (led by Lithuania).

The really important development, though, is the implementation of the 34 PESCO projects, and the fact that some of these are part of the groups established by the European External Action Service (EEAS), including training projects and joint exercises in operational domains,

such as projects for the Land, Sea and Air Forces and in cyber defence, and for joint capacities to fill operational gaps. All of these provide examples that we could cite here.

However, it is also clear that the really important projects are those directed and implemented by the four lead states: France, Germany, Italy and Spain. As a result, although there are no formal rules establishing the leadership of these four countries, the dominant role they play in these projects makes it clear that, in reality, they have greater weight within the PESCO.

With a target date of 2025 for completion of the PESCO project, only one group was proposed for the first year, although the hope is that, over the course of the coming months and years, this number will rise to around a hundred. We are therefore still at a very early stage and do not yet know exactly what direction the project will take, although we do know that the projects approved to date are extremely varied and have a very different scope and scale, in terms of defence objectives, budget size and the number of participating states.

The limits of development of PESCO

As we have seen, there were a number of very important developments in this area in 2018. However, there are also some limits. These derive, to a large degree, from the decision adopted in December 2017, which involved an extensive interpretation of the regulations established in the EU treaty, setting aside the objective established in article 42.7 TEU stating that the aim was to include those Member states with the greatest capacities and thus, by implication, only a limited number of them.

Instead, the decision was to accept all 25, in line with the German proposal and against the views of France. This will have the advantage of integrating the capacities of all members, who will then feel ownership of the project, despite the restrictions in terms of the challenges of creating a visible and operationally effective intervention force.

The decision not to follow through on the French proposal of a European intervention force that guarantees the territorial integrity of Member states has thus given rise to the European intervention initiative, another French proposal, designed to meet the same objectives. Specifically, France proposed that a significant group of Member states should sign a letter of intent in this regard, in the light of perceived potential threats in the near future.

The result was the European Intervention Initiative, signed on 25 June 2018, which includes nine Member states. This is defined as a non-binding forum of European states that wish to use their military capacities and forces, whenever and wherever necessary, to protect European security interests, but without undermining the institutional framework of the EU, NATO, the UN or temporary coalitions. The initiative was strongly promoted by Emmanuel Macron, and its ultimate objective is to develop a shared strategic culture to improve the capacity of Member states.

The Spanish contribution to the CSDP and, in particular, to PESCO

During 2018, and despite a change of government and of political leadership, Spain played a major role in developing the CSDP, and is one of the leaders of PESCO. This has positioned it not just as one of the driving forces behind the relaunch of a European defence strategy, but as a founder of PESCO with a special status as a

member of the Group of Four, which plays a key role despite having no formal recognition. This enhances Spain's status at the European level, and means it is part of the leading group of one of the most important initiatives to have been undertaken since the United Kingdom's withdrawal was announced.

Spain is participating in 17 of the 34 PESCO projects, although it was initially expected to take part in 19. These projects will vary in scope, but they are all linked to Spain's operational needs and, as noted above, they involve all the groups that have been established as part of PESCO. These are: joint training and exercises, operational domains (land, sea, air and cyber defence) and joint enabling capacities (to cover operational gaps).

In the training and facilities area, Spain will participate in the Training Mission Competence Centre (TMCC) led by Germany, and in the Operational Energy Function Programme, led by France, among others. Spain has more extensive participation in programmes and initiatives in operational domains, with a presence in all four. On land, these include the military deployment capacities package.

In the air, Spain joins France, Germany and Italy in the MAIL RPAS programme, to design a European military drone, and on the Tiger combat helicopters project, which is led by France but with construction by Airbus at its Albacete plant. On almost all of these projects, Spain is working not only with France and Germany but also with Portugal as part of an increasingly close relationship between the two countries.

The most important project, and the only one led by Spain, is the strategic command and control system for CSDP missions and operations, in which France, Germany, Italy and Portugal are also participating. The start of this project was announced on 22 November at the Spanish Ministry of Defence, and work has started on all of its objectives during the first half of 2019. The main goal is to improve the command and control systems for EU missions and operations, at the strategic level. This project has been identified as a possible central element in the creation of a new strategic HQ in Madrid, which would be linked to the general operating HQ in Rota, which will become operational following the United Kingdom's withdrawal from the EU.

The Spanish government's decision to participate in the air combat navigation system, a Franco-German project, is particularly important, although the system will not actually be operational until 2035. It will replace the US-manufactured F-35 fighter jet, and provide a huge boost to the European defence project and to PESCO in general, as there is speculation that this project, which already includes three Member states, could soon be incorporated into the PESCO projects, which offers the advantage of recovering a significant portion of the funding, particularly important given its huge cost.

Brexit continues to provide opportunities for European defence and security and for Spain

There is no question that the Brexit referendum and the UK's impending withdrawal is a huge problem for the EU and, in particular, for the UK. However, it has also created a number of opportunities, both for the European project as a whole – with cohesion between Member states, institutions and citizens' perceptions higher than at any time over the last decade – and for the development of the CSDP and, in particular, of PESCO, something that would have been impossible if the UK were still a member.

It is particularly noteworthy that, when it communicated its intention to leave the EU, the UK government indicated that, in the absence of a positive agreement with regard to the future economic relationship with the EU, the UK would no longer participate in collective security projects. Two years later, the situation is almost the opposite. Now, although in principle the UK still intends to leave, its position with regard to collective security has changed significantly in a number of ways, as was clear from the letter of intentions on the intervention force, approved on 25 June 2018.

At the same time, this has created an opportunity for Spain, both in general and within the defence sphere. As a result of the UK's withdrawal and the change of government in Italy in spring 2018, there was talk for the first time of a Group of Three, consisting of France, Germany and Spain, with Germany's Minister of Foreign Affairs, Heiko Maas, using the phrase in a widely-reported lecture at the Complutense University in Madrid in December.

During 2018, Spain consolidated the advantages it will gain in the defence sphere as a result of the UK's withdrawal, both in terms of its leadership as a member of the PESCO Group of Four, making progress with important programmes in which the country is a participant, as a result of the decision to make Rota a general operational HQ, and the fact that Spain will direct Operation Atalanta.

Conclusion: developing the security and defence policy represents progress towards a union that protects its citizens

There is a new dynamic, which has grown out of the treaty provisions to enable a group of states to guarantee the security of the EU, so that it can protect its members and its citizens. The fact that this strengthened cooperation will be delivered not just by those Member states with the greatest capacities but by almost all the EU countries means that everyone will feel that they are part of a Europe that protects them, even if – as noted above – this inclusiveness reduces the effectiveness of the policy and means it will take longer to implement.

From this analysis of the key developments in 2018, it is worth highlighting that, while the structure of defence policy remains fundamentally inter-governmental, it is also starting to produce federal effects by strengthening European identity, by using a joint European budget in this area for the first time (a budget that, in the financial outlook for 2021–2027 is scheduled to be very significant) and, finally, because PESCO decisions can be taken on a majority basis, even though they will be binding on all of the individual PESCO Member states. This is in some ways parallel to what has happened with the Erasmus programmes, which are clearly inter-governmental, and even include some states that are not members of the EU, but which at the same time have unquestionably had a federalizing effect.

PESCO may be the start of a new and extremely important stage, whose effects will only become evident in the medium term. Some have argued that it could be as important as monetary union, and with a similarly federalist impact. One difference, though, is that monetary union had an immediate impact when it was introduced, twenty years ago, while the effects of PESCO will only be felt over the medium and long term, and this makes it very difficult to evaluate its true scope, even if it is clearly important.

The uncertainties of Brexit: *quo vadis, Britannia?*

Mercedes Guinea Llorente

2018 is the third consecutive year that the State of the European Union Report has included an analysis of the Brexit process conducted from a European perspective.[1] The assessment provided in this chapter was made slightly over a month before the anticipated withdrawal date of 29 March 2019, the day on which precisely two years will have elapsed since the British government's presentation of the notification triggering the formal start of the process.[2]

Only weeks before what is expected to be the definitive date of separation, this process continues to be fraught with uncertainties that make it impossible to predict the outcome. The British Parliament has rejected the Withdrawal Agreement and Political Declaration negotiated between Prime Minister Theresa May and the EU and further definitive progress on the issue appears to be blocked.[3] Perhaps most remarkably, the uncertainties regarding what may come next are not the result of any action or omission on the part of EU institutions but rather the chaotic state of British domestic politics.

The political process of negotiation between the EU and the United Kingdom (UK), which has been governed by provisions contained in the Treaty on the European Union (TEU) and has occurred in clearly delineated stages within established time frames, concluded in late November with a formal agreement on the texts of the Withdrawal Agreement and the Political

[1] See respectively: Guinea Llorente, M.: "Brexit: Negotiating the United Kingdom's Withdrawal from the European Union", in: López Garrido, D. (dir.), *The State of the European Union 2017: Relaunching Europe,* Madrid: Fundación Alternativas and the Friedrich-Ebert-Stiftung, 2017, pp. 105-114; Guinea Llorente, M.: "Spring 2018 Brexit negotiations: progress and future prospects", in: López Garrido, D. (dir.), *The State of the European Union 2018. The European states facing the reform of the Union,* Madrid: Fundación Alternativas and the Friedrich-Ebert-Stiftung, 2018, pp. 55-67.

[2] he guidelines adopted by the European Council following the United Kingdom's notification under Article 50 TEU and the European Union Withdrawal Act of 2018, both of which have legal effect, state that the withdrawal of the UK will become effective at 11pm GMT on 29 March 2019. See respectively: European Council: *Guidelines following the United Kingdom's notification under Article 50 TEU*, Brussels, 29 April 2017, (EUCO XT 20004/17); European Union Withdrawal Act of 2018, 26th June 2018, p. 21.

[3] On 15 January 2019, the House of Commons voted overwhelming against the texts negotiated by May. See: "Brexit: Theresa May's deal is voted down in historic Commons defeat", BBC news, 15 January 2019. https://www.bbc.com/news/uk-politics-46885828

Declaration setting out the framework for the future relationship between the UK and the EU beyond the UK's exit from the Union.[4] We will analyse the characteristics and content of both separately in this chapter.

The European negotiation having concluded, the focus has shifted to the process of political validation and ratification of the agreement by the UK Parliament in what can be referred to as the national phase of the withdrawal process. This stage has been plagued by serious roadblocks that have led many to fear the Withdrawal Agreement will never enter into effect and raised numerous questions regarding the future of Brexit and the relationship between the UK and the EU that we will examine from the perspective of their ramifications for European integration and the functioning of the EU.

We will consequently attempt, despite the obvious difficulties this supposes, to chart out the possible ways in which Brexit could unfold from this point on in the light of the current realities of UK domestic politics and scenarios possible within EU law and the political context in Europe. Before embarking upon this task, we must underscore the current volatility of the political situation in the UK. Given the fact that the actors involved in, and the dynamics of, this stage of the Brexit process change from one moment to the next, it is very possible that in the time needed to publish this report new developments or agreements may have significantly altered the political panorama, and, by extension, the outcome of events.

[4] Agreement on the withdrawal of the United Kingdom and Northern Ireland from the European Union and the European Atomic Energy Community and Political Declaration and Political Declaration on future relations between the European Union and the United Kingdom, OJ C 66 I, 19.2.2019, p. 1.

The culmination of withdrawal negotiations: a political vision

Withdrawal negotiations have scrupulously followed the procedure laid out in Article 50 of the TEU, which has been fleshed out, as needed, with decisions on the part of the European Council required to fill in gaps and address ambiguities in the text of the Treaty.[5] Negotiations were bilateral, the two parties at the table being the government of the UK and the EU, which was represented by the European Commission under the continuous political supervision of the European Council and the EU Council. The representatives of the 27 remaining European States that make up the European Council approved the political guidelines for negotiation that the Commission took to the bargaining table.[6]

The Commission assembled a team of experts and appointed Michel Barnier, a French diplomat with ample Brussels experience, who reports directly to the president of the Commission, as chief negociator. Although the European Parliament has no mandate in the

[5] Regarding Article 50, See: Louis, J. V.: "Union Membership: Accession, Suspension and Membership Rights and Unilateral Withdrawal. Some Reflections", in: Pernice, I., and Zemanek, Z. (eds.), *The Treaty on a Constitution for Europe. Perspectives after the IGC*, Baden-Baden, Nomos, 2005; Grosclaude, L.: "La clause de retrait du Traité établissant une Constitution pour l'Europe: réflexions sur un possible marché des dupes", *Revue trimestrielle de Droit européen*, vol. 6, n.º 11, 2005, pp. 533-548; Guinea Llorente, M.: *La Convención Europea: la génesis del Tratado de Lisboa*, Madrid: Monografías del Congreso de los Diputados, 2011, pp. 597-600; Hillion, C.: "Leaving the European Union, the Union way. A legal analysis of Article 50 TEU", *SIEPS, European Policy Analysis*, n.º 8, 2016.

[6] European Council (Art. 50): *Guidelines following the United Kingdom's notification under Article 50 TEU*, Brussels, 29 April 2017, (EUCO XT 20004/17); European Council (Art. 50): *Guidelines, 15 December 2017,* (EUCO XT 20011/17); European Council (Art. 50): *Guidelines,* Brussels, 23 March 2018, (EUCO XT 20001/18).

Treaty to control the political course of the negotiations, any agreement negotiated must be approved by EP.

For that reason, the Commission decided to keep the European Parliament in the loop from the outset by setting up almost weekly meetings between Chief Negotiator Barnier and a contact group headed by Guy Verhofstadt, the leader of the Alliance of Liberals and Democrats for Europe, providing updates at plenary sessions and to the EP Committee on Constitutional Affairs and including a representative of the Parliament in the negotiating team.

Negotiations have proved to be particularly complicated. This has been in large part due to the British position, which on numerous occasions has been incoherent, has changed various times and remained substantially undefined until the latter phases of the negotiations owing to May's weak position as leader of a minority government.[7] In addition to this problem there have been deep divisions on the subject within both the Conservative and Labour parties that have led to numerous resignations – some of them pertaining to the negotiating team – and further divisions between British citizens concerning what sort of Brexit should be negotiated.[8] The process has laid bare the daft and contradiction-ridden nature of the political discourse pursued by those who provided the impetus for the Brexit movement and now find it impossible to make good on their promises.

The European team on the other side of the table has maintained a surprising unity and consistent position – prerequisites for effective negotiation. The three EU institutions involved (the European Parliament, Commission and Council) have collaborated closely from the beginning, coordinating their respective roles and upholding a solid, common posture unmarred by internal dissension. The EU has conducted its side of the process with an impressive level of transparency, releasing information concerning its negotiating position, meeting agendas and results on a regular basis and organising press conferences at which Barnier explained each turn of events.[9]

The level of unanimity within the European camp flew in the face of predictions from many corners that cohesion between the EU 27 would be fragile and crumble when negotiations addressed points on which their interests diverged. However, negotiations have concluded without even one Member State breaking ranks, despite internal conflicts concerning other matters with Members such as Hungary and Poland. Although the United Kingdom had served as a reference model for other Members and managed to

[7] May laid out the British negotiating position in a series of speeches. A striking example of the numerous about-faces she made during the negotiating process was her early insistence that no agreement was better than a bad agreement, a posture she later abandoned. Another was her shift from the position that the UK should be able to remain in the Common Market unfettered by the need to respect the principle of free circulation to a firm decision that the UK would leave both the Common Market and the EU Customs Union. The main documents and speeches through which she articulated the UK negotiating position on withdrawal are: May, T.: *Letter to Donald Tusk triggering Article 50*, London, 29 March 2017; *Speech on the Government's Negotiating Objectives for Exiting the EU*, Lancaster House, London, 17 January 2017; A New Era of Cooperation and Partnership between the UK and the EU, Florence, 22 September 2017; Speech at the 2018 Munich Security Conference, Munich, 17 February 2018; and Speech on our future economic partnership with the European Union, Mansion House, London, 2 March 2018.

[8] It is striking that two heads of the UK government's Department for Exiting the European Union (David Davies and Dominic Raab) as well as a foreign secretary (Boris Johnson) have resigned over their disagreement with May's negotiating stance.

[9] Documents, speeches and press releases have been posted on a regular, ongoing basis in the Article 50 Task Force section of the European Commission website. See: https://ec.europa.eu/info/departments/taskforce-article-50-negotiations-united-kingdom_en

build solid coalitions around its agendas as a fully-fledged member of the Union, all of its efforts during the process to negotiate bilaterally with its former colleagues came to nought.

It has become ever more apparent that the EU's 27 remaining members clearly consider protecting the Union and preserving its legal integrity and political independence to be their top priority and that a UK with one foot out of the door has little or nothing to offer them. Equally noteworthy is the solidarity with Ireland expressed by fellow Member States, which have fiercely defended that country's interest in maintaining an open border between itself and Northern Ireland by means of the much-debated backstop.

Negotiations between the EU and the United Kingdom accelerated in the fall of 2018 with an eye to closing a deal by an October deadline previously set to provide sufficient time for the Withdrawal Agreement to be ratified by both the European Parliament and the UK.[10] This occurred amidst rustlings concerning the need to stipulate a time frame that, in the case the ratification process in the UK proved to be rocky, afforded the Union the breathing room it needed to organise a unilateral response to the possibility of the UK "crashing out" of the EU without a deal in place.

On 25 November 2018, following several days of marathon negotiations and a moment of tension sparked by possibility that Spain might veto the agreement over wording regarding the future of Gibraltar,[11] the European Council approved the Withdrawal Agreement and the corresponding Political Declaration previously agreed to by the negotiating teams of both sides.[12] This landmark action would be followed by a tortuous period of debate and disagreement during which Teresa May fought tooth and nail to secure the British parliament's approval of the deal she had struck with European negotiators.

Agreement on the withdrawal of the United Kingdom from the UE

The first victory achieved by the European negotiating team was the division of the overall negotiation into two neat phases, the first of which was to be devoted exclusively to the legal conditions of withdrawal and the second of

[10] Upon the failure of the two sides to reach a consensus on the Withdrawal Agreement, a decision was made in October to delay the formal approval of the outcome of the Brexit negotiations until a special summit meeting of the European Council to be convened at a future date, which was finally held on 25 November 2018.

[11] Spain raised concerns regarding the wording of Article 184 in the final draft of the Withdrawal Agreement related to the negotiation of the future relationship, which did not contain an express reference to Member States playing a decision-making role as specified in the European Council guidelines of April 2017. This omission was perceived as preventing Spain from having the final word over Gibraltar. The issue was resolved by means of a political declaration that recognised the need for Spain to approve any and all regulation applicable to Gibraltar. It should be noted that such a clarification was not really necessary given that the Agreement of a Future Relationship is a "mixed" agreement requiring the unanimous approval of, and the individual ratification by, all Member States. Moreover, Spain and the United Kingdom negotiated four complementary bilateral Memoranda of Understanding on Gibraltar, signed on 29 November 2018, dealing with issues of common interest such as citizen's rights, tobacco and other products, the environment and and police and judicial cooperation. Concerning this question, See: Andrés Sáenz de Santa María, P. e Izquierdo Sans, C.: "Gibraltar y el acuerdo de retirada: claves de interpretación", *La Ley Unión Europea,* n.º 68, December 2018.

[12] European Council (Art. 50): Conclusions of special meeting of the European Council, Brussels, 25 November 2018 (EUCO XT 20015/18).

which was to deal with future relations. This rested upon a somewhat controversial interpretation on the part of the European Council of the wording of a passage of Article 50 of the TEU that reads "taking account of the framework of its [the UK's] future relationship with the Union". The division of negotiations into two phases was stipulated with an eye to avoiding endless digressions concerning future relations that could prevent negotiators from resolving issues related to withdrawal within a two-year period.

The Withdrawal Agreement is an international treaty that establishes and governs legal relations between the EU and the United Kingdom once the latter has become a "third country" to which European Teaties and the rest of EU law no longer applies.[13] The bulk of the document addresses four main issues: the rights of EU citizens residing in the UK and UK citizens residing in the EU; the amount the United Kingdom must contribute to the community budget to cover obligations it assumed while a member (an item commonly referred to as "the Brexit bill"); questions regarding new border situations between Ireland and Northern Ireland and in Cyprus and Gibraltar resulting from the UK's exit from the EU; and the governance of the agreement, which concerns the bodies charged with the application and monitoring of the Treaty and other legal and technical matters arising from the UK's withdrawal.

The treaty establishes a transition period (the inclusion of which was one of the main objectives of the UK negotiating team) to run from 30 March 2019 to 31 December 2020. The termination date was specifically timed to coincide with the end of the current EU multiannual financial framework to facilitate optimal budgetary management. The insertion of this element into the agreement was meant to give all public and private stakeholders an opportunity to prepare for the moment at which EU law will cease to apply in the UK. During this time frame European law will continue to be applicable in the UK and the UK will continue to participate in EU policies but not in EU decision-making. The UK's obligation to comply with decisions in which it has not participated during the transition period has raised the hackles of certain critics of the Withdrawal Agreement, who argue that the arrangement will reduce the United Kingdom to the status of a "vassal state" subjected during the interval to laws that undermine its sovereignty.[14] The transition period is nevertheless vigorously defended by political and economic actors, who deem it an indispensible means of avoiding confusion and legal uncertainty on 30 March.[15]

In light of the transition period's purpose of ensuring a smooth adaptation to a new legal situation and with an eye to reducing costs, it would be best interests of all for the Agreement on Future Relations to enter into force before the termination date of 31 December 2020. Given the impossibility of guaranteeing that a consensus on future relationship will be reached

[13] Agreement on the Withdrawal of the United Kingdom . . ., *op. cit.*

[14] Rees-Mogg, J.: *Letter urging the MPs to oppose the draft Withdrawal Agreement*, London, 14 November 2018. https://brexitcentral.com/text-jacob-rees-moggs-letter-urging-mps-oppose-draft-withdrawal-agreement/

[15] See, by way of example, the position taken by the Confederation of British Industries (CBI), *Making a Success of Brexit,* http://www.cbi.org.uk/making-a-success-of-brexit/Exit.html

by the end of 2020, the EU has agreed to insert a clause in the Withdrawal Agreement by which the transition period may be extended to a maximum of two years – to December 2022 – by the common decision of both parties prior to July 2020. Should this clause be activated, the UK would continue to apply community law and take part in the Common Market for a period of up to three years following its formal withdrawal from the EU.

The most politically charged topic addressed during treaty negotiations has been the border between the Northern Ireland and the Republic of Ireland, a sticky issue that ended up delaying the articulation of the final agreement, triggering the resignation of May's Brexit secretary and galvanising MPs from both parties against the deal.[16] The European position – accepted by May – is that Brexit must not result in a "hard" border that would restrict free flow of people underpinning the Good Friday Agreement, an objective key to the economic integration of the island and the integrity of the EU single market.[17] To achieve this, a backstop (safeguard clause) was included in a protocol annex. The backstop is an insurance mechanism by which, the United Kingdom, in its entirety, would temporarily remain in the EU Customs Union in the eventuality that negotiations on the Agreement on Future Relations have not yet been concluded at the point the transition period ends. The backstop has been seized upon as a sovereignty issue by politicians firmly against the Withdrawal Agreement, but it is not clear what type of modification of the mechanism would ease the ratification of the agreement.[18]

The Declaration setting out the framework for the future relation between the UK and the EU

The Withdrawal Agreement is accompanied by the Declaration setting out the framework for the future relationship between the EU and the UK, a political declaration that sets out in succint and general terms some guidelines for the negotiations on the future relationship between the EU and the UK – a relationship that can only be negotiated once the United Kingdom becomes a third country.[19] This document underscores the significantly different bases upon which the two parties will undertake this new challenge: whereas in the case of the EU its contents provide a mere "framework" for a future relationship between the two parties[20], for the British government they clearly imply that "the

[16] Dominic Raab's resignation over the inclusion of the backstop in the agreement stems from his notion that it represents an inexcusable concession of sovereignty the United Kingdom cannot unilaterally terminate that weakens the British negotiating stance on the Agreement on Future Relations. See: Raab, D.: Resignation Letter to the Prime Minister Theresa May, 15 November 2018. https://www.irishtimes.com/news/world/uk/dominic-raab-full-text-of-brexit-secretary-s-resignation-letter-1.3698633

[17] Menon, A., and Hayward, K. (eds.): Brexit and the backstop: everything you need to know. The UK in a Changing Europe, 11 February 2019. https://ukandeu.ac.uk/brexit-and-the-backstop-everything-you-need-to-know/

[18] As Menon aptly notes, much of parliamentary opposition to the backstop has been a proxy for other personal, ideological and party-political grievances. One cannot therefore assume, that a modification of the safeguard clause would necessarily ensure parliamentary approval of the Treaty. Menon, A.: Foreword, in: Menon A., and Hayward, K., Brexit and the backstop..., *op. cit*., 2019, p. 2.

[19] Political declaration setting out the framework for the future relationship between the European Union and the United Kingdom, DO C 66 I, 19.2.2019, p. 185.

[20] Barnier, M.: Statement at the Plenary Session of the European Parliament on the Article 50 negotiations with the United Kingdom, Brussels, 29 November 2018, (STATEMENT/18/6622). http://europa.eu/rapid/press-release_STATEMENT-18-6622_en.htm

scope and terms for the UK's future relationship with the EU have been established".[21]

Article 184 of the Withdrawal Agreement articulates the commitment of both parties to negotiate an association agreement on future relations as quickly as possible once the separation agreement enters into force and to conduct the procedures required for its ratification expeditiously in good faith with a view to ensuring that it applies, to the extent possible, as of the termination date of the transition period. The objective, therefore, is to avoid a legal vacuum or legal uncertainties, although accomplishing this goal will require much more than political will. Negotiations on trade and third-country association agreements tend to be long and complex, and one must also factor the trials and tribulations that any ratification process involving 27 Member States supposes into the equation.

The Declaration also succinctly lays out (in some instances in very general lines) the principles that will guide these negotiations, which have been based on areas in which the EU and the UK have converging interests.[22] Shared values and principles such as human rights, democracy, the rule of law and the non-proliferation of nuclear arms form the basis of the projected future relationship between the EU and the UK. The United Kingdom has made a commitment to uphold high data protection standards and the EU has expressed a willingness to explore the possibility of the United Kingdom taking part in EU programmes of common interest open to the participation of third countries in areas such as science and innovation, youth mobility, development, education and culture, and even defence.

As for the economic pillar of the association agreement, the UK's decision, after numerous vacillations, to abandon both the Single Market and the EU Customs Union rules out the application of what are common referred to as the "Norwegian" and "Turkish" models. The only option that appears to remain open is the free trade "Canadian" model with a provision for some form of political cooperation that is being referred to as "Canada-plus".

In greater detail, the Declaration envisages provisions for a free trade area for goods and "deep commitments" on services and investment that go beyond WTO trade rules and new and ambitious cooperation agreements on financial services, trade and digital technology; labour mobility, air services, energy and fishing. Both parties acknowledge the need to maintain high standards in areas such as competition law, social and employment protection, climate change and taxation. Words such as "deep" and "ambitious" that indicate a political will to forge an economic agreement of a scope that goes well beyond any other the EU has negotiated to date[23] are notions without legal weight yet to be worked out through some kind of bargain that will grant the UK access to the Single

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[21] HM Government, Explainer for the Political Declaration setting out the framework for the future relationship between the United Kingdom and the European Union, London, 25 November 2018, p. 2. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759022/25_November_Explainer_for_the_Political_Declaration_setting_out_the_framework_for_the_future_relationship_between_the_European_Union_and_the_United_Kingdom___1_.pdf

[22] The positions and coinciding interests of both parties were analysed in detail in last year's report. See: Guinea Llorente, M.: "Spring 2018 Brexit negotiations...", *op. cit.*, 2018.

[23] Chief EU negotiator Barnier notes that the EU has never before contemplated such a close relationship with a third country . Juncker, J. C., and Barnier, M.: Speech at the Plenary Session of the European Parliament on the occasion of the debate on the United Kingdom's withdrawal from the EU, Brussels, 30 January 2019, (SPEECH/19/789). http://europa.eu/rapid/press-release_SPEECH-19-789_en.htm

Market in exchange of guarantees that it will uphold European standards.[24]

The second pillar of future relations is security, an area that covers cooperation on both domestic and international security issues. The UK has made a commitment to continue cooperating in matters concerning civil and criminal justice, the fight against organised crime and legal issues and to maintain a level playing field. Regarding foreign policy, a relatively simple matter given the low degree of existing integration in this area, the Declaration contemplates diplomatic consultation between the EU and the UK, the possible participation of the UK in crisis management missions, collaboration between the UK and the EU on international development projects and sanctions and the exchange of intelligence.

As envisaged, the future partnership will be structured around an institutional framework similar to the governance framework negotiated under the Withdrawal Agreement that serves as a channel for political dialogue, the revitalisation and strengthening of mutual cooperation mechanisms and the resolution of differences that may arise. It should be remembered that the fates of the Withdrawal Agreement and the Association Agreement to follow are inextricably linked and that a successful conclusion of the latter will depend greatly on whether negotiations on that part of the separation begin in a timely manner and in the positive circumstances that the former has entered into force in a (reasonably) harmonious manner. Negotiations on future relations will be unique in the sense that unlike previous EU negotiations with third countries, which have invariably focused on integration, they will concentrate on limiting the negative consequences of disintegration. As European leaders have stated time and again, however successful the outcome of this operation may be, it is impossible to replicate in the context of a third country association agreement the exchanges, interdependencies and reciprocal rights inherent to EU membership.[25]

Future scenarios that can be constructed from the perspective of the political standoff in the UK five weeks prior to the established date of withdrawal

By February 2019, with the effective date established for the UK's exit from the European Union a mere forty days away, the question as to whether the Withdrawal Agreement would go into effect as originally planned or not had become a thoroughly intractable issue. Having submitted the Treaty to the House of Commons for debate in December and postponed a vote on the document until January, May suffered the heaviest parliamentary defeat of any prime minister in recent British history.[26] In what would be a failed attempt to break the deadlock, the House of Commons subsequently tabled and voted on a series of amendments, none of which received sufficient support to pave the

[24] One of the EU's major preocupations regarding Brexit is the possibility that the UK might choose in the future to implement a Singapore-on-the-Thames policy by which the country would attempt to bolster its competitiveness by means of broad sector deregulation that undermined EU standards.

[25] Barnier, M.: Speech at the Plenary Session of the European Committee of the Regions, Brussels, 6 December 2018, (SPEECH/18/6703), http://europa.eu/rapid/press-release_SPEECH-18-6703_en.htm

[26] On 15 January 2019, following a five-day debate, the government submitted the Withdrawal Agreement to a vote in the House of Commons. MPs rejected the document by a large margin, voting 202 in favour and 432 against.

way for the Agreement's approval.[27] This exercise made it clear that none of the options presented enjoyed majority support and that MPs' motives for rejecting the Treaty had been diverse and, in some instances, contradictory.

Having decided that the backstop was the main stumbling block to approval, May has pursued the risky option of attempting to convince Brussels to renegotiate the mechanism.[28] Representatives of European institutions, however, continue to reiterate that the text of the Agreement is no longer open to negotiation given that it faithfully reflects what May's government asked for and agreed to and that they would only be willing to reopen discussions on the Declaration.[29] This would provide a means of giving British sceptics further guarantees of the limitations of the backstop clause and underscore the EU's commitment to enter into timely negotiations on the future relationship between the EU and the UK, the entry into force of which will eliminate the need for the backstop as an insurance mechanism.[30] It is not clear that such a gesture would make a difference given that representatives of EU institutions have already stressed this point on various occasions.[31]

May appears to be pursuing a strategy that focuses in large part on convincing the British public and the House of Commons that she will try to to get a bold political commitment from the European Council at its 21–22 March meeting barely a week before the Brexit clock runs out. One should also expect her to use the time factor to pressure Tory MPs and a good number of Labourites to back her deal. Her strongest argument will obviously be the "cliff-edge" situation that dallying on the issue will lead to and the collateral damage that will occur if the House of Commons fails to approve the Treaty on a second vote and the UK crashes out the Union into an unknown world of legal uncertainty. This is a risky gambit given that no one is capable of predicting with any degree of accuracy if MPs will buckle under this calculated pressure and vote yes simply to ensure an orderly exit.

With five weeks to go before 29 March – the date established by the European Council and British legislation as the official date of the UK's departure from the European Union – there are

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[27] Over a series of sessions, the House of Commons voted on a range of proposed Brexit amendments. The only two to pass muster were approved on 29 January. One was the amendment ruling out a no-deal Brexit under any circumstances proposed by Caroline Spelman, which won by 8 votes. This amendment is moot in addition to being non-binding given that a no-deal exit does not depend exclusively upon the political will of the British government. The second was an amendment to replace the backstop contained in the Treaty with a technological solution avoiding a "hard" border proposed by Tory leader Graham Brady that won by 16 votes. If, as the government claims, the backstop constitutes a motive for opposing the Treaty, it is somewhat odd that this amendment was approved by such a slim margin. The amendment is also a rehash of an idea that had been previously ruled as impracticable by negotiators after examining all possible "technological alternatives" and concluding that no technological solution capable of substituting a border currently exists.

[28] House of Commons: "May returns to the Commons with Brexit update", *Parliamentary News,* 12 February 2019. https://www.parliament.uk/business/news/2019/february/may-returns-to-the-commons-with-brexit-update/

[29] Tusk, D., and Juncker, J. C.: Joint letter of President Tusk and President Juncker to Theresa May, Prime Minister of the United Kingdom, Brussels, 14 January 2019, (PRESS 7/19). https://www.consilium.europa.eu/es/press/press-releases/2019/01/14/joint-letter-of-president-tusk-and-president-juncker-to-theresa-may-prime-minister-of-the-united-kingdom/

[30] Juncker J. C., and May T. (2019), Joint Statement on behalf of President Juncker and Prime Minister May, Brussels, 20 February 2019, (STATEMENT/19/1335). http://europa.eu/rapid/press-release_STATEMENT-19- 1335_en.htm

[31] See, by way of example: European Council (Art. 50): Conclusions, Brussels, 13 December 2018, (EUCO XT 20022/18).

four possible ways that Brexit could play out. The following are brief explication of each of these scenarios and the probability of their occurring.

Orderly exit under the terms of the Withdrawal Agreement

This scenario, referred to by the media as "orderly Brexit", is the best of the four possibilities, as it would give public and private actors legal certainty and confidence and usher in a transition period during which negotiations on association could be conducted. Although it appears increasingly improbable, a last-minute political agreement with the EU and ratification of the Agreement by the British Parliament cannot be ruled out. On the other hand, May has few cards left to play following her attempts to put a new spin on the backstop and frighten MPs with the spectre of the abyss and there are no clear indications that either of these actions have changed the voting intentions of MPs opposed to the deal.

An "accidental" no-deal exit

In contrast to the poor prospects of a timely orderly withdrawal, this scenario is becoming increasingly more likely. It is now clear that should the UK leave the Union without a deal, it will not be, as it once was, the result of a government position to do so but rather May's failure to get the Withdrawal Agreement approved before the Brexit clock runs out. This possibility is frequently referred to as a "disorderly" or "chaotic" exit as it would suppose an exit without the benefit of a legal framework for relations with the EU and Union treaties and incertainty when EU law would automatically cease to be applicable to, and be applied in, the UK as of 30 March. EU institutions, national governments and the business community have been getting ready for this eventuality for months now, drawing up contingency plans, hiring additional personnel and in some cases adopting specific legislative measures.[32] The motive for this preparation was to ensure that ad hoc procedures and regulations in areas affected by Brexit could be readily applied and the EU legal framework would remain fully operational in the instance that the UK were to crash out of the Union without a deal. The greatest preoccupation of analysts at this moment is whether preparation undertaken by public and private sector entities and other relevant actors has been sufficient to avoid disruptions should this scenario take place.

Extension of the Brexit negotiating period

The current political turmoil in the United Kingdom surrounding the Treaty has raised interest in the possibility of extending the time frame of Article 50 beyond 29 March to permit a new political dialogue or at least give May an opportunity to secure legislation required for the implementation of the Withdrawal Agreement. Such an extension, which is permitted under Article 50 of the TEU, would have to be requested by the government of the United Kingdom and approved by all Member States. The probability of this scenario occurring has increased in the wake of statements made re-

[32] Detailed information regarding EU contingency planning is available in a section of the European Commission website devoted specifically to that issue: https://ec.europa.eu/info/brexit/brexit-preparedness_eno

cently by European Commission President Jean-Claude Juncker.[33] In our estimation, the EU would only authorise a short extension of a few weeks that would be used, for example, to approve any legislation necessary to see the separation process through. An indefinite extension unaccompanied by a well-defined road map implying a return to the negotiating table is out of the question for the negative impact the UK's domestic crisis could have on the internal cohesion of the EU. The longer the extension, the more complicated the situation becomes for the Union as an extension beyond June would raise the thorny question as to whether the UK should participate in upcoming European Parliament elections.

Revocation of Article 50

Although the European Court of Justice has recently ruled that the UK government is free to unilaterally revoke the notification of its intention to withdraw from the EU, such a scenario appears highly unlikely given the current political climate in the UK. There are only two plausible circumstances under which the British government would be apt to revoke its intention to withdraw from the EU, both of which would hinge on a strong indication of a shift in popular will on this issue: a new referendum indicating that the majority of British citizens are now in favour of the UK remaining in the EU or snap elections putting a party advocating that the UK remain in the Union in Downing Street. Both of these scenarios are currently impossible for two reasons, the first being May's refusal to contemplate a new referendum and the second being her ability to survive a no confidence vote in the House of Commons last January.

With the date established for the UK's withdrawal from the EU only five weeks away, the profound political crisis in which the UK is immersed makes it impossible to know what will happen. Although the uncertainty of this situation is having a damaging effect on both parties, the negative fallout is currently, and apt to continue to be, greater for the UK than for the remaining 27 EU States. The Brexit process has provided clear lessons about the benefits European integration entails for both its Member States and citizens.

[33] Strupczewski, J.: "No one in Europe would oppose extension to Brexit talks – Juncker", Reuters, 18 February 2018. https://www.reuters.com/article/uk-britain-eu-juncker/no-one-in-europe-would-oppose-extension-to-brexit-talks-juncker-idUSKCN1Q71RF

A Europe that protects Spaniards

Pablo Arnaldos

Introduction

Since Spain's entry in 1985, Spaniards' opinion of the European Union (EU) has been generally positive and people have felt that membership in the Union is very beneficial for their country. Studies conducted over time have shown that in comparison to wavering public opinion in other EU States, Europeanist sentiment has consistently run high in Spain and Euroscepticism has never managed to gain a substantial foothold there. Spanish citizens' longstanding support for the Union nevertheless flagged in the wake of the recent economic crisis and its social consequences. Sucessive Eurobarometer surveys indicate that Spaniards' feelings of attachment to the EU, their perception of the Union and their trust in EU institutions deteriorated in the wake of 2008 and only began to recuperate in 2014.

Given the plunge in Europeanist sentiment that occurred during the toughest years of the crisis, it is well worth asking how Spaniards rate the EU's efforts to protect EU citizens from the negative consequences of the Great Recession. We have attempted to answer this question by means of *A Europe that protects Spaniards*, a study conducted by the research firm 40dB commissioned by Fundación Alternatives that examines the role Spaniards believe the EU should play in protecting the welfare and safety of European citizens. The findings reported here were based on the responses of 1,502 Spanish citizens above the age of eighteen to a fourteen-question online survey conducted between the fifth and twelfth of September 2018. Data collected during this process was weighed according to gender, age, socio-economic level, size of residence and autonomous community.

Findings regarding respondents' perceptions of EU's role in protecting Spanish citizens from the impact of the crisis provide a clear, if sobering, picture: only 16.5% qualified the Union's performance as being good or very good, 47.8% gave it a passing grade and 28.7% believed it had done a poor or very poor job (**Chart 1**). The study nevertheless revealed that despite their criticism of the EU's performance in this particular instance, Spaniards are generally in favour of transferring additional competences to the EU level, the creation of more supranational organisms and the standardisation of rights to facilitate deeper European integration.

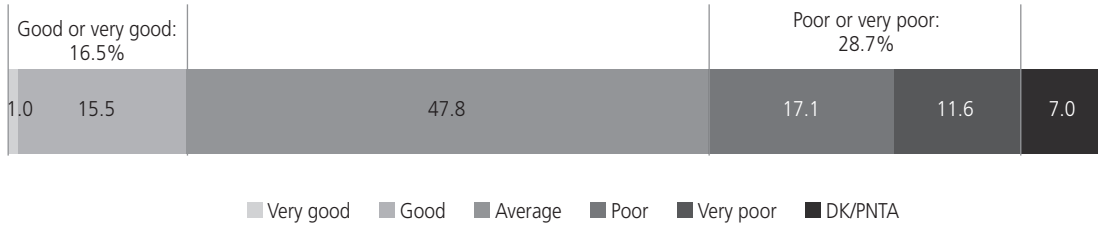


Chart 1. The EU's performance in protecting citizens from the impact of the crisis

Social, labour and tax policies

Survey results indicate that Spaniards are clearly in favour of the EU taking charge of at least some aspects of social and labour policy and that they support the creation of EU-level entities with a mandate to manage these issues. When asked at what level they believed responsibility for labour policy should lie, 57.8% of survey participants replied that the EU and Member States should exercise shared competence on issues related to employment and working conditions and 11% were in favour of the transfer of total competence for labour policy to the EU level. Survey participants responded in a similar manner when asked if the EU should have the power to enact labour legislation, almost 70% indicating support for EU competence in this area. In the context of both questions, respondents supported the idea of creating supranational entities with mandates to implement and monitor such policy such as a European Social investment Fund, European Labour Authority or European Labour Court (**Chart 2**).

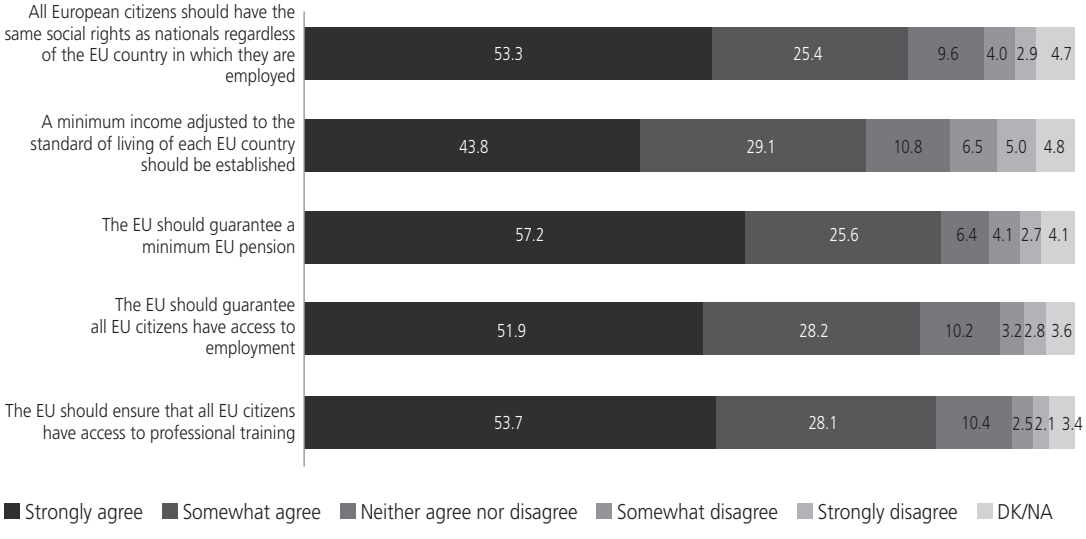


Chart 2. Support for social and labour policy initiatives at the EU level

A high 78.7% of survey participants were in favour of the harmonisation of social rights throughout the Union and an even more impressive 82.8% supported the establishment of a minimum European pension. Almost three-quarters (72.9%) of the survey population also thought that setting a minimum European income adjusted on a case-by-case basis to reflect the cost of living in each Member State was a good idea. When asked about job security, 80.1% of survey respondents thought that the EU should ensure that all European citizens had access to employment and slightly more (81.1%) thought the Union should ensure that all European citizens have access to professional training.

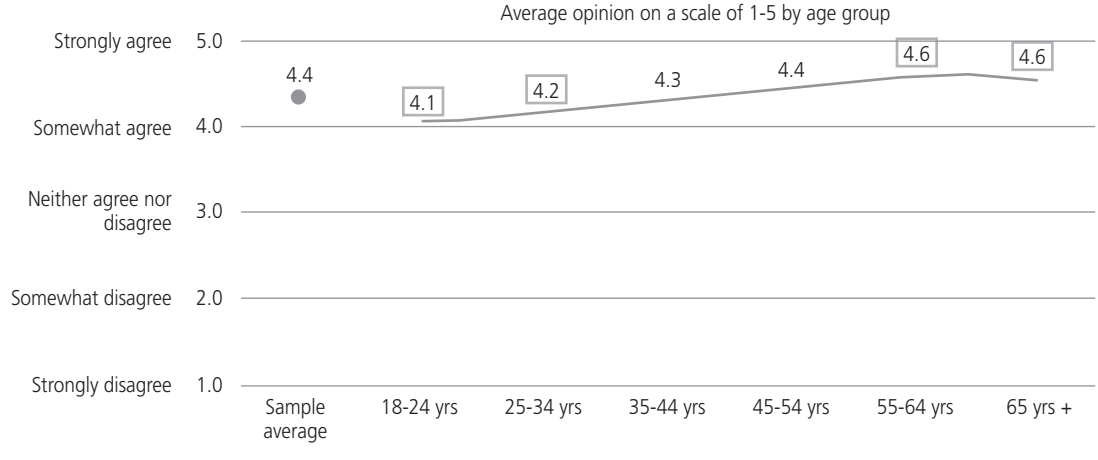
It should be noted that support for these proposals varied slightly according to age group. Although young people were strongly in favour of the policies and integration mechanisms covered by the survey, they expressed slightly less enthusiasm for these measures than older respondents (**Chart 3**).

In terms of tax policy, 85.1% of survey respondents were in favour or highly in favour of establishing a common consolidated corporate tax base to counter tax evasion. The low number of respondents against this proposal (3.9%) indicates that strong support exists in Spain for a greater EU role in the fight against tax evasion.

The majority of survey participants believed that the EU and its Member States should share competences related to research, development and innovation: 54.4% were in favour of shared competence and 18.5% were in favour of a complete transfer of competence in this area to the EU level.

Immigration

Immigration is a topic of great importance that has generated fierce debate and dissension within the Union over the past few years. Member States have taken very different positions on this issue that have ranged from Angela



* On a scale of 1-5: Strongly agree (5), Somewhat agree (4), Nieither agree or disagree (3), Somewhat disagree (2) Strongly disagree (1).
Significant deviation from population average.

Chart 3. Support for a European Social Investment Fund by age group

Merkel's temporary open door policy to the new government of Italy's refusal to allow boats carrying refugees to enter Italian ports.

When asked about the labour rights of immigrants, 69.5% of survey participants asserted that immigrant workers should enjoy the same labour rights as autochthonous workers. Somewhat fewer (57.1%) supported the notion that asylum seekers should have the right to work in the EU. The majority of survey respondents (61.1%) agreed that immigrant workers often suffer discrimination although very few claimed to have personally witnessed discrimination of this kind where they worked.

When queried as to whether irregular immigrants should be deported, 55% of the survey population felt they should be and 21% were against such a policy. Opinion regarding the deportation of irregular immigrants and equal rights for immigrant workers varied substantially from one autonomous community to another. Support in Spain for the deportation of irregular immigrants is strongest in Castile and León and weakest in Catalonia, the community most in favour of equal labour rights for immigrants.

Security

The numerous terrorist attacks committed in Europe over the past few years have sparked intense debate about security and information pooling and sharing between EU security institutions. Security was a major concern of citizens participating in this survey as well: 80% thought a terrorist attack was likely to take place in Europe within the next twelve months and 58.8% believed that the EU is not sufficiently prepared to cope with the situation. Only 30% considered the current level of coordination between European police forces and EU intelligence services to be adequate. In light of this feedback, one can confidently conclude there is broad support in Spain for the creation of a EU police corps with the capacity to carry out actions in all Member States. Findings indicate that 71.9% of Spanish society supports the creation of such a force and only 8.5% considers it a bad idea.

Donald Trump's entry into the White House and the position he has taken as president regarding NATO have prompted Macron, and subsequently Merkel, to postpone the creation of a community military force with the mandate of ensuring the security of the Union and complementing Atlantic Alliance actions. Although the creation of a unified European army was not as popular with survey respondents as the formation of a European police force, a healthy majority (59.1%) were nevertheless in favour of the proposal and only 15.9% opposed. Opinion regarding these issues also varied according to age group: older respondents were more enthusiastic about the creation of both types of forces than younger respondents, who expressed a more moderate level of support for these projects (**Chart 4**).

The study revealed a contradiction in public opinion on this topic: while Spaniards are clearly in favour of creating both a unified police force and a community army, there is no consensus regarding whether Member States should devote more resources to the areas of security and defence.

The environment

Environmental policy is becoming an increasingly important issue due to the key role it plays in the fight against climate change and its economic

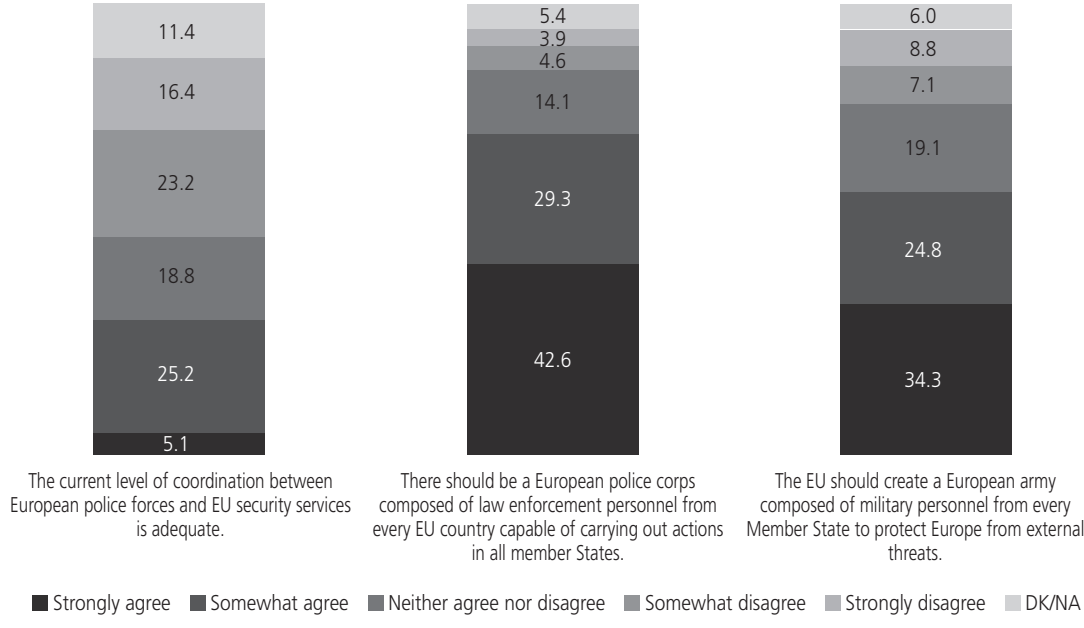


Chart 4. Support for EU-level security initiatives

relevance in the context of Europe's transition from fossil fuels to clean energy sources. The majority of the participants in this survey (59.7%) thought that EU Member States are not doing enough to achieve environmental objectives and only 14.1% thought that sufficient measures are being implemented. Moreover, an overwhelming majority (85.8%) were in favour of the EU sanctioning Member States failing to comply with environmental regulations and up to 71.8% believe the EU should develop tighter regulations that would restrict the use of motor vehicles. Regarding the prospects for renewable energy, 61.8% of the people participating in the survey believed that Europe could cover all of its energy needs by means of clean energy sources.

The overall results of this section of the study indicate that the Spanish public is extremely conscious of the need to protect the environment and open to the EU developing ambitious policies to this end.

Conclusions

Despite the decline of Europeanist sentiment in Spain following the outbreak of the 2008 economic crisis and the widespread feeling that the Union did not do enough to protect its citizens from the impact of that event, Spaniards are nevertheless open to a wide range of EU initiatives that would foster deeper integration among Member States. The policy issues addressed in this study span a wide range of topics, from the creation of new supranational bodies to the harmonisation of diverse types of citizen rights. Responses to questions posed concerning every policy area covered nevertheless share a common denominator: clear support in Spain for greater implication on the part of EU institutions in spheres of policy directly related to the protection and welfare of European citizens. Generally speaking, Spaniards would appear to be in favour of granting the EU

more power in sensitive areas such as social policy, taxation and security in exchange for a greater degree of protection at the European level.

That a society would be willing to transfer competences of this importance is a clear indication that for Spaniards the EU is a byword for guarantees and security. Viewpoints such as the support expressed in this survey for a community mechanism for curtailing tax evasion such as a common consolidated corporate tax base constitute clear indicators that Spaniards view the EU as a institution with the power and relevance it takes to be a key player on the world stage. Respondents' support for policy initiatives in other areas such as social measures at the EU level reflect a trust in the EU to protect European citizens and their favourable opinion regarding the creation of unified security forces likewise demonstrates a deep commitment to the European project.

The findings of this study underscore the positive light in which the people of Spain view the possibility of the EU playing a greater role in a wide range of policy-making areas that have a direct bearing on the welfare of citizens and furthermore indicate that they perceive the EU as the institution with the legitimacy to carry such policies out.

Recommendations

Recommendations

European Affairs Council of the Fundación Alternativas*

1. Spain and the future of Europe

- Spain must position itself in favour of the consolidation of political, economic and social union during the new EU political cycle that will begin once the European elections of 26 May 2019 are over. This means continuing to push for the realisation of one of the two scenarios proposed in the White Paper on the Future of Europe: 5 (doing much more together) or 3 (those who want to do more).
- Spain must stand with Germany, France and Portugal as part of the EU vanguard, providing leadership in the Mediterranean region and Member States desiring greater cohesion.
- The defence of European principles, values and rights must be one of Spain's top priorities. The Spanish government must continue to assume a pro-active role in EU affairs.
- Generally speaking, the people of Spain have shown themselves to be firmly in pro of a wide range of policy initiatives at the EU level that would suppose a significant step forward towards integration. This favourable atmosphere of public opinion could serve as leverage for the implementation of these initiatives or others of a similar nature.
- In spite of their Europeist sentiment, Spaniards have been critical of what they perceive to have been a failure on the part of the EU to shield average citizens from the impact of the Great Recession. Should another severe economic crisis come to pass, the EU must be ready to assume a more active role in protecting EU citizens from

* The European Affair Council of the Fundación Alternativas is composed as follows: Diego López Garrido (presidente), Nicolás Sartorius, Juan Moscoso, Carlos Carnero, Vicente Palacio, Manuel de la Rocha Vázquez, José Candela, Jesús Ruiz-Huerta, Enrique Ayala, Carlos Closa, José Manuel Albares, José Luis Escario, María Muñiz, Emilio Ontiveros, Maria João Rodrigues, Francisco Aldecoa, Soledad Gallego, Irune Aguirrezábal, Josep Borrell, Doménec Ruiz and Xavier Vidal-Folch. Permanent guests at meetings of the Council are Gero Maass, Delegate to Spain of the Friedrich-Ebert-Stiftung, and María Pallares, programme coordinator, also of the Friedrich-Ebert-Stiftung.

the consequences if it does not want to lose the confidence Europeans have placed in it to safeguard their well-being.

2. Towards a federal European union

- We must continue down the path leading to the political union envisaged in the Maastricht Treaty, recasting the Union on a federalist basis that will allow it to fulfil its principal mission of improving the daily lives of European citizens. This will entail reforming the framework under which the EU presently functions by means of a process that anchors it objectives (greater democracy, greater political integration, greater efficiency and greater equity) and the distribution of competences among institutions in the principles of maximum participation and clarity.
- The keystone of the federal system is equilibrium between territorial and citizen representation, respectively achieved through the application of the intergovernmental and community methods. This balance, which is presently tilted in favour of the former, can only be re-established by strengthening the independence and competences of the institutions whose members are determined by all European citizens through electoral process: the European Parliament and the European Commission. The European Council should function as a collective head of state and the Council as an upper house equivalent to senates in federal states.
- The members of the European Parliament should be chosen by means of elections held simultaneously in all Member States according to a common system and allowing for transnational lists of candidates. This body should be endowed with full legislative powers and the power of co-decision (with the Council) on all matters, including those of an economic nature such as taxation, and all international agreements negotiated under the CSDP framework. It must also have the power to submit the president of the Commission to a constructive vote of no confidence if an absolute majority of its members support such action. Lastly, there is a need for a special voting procedure for matters related to the euro along the lines of that designed for Ecofin guaranteeing that all decisions made regarding the euro, including those debated in full sessions of the EU Parliament, require the agreement of a majority of euro countries.

- The European Commission should function as an executive branch in all matters except those explicitly assigned to the European Council, which in any case should be restricted. The president of the Commission should have the right to choose his or her own Commissioners and form a Commission that clearly reflects of the political configuration of the EU Parliament and thus expresses the will of European voters. The EU budget should be gradually increased to 5% of Union GDP and be funded through European taxes rather than Member State contributions to ensure that the Commission acts independently and the policies it develops are fair and equitable.
- A new Treaty reform procedure that does not require unanimity and offers clear models of association for States that cannot, or do not wish to, form part of a federal system must be developed.
- Given that all of these reforms will require convening a third Convention, the new European Parliament should take the initiative of drafting a proposal for submission to an Intergovernmental Conference in the near-term future. This process must be participatory, open, inclusive and transparent, involve civil society, the media and the institutions of Member States and culminate in a simultaneous EU-wide referendum.

3. Reform of the euro

- Improving eurozone structure should be one of the top priorities of member countries. One option to consider is a negotiated agreement combining compliance with relevant European regulation and a rapid response facility. Pending ESM reform could include the development of a precautionary instrument with ex ante conditionality pegged to compliance with Commission recommendations.
- Secondly, risk reduction criteria for financial entities must be established without delay, as they must be in place in order to complete the banking union. In principle, these criteria could be based on EBA stress tests and compliance with supervision and resolution procedures. Once these objectives are set and achieved, the introduction of a European deposit insurance scheme and a single resolution fund must be irreversible.
- Lastly, in terms of fiscal reform, Member States must lay the foundation for a centralised fiscal capacity that will foster investment and fulfil its stabilising function by opening up possibilities for such

things as the financing of employment insurance at the EU level. In order to make progress in this direction, the ESM must be strengthened so as to have the capacity necessary to determine the sustainability of a country's public debt by means of exercises of the type conducted by the IMF.

4. Migration and asylum

- The Global Pact for Safe, Orderly and Regular Migration is an ambitious initiative, which although non-binding represents a good starting point for establishing a basic framework for multilateral cooperation, shared responsibility and solidarity among signatory states. In this light, the Union must be urged to develop migration policies coherent with the commitments achieved in this agreement.
- The alarming rise in xenophobic and racist discourses targeting migrants over the past few years underscores the urgent need to develop measures that foster coexistence, favour inclusion and fight discrimination.
- It is crucial for the EU and its Member States to align the goals and actions envisaged in the Global Pact for Migration and the Global Compact on Asylum with their respective sustainable development and climate change agendas.
- Last but not least, is the fundamental duty to ensure the adequate follow-up and assessment of progress made towards the objectives established in the Global Pact for Migration and the Global Compact on Asylum, as this will constitute the best possible proof of a solid political commitment to leave no one behind.

5. EU foreign policy and transatlantic relations

- As a general rule, it makes sense for Europe to stick to its policy of 'strategic patience' with the U.S and act as a block to provide global leadership.
- The withdrawal of the United States opens up opportunities for Europeans, in spite of their internal problems, in the form of trade and development agreements with Mexico, the Mercosur, Japan, China and Africa.

- This will be a matter of advancing in areas in which there are points of convergence, attempting to resolve disputes (trade, Iran, etc.) and setting aside differences until a more opportune moment arrives to address them. Progress can be made on a number of issues such as improving trading mechanisms, security, counterterrorism and NATO, and there are plenty of other areas worth exploring such as opportunities in Latin America and Africa, sustainable development, the digital economy and new types of employment opportunities.
- The EU should attempt to change prevailing attitudes in Washington so as to halt protectionism and trade wars, focusing on two objectives. The first is convincing the White House to lift the illegal tariffs it imposed on steel in June 2018. The second is pressuring the appellate body of the World Trade Organization to fill judicial vacancies in an expeditious and credible manner, clearing the way for negotiations on the reform of the WTO to move forward.
- In the sphere of security:
  - As the US gradually closes its 'security umbrella', Europe can, and must, open its own. The best way to meet the upcoming 2% NATO budget target is to create a European Pillar within the Atlantic Alliance with the long-term intention of achieving full strategic autonomy. This implies moving forward with Permanent Structured Cooperation (PESCO), a European military headquarters and the European Defence Fund (EDF).
  - Our relationship with NATO affords ample opportunities for joint investment in new areas of strategic importance from artificial intelligence to cyber warfare and the militarisation of space.
- Europe cannot accept the continuation of sanctions against European companies imposed following the US withdrawal from the nuclear pact with Iran and must try to reverse the current situation by acting in coordination and, if necessary, taking the matter before an international court.
- Europe can also endeavour to strengthen bonds and build a more constructive relationship with the US and the new Democratic majority in the House of Representatives that took office in early January following last November's mid-term elections. The EU and its individual Member States can further this relationship at various levels: parliamentary, civil society and the business community. The new political cycle may prove to be positive for Europe or at least provide opportunities for damage control on points such as funding

for the promotion of democracy, reconstruction in the Middle East and humanitarian aid or blocking the construction of the wall with Mexico.

6. Social Europe

- The European Union must shelve its austerity policy, the negative social impact of which has fuelled the rise of right-wing populist forces in Europe. More austerity would be counterproductive; the situation calls for a sustainable, expansive economic policy that focuses on job creation.
- The European Union and its Member States must implement policies that address the problem of inequality. A minimum wage and a labour market intervention policy must be implemented to take the pressure off people working in low-wage sectors that offer low job security. The erosion of the middle class must be checked by bringing pensions to a level that keeps people above the poverty line and avoiding runaway real estate markets through public intervention on land prices.
- Social organisations must forge alliances to combat extreme right-wing populism, xenophobia and anti-European attitudes.
- In brief, European citizens want a Union that focuses more on social issues and their perception that current government policies aren't working and political parties aren't doing enough is undermining the representivity of parties and governmental institutions alike. We must move towards a more social Europe to stem the growing Euroscepticism in certain countries and swathes of society. This will entail implementing credible and viable measures to reduce the economic gap between Member States and foster greater social equality.

Biographies

Francisco Aldecoa has been Chair of International Relations in the Department of International Public Law and International Relations of the Faculty of Political Science and Sociology at the Complutense University of Madrid since 2000, having previously served as chair of the same discipline at the University of the Basque Country (1990-2000). He has also held a Jean Monnet Chair in European Studies (conferred by the European Commission) since 1994 and was awarded an honorary doctorate by the National School of Political and Administrative Studies of the University of Bucharest in 2009. Aldecoa studied under the late Antonio Truyol y Serra, former co-director of the Complutense University of Madrid's Centro de Excelencia Antonio Truyol and one of Spain's most highly respected theorists on the process of European construction. Dean of the Complutense's Faculty of Political Science and Sociology from May 2002 to May 2010, Aldecoa has also served as president of the Spanish Association of Professors of International Law and International Relations (2005-2009) and director of the Complutense's Centre for Studies in Management, Analysis and Evaluation (2012-2016). In addition to being the co-chair of the Federal Council of the European Movement since 2013, he is also a member of the Scientific Council of the Real Instituto Elcano (2001-present), the Consejo Académico Eurolatinoamericano (2012-present) and the Advisory Board of the United Nations University Institute on Globalization, Culture and Mobility (UNU-GCM) (2015-present).

Pablo Arnaldos is an analyst at the research agency 40db. Graduated in Journalism, he holds a master's degree in Political and Electoral Analysis from the Universidad Carlos III de Madrid. He has previously worked in public policy and as a data analyst for consultancy firms.

José Enrique de Ayala. Brigadier General of the Army, retired. Ayala holds diplomas from the Spanish Army General Staff and Joint Staff Colleges as well as a degree in International Relations from the Centre for International Studies. He has served as military attaché to the Spanish Embassy in Germany and as Chief of Staff of the Eurocorps. As an international policy analyst specialized in the European Union, he collaborates with numerous media both written and audio-visual. He is a member of the European Affairs Advisory Committee of Fundación Alternativas.

Josep Borrell is the Minister of Foreign Affairs, European Union and Cooperation since June 2018. He has been President of the European Parliament (2004-2007), Minister of Public Works, Transport and Environment (1991-1996), and Secretary of State for Finance (1984-1991). He is Jean Monnet Chair. He has been a Member in the Congress of Deputies between 1986 and 2004.

He is an aeronautical engineer (Polytechnic University of Madrid), master in operational research (Stanford University), and Professor of Fundamentals of Economic Analysis (Universidad Complutense de Madrid).

Klaus Busch. Born in 1945, Busch is professor emeritus in European Studies. From 1999 to 2004, he served as vice-president of the Institute of European Studies at the University of Osnabrück. His main research areas are economic and monetary problems related to European integration and the European Union's social and wage policies. He is the author of the corridor model, a special strategy for European social policy. Busch has recently served as advisor to various trade unions within the EU, including ver.di, a German trade union representing workers in the service sector.

Carlos Carnero. Managing Director of Fundación Alternativas. Carnero has served as a member of the European Parliament (1994-2009), Spanish ambassador-at-large for European integration (2009-2012), and Vice-President of the Party of European Socialists (2006-2009). He was also a member of the Convention that drafted the European Constitution. He has collaborated on several books, including Construyendo la Constitución Europea. Crónica política de la convención, Manual de instrucciones de la Constitución Europea, Europa en la encrucijada and La diplomacia común europea: el servicio europeo de acción exterior, Gobernanza económica de la Unión Europea y salida de la crisis. Carnero holds a degree in Tourism. He is a professor in the master programme on EU of the Institute of European Studies at the University CEU-San Pablo. Carnero is Member of the Advisory Council on European Affairs of the Madrid region. Carnero is member of the Scientific Council of Real Instituto Elcano. The Spanish government awarded him the Order of Constitutional Merit and the Order of Civil Merit for his work related to the European Union and foreign affairs, and the European Parliament with its Medal.

José Candela Castillo is a member of the European Affairs Council of the Fundación Alternativas. He has been an official of the European Commission since 1986 to 2014 as member of the Cabinet of the Vice-President of the Commission and as Head of the Units of Application of Community Law and Governance in the Secretariat General of the Commission. He took part in the Group of Commissioners responsible for preparing the Maastricht Treaty in 1992, chaired by Jacques Delors and was editor of the European Commission's White Paper on European Governance in 2001 and Assistant to the representation of the European Commission in the Convention on the future of Europe that drafted the European Constitution in 2003. He has also been an advisor to the Spanish Secretary of State for the European Union. He has given numerous courses and lectures and published several chapters of collective books and articles on Community Law and Governance in journals such as the *Revue du Marché Unique Européen*, the *Revue du Marché Commun et de l'Union Européenne* or the *Revista Española de Derecho Europeo*. José Candela Castillo is Professor of Philosophy of Law, Morals and Politics at the Faculty of Law of the Universidad Complutense de Madrid.

Víctor Echevarria Icaza has a degree in Economic Science from Carlos III University, Madrid. He was awarded a Doctorate in Economics, *cum laude*, by the Complutense University of Madrid for a thesis titled "The interaction of sovereign risk and banking risk in the eurozone". Before joining BBVA in 2018, he

worked at Afi, in the financial markets and macroeconomics department. Prior to that he worked as a macroeconomic and market analyst at BNP Paribas, London, as senior country risk analyst at BBVA, as an economist at the Bank of Spain, and as an advisor at the Economics Office of the Spanish Prime Minister. His first job as an economist was with the IMF. He is the author of several research articles, and has contributed to the economic press both in Spain and internationally. He regularly lectures on macroeconomic and currency analysis.

Paloma Favieres has been coordinator of the state legal service of the Spanish Commission for Refugee Aid (CEAR) since 2012. A counsellor of the Illustrious Bar Association of Madrid since 1990, she is an expert counsel in Human Rights, Migration and Asylum. She specialises in legal advice to applicants for international protection and refugees in the territory and at border posts, as well as in litigation before the Spanish and, when necessary, European courts. Representative of the organisation in the European Council on Refugees and Exiles network (ECRE). Member of the Legal Committee of the Forum for the integration of immigrants in Spain. Representative of the organisation in the Council for the Elimination of Racial Discrimination or Ethnic (Ministry of Health, Social Services and Equality). Writer of the CEAR Annual Report on the situation of refugees in Spain.

Mercedes Guinea Llorente is professor of International Relations at the Universidad Complutense de Madrid. Guinea Llorente is a specialist in European integration. Her primary lines of research are the political model of the European Union and European foreign policy. In 2016 she collaborated with Fundación Alternativas as the co-author of *Renegotiation by the United Kingdom of its constitutional relationship with the European Union: Issues related to Sovereignty*, a study commissioned by European Parliament's Committee on Parliamentary Affairs and conducted jointly with Francisco Aldecoa.

Diego López Garrido is executive vice-president of the Fundación Alternativas and president of Fundación's Council of European Affairs. He is an economist, has a Chair in Constitutional Law and is Legal consultant for the Spanish Cortes. Former member of the Spanish Parliament and of the NATO Parliamentary Assembly. He was Secretary of State for the European Union (2008-2011) and coordinated the 2010 Spanish Presidency of the EU. He also served as the Socialist Group's spokesman in the Congress of Deputies and has been elected as MP for six terms. He was member of the Convention for drafting the European Constitution, representing the Spanish Parliament (2002-2003). He is author of many books on human rights, economics, politics and European Community Law. His last publications are: *La Edad de Hielo. Europa y Estados Unidos ante la Gran Crisis: el rescate del Estado de bienestar* (RBA, 2014), *The Ice Age. Bailing Out the Welfare State in the Era of Austerity* (London Publishing Partnership, 2015), *Paraísos fiscales. Veinte propuestas para acabar con la gran evasión* (La Catarata, 2016). Recently he published *Lecciones de Derecho Constitucional de España y de la Unión Europea* (Tirant Lo Blanch, 2018).

Gero Maass represents the Friedrich Ebert Foundation in Spain. He studied political science and economics at Hamburg and holds a Ph.D. in economics. After graduating, he worked for the Institute of African Affairs and then for the University of Hamburg. He joined FES in Portugal in 1985 and has worked both at the Foundation's head office in Germany (where he was director of the FES department for industrialized western

countries from 2005 to 2006, and director of the department of international political analysis) and abroad (having directed the foundation's offices in Paris, London and Stockholm). His particular areas of interest include the future of the welfare state, the process of European integration, common European foreign and security policy, and the development of social democracy in Europe.

Guilherme d'Oliveira Martins is an executive trustee of the Calouste Gulbenkian Foundation, Portuguese coordinator of the European Year of Cultural Heritage (2018). He has been president of the Court of Accounts (2005-2015), president of the National Culture Centre (2002-2016), Presidency minister (2000-2002), Tax minister (2001-2002), Education minister (1999-2000), Secretary of State for Education Administration (1995-1999), member of the Assembly of the Republic of Portugal for seven terms (1980-2005), and member of the Convention for the Future of Europe. He also chaired the Commission which prepared the Convention on the Value of Cultural Heritage in Contemporary Society (2005), was vice-president of the UNESCO National Commission (1988-1995), member of the National Education Council, president of SEDES (1985-1995), political advisor to President Mário Soares (1986-1991), and holds honorary doctorates from the universities of Lisbon, Aberta and Lusíada. He has been awarded the Cross of the Order of Christ and the Order of Prince Henry the Navigator and is a Knight of the Order of Isabella the Catholic. He has written numerous books on financial law, history and political science.

Vicente Palacio is director of the Fundación Alternativas Observatory of Spanish Foreign Policy (on leave) and Associate Professor of Political Science at the Carlos III University of Madrid. He currently works as Political Adviser for the State Secretary for International Cooperation and Latin America and the Caribbean (Spains Ministry of Foreign Affaires, European Union and Cooperation). Ph.D in Philosophy from the Complutense University. Palacio has been associate professor of International Relations at Syracuse University and a Visiting Fellow and Visiting Researcher at Harvard University's Department of Government. He is author of dozens of analyses and articles for the specialised press on the subjects of Spanish and EU foreign policy, transatlantic relations and EU-Latin American relations. He is the author of "After Obama. The United States in No Man's Land" (Catarata, 2016) and "Sovereignty and sovereignism" (Marcial Pons, forthcoming, 2020). He is a frequent contributor to the journal El País and social media.

María Pallares is programme coordinator at the Friedrich-Ebert-Stiftung (FES), Madrid. Previously, she has worked as research fellow for Notre Europe (Paris), the Rafael Campalans Foundation (Barcelona) and as free-lance consultant. She holds a Master in European Affairs from Sciences Po., Paris.

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Thierry Pech, aged 50, is a graduate of France's École Normale Superior and a professor of modern literature. He began as a lecturer-researcher at Paris X-Nanterre University, where he defended his Ph.D thesis in 1997. He then joined the French National Institute for Advanced Studies in Security and Justice, where he was Assistant Secretary General from 1997 to 2000. At the beginning of the 2000s, he set up the think-tank *La République des Idées* (The Republic of Ideas) with Pierre Rosanvallon. Between 2001 and 2007, they both published more than 30 books on the changes in French society and the country's economy. Alongside this, he joined the French Democratic Confederation of Labour as adviser to trade unionists Nicole Notat and then François Chérèque. He was in charge of relations with intellectuals and experts. In 2006 he became an editor for Editions Seuil, where he became Managing Director between 2008 and 2010. In 2010, he joined the group *Alternatives Economiques* (Economic Alternatives), of which he was Chairman and Director General until 2013. In late 2013, he became director of the think-tank Terra Nova, which he had contributed to founding in 2008, together with Olivier Ferrand. Thierry Pech has published several books (*Insoumissions : portrait de la France qui vient*; *Les Multinationales du coeur*; *La nouvelle critique sociale*; *Le Temps des riches*) and many articles. He often appears in the media, particularly on Sunday mornings on the radio station *France Culture*.

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Acronyms and abbreviations

AfD: *Alternative für Deutschland* (Alternative for Germany
Afi: *Analistas Financieros Internacionales* (International Financial Analysts)
ALDE: Alliance of Liberals and Democrats for Europe group
BBVA: Banco Bilbao Vizcaya Argentaria
BMAS: *Bundesministerium für Arbeit und Soziales* (Germany's Federal Ministry of Labour and Social Affairs)
CARD: Coordinated Annual Review on Defence
CDA: *Christen-Democratisch Appèl* (Christian Democratic Appeal)
CDU: *Christlich Demokratische Union Deutschlands* (Christian Democratic Union of Germany)
CEAR: *Comisión Española de Ayuda al Refugiado* (Spanish Commission for Refugee Aid)
CEAS: Common European Asylum System
CEU: Centro de Estudios Universitarios
Cevipof: *Centre de recherches politiques de Sciences Po* (Center of political researches of Sciences Po.)
CFSP: Common Foreign and Security Policy
CIS: *Centro de Investigaciones Sociológicas* (Spanish Centre for Sociological Research)
COP24: United Nations Climate Change Conference in Katowice
CPA: *Compte Personnel d'Activité* (Personal Activity Account)
CRRF: Comprehensive Refugee Response Framework
CSDP: Common Security and Defence Policy
CSU: *Christlich – Soziale Union in Bayern* (Christian Social Union Bavaria)
EBA: European Banking Authority
ECB: European Central Bank
ECHR: European Convention on Human Rights
Ecofin: Economic and Financial Affairs Council
ECR: European Conservatives and Reformists
ECRE: European Council on Refugees and Exiles
EDF: European Development Fund
EEAS: European External Action Service
EFDD: Europe of Freedom and Direct Democracy
EFTA: European Free Trade Association
EMU: Economic and Monetary Union
ENF: Europe of Nations and Freedom
EP: European Parliament
EPP: European People's Party
EPSCO: Employment, Social Policy, Health and Consumer Affairs Council
Erasmus: European Community Action Scheme for the Mobility of University Students
ESM: European Stability Mechanism
EU: European Union
FDP: *Freie Demokratische Partei* (Free Democratic Party)
FES: *Friedrich-Ebert-Stiftung* (Friedrich Ebert Foundation)
FI: *Forza Italia* (Forward Italy or Let's Go Italy)
Fidesz: *Fidesz – Magyar Polgári Szövetség* (Fidesz – Hungarian Civic Alliance)
FN: *Front National* (National Front)[1]
FPÖ: *Freiheitliche Partei* Österreichs (Freedom Party of Austria)
FRA: Fundamental Rights Agency
Frontex: *frontières extérieures* (European Border and Coast Guard Agency)
GAFA(M): Google, Amazon, Facebook, Apple (and Microsoft)
GDP: Gross domestic product
HQ: headquarters
ILA: Individual Learning Account
IMF: International Monetary Fund
LR: *Les Républicans* (The Republicans)
LREM: *La République en Marche* (The Republic Forward)
M5S: *Movimento 5 Stelle* (Five Star Movement)
MEP: Member of the European Parliament
MP: Member of Parliament
MPCC: Military Planning and Conduct Capability

[1] From 2018, the Party has changed its name to *Rassemblement National* (National Rally).

NATO: North Atlantic Treaty Organization
OECD: Organisation for Economic Co-operation and Development
OMT: Outright Monetary Transactions
ÖVP: Österreichische *Volkspartei* (Austrian People's Party)
PD: *Partito Democratico* (Democratic Party)
PESCO: Permanent Structured Cooperation
Ph.D: *Philosophiae doctor* (Doctor of Philosophy)
PiS: *Prawo i Sprawiedliwość* (Law and Justice)
PP: *Partido Popular* (People's Party)
PS: *Parti socialiste* (Socialist Party)
PSOE: *Partido Socialista Obrero Español* (Spanish Socialist Worker's Party)
PvdA: *Die Partij van de Arbeid* (Social-democratic political party in the Netherlands)
PVV: *Partij voor de Vrijheid* (Party for Freedom in the Netherlands)
R&D: Research and Development
R&D+i: Research, Development and Innovation
RPAS: Remotely Piloted Aircraft System
S&D: Progressive Alliance of Socialists and Democrats
SEDES: *Associação para o Desenvolvimento Económico e Social* (Association for the economic and social development)
SPD: *Sozialdemokratische Partei Deutschlands* (Social Democratic Party in Germany)
SPÖ: *Sozialdemokratische Partei Öserreichs* (Social Democratic Party of Austria)
TEU: Treaty on European Union
TMCC: Training Mission Competence Centre
TTIP: Transatlantic Trade and Investment Partnership
UK: United Kingdom
UMP: *Union pour un mouvement populaire* (Union for a Popular Movement)
UNED: *Universidad Nacional de Educación a Distancia* (National University of Distance Learning)
UNESCO: United Nations Educational, Scientific and Cultural Organization
UN: United Nations Organization
UNRWA: United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNU-GMN: United Nations University Institute on Globalization, Culture and Mobility
US(A): United States (of America)
VVD: *Volkspartij voor Vrijheid en Democratie* (People's Party for Freedom and Democracy)
WSI: *Wirtschafts- und Sozialwissenschaftliche Institut* (German Institute of Economic and Social Sciences)
WTO: World Trade Organization

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The political situation facing Europe is one of the most difficult and complex it has experienced since the Treaty of Rome – and it is not for want of public support. The latest opinion polls conducted by the European Parliament report the greatest sense of proximity to the European project since such surveys began.

The difficulties stem from the domestic policies of the member states and from their centripetal attitude in the face of the global challenges of the 21st century – on security, on socioeconomic relations, or on the environment.

It is necessary to rethink Europe and, above all, rethink it together. However, so far there has been a lack of the necessary courage and vision for such an initiative. On what areas should the reform focus? How can the EU recover its capacity for political design? How can we stop the shift to the right currently taking place in Europe?

The Union has to respond to this complicated situation, and it must do so with a European and consensual spirit. Yet above all it has to respond by making decisions, adopting concrete measures, some of which are long-awaited. These decisions will come after the elections to the European Parliament in May and they will depend on how citizens vote in those continental elections. The political parties have the obvious duty to explain what they are proposing to the Union in the election campaign.

We in this report offer an analysis of the situation and, as in every edition, we make political recommendations. In this context, the best way of taking the next step would be via a rapprochement of those that remain loyal to Europe, forming a European nucleus of countries capable of taking action and ready to do so – a group that, at the same time, remains open to all those that wish to contribute to the task, particularly the countries that share the single currency.

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