Thinking about the future of Europe

'Ideas Papers' for the European Parliament Administration’s Innovation Day
This compendium contains a set of 12 ‘Ideas Papers’ prepared by policy analysts in the European Parliamentary Research Service (EPRS) to stimulate discussion at the various sessions of the January 2019 Innovation Day, with a view to the European Parliament administration’s preparations for the coming 2019-2024 parliamentary term.
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Strengthening European identity

SUMMARY

European identity is both the ‘seed’ and the ‘fruit’ of European integration. In a century of wars and destruction, the Europeans took the decision to create permanent mechanisms of cooperation. This project relies on our common heritage, but also shapes the way Europeans perceive themselves and interpret their history. In the two decades to come, Europeans’ common identity is likely to evolve. The EU has a role to play in this evolution, because our common identity is the main source of legitimacy behind our common institutions.

Introduction

In its relations to politics, European identity is both the ‘seed’ and the ‘fruit’ of the European project: peace brought about by integration, as well as policies developed by the institutions, nurture some parts of the European identity (output legitimacy), as much as European identity is needed to legitimise EU policies (input legitimacy).

After 70 years of European integration, most Europeans live in the European Union (more than 430 million post-Brexit). Furthermore, the Western Balkans have an EU perspective and other countries, such as Georgia and Ukraine, have recognised European aspirations. This is why EU identity is the most visible part of a historically more fluid and broad European identity, which it partly materialises and directs. As Roman heritage brought a number of common public goods which lasted for centuries, such as roman roads, the EU strengthens European identity by providing such common European public goods, such as peace and the single market.

Nevertheless, the materialisation of more ambitious common European public goods now faces some obstacles. As greater solidarity is only possible with more common identity, how can our common identity be strengthened to face challenges to 2030?

Research shows that there is a link between self-declared European identity on the one hand, and support for European integration and solidarity with EU Member States in financial crisis on the other. European identity is therefore not only key to global support for European integration among citizens, but also to facing potential crises and supporting more solidarity inside the EU.

During the recent European crises (economic and the euro; Ukraine; migrations), the Member States had trouble to adopt European solutions because of difficulties in appealing to that common EU identity in their constituencies.

As Jacques Delors noted some decades ago ‘No one falls in love with the internal market’. There is a need for an emotional connection. Increasing numbers of citizens are disengaged from politics in general, but research shows that they relate more to public institutions when they personally enjoy the benefits of public policies. Therefore, the EU needs to work on both the public policy side of citizens’ attachment to public institutions (output legitimacy), but also on the emotional connection to the European project and culture.
The context in 2030

- In 2030, the EU will be even more diverse (with the accession of some of the Western Balkans countries).
- Almost 35% of EU citizens will be 65+ years old (generation born after 1965, for which the 1980s and 1990s are possible subjects of nostalgia/reference).
- Climate change, artificial intelligence and possible migrations will have a major impact on our lives, and it is almost impossible to evaluate how this will affect EU identity.
- Identities will be even more fluid than they are today (or even liquid in the vocabulary of Z. Bauman). As the individual is more and more prone to self-identify as the centre of multiple identities, and to prioritise them depending on the context, each identity needs to be compatible with the others and reinforce them.

Four axes of thinking

The EU identity is sui generis, because it does not pretend to replace national identity. Therefore, some of the most important vectors of national identity (language, school, conscription) are unavailable to EU identity entrepreneurs. Nevertheless, one can explore four dimensions of the goal to strengthen EU identity: the existence of the ‘significant other’, the education/symbols dimension, material identity, and citizenship/rights.

1. In relation to others

Any identity is always built in contrast to other identities (Russia, the United States of America). With the emergence of a multipolar world, European values and narratives might differ increasingly in the future from those defended by the United States. Therefore, being European will be a form of singularity, in terms of common history and shared values:

- **Defend certain values**: a majority of Europeans want the people to decide (a democratic system); they defend human dignity and the rights to privacy (personal data); they think that food is part of culture (food identity, against GMOs); they defend the right to a healthy environment. Part of these values are enshrined in the treaties and a number of declarations (Berlin in 2007, Rome in 2017) and they define Europe as a ‘community of law’.

- **Respect our diversity**: Europe is a very diverse continent with many political orientations, languages, minorities or religions.

- **Define Europe not only against the others, but also against a certain European past**: Two world wars began on our continent and peace is a core value of the European project.

- **Remember the atrocities of the 20th century**: genocides, the Holocaust and mass-murders by authoritarian and totalitarian regimes.

- **Future oriented identity**: we are together because we have a common project for the future and union is the best protection against forced globalisation.
2. Citizenship and Rights

Any national identity is based on citizenship, rights and duties. In the European case, full rights seem to be enjoyed only by a small part of the population crossing borders, while no duties are attached to EU citizenship. New rights and new duties might be an opportunity to foster a sense of EU belonging. Therefore, EU action can unfold in four domains:

- **Use the powerful symbols of citizenship.** The EU can use symbolical rites to celebrate the acquisition of citizenship by young and older new citizens.
- **Increase visibility and participation in the EU election cycle** through the *Spitzenkandidaten* process, as well as broadcasted electoral debates. Transnational lists and a symbolical moment for the new Commission could also foster this participation.
- **Every citizenship comes with rights and duties,** but in the case of the EU, the rights are marginal (mostly used outside the country of nationality) and not well known to citizens. Therefore, these rights need to become better known and directly accessible, through apps for example, but also need to be reinforced in the fields of social and fiscal policies which affect millions of European citizens. To give more visibility to these rights, codification exercises like the EU Charter of Fundamental Rights demonstrate good practice, and could be replicated in a European code of business law.
- **In exchange for the benefits that the EU offers its citizens,** the EU might also develop a number of duties, in fiscal terms, including a unique EU fiscal number (EU tax payer identification number) and an equivalent to the 'US Foreign Account Tax Compliance' measures to avoid fiscal evasion.

3. Education and symbols

Usually, national identity, even in large countries like the US or India, has a strong symbolic and educational component. In the case of the EU, there is a deficit in both aspects, whether because of the size and transnational dimension of the EU, or because the EU has few competences in the field of education. Nevertheless, the Erasmus initiative proved that the EU can design highly symbolic policies even with low competence in the field.

- **Providing a common understanding** of European history and European integration is necessary to foster European identity. A number of physical (such as Parlementariums or the House of European History) and media tools (increasing exposure to European cinema; massive online courses; gamification) could be used by the EU in this direction.
- **A second component is related to schools and universities.** Universities are a classical transnational institution dating back to the European Middle Ages and a powerful symbol of the European contribution to global knowledge. The EU can develop further initiatives, such as the ongoing project on *European university networks* to make sure that EU universities remain places where everyone can train and re-train at different moments of life, in a European and multilingual spirit.
- **Identity is also conveyed by symbols such as the flag, the passport and the motto.** Apart from the flag, the EU motto is quite common (and too close to that of the US) and the EU has no coat of arms.
4. Material identity

As is the case for the currency and the flag, European identity needs to be embedded in the landscape, as the link between monuments and places is a key element in the constitution of social memory and identity. In this field, very little has been done in the past.

- The EU is a borderless space with external borders. Therefore, European borders are key elements in the materialisation of European identity. The recent introduction of European border guards is a step in this direction. Every European citizen enjoys privilege when crossing the border at an airport, there is a queue for 'EU citizens', and this type of element, key to embedding EU in the general landscape, can be developed.

- In addition, Brussels, as one of the seats of the institutions, does not compare to capital cities of continental democracies in the US or India. Even since the debate about the seat of the EU was closed in 1992, few of the various institutions’ buildings have adopted a clear artistic and architectural design, with the exception of the new European Council building.

- Many Member State capitals, as well as Washington DC, offer a number of monuments to embed their narrative in the wider landscape, such as the Tomb of the Unknown Soldier under the Arc de Triomphe, the Lincoln Monument or the Brandenburger Tor. This is not the case in Brussels, where symbolic places rarely offer more than names ('Schuman' or more recently, 'Jo Cox'). As most nation states remember soldiers killed in fighting their neighbours, the EU could erect a 'monument to life' saved by the European peace project.

Philippe Perchoc
February 2019
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THE NEXT 10 YEARS - OVERCOMING DEVELOPMENTAL LIMITATIONS

STRENGTHENING EUROPEAN IDENTITY

Material identity

A European monument to lives
Architectural significance of EU institutions
Gamification / video games
EU’s MOOC
Develop House of European History
Developing EP network of Political Houses and Foundations
EU University
Common European stamps
More illustrative euro coins and banknotes
Changing EU motto and create a coat of arms
More visibility when entering the EU
Holocaust survivors assistance scheme
EP Prize for freedom of the press
Train and culture pass when getting EU citizenship
European Citizens’ Initiative and EVE

In relation to others

Create a network of all former EU interns back to 1960
Vote for all elections after 5 years of residence
Spizenkandidaten / transnational lists and electoral night
Consular protection and EU social security number in EU APP
EU+1 social regime
European unemploymen t Benefit Scheme
Citizen duties: FATCA and TIN

Education and symbols

EU University
EU’s MOOC
Develop House of European History
Developing EP network of Political Houses and Foundations
Gamification / video games
30% of European content on TVOD like Netflix
EU’s MOOC
Changing EU motto and create a coat of arms
Handing of the EU Charter of Fundamental Rights
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Material identity

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The Cost of Non-Europe

Origins

The concept of ‘non-Europe’ was first pioneered and developed in the European Parliament in the early 1980s, through a report commissioned (by its Special Committee on European Economic Recovery) from two leading economists, Michel Albert and James Ball. The Albert-Ball Report, published in August 1983, argued that the ‘absence of a genuine common market’, together with other obstacles to intra-Community trade, imposed a systematic handicap on the European economy, which was underperforming (compared to its potential) by the equivalent of approximately ‘one week’s work per year on average’ for every worker, representing ‘a cost of the order of two per cent of GDP’.

This ‘cost of non-Europe’ became a powerful rationale for launching a detailed legislative programme to complete the single market during the first eight years of the Delors Commission, starting in January 1985. The cost that could be avoided by successful completion of the single market was quantified in greater detail in the landmark Cecchini Report, published by the European Commission in April 1988. It suggested the potential gain to the European economy to be in the order of 4.5 per cent (and potentially 6.5) of GDP. Subsequent analysis of the economic impact of over 3,500 individual measures adopted at EU level to complete the single market, in the period since the mid-1980s, points to a boost to collective GDP of over 3.0 per cent (or over 800 euro per citizen), with calculations of the GDP boost varying between 1.7 and 8.5 per cent.

Concept

The idea of there being a ‘cost of non-Europe’ can be applied much more widely than in relation to the single market, although it is perhaps easier to quantify in this specific policy area than in some other sectors. The central notion is that the absence of common action at European level may mean that, in a defined policy area, there is an efficiency loss to the overall economy and/or that a collective public good that might otherwise exist is not being realised. The concept of cost of non-Europe is closely related to that of ‘European added value’, in that the latter attempts to identify the collective benefit of undertaking - and the former, the collective gain which is foregone by not undertaking - policy action at European level in a particular field.

Specific analysis by EP

The potential multiplier effect of either deepening existing European action or undertaking new action remains strong. Since 2012, the European Parliament’s European Added Value Unit has been estimating the potential economic gain - principally from additional GDP generated or from a more rational allocation of public resources through better coordination of public spending at national and European levels - that could significantly boost the European economy over time. This approach is not based on the assumption of higher spending, but rather on identifying actions which could either increase the long-term growth potential of the economy without additional expenditure - as in building a wider and deeper digital single market to complement the existing classic single market - or ensure the better spending of existing public resources - as in the more systematic of coordination of national and European defence or development policies. The philosophy is one of ‘growth without debt’, suited to the reality of the constrained spending possibilities facing governments since the most recent economic and financial crisis.
Mapping the Cost of Non-Europe

The on-going, and regularly updated, assessments of the economic gains to be realised by such initiatives, all advocated by the European Parliament, have been brought together in four editions of a publication entitled *Mapping the Cost of Non-Europe, 2014-19*, published by the European Added Value Unit between March 2014 and December 2017. The analysis has drawn on in-house EP research, research commissioned from outside experts by the EP, and external analysis published by other public bodies, think tanks and academia.

The initial assessment made in spring 2014 covered 24 policy areas and indicated a potential economic gain of some **800 billion per year** - or some six per cent of then EU GDP - after full running-in over a period of up to ten years. This would represent a permanent upward shift in GDP, with the biggest areas of gain being the digital single market (at 260 billion euro) and the classic single market (235 billion euro), with several other areas ranging from relatively modest figures up to 60 billion each.

By the time of the fourth edition, published at the end of 2017, a more detailed and up-dated analysis across 34 policy areas pointed to overall potential gains to the European economy of up to **1,750 billion euro** (1.75 trillion euro) - or some 12 per cent of then EU GDP. The biggest gains would be in following fields: further measures to complete the classic single market (615 billion euro), the development of the digital single market (415 billion euro), moves towards more integrated energy markets (250 billion euro), fighting tax fraud and tax evasion (169 billion euro), and further work to complete economic and monetary union (129 billion euro). The analysis in this fourth edition was captured in the graphic below - a *Cost of Non-Europe Map*.

![Cost of Non-Europe Map](image)

**Next steps**

Currently, this ‘mapping’ exercise is being expanded to cover 50 policy areas, including multiple aspects of justice and home affairs, and new fields such as data protection and cyber-security. An assessment will also be included for the first time of any gains realised so far in these fields, as a result of policies advocated by the European Parliament which have already been proposed (in whole or in part) by the European Commission and then enacted by the Council and Parliament, during the course of the current five-year EU political cycle (2014-19), such as in aspects of the classic and digital single markets.
The new text will be published in the first quarter of 2019 and, on the basis of analysis to date, it is likely to show that potential economic gains of around **2,100 billion euro** - in effect, a ‘two trillion euro dividend’, representing some 14 per cent of GDP - could be achieved by the end of the ten-year period 2019-29, if policies advocated by the Parliament in the various fields studied were to be adopted and fully implemented by the Union’s institutions. The long-term potential boost to the EU economy, if realised, is thus very significant: in any one year, it could be as big as the whole quantitative easing programme undertaken by the European Central Bank in the ten years following the economic and financial crisis of 2008.

The **fifty areas under specific review** for the current assessment, provisionally grouped in ten policy clusters, are as follows - with the latest calculation of the **annual potential gain, given in billions of euro**, after a full running-in period of up to ten years:

1) **Classic single market** *(c 600 billion euro)*
- Completing the single market for goods (183 billion euro)
- Completing the single market for services (277 billion euro)
- Guaranteeing consumer rights (58 billion euro)
- Promoting the collaborative or sharing economy (56 billion euro)
- Addressing corporate tax avoidance (85 billion euro)
- Combatting value added tax fraud (40 billion euro)

2) **Digital economy** *(c 160 billion euro)*
- Completing the digital single market (c 120 billion euro)
- Promoting internet connectivity (27 billion euro)
- Cyber-security (10 billion euro)

3) **Economic and Monetary Union (EMU)** *(c 300 billion euro)*
- Better coordination of fiscal policy (c 30 billion euro)
- Completing Banking Union (c 50 billion euro)
- European deposit insurance scheme (c 5 billion euro)
- Common minimum unemployment scheme and other schemes (17 billion euro)
- Building more integrated capital markets (c 137 billion)
- Pan-European pension product(s) (58 billion)

4) **Environment, energy and research** *(c 570 billion euro)*
- Climate change (c 100 billion euro)
- Strengthened water legislation (25 billion euro)
- More integrated energy markets and greater energy efficiency (306 billion euro)
- Promoting research and innovation (40 billion euro)
- Robotics and artificial intelligence (c 100 billion euro)

5) **Transport and tourism** *(c 50 billion euro)*
- Single European Transport Area (6 billion euro)
- Developing tourism policy (6 billion euro)
- Stronger passenger rights (0.3 billion euro)
- Odometer manipulation (9 billion euro)
- Liability rules and insurance for autonomous vehicles (30 billion euro)
6) **Social Europe, employment and health** (c 130 billion euro)

- Closing the gender pay gap (43 billion euro)
- Better information for and consultation of workers (12 billion euro)
- Social enterprises and mutual societies (under assessment)
- Healthcare and common action on diseases (c 72 billion euro)

7) **Citizens’ Europe** (c 55 billion euro)

- Free movement of economically-active EU citizens (50 billion euro)
- Creativity and cultural diversity (1 billion euro)
- Cross-border voluntary activity within the EU (1 billion euro)
- Protection of children, family and property relations (1 billion euro)
- Establishment and mobility of companies (0.25 billion euro)
- Legal cooperation and litigation in civil and commercial matters (4 billion euro)
- A more open and efficient European public administration (0.02 billion euro)

8) **Justice and Home Affairs - Migration and borders** (c 60 billion euro)

- Legal migration (30 billion euro)
- Asylum policy (23 billion euro)
- Border control and visa policy (7 billion euro)
- Action on golden visa schemes (under assessment)

9) **Justice and Home Affairs - Security and fundamental rights** (c 115 billion)

- Combatting violence against women (23 billion euro)
- Fighting organised crime and corruption (71 billion euro)
- Coordinated action against terrorism (16 billion euro)
- Procedural rights and detention conditions, including EAW (0.2 billion euro)
- Data protection (3 billion euro)
- Equal treatment and action against racial, gender and other inequalities (under assessment)

10) **EU external policy** (c 50 billion euro)

- Stronger Common Security and Defence Policy (22 billion euro)
- Promoting international trade (35 billion euro)
- Common consular protection (1 billion)
- Improved donor coordination in development policy (1 billion euro).
On the basis of these updated figures, the latest **Cost of Non-Europe Map** will look broadly like this:

![Cost of Non-Europe Map](image)

### Some examples

Some practical examples of potential added value from these various EU policy initiatives - explored in detail in the four existing editions of *Mapping the Cost of Non-Europe* and deepened in the new edition which is to be published shortly - show both the diversity and scale of the potential growth that could be achieved:

- **Completing the single market in goods**: The single market in goods lies at the heart of the European single market and has been key to the latter already boosting EU GDP significantly over the third of a century since the single-market programme was launched in 1985. Trade in goods currently generates around a quarter of EU GDP and three-quarters of intra-EU trade. The OECD calculates that it is around 60 per cent higher than if the single market and customs union did not exist. EP research suggests that further action in this field - whether by continued adoption of harmonised product rules, wider application of the principle of mutual recognition (wherever such rules do not exist), better transposition and implementation of existing EU law, and speedier remedies for non-enforcement of the latter - could boost the EU economy by some 1.3 per cent of GDP (or €183 billion). Studies by other organisations have put the figure at between 1.8 and 4.7 per cent of EU GDP. The potential for further progress is confirmed by the fact that intra-EU trade in goods, at 25 per cent of GDP, is still significantly below that in a comparably integrated continental economy, namely the United States, where it is around 40 per cent.

- **Completing the single market in services**: Services account for three-quarters of EU GDP and nine out of ten new jobs created in the economy. However, the share of services in intra-EU trade is still only around 20 per cent, a surprisingly low figure. Progress was made through the EU Services Directive in 2006, establishing the framework for a single market in covering around two-thirds of services activity within the Union. However, national regulations still persist in many sectors, and the degree of openness in the regulated professions varies greatly, limiting consumer choice and keeping some prices higher than they would otherwise be. Analysis by the European Commission suggests that two-thirds of the the long-term potential gain from completing the single market in...
services has still be be realised. EP research puts that remaining potential gain at between 1.8 and 2.4 per cent of EU GDP (respectively €277 billion and €367 billion) per year, depending on what the definition of services includes. Parallel research suggests that fully implementing the existing EU Services Directive alone could add between 0.3 and 1.5 per cent to EU GDP.

- **Guaranteeing consumer rights**: European citizens enjoy certain rights to consumer protection which are not always clear or enforceable in practice. Consumers need to know that they are adequately protected before, during and after the conclusion of business-to-consumer contracts if the single market is to operate fairly and effectively. The broadening and better application of existing EU law such as the Consumer Credit Directive, including the elimination of certain bad practices - such as people purchasing commercial guarantees to which they are already entitled in law - would lead to greater certainty, fairer competition and lower compliance and litigation costs. EP research has estimated a potential efficiency gain of around €58 billion per year from a limited series of measures in this field, whilst a recent European Commission study estimated the loss to consumers in six markets, whether in direct costs or time wasted, to be between €20 and €58 billion per year.

- **Strengthened water legislation**: The effective use and management of water is an important part of an efficient and environmentally sustainable economy. However, inadequate investment in the sector and an incomplete regulatory regime are resulting in risks for citizens and continued problems in water infrastructure, water cleanliness and flood risk management. EP research suggests that targetted EU action in four fields - to help restore flood-plains, reduce pharmaceutical residues in urban waste-water, promote use of more efficient waste-water equipment, and increase water-metering - could bring an efficiency gain of some €25 billion per year to the European economy.

- **Reducing the gender pay gap**: Despite progress in recent years in closing the gender pay gap, the gross hourly pay of women in the EU economy is still 16 per cent lower than that of men. Reducing it still further is not only desirable in itself, it would have a positive effect on the economy, as the gap reduces economic efficiency by preventing labour from being allocated in an optimal way. It would increase productivity and job satisfaction, and reduce staff turnover and litigation disputes. EP research suggests that a one per cent decrease in the gender pay gap increases the size of the economy by 0.14 per cent. Even if updating of EU legislation is this field, advocated by the Parliament, were only to reduce the gender pay gap by two per cent, this would represent an increase in EU GDP of 0.28 per cent, or €43 billion per year.

- **Security and defence**: Although EU member states are collectively the second largest defence spenders in the world, now budgeting over €220 billion per year (on a rising curve), the traditional fragmentation of armed forces and of military purchasing, reflected sometimes in the non-interoperability of equipment, results in unnecessary overlaps and duplication - whereas increased cooperation can offer greater efficiency, especially backed by greater standardisation of equipment and specialisation of tasks. EP research suggests that, despite important recent progress in this field, there are still at least €22 billion euro per year of efficiency gains to be realised, a view which dovetails with research by other bodies, such as the Bertelsmann Foundation, Italian Institute for International Affairs and KcKinsey Global Institute.

- **Promoting internet connectivity**: The European Commission estimates the potential long-term boost to EU GDP from European level policies to promote internet connectivity - notably through wireless high-speed broadband and improved fixed high-speed broadband - at between 0.15 and 0.21 per cent of GDP within ten years, and up to 0.7 per cent of GDP over 30 years. Assuming a positive impact of only 0.18 per cent of GDP over the next decade, the boost to the economy would be in the order of €27.5 billion per year.
Other research

The approach by the European Parliament in the field of cost of non-Europe dovetails with research undertaken in the academic and think-tank community more widely, both in respect of particular EU policies and the wider benefits of EU membership itself.

For example, a study produced by three economists (Campos, Coricelli and Moretti) in 2014, which attracted considerable public attention, sought to quantify the economic benefits of EU membership for the 19 member states which acceded to the Union in the successive enlargements from 1973 to 2004. Although the size and nature of the economic gain might vary by member state, and derive predominantly from different factors in each case - whether intra-EU trade liberalisation (for the 10 member states joining in 2004), the single market (for the United Kingdom), the single currency (for Ireland) or labour productivity (for Finland, Sweden and Austria) - the overall conclusion was that national incomes are already on average 12 per cent higher in those countries than they would otherwise be, as a result of membership and its associated economic integration. Their study also found that such gains are generally permanent and tend to increase over time.

The European Investment Bank (EIB), for its part, has been undertaking a systematic analysis of the impact of its borrowing and lending activity on EU GDP, which it calculates will by 2020 be 2.3 per cent higher than it otherwise would be if such activity had not occurred, with EFSI activity representing 0.7 of that 2.3 per cent figure. The Joint Research Centre of the European Commission has estimated the impact of EU cohesion policy over the period 2007-15 as having increased overall Union GDP by 0.7 per cent, with the impact averaging around 2.7 per cent in less developed regions.

Anthony Teasdale

February 2019
THE NEXT 10 YEARS – OVERCOMING DEVELOPMENTAL LIMITATIONS

COST OF NON-EUROPE

- Promoting international trade
- Stronger CSDP
- Procedural rights and detention conditions
- Fighting crime, corruption and terrorism
- Asylum, border control and visa policy
- Legal migration
- Protection of children and families
- Free movement of citizens
- Healthcare and diseases
- Closing gender pay gap
- Autonomous vehicles
- Single European transport Area
- Robotics and AI
- Energy markets and energy efficiency
- Water legislation
- Deposit insurance and unemployment schemes
- Completing Banking Union
- Internet connectivity
- Digital single market
- Collaborative economy
- Corporate tax avoidance and VAT fraud

JHA – Migration and borders
+/- €60 bn

External policy
+/- €50 bn

Citizens’ Europe
+/- €55 bn

Social Europe, employment and health
+/- €130 bn

Environment, energy and research
+/- €570 bn

Single market for goods

Single market for services

Consumer rights

Economic and Monetary Union
+/- €300 bn

Classic single market
+/- €600 bn

Digital economy
+/- €160 bn

Digital single market

Internet connectivity

Completing Banking Union

Deposit insurance and unemployment schemes
Financing the Union

SUMMARY
A significant expansion in the EU budget is needed to fund the policies the Member States and EU citizens want delivered. Various efforts could be made on both the expenditure and revenue side of the budget. However many of them have already been tried with little success. The best way of reforming the system and ensuring the significant expansion needed is to demonstrate that it is in the financial interests of EU citizens and Member States.

Introduction
Following conflicts over budget negotiations in the 1980s and a number of failed budgets, an interinstitutional agreement on budgetary discipline (IIA) was established to help improve the way the European Parliament and Council as budgetary authority work together with each other and the Commission to establish the EU budget. The IIA, which was concluded by common agreement between the three institutions, also contained a Financial Perspective providing a financial framework over the medium term. All budgets since have been negotiated within a multiannual financial framework (MFF). Although there have been a number of occasions more recently in which the annual budget was not agreed the first time around, since the introduction of multiannual financial planning, there have been no more failures to agree the budget by the start of the budget year.

The first IIA contained the Financial Perspective for 1988-1992 (known as Delors I), which was intended to provide the resources needed for the budgetary implementation of the Single European Act. A new IIA was agreed on 29 October 1993, together with the Financial Perspective for 1993-1999 (Delors II), which enabled the Structural Funds to be doubled and the own resources ceiling to be increased. The third IIA containing the Financial Perspective for 2000-2006 (Agenda 2000), signed on 6 May 1999, provided the necessary resources to finance enlargement. The MFF contained in the fourth IIA, with its priority on sustainable growth and competitiveness for jobs, saw a further increase in resources from an average of 1.09 % of EU GNI in 2000-2006 to 1.12 % of EU GNI in 2007-2013. The current MFF for 2014-2020, saw the first ever cut in resources.

The Member States called for the current MFF to be limited to 1.0 % of EU GNI, in the light of difficulties in national budgets following the financial crisis of 2009-2010. It should be noted, however, that there was also a recession in a number of Member States in the early 1990s but the subsequent MFFs (Delors II and Agenda 2000) increased substantially in line with increased ambitions in the EU. Two key differences were in play during the negotiations on the current MFF. Firstly, the pattern of own resources has changed significantly over time, and consists now much more heavily of GNI-based contributions, which tend to be seen by Member States more as ‘national’ contributions, fuelling an obsession with net balances. And secondly the Treaty of Lisbon has transformed the MFF into a Council regulation adopted by unanimity, making it extremely difficult to modify the MFF in order to respond to needs.

Needs, however, have not gone away. But instead of providing the means to deal with them through the budget, the Member States have turned increasingly to a complex and opaque set of intergovernmental instruments outside the budget, known as the galaxy.
The complexity of the current EU financial system entails a lack of transparency, democratic accountability and control. The increasing use of funds decided inter-governmentally and other such off-budget satellites also represents an increasing shift in the institutional balance of power away from the Parliament as budgetary and legislative authority.

To reverse this trend, the European Parliament has pressed hard for an increase in the MFF to match the increased ambitions of the EU whilst negotiating the current MFF and in its mid-term revision, and is again pressing for the increase in resources needed to deal with current challenges in the proposal for the next MFF currently under consideration.

However a significant number of Member States continue to strongly resist increases in the EU budget, and because modification of the MFF requires unanimity in Council, significant change in either the size or shape of the MFF in the immediate future seems unlikely.

Further efforts are needed on both the expenditure and revenue sides of the budget, and in the procedural and legislative field to deliver an MFF of the appropriate shape and size to deal with the challenges the EU is facing in future. A number of ideas covering both the expenditure and revenue sides of the budget are described below. It should be noted, however, that many of them have already been tried but with little success. The best way of ensuring that they work in future is to demonstrate that a significant expansion in the EU budget is in the financial interests of citizens and Member States.

Overcoming budgetary limitations

Expenditure

An increase in the EU budget is in the financial interests of citizens and Member States

Public opinion in the EU sees the EU budget increasingly positively and there is an increasing demand for more spending at EU level. To build on this desire, more should be done to demonstrate that an increase in the EU budget is also in the financial interest of citizens thanks to the sound financial management of the EU budget and the savings generated through efficiency gains and economies of scale.

The EU budget is subject to exceptionally high standards of management and control. Benchmarking studies could be carried out to help demonstrate how well the management and control of the EU budget compares to Member States’ budgets. For example, while the EU accounts have received a clean bill of health every year since 2007, the accounts of the UK Department of Work and Pensions have been qualified every year since 1988-89 due to the material level of fraud and error.

More efforts need to be put into explaining the money saved by the efficiency gains and economies of scale delivered by acting at EU level. The notion of a ‘waste rate’ measuring the cost of not making these savings could be developed.

Building on the EP’s cost of non-Europe analysis, a similar exercise could be carried out to demonstrate the cost of non-budget. The Policy Department D study for the Committee on Budgets on the cost of non-agencies with relevance to the internal market finds that if the Member States took back the tasks carried out by the 7 agencies in the field of the internal market, the extra costs involved would amount to between €150-€200 million and up to €1 000 million euros. This analysis should be extended to all the remaining agencies, and indeed to policies funded by the EU budget more widely.

As well as demonstrating the benefits deriving from the efficiency of acting at EU level rather than in 27 Member States with different systems, the effectiveness of pooling efforts must also be demonstrated eg between Member States through bodies such as Europol and Eurojust, and through the catalytic effect of instruments such as EFSI.

More effort also needs to be made to highlight the performance of the EU budget. Significant improvements have been seen on the side of performance auditing, in the discharge procedures
and through the increased emphasis on this by the European Court of Auditors. Performance budgeting remains to be introduced.

In addition to the direct benefits to Member States of EU policies, the spill-over effects to other Member States and the benefits to them of successful neighbours, should also be highlighted.\(^4\)

The Commission has proposed a regulation on the protection of the Union’s budget in case of generalised deficiencies as regards the rule of law that should help reassure citizens that spending remains consistent with EU values.

Allowing policies to be carried out at the EU level where appropriate is also of benefit to the Member States, freeing up resources in national budgets to allow them to cope with domestic challenges such as increasingly costly social safety nets as populations age.

More spending outside the budget provided the EP is fully involved in governance and decision-making

Generally the EP opposes instruments outside the EU budget, which is in breach of the principle of budgetary unity as specified in the Financial Regulation and is lacking in transparency and democratic control. Existing satellites outside the EU budget and any new instruments eg the new EMU instruments currently under discussion, should ideally be located within the EU budget. However, until this can be achieved, and until a substantial increase in the MFF is secured, the EP could consider calling for the creation of new instruments outside the budget to finance urgent priorities, provided that it is fully involved in their governance and decision-making, and that ideally a binding commitment is made to bring such instruments inside the budget within a specified time-period.

Revenue

The size of the EU budget is ultimately limited by the Own Resources ceiling of 1.2 % of EU GNI. The MFF ceiling is substantially below the Own Resources ceiling. The size of this margin between the two ceilings could be questioned, or indeed whether a separate, lower MFF ceiling is even necessary at all. In deciding whether, and to what extent, the margin under the Own Resources ceiling could be exploited, it should be recalled that it currently serves to guarantee significant contingent liabilities backed by the EU budget eg the EFSM, Balance of Payments Facility etc. Since EU expenditure cannot exceed revenue, and the process for revising the Own Resources ceiling is heavy and lengthy, involving ratification by the Parliaments of all Member States, budgets too close to the Own Resources ceiling could bring about a down-grading in the rating of EU finances. Thus an increase in the Own Resources ceiling is also needed to allow for significantly higher spending.

Like for expenditure, the case for increased revenue needs to be better made. Payments into the EU budget should be seen as genuine own resources not national contributions, the own resources system should be less opaque and easier to understand, and the link between own resources and the policies funded should be clearer.

Thanks to pressure from the European Parliament, the foundations for reform of own resources has started with the creation of the High Level Group on Own Resources and the delivery of the Monti report proposing substantial reform of the Own Resources system. Respresentatives of the EP, Council and Commission were involved in this group on an equal footing, representing a major step forward in introducing democratic accountability into the own resources debate.

Drawing on the recommendations in the Monti report, the European Commission has come forward with proposals to reform the Own Resources system along with the new MFF. The new proposals enhance transparency in financing by doing away with the complex system of abatements and rebates, and reduce the share of the GNI-based resources through the introduction of three new own resources linked to EU policies: resources based on a common consolidated corporate tax base (CCCTB), on revenues from the EU emission trading system (ETS) and a plastic tax.
These reforms should help improve the citizens’ understanding of the financing of the EU budget and help break the Member States’ obsession with net balances. But of course more could be done. Whilst welcoming the various measures proposed by the Commission to simplify the Own Resources system and the new policy-related resources proposed, the EP resolution of 30 May 2018, questions the absence of new Own Resources linked to a Financial Transactions Tax and on large companies in the digital sector. Ideas for further resources linked to the achievement of policy objectives eg a carbon-related levy, could be developed. In this way the own resources system would both raise revenue and help deliver policy objectives. Some studies suggest that earmarking resources to specific policies might further help deliver policy objectives by enhancing citizens’ buy-in. However this goes against the principle of budget universality as specified in the Financial Regulation and reduces budgetary flexibility.

The European Parliament is continuing to keep up the pressure for reform of own resources by linking decision making on own resources, over which it has the right only to give an opinion, to its consent on the MFF.

Although the Treaty requires the EU budget to be in balance, limited borrowing is available eg to finance buildings. Thought could be given to further extension of borrowing possibilities within the limits of the Treaty to provide extra resources to fund EU policies. In the long term the Treaty restriction on budget balance could itself be reconsidered.

Procedural and legislative change

The case for European Parliament involvement in decision-making over own resources, to make it directly answerable to the citizens for the whole budget, like all other parliaments, should be continued. In the meantime, extending the scope of the Own Resources implementing regulation, to which the European Parliament gives consent, should be exploited as much as possible.

Ideally, the Parliament should also have co-decision power over the MFF, in line with its co-decision powers as Budgetary Authority. This would also restore the shared power the EP had with the Council over the MFF in the past, when it was decided as an interinstitutional agreement. This would, however, require Treaty change. However steps can be taken to improve flexibility in the EU’s finances to allow an increase in size and scope within the current Treaty provisions.

Thought should be given to how to secure activation of the passerelle clause in Article 312.2 TFEU, which states that ‘The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the [MFF] regulation’.

Thanks to the EP, the MFF regulation includes a binding mid-term revision clause. This could be expanded to allow for a political revision, to take account of the views of the citizens as expressed in the outcome of the elections. It is democratically unacceptable that the future Parliament is unable to adjust the ongoing MFF. Such a clause would provide for a revision within the limits of the Own Resources ceiling.

The European Parliament could also refuse to approve any draft MFF agreement from the Council including elements that belong in co-decided legislation.

Efforts should be made to enhance the transparency and accountability of spending through the satellites around the budget by bringing them into the budget (eg the EDF, the proposed European Monetary Fund to replace the ESM). In the meantime, the European Parliament’s governance and decision-making role and governance role in the instruments outside the budget should be enhanced. The need for so many satellites outside the budget, particularly in the field of EMU, may in any case diminish with the departure of the UK, which insisted on keeping the instruments needed to protect the euro outside the structures applicable to all including non-euro Member States.

Fabia Jones

February 2019
## Possible initiatives

<table>
<thead>
<tr>
<th></th>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Better communicate value for money of EU spending</td>
<td>All institutions</td>
<td>More should be done to explain to citizens how it is in their financial interests for policies to be financed through the EU budget, which is subject to exceptionally high levels of management and control.</td>
</tr>
<tr>
<td>2</td>
<td>Focus on money saved by acting at EU level</td>
<td>EP</td>
<td>Spending at EU level rather than in 27 national systems leads to efficiency gains and economies of scale that save money.</td>
</tr>
<tr>
<td>3</td>
<td>Develop the notion of the ‘waste rate’ of not acting at EU level</td>
<td>EP</td>
<td>The ‘waste rate’ would measure the cost of not benefitting from the efficiency gains and economies of scale generated by acting at EU level.</td>
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<tr>
<td>4</td>
<td>Focus on effectiveness</td>
<td>All institutions</td>
<td>Policies can be delivered more effectively when resources are pooled at the EU level between Member States eg Europol and Eurojust, and with the private sector eg EFSI.</td>
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<tr>
<td>5</td>
<td>Focus on performance</td>
<td>All institutions</td>
<td>Significant improvements have been seen on the side of performance auditing, in the discharge procedures and through the increased emphasis on this by the European Court of Auditors. Performance budgeting remains to be introduced.</td>
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<tr>
<td>6</td>
<td>Focus on values</td>
<td>All institutions</td>
<td>Citizens should be reassured that funding they pay for fully respects EU values.</td>
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<tr>
<td>7</td>
<td>Expand the role of the EU budget eg Eurozone budget</td>
<td>All institutions</td>
<td>Where decisions are taken to act jointly, funding should also be organised jointly to ensure appropriate democratic decision-making and scrutiny.</td>
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<tr>
<td>8</td>
<td>More satellites around EU budget but co-decided</td>
<td>All institutions</td>
<td>Until the Own Resources/MFF ceilings are raised, thought could be given to creating more satellites outside the EU budget, provided that the EP is fully involved in their set-up, funding and scrutiny.</td>
</tr>
<tr>
<td>9</td>
<td>Analysis of problems with Own Resources system</td>
<td>All institutions</td>
<td>Thanks to pressure from the EP, the inter-institutional high-level group on own resources was created to analyse the problems with the current own resources system and make proposals for improvements.</td>
</tr>
<tr>
<td>10</td>
<td>Simplify own resources system</td>
<td>Council</td>
<td>The Commission has brought forward proposals to abolish the UK rebate and phase out other corrections, making the own resources system fairer and more transparent.</td>
</tr>
<tr>
<td>11</td>
<td>Own resources more closely linked to policies</td>
<td>Council</td>
<td>The Commission has brought forward proposals for new own resources which contribute to the delivery of policy objectives, whose relevance should be clearer to citizens eg resources based on a Common Corporate Tax Base, on the Emissions Trading scheme and a plastics tax. More such resources could be considered eg resources based on a Financial Transactions Tax, on large companies in the digital sector etc.</td>
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<tr>
<td>12</td>
<td>More borrowing</td>
<td>All institutions</td>
<td>Consideration of further extension of borrowing possibilities to help fund EU policies.</td>
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<tr>
<td>13</td>
<td>Co-decide own resources</td>
<td>EP and Council</td>
<td>Giving the EP the power to co-decide own resources would ensure full democratic accountability to taxpayers</td>
</tr>
<tr>
<td>14</td>
<td>Expand role of own resources implementing regulation</td>
<td>All institutions</td>
<td>There is greater democratic involvement in the own resources implementing regulation where the EP gives consent rather than in the own resources decision itself, on which the EP is only consulted.</td>
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<tr>
<td>15</td>
<td>Co-decide the MFF</td>
<td>As budgetary authority, the EP should co-decide the spending limits and mechanisms set in the MFF</td>
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<tr>
<td>16</td>
<td>Council to decide MFF by qualified majority</td>
<td>Council</td>
<td>According to TFEU article 312.2, ‘The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the [MFF] regulation’.</td>
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<tr>
<td>17</td>
<td>MFF regulation to include political revision clause</td>
<td>Council</td>
<td>The EP has already succeeded in including a binding mid-term revision clause in the MFF regulation. This should be expanded to allow explicitly for adjustment to take account of the views of the citizens as expressed in the outcome of the EP elections.</td>
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<tr>
<td>18</td>
<td>MFF negotiating box to exclude legislative co-decision elements</td>
<td>Council and European Council</td>
<td>Co-decision legislation should be co-decided by the EP and Council in the normal legislative procedure, and not pre-empted by the Council/European Council through the MFF procedure.</td>
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<tr>
<td>19</td>
<td>Satellites around EU budget to be brought into the EU budget</td>
<td>All institutions</td>
<td>The Commission has proposed budgetising the EDF. Other off-budget instruments should be brought into the budget and under the democratic control of the EP.</td>
</tr>
<tr>
<td>20</td>
<td>EP powers of decision and scrutiny over satellites to be enhanced</td>
<td>All institutions</td>
<td>Governance and decision-making structures of all satellites around the budget should be re-examined with a view to enhancing EP powers.</td>
</tr>
</tbody>
</table>

**ENDNOTES**

1 See EPRS briefing Public Opinion and the EU Budget by Alina Dobreva (2018).
3 For example, the Mapping of the Cost of Non-Europe, 2014-2019 by the European Added Value Unit (2017) shows that the estimated boost to EU member states from EU policies is 1.75 trillion EUR.
4 See for example research for the REGI committee on the externalities of cohesion policy by Naldini et al (2018)
FINANCING THE UNION

THE NEXT 10 YEARS – OVERCOMING DEVELOPMENTAL LIMITATIONS

**LEGALIZATION AND PROCEDURES**

- MFF negotiating box to exclude legislative co-decision elements
- Council to decide MFF by qualified majority
- Co-decide MFF
- Expand role of own resources implementing regulation
- Co-decide own resources

**EXPENDITURE**

- More satellites around EU budget to be brought into EU budget
- Satellites around EU budget to be enhanced
- EP powers of decision and scrutiny over satellites to be enhanced
- Co-decide MFF
- Development the concept of the “waste rate” of not acting at EU level

**REVENUE**

- Better communicate sound financial management of EU budget
- Focus on money saved by acting at EU level
- Focus on effectiveness
- Focus on performance
- Focus on values
- Expand the role of the EU budget (e.g., Eurozone budget)
- More satellites around EU budget but co-decided
- Analysis of problems with own resources system
- Simplify own resources system
- Own resources more closely linked to policies
- More borrowing
- Own resources more closely linked to policies

**THE NEXT 10 YEARS – OVERCOMING DEVELOPMENTAL LIMITATIONS**

- Focus on money saved by acting at EU level
- Focus on performance
- Focus on values
Unlocking Treaty potential

Scope for more EU action within the current Treaty framework

Introduction

The Treaties - The legal framework for EU action

The Treaty of Lisbon, which entered into force on 1 December 2009, is the current legal foundation for the work of the European Union and its institutions. The European Union is a community of law, as Walter Hallstein famously put it,¹ and therefore any action or measure, be it legislative or non-legislative, undertaken by the Union institutions must have a legal basis in the Treaties. This is in line with the well-established principle of legality, which is a key component of the rule of law (Rechtsstaat) principle. In the EU context of multi-level governance, the principle of legality is connected with the principle of conferral (enshrined in Article 5(2) Treaty on European Union, TEU), meaning that the EU enjoys only such competences as have been explicitly conferred upon it by the Member States in the Treaties. Therefore, the EU co-legislators are bound by the will of the Member States, expressed in the Treaties, laying down the precise fields of potential EU legislative activity. Such rules are referred to, especially when it comes to enacting EU legislation, as legal bases. Within the framework of this research project, EPRS policy analysts have identified and analysed those legal bases which can be described as unused or underused.

Although there is at present no general debate within the EU institutions on the revision of the Treaties, top EU politicians have recently hinted at the possibility of expanding Parliament’s powers. President of the European Parliament, Antonio Tajani remarked on 13 November 2018 that ‘a crucial change to be made is to give the European Parliament more power’, specifically mentioning the need to give the EP the power to table legislative proposals. German Chancellor, Angela Merkel, in turn, speaking before the Parliament on the same day, indicated that ‘We must ... be ready to rethink our decision-making processes, also by lifting the unanimity requirement wherever possible’, although she immediately added that this should be done ‘in areas where this is permitted by the Treaties.’ All this should be seen in the context of President Juncker’s recent call – in his 2018 State of the Union address – to build a ‘European sovereignty’.

However, taking into account that the ordinary procedure for the revision of the Treaties is cumbersome and lengthy, and that the simplified procedure cannot be used to broaden EU competences, there is a need, for the time being, to focus on unlocking the existing potential of the Treaties as they stand now.

Potential to be unlocked

The post-Lisbon Treaties are, however, not simply another revision of the founding Treaties since they incorporate most of the output of the European Convention and the legacy of the Treaty establishing a Constitution for Europe although the latter never entered into force. In this context it
should be underlined that the European Parliament was a staunch promoter of the Convention and an active participant. This can be taken as evidence that the Lisbon Treaty is, to a certain extent at least, ‘the Parliament’s Treaty’.

Bearing this in mind, it is useful to embark on a careful re-reading of the currently binding Treaties, with view to unlocking the potential enshrined in the wording of its articles. Too often, a backward-looking interpretation, focused more on what a given article meant in the Treaty of Amsterdam, Treaty of Maastricht or even the founding Treaties, has limited understanding of the current Treaty set-up. In line with the established case law of the Court of Justice of the EU (CJEU), the articles of the Treaties should be interpreted not so much in accordance with their historical meaning (known as ‘originalist’ interpretation), but rather in accordance with their wording, their context and – most importantly – their purpose, seen in light of the general telos of European integration. Such an interpretation should not be ‘static’ – namely sticking to the state of affairs at time of drafting or adoption of the Treaties – but must rather be ‘dynamic’ – adapting to the challenges currently faced by the Union, in light of the dynamically changing economic, social and international political situation. We must not forget that both Europe and the world are very different from how they were more than a decade ago, when the Treaty of Lisbon was drafted, and the Union has, since that time, faced new and previously unknown challenges. The present study, aimed at reappraising the legal framework of the EU, aims precisely at identifying those legal bases in the Treaties which remain either under-used or completely unused.

**Delivering on expectations of the EU citizens**

**Citizens’ expectations**

Today, European citizens are not much invested in the institutional debate concerning the European project in its political dimension, but rather focus on whether the Union is capable of delivering on matters of concern to them, within specific policy areas, such as consumer protection, free movement of citizens, illegal immigration and combating transnational crime, including terrorism. Even in matters which lie at the heart of the traditionally conceived state sovereignty – the broad domain of the Area of Freedom, Security and Justice – large proportions of EU citizens want more action on the part of the European institutions. Therefore, expectations of the European public are an important guideline for the European institutions, and delivering upon such expectations, within the Treaty framework, contributes to enhancing the EU’s democratic legitimacy. Therefore, in this project, we have explored the possibility of discovering the unused potential of the legal bases available to the Union with view to delivering on citizens’ expectations. The project was conceived as an exercise combining both policy analysis (current challenges, and how they can be addressed through more EU action), and legal analysis (legal basis and its use until now). Obviously, it is for the political level – the policy-makers – to decide which legal basis should be used to further what kind of EU action. Our intention has been to show that there are still a number of unused or under-used possibilities for the EU institutions to deliver even more in terms of citizens’ expectations and meeting current challenges. The outcome of the project, in the form of a systematic overview of the available legal bases should therefore be seen as a kind of toolbox for political decision-makers. In the table of this contribution, red in the final column means unused while yellow means underused.

**Some examples of recent delivery on citizens’ expectations**

**Enhanced protection of personal data**

EU citizens have repeatedly voiced concerns about the protection of their personal data, especially in the context of the digital economy. According to a special Eurobarometer survey from 2015, only a minority of respondents (15 %) felt they have complete control over the information they provide.
online while a third (31%) considered they had no control over it at all. Furthermore, the vast majority (67%) of EU citizens indicated they were concerned about not having complete control over the information they provide online. The EU legislature has sought to address these issues by adopting, in 2016, the General Data Protection Regulation (GDPR) which entered into force on 25 May 2018. The new rules include provisions on the ‘right to be forgotten’, require ‘clear and affirmative consent’ by the person concerned for the processing of private data, give citizens the right to data portability, the right to know when personal data has been hacked, and the right to object to profiling. This is backed by stronger enforcement, with the possibility to fine non-compliant firms – with penalties up to 4% of their annual turnover.

**Cutting red tape for citizens moving across the Union**

Although the free movement of citizens is among the fundamental freedoms of the EU Treaties, a number of administrative burdens still make the lives of EU citizens living abroad or changing Member States more difficult than those who stay in their native Member State. The support rate for the policy of free movement of citizens remains very high among EU citizens (81% in favour, and only 14% against). At the same time, however, according to a study commissioned by the European Parliament, excessive red tape constitutes one of the barriers to the effective exercise by EU citizens of their rights of free movement. To this end, the EU has recently adopted rules effectively cutting red tape with regard to the recognition of official documents from another Member State. The new rules, adopted in June 2016, will simplify the requirements for cross-border use and acceptance of certain public documents in the Union, thereby not only promoting the free movement of citizens and contributing to a well-functioning single market for EU businesses, but also significantly reducing the financial and bureaucratic burdens, as well as legal obstacles, for citizens and firms.

**Enhancing security and combating terrorism**

According to recent surveys, the fight against terrorism is the top priority issue for 49% of EU citizens in the May 2019 European Parliament elections. In fact, terrorism is the second top concern of Europeans, just after irregular migration and the economic crisis. The EU legislature has been continually addressing these issues, in particular by enacting new rules limiting access to weapons, strengthening the rules on money laundering, as well as reviewing the framework decision on terrorism. The Parliament has called upon the Commission to make proposals on eliminating the obstacles to tackling cybercrime. A set of proposals were presented in spring 2018, concerned with electronic evidence and appointment of representatives by service-providers to help law-enforcement authorities access such evidence.

**Tackling illegal immigration**

Three quarters (74%) of Europeans would like the EU to do more to tackle the issue of illegal immigration. In response to this, the former Frontex agency was transformed, in 2016, into the European Border and Coast Guard, bringing together the EU agency and national authorities responsible for border management. The new agency has an enhanced mandate and will provide further support to Member States in the field of border management, including border control, return operations, and search and rescue operations, with the aim to fight cross-border crime, manage the crossing of external borders efficiently and ensure internal security. Furthermore, in 2016, the EU established a uniform European travel document for the return of illegally staying nationals of non-EU countries, in order to facilitate returns; in 2017, it established a system providing for the electronic registration of both entry and exit of non-EU nationals admitted into the EU (Entry/Exist System - EES); and, in 2018, it established a system for determining the eligibility of all visa-exempt non-EU citizens to travel to the Schengen Area (ETIAS), to cite only some of the most recent decisions adopted.
Better protection of the environment and preventing climate change

According to a 2017 Special Eurobarometer survey, two thirds of Europeans (67 %) think that environmental decisions should be taken jointly within the EU, and only 29 % consider that this issue could be tackled at national level. Moreover, as much as 83 % of EU citizens agree that the EU should have the power to verify whether Member States are correctly applying environmental legislation. Clearly, citizens expect the Union to tackle environmental problems. In response to these expectations, the EU legislature has recently adopted a new directive on waste, as well as amended the rules on greenhouse gas emissions, providing for a higher annual rate of emissions reduction.

Successful launch of permanent structured cooperation (PESCO)

The emergence of new challenges for peace and security in Europe has seen European citizens overwhelmingly support the enhancement of the EU’s military and defence policy. Three quarters (75%) of Europeans are in favour of a common defence and security policy among EU Member States and there is even a clear majority (55%) in favour of the creation of an EU army. However, until very recently the relevant legal basis in the Treaties – Article 46 TEU and Protocol 10 on permanent structured cooperation (PESCO) established by Article 42(6) TEU – remained what was known as the ‘Sleeping Beauty’ of EU defence due to the lack of its materialisation following the entry into force of the Lisbon Treaty. The European Parliament has repeatedly called for the implementation of the Lisbon Treaty provisions on the common foreign and security policy, including PESCO.

Following the launch of the Global Strategy in July 2016, the subsequent intensification of efforts to make progress in EU defence policy and the resultant Implementation Plan on Security and Defence, launched in November 2016, the European Council agreed in June 2017 on the need to launch PESCO without delay. In November 2017, the Council and the HR/VP received a joint notification signed by 23 EU Member States (all except Denmark, Ireland, Malta, Portugal and the United Kingdom) of their intention to participate in PESCO. Any other Member State which wishes to participate in PESCO may still notify its intention to the Council and to the HR/VP at a later stage. On 11 December 2017 the Council adopted a decision formally creating PESCO and approved a first list of projects to be placed under the PESCO umbrella. These include a European Medical Command, securitising radiofrequencies, creation of a European Logistics Hub, simplification and standardisation of cross-border military transport procedures, establishment of a Centre of Excellence for EU Training Missions, and upgrading of the Maritime Surveillance System, as well as an information-sharing platform on responses to cybernetic attacks and threats and mutual assistance for cyber-security and Cyber Rapid Response Teams. PESCO Member States have also made commitments concerning increasing their defence spending to agreed benchmarks.

Underused and unused legal bases in the Treaties

Unused legal bases (in red)

It may seem paradoxical that almost a decade after its entry into force, the Treaty of Lisbon still contains a number of legal bases – allowing for the EU to act – which have never been used. We have referred to them as ‘unused legal bases’. No legislative act nor non-legislative measure has yet been adopted on the basis of such articles of the Treaty. For the sake of precision, we have focused on specific paragraphs of individual articles in the TEU and TFEU. It should be noted that in the preambles to EU legislative acts often only the entire article as such is mentioned as the legal basis although, in other situations, an article and specific paragraph are indicated. Whereas this practice may well be justified by pragmatic reasons (e.g. future judicial review of the measure in question), it remains to analysts and commentators to identify which part of the article (down to the individual sub-paragraph, indent or letter) actually was the basis of the EU action in question. In our analysis, we have gone down to the level of subparagraphs and indents, as shown in the following table and in the individual sections devoted to specific legal bases. Therefore, while one paragraph of a given
Treaty article may have been frequently used, another may still be dormant – waiting to become the basis of much needed EU action.

Under-used legal bases (in yellow)

The second category of legal bases analysed are those which appear to be 'under-used'. In contrast to the absolute category of 'unused', the notion of an 'under-used' legal basis presumes a certain goal-related value judgement. This is because in order to describe a given article of the Treaties as 'under-used' we need, first, to identify the goals for which it could be used (including, but not limited to those specifically mentioned in that article) and, secondly, evaluate the existing acquis based on that article as insufficient. In the individual sections devoted to each under-used legal basis of the Treaties, the conclusion about the under-used character is the result of a comparison of the current challenges and possible scope for more EU action on the one hand, and the existing EU legislative and non-legislative measures adopted until now.

Furthermore, the under-used character of legal bases may also follow from a broader understanding of a given article, not only in its 'original' meaning, presumably attributed to it by its drafters, but also in the light of the changed political and economic context, in which the Treaties are now applied and the goals which the Union strives to achieve in these challenging times. This is in line with the aim of our research – to draw attention to the dormant potential of the Treaties, awaiting discovery by the EU institutions, and in particular by the co-legislators.

Different possible forms of EU action – Not only legislation

Legislative measures

Directives and regulations

The most obvious form of EU action, based on a given Treaty article, is legislative action, namely the adoption of a piece of secondary legislation: a regulation, a directive or a (legislative) decision. A regulation is a directly applicable piece of EU legislation, which serves to unify the law on a given issue in all Member States. This is because exactly the same rules, set out in the regulation, are applied by courts and administrative bodies across the EU without any difference in form or content. However, regulations are often interconnected with national legislation, for instance the regulation on the European Small Claims Procedure cannot be applied on its own, since it presupposes the existence of a complex set of national rules on civil procedure regulating, for instance, the composition of courts, detailed rules on organising a hearing and the like. However, within the specific scope of a regulation it is the only source of law, uniform across the entire Union. A decision, addressed to the Member States and adopted under a legislative procedure is, for all practical purposes, similar to a regulation.

By contrast, a directive is a piece of legislation which, in principle, is directed not so much to citizens and businesses directly, but rather to the legislative powers of the Member States which need to enact national legislation aimed at achieving the goals set out in the directive. Therefore, directives are sometimes referred to as 'two-stage legislation', because – in contrast to regulations – they are addressed to the Member States and not to private parties and only in the second stage, when Member States transpose the directive into their national laws, are the rules (of the national implementing measures) addressed to all legal subjects (citizens, companies, etc.).

Specific limitations of the legal basis

Some legal bases prescribe the type of legislation that can be pursued, for example, specifying that only directives or decisions may be adopted. In other situations, the legal basis explicitly excludes any harmonisation measures, meaning that national law may not be affected.
For example, in the area of criminal law, Article 83 TFEU provides in paragraph 1 explicitly for directives of the Parliament and the Council, and in paragraph 2 for decisions of the Council adopted unanimously, with the Parliament’s consent.

Furthermore, sometimes the legal basis explicitly limits the scope of application of the EU legislation, providing that it may apply only to matters of a cross-border character.

For example, in the area of civil procedure, Article 81 TFEU allows the EU to enact legislation only concerning civil proceedings having a cross-border element. By contrast, the EU may not regulate purely domestic civil proceedings using this specific legal basis.

In line with the principles of subsidiarity and proportionality applicable to areas of EU shared competences, preference should be given, if possible, to a directive over a regulation. This is because regulations are the most far-reaching instruments of EU law, and completely replace existing national laws. Finally, an argument in favour of directives (especially minimum harmonisation directives) over regulations, is that they respect the legal cultures and legal traditions of Member States, which can have practical consequences in facilitating the adoption of such legislation and its effective application later on.

However important the enactment of new legislation, one should not succumb to ‘normative optimism’ and believe that adopting a directive or regulation will be sufficient to solve existing problems. This is why this paper also draws attention to three further, equally important forms of using the Treaty legal bases, namely enforcing delivery, providing for complementary administrative capacity and increasing financing.

In some cases, small modifications of existing legislation would enable much greater efficiency, as for instance in the case of Eurojust (established on the basis of Article 85 TFEU). An amendment to the recently adopted Eurojust Regulation could allow this body to initiate investigations and requesting national law enforcement authorities to conduct them on its behalf.

**Enforcing delivery**

Even the best legal regulation, if it remains on paper, will not address the challenges faced by the Union. Hence, apart from proposing new legislation and enacting it, it is sometimes crucial to ensure that existing rules are implemented and effectively applied. Here, the role of the Commission as ‘guardian of the Treaties’ is crucial, and an action for failure to fulfil obligations against a non-compliant Member State (Article 258 TFEU) remains the ultimate option.

**Complementary administrative capacity**

Closely linked to enforcing delivery is the provision of complementary administrative capacity by the Union. Especially in technically complex areas, such as customs, taxation and economic and monetary union, a task force of EU officials and seconded national experts (SNEs) could solve problems on the ground, helping Member States to apply existing EU rules effectively. A good example is the European Border and Coast Guard Agency which has the task of increasing cooperation between Member States in order to build integrated border management. One should also mention Europol which has played a major role in fostering cooperation between national law-enforcement agencies, including the sharing of best practices and creating new synergies between national authorities.

For instance, in the area of the fight against fraud, Article 325 TFEU would be much more effectively used if national administrations could count on the assistance of the EU bodies, such as OLAF or EPPO, in their activity. Similarly in the area of customs, Article 33 TFEU could serve to create a European Customs Force which would provide for a uniform application of the EU customs code across the Union.
Increasing financing

Sometimes the proper legislative framework exists and is even used extensively, with sufficient administrative capacity, but nonetheless the EU does not manage to accomplish its goals due to limited funds earmarked for the given policy area. This because even the best legislative and regulatory framework will struggle to achieve its goals in a situation of budgetary constraints.

For instance, in the field of cultural policy, Article 167(2) first indent TFEU could be used effectively as a tool for promoting the EU narrative and identity in third countries if the budget of Euronews were increased. Likewise, in the area of education policy, Article 166 TFEU remains under-used, despite the efficient legal framework concerning Erasmus+, because there is not sufficient means to finance all the deserving projects which are submitted.

Etienne Bassot
February 2019
## Possible initiatives

<table>
<thead>
<tr>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unlocking the potential of unused and underused legal bases in the Treaty</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Permanent Structured Cooperation (PESCO) (Article 46 TEU and Protocol No 10)</td>
<td>Council, Member States</td>
<td>In December 2017 the Council adopted a decision launching PESCO and approved a first list of projects placed under its umbrella. Member States have made commitments concerning the increase of their defence spending to agreed benchmarks. It is now time for PESCO to deliver and enhance EU defence capacity.</td>
</tr>
<tr>
<td>2 European Army (Article 42(2) TEU)</td>
<td>European Council, Member States</td>
<td>Building on the PESCO initiative, Europe could move towards creating its 'common defence'. As a first step one could envisage common financing and procurement of capabilities supported by the EU budget, sharing of expensive military assets and technological innovation aimed at reducing defence costs.</td>
</tr>
<tr>
<td>3 European Customs Force (Article 33 TFEU)</td>
<td>Commission, Parliament, Concil</td>
<td>A unified European Customs Force, acting on behalf of the Union, could curb and prevent acts regarding customs wrongdoings and be responsible for the enforcement, supervision and control of the common customs rules. A set of common EU criminal law rules concerning customs violations could be introduced.</td>
</tr>
<tr>
<td>4 European Anti-Fraud Corps (Article 325(4) TFEU)</td>
<td>Commission, Parliament, Council, Member States</td>
<td>A European Anti-Fraud Corps, composed of a task force of EU civil servants and seconded national officials would support national tax administrations in the fulfilment of their duties. Such a Corps would also have supervisory powers in relation to the national customs and tax authorities.</td>
</tr>
<tr>
<td>5 Strengthen social governance (Article 158 TFEU)</td>
<td>Commission, Parliament, Council</td>
<td>Areas of social policy where QMV could be defined. This would further simplify the decision-making process and address some of the challenges to implementing and further developing the social pillar.</td>
</tr>
<tr>
<td>6 Make Country-Specific Recommendations public (Article 121(6) TFEU)</td>
<td>Commission, Parliament, Council</td>
<td>Adopt legislation requiring the country-specific recommendations (CSR) to be public unless justified for legitimate reasons, as well as making it obligatory to conduct an ex-ante impact assessment of CSR on rights covered by the Charter of Fundamental Rights, in order to ensure the proportionality of emergency measures.</td>
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<tr>
<td>7 Establish rule of law conditionality for EU funding Art. 177 TFEU</td>
<td>Commission, Parliament, Council</td>
<td>Introduce explicit rule of law conditionality in the secondary legislation governing structural and investment funds, complemented by procedural rules for assessing the fulfillment of ex ante conditionality, including those on the rule of law, as well as a simplification of the legal framework.</td>
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<tr>
<td>8 Allow Eurojust to initiate criminal investigations Art. 85(1)(a) TFEU</td>
<td>Commission, Parliament, Council</td>
<td>The Eurojust Regulation could be amended in order to allow it to initiate investigations on its own, especially in the area of crimes affecting the financial interests of the Union, as well as to propose the opening of</td>
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<tr>
<td>9</td>
<td>Create a European Business Code (Articles 50 and 114 TFEU)</td>
<td>Commission, Parliament, Council</td>
</tr>
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<td>10</td>
<td>Ensure compatibility of civil procedure rules in MS</td>
<td>Commission, Parliament, Council</td>
</tr>
<tr>
<td>11</td>
<td>Develop EU criminal law Art. 83(1)b TFEU</td>
<td>Council, Parliament</td>
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<tr>
<td>12</td>
<td>Create an EU-wide tax on polluting energy Art. 194(1)b TFEU</td>
<td>Commission, Parliament, Council</td>
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<tr>
<td>13</td>
<td>Adopt a truly uniform EP election procedure Art. 223(1) TFEU</td>
<td>Commission, Parliament, Council</td>
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<tr>
<td>14</td>
<td>Broaden school-business cooperation Art. 166(4) TFEU</td>
<td>Commission, Parliament, Council</td>
</tr>
<tr>
<td>15</td>
<td>Promote European Identity &amp; Narrative Art. 167(5)</td>
<td>Commission, Parliament, Council</td>
</tr>
</tbody>
</table>

B. Horizontal actions

<p>| 16 | Flag potential beyond legislation: financing, executive capacity | Communication Research | The European Union is a champion in legislation. However rule making is only one tool for a public institution. One should consider the importance of implementation, the development of executive capacities, financing and also the objective of efficiency. |
| 17 | Use leverage of | Parliament | Commissioners’ hearings are an important leverage for the European Parliament to push its priorities. |</p>
<table>
<thead>
<tr>
<th></th>
<th>Commissioners’ hearings &amp; Commission approval</th>
<th>They precede the vote of confidence given to the college at the beginning of the legislative term.</th>
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<tbody>
<tr>
<td>18</td>
<td>Flag action gap with other large democracies</td>
<td>Research</td>
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<tr>
<td>19</td>
<td>Use legislative initiative reports and follow-up by Commission</td>
<td>Parliament</td>
</tr>
<tr>
<td>20</td>
<td>Push Council / European Council to unlock QMV - scrutiny tools</td>
<td>Parliament</td>
</tr>
<tr>
<td>21</td>
<td>Use of budgetary tools as leverage</td>
<td>Parliament</td>
</tr>
<tr>
<td>22</td>
<td>Flag European added value</td>
<td>Communication</td>
</tr>
<tr>
<td>23</td>
<td>Dynamic application of the Treaty</td>
<td>Research</td>
</tr>
<tr>
<td>24</td>
<td>Use leverage of public opinion</td>
<td>Communication</td>
</tr>
</tbody>
</table>
ENDNOTES


3 For an overview of citizens’ expectations towards the EU see EPRS, Public opinion and EU policies (2016).


8 Eurobarometer 85.1. See also EPRS, Public opinion and EU policies (2016), p. 23-26.

9 Special Eurobarometer 468 – Attitudes of European citizens towards the environment (2017).


14 B. Kurcz, op.cit., p. 288.
THE NEXT 10 YEARS – OVERCOMING DEVELOPMENTAL LIMITATIONS

UNLOCK TREATY POTENTIAL

HOW TO DO IT?

LISBON TREATY (likely to be our work basis until 2030)

WHAT CAN BE ACTIVATED? (examples)

- Permanent structured cooperation (PESCO) Art. 46 TFEU + Protocol 10
- Create a European Army? Art. 42(2) TEU
- Set up a European Customs Force Art. 33 TFEU
- Create a European ‘anti-fraud corps’ Art. 325(4) TFEU
- Strengthen social governance Art. 158(2) TFEU
- Make country-specific recommendations public Art. 121(6) TFEU
- Establish rule of law conditionality for EU funding Art. 177 TFEU
- Allow Eurojust to initiate criminal investigations Art. 85(1)(a) TFEU
- Create a European Business Code (Art. 50 and 114 TFEU)
- Develop EU criminal law Art. 83(1)b TFEU
- Ensure compatibility of civil procedure rules in MS Art. 81 TFEU
- Create an EU-wide tax on polluting energy Art. 194(1)b TFEU

- Push Council/European Council to unlock QMV - scrutiny tools
- Use legislative initiative reports and follow-up by Commission
- Use leverage of Commissioners’ hearings & Com. approval
- Flag potential beyond legislation: financing, executive capacity
- Promote European Identity & Narrative Art. 167(5)
- Broaden school-business cooperation Art. 166(4) TFEU
- Adopt a truly uniform EP election procedure Art. 223(1) TFEU
- Create an EU-wide tax on polluting energy Art. 194(1)b TFEU
- Develop EU criminal law Art. 83(1)b TFEU
- Ensure compatibility of civil procedure rules in MS Art. 81 TFEU

- Use of budgetary tools as leverage
- Use leverage of public opinion
- Dynamic application of the Treaty
- Flag European Added value
- Flag action gap with other large democracies
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- Ensure compatibility of civil procedure rules in MS Art. 81 TFEU
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SUMMARY
If the EU is to be a strong global player in 2030, it must be more unified internally. There is a real need to link the different levels of decision-making in the EU, which will make the Union more integrated and thereby stronger in its diversity. Linking the Levels will help to close the gaps between the various decision-makers in the EU, and to ensure and demonstrate EU decision-making effective, efficient and legitimate.

This paper outlines the current state of play of multi-level governance in the EU, focusing on the governmental actors. There are over 100,000 governmental organisations in the EU, mostly at the regional and local levels. More than 900 entities are identified as representing these governmental actors. These levels are currently very much disconnected, suggesting that there would be benefits in establishing systematic links with and between these organisations through mutual sharing of knowledge, experience and best practices.

Drawing on research conclusions and an EPRS pilot project with regional and local governmental organisations, we suggest a three-step approach to linking the levels in the EU: (1) increasing awareness about the EU and EPRS work among partners, (2) listening in order to understand partners’ priorities and concerns, and (3) mutual exchange of knowledge and expertise on EU policy.

Finally, the paper argues for the need to coordinate work among the relevant DGs of the EP as well as between EU institutions, while using innovative digital and AI technology platforms to bring the levels closer in efficient, effective and lasting ways.

Why linking the levels?
In order to help the EU meet citizens’ expectations and deliver on issues such as cohesiveness, competitiveness, security and defence, strengthening EU financing or euro robustness, the EU level of decision-making must coordinate well with the national level as well as with other levels of government that have responsibility for, or play an important role in, the implementation of existing and future EU policy. Efficient and effective exchange of information between experts from the various levels of government in the EU can help all levels move forward together faster.

Closing the gap with EU citizens
According to the latest Parlemeter, 48% of Europeans still consider that their voice does not count in the EU and believe that it is currently going in the wrong direction (50% vs. 28% who think the EU is going in the right direction). The EU is also perceived as ‘not listening to its citizens’, while 59% feel that regional and local authorities are insufficiently taken into account when deciding EU policies.
Research shows that citizens trust, and feel more integrated in, the decision-making taking place at the levels of government that are the closest and most familiar to them.\textsuperscript{4} Linking the Levels is developing new approaches to take account of EU citizens’ concerns and is placing a specific focus on the local and regional levels of government. In order to help overcome citizens’ perception of a ‘Brussels bubble’, Linking the Levels genuinely engages with partners and communicates with them on matters that directly concern them. Whenever possible, it will try to connect not only with representatives based in Brussels, but also directly with the organisations in the Member States, regions and cities.

As a result of rapid ‘glocalisation’ and urbanisation, numerous political and social changes are currently taking place in European cities and municipalities, which are having a significant impact at the national and EU levels. Richard Youngs, in his recent book about the role of citizens in the European integration project, succinctly explains that ‘successful processes of change will depend on the local, national, and European levels linking together more tightly than they have to date’.\textsuperscript{5} Changing forms of citizens’ engagement, such as civic participation, interactive consultation or digital activism, will require efforts from the different levels to meet and complement each other. By building bridges from the EU level to the local through the national and regional, Linking the Levels is a timely means to facilitate this positive development by improving participatory mechanisms and employing new technologies to respond efficiently and effectively to the growing demand of European citizens.

Related to Philippe Perchoc’s proposal in his ideas paper on European identity, Linking the Levels can help in building up a common European identity, as EU citizens realise that their multi-layered local-regional-national-European identity is composed of layers that are not only compatible but also complementary. In this respect, the network of 500 Europe Direct Information Centres could be upgraded and the 1 500-strong European Parliament Ambassadors Schools network could be engaged. Philippe Perchoc’s proposed ‘EU app’, to contain information on citizens rights, EU social security and fiscal numbers, etc., could also feature relevant information on each level of government.

Linking the Levels will effectively contribute to the public understanding and support of what Suzana-Elena Anghel refers to in her paper as ‘building a common strategic culture’, as well as help smooth the building of institutional changes needed so that the EU’s hard power can be developed.

Making democracy work better for its citizens

Linking the Levels could bring results to help build more EU action within the current treaty framework (TFEU), as identified by Etienne Bassot in his ideas paper, for example in the areas of customs, the fight against fraud (Art. 325(4)), anti-terrorism (Art. 75), migration and asylum, the fight against crime (Art. 85(1)a), and police cooperation (Art. 82(2)b); as well as help flag European added value and potentially increase the number of the EP’s legislative initiative reports.
Several of the challenges the EU is facing are very similar to those of its Member States and other large continental democracies. Scholars argue that the current ‘low trust environment’ is both a cause and a symptom of the disconnect between politicians and citizens today. The level of trust in national and EU governmental institutions is generally evolving in correlation, whereas trust in local and regional authorities remains highest. At the same time, 68% of citizens want to have a greater say on public affairs.

While core principles of European democracy endure, democratic systems need to adapt to respond to citizens’ expectations and concerns. Technological developments have opened new ways and significantly multiplied opportunities for popular expression, while enabling closer connection between the governed and the governing. The Linking the Levels approach is to make the best of these new developments to help improve the way EU democracy works and is perceived.

What the federalist approach offers in the context of the EU

The EU is not a federal state, but a federal union, a kind of ‘unfinished’ federal system that needs to continuously question itself and find appropriate original solutions for its special case. For example, the definition of a federation as ‘a compound polity with multiple levels of government each with constitutionally grounded claims to some degree of organisational autonomy and direct legal authority over its citizens’, points to the limits that characterise the EU’s federal union. Given the complexity and diversity of national political systems within the EU, the connection with the citizens remains a persistent challenge for its institutions.

The subsidiarity principle has come to characterise what can be regarded as the EU’s equivalent of a federalist approach. It continues to be further reinforced, while its appropriate form still needs to be determined. The Task Force on Subsidiarity, Proportionality and “Doing Less More Efficiently” has recently reflected on new proposals to improve the respect for subsidiarity and proportionality in the European legislative process. By actively engaging with local and regional actors, Linking the Levels offers a concrete way to respect subsidiarity in practice.

There are signs of an increasingly regionalised, urbanised and fragmented Europe. Jan Zielonka anticipates, for example, that ‘Some European states will face competition from their powerful regions, while others will need to devolve considerable powers to large and more prosperous cities’. He goes on to note that local communities are also becoming important democratic actors, while elections to the regional parliaments are in some cases more crucial for many citizens than national parliamentary elections. This could lead to what John Loughlin describes as ‘hybrid states’, meaning a configuration in which central and local levels share administrative and political powers, and need to bargain among each other.

With regionalism and localism growing in importance in many Member States, the EU level should include this evolution in its approach. In line with the strategy of Linking the Levels, Heather Grabbe and Stefan Lehne are advising the EU ‘to engage directly at the regional and local levels, both to hear local concerns and offer participation in decision-making’. They consider that the EP ‘needs to interact with national parliaments more systematically. The rise of regionalism is an opportunity for the EU to engage directly with local and subnational public assemblies.’
Finally, the rise of big cities and global metropolises is another element to be taken into account. Some big cities ‘have become the greatest beneficiaries of the de-territorialisation process generated by globalisation, digitalisation, privatisation and deregulation.’ In such a configuration, networks are key and links with partners need to be well-established, developed and maintained. These elements are at the core of the *Linking the Levels* strategy and a specific project is proposed to link with the EU’s 83 largest cities.

**Lessons on multi-level governance from continental democracies**

Large democracies worldwide are facing a similar challenge of engaging and deliberating together with their citizens. It is precisely federalism that allows them to adopt more tailored approaches. Democracies with an important linguistic and ethnic diversity such as India, Canada, Belgium, Switzerland, Spain, and the United States are all federal states, which suggests that ‘federalism may help these countries manage the problems that come with ethnic and linguistic diversity’. The size of a community is another key factor in determining the mode of government. India, Canada, Russia, Brazil and the United States are among the countries that were too big to form a unitary state and opted for a federal multi-level system of governance. Taking into account experience from such countries could help the EU better tackle its own similar challenges.

Monika Nogaj, in her ideas paper on cooperating with continental democracies, mentions that an important priority for such democracies is to ‘consolidate democracy domestically’ before doing so internationally. *Linking the levels* will help the EU do just that, and could contribute to the proposed international project entitled ‘Cooperation below the federal level’. This could be done via an exchange programme between governmental organisations across other continental democracies.

**Multi-level governance in the EU – state of play**

In this part, we outline the current state of play of multi-level governance in the EU by briefly summarising the analysis of each of the five levels of government in the EU.

Our research shows that the spectrum of potential partners on EU policy is vast. There are over 100,000 governmental organisations at different levels of government in the EU. This paper considers **904 governmental organisations** (either individual or umbrella organisations) which have been identified as relevant actors and potential partners for closer cooperation. Among these organisations, **84** operate on the global level, **100** on the European level, **145** on the national level, **434** on the regional level, and **141** on the local level.

<table>
<thead>
<tr>
<th>I. Governmental organisations by level</th>
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<tbody>
<tr>
<td>1. <strong>Global-level governmental organisations</strong></td>
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<td>2. <strong>European-level governmental and EU organisations</strong></td>
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<tr>
<td>3. <strong>National-level governmental organisations</strong></td>
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<tr>
<td>- Permanent Representations to the EU</td>
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<td>- National parliaments</td>
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<td>- National ombudsmen</td>
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<td>- National courts of auditors</td>
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<tr>
<td>4. <strong>Regional-level governmental organisations</strong></td>
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<tr>
<td>- Organisations representing multiple European regions</td>
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<tr>
<td>- Individual regional representations</td>
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<tr>
<td>5. <strong>Local-level governmental organisations</strong></td>
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<tr>
<td>- Organisations representing multiple European municipalities or cities</td>
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<tr>
<td>- Individual city/municipalities’ representations</td>
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</table>

**Global-level governmental organisations**

Global-level governmental organisations include 84 identified entities. 35 of them (or 42 %) have their headquarters in an EU Member State and 14 (17 %) in Switzerland. It is important to establish partnerships with some of the lead organisations on the global level.
European-level governmental organisations

Out of the 100 EU and European-level governmental organisations, 25 are headquartered in Brussels, 12 in France, 10 in Germany and 8 in Luxembourg. This confirms Brussels’ unique position as a great vantage point for connecting to these organisations.

National-level governmental organisations

Whereas the national-level governmental organisations category has much potential to be enlarged (to include ministries, national courts, etc.), it is currently national parliaments (upper and lower or single chambers) that are the most numerous actors on this level. In view of this, but also of their evolving role in EU policy, as well as their established presence inside the EP, specific attention should be given to these key institutional actors.

*Linking the Levels* could help foster further relations with national parliaments by promoting the research done by EP services and developing a permanent programme designed to encourage the exchange of experts and staff between various levels of government, in particular by upgrading the existing seconded national experts (SNEs) scheme.
Regional-level governmental organisations

Almost half of all governmental organisations considered belong to the regional-level. This level made up of 434 governmental organisations should therefore be given due attention.

Among these regional-level governmental organisations, 414 are individual regional representations, of which 52% have offices in Brussels. We have also identified 20 national organisations representing multiple regions, so-called umbrella organisations. Most are members of the Council of European Municipalities and Regions (CEMR), a well-established European umbrella organisation with wide membership representing both regional and local levels.

Linking the Levels suggests that priority in building partnerships be given to the regions with legislative powers at the sub-national level. To be representative, Linking the Levels suggests that for each Member State with sub-national legislative powers, at least one regional representation be included in the initial outreach. We also propose to address those regional representations in Brussels that are larger in terms of staff and have experts dealing with EU policy. There are 20 regional representations that have more than ten employees.

Local-level governmental organisations

There are 99,787 local-level governmental organisations in the EU, but only a few dozen European cities are individually represented in Brussels, in most cases because of their size and/or their capital status. In contrast to the regional-level, local-level governmental organisations are in Brussels mostly represented by umbrella organisations in Brussels. Linking the Levels has identified 58 national umbrella organisations representing local authorities, with one third having an office in Brussels.

We propose to concentrate outreach efforts on the individual regional representations on the regional level and umbrella organisations on the local level. Umbrella organisations play a strategic role and are powerful actors, while also serving a specific communication and political purpose.

To complete this strategy towards local actors, Linking the Levels advises the establishment of direct contacts with 83 European cities with urban populations of over 500,000 people, including at least one city from each Member State. A quarter of them have a representation office in Brussels.
We propose to link with:
* Covenant of Mayors for Climate and Energy
* Eurocities
* Council of European Municipalities and Regions (CEMR)
* European Local Authority Network (ELAN)

The analysis above shows that governmental organisations at various levels in the EU are currently very much disconnected, which points to a need - as well as potential benefits - to link with and between these organisations through mutual sharing of knowledge, experience and best practices.

Linking the Levels’ approach

In this section, we set out the approach to linking the levels in the EU, drawing on research conclusions as well as a six-month EPRS pilot project with the regional and local governmental organisations.17 This project confirmed their interest and willingness to engage with the EP.

The suggested approach consists of: (1) increasing awareness about the EU and EPRS work among partners; (2) listening to understand partners’ priorities and concerns, and (3) mutual exchange of knowledge and expertise on EU policy. Concrete actions proposed for each level are briefly outlined below.

I. Building awareness about the EU and EPRS work

The pilot project showed that while many organisations are aware of the existence of EPRS, there is a general lack of knowledge about the extent of its work. At the same time, when partners became aware of it, they expressed interest and quickly saw ways in which EPRS publications and other work could be beneficial to their member organisations and policy analysts.

Following up on the important first introduction in person, we suggest the establishment of a system of regular meetings as well as information-sharing about the EP and EPRS work, in a format that can be easily further shared internally by partner organisations. Where there are gaps in awareness or understanding of this work, targeted communications should be prepared. In addition, partner organisations could also be informed in advance about the types of policy events that EPRS is planning, so that partners can be invited to participate as speakers or in the audience.

<table>
<thead>
<tr>
<th>STAGE I</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing AWARENESS about the EU and EPRS work</strong></td>
<td>1. Meeting and <strong>presentation of EP and EPRS work</strong></td>
</tr>
<tr>
<td></td>
<td>2. Agreeing on a <strong>system of regular meetings</strong> and formal exchanges</td>
</tr>
<tr>
<td></td>
<td>3. Establishing a regular <strong>system of information-sharing</strong> on EP and EPRS work</td>
</tr>
<tr>
<td></td>
<td>4. Targeted ad-hoc communications on any discovered gaps in awareness</td>
</tr>
<tr>
<td></td>
<td>5. Regular participation at key partners’ events to present EP and EPRS work</td>
</tr>
</tbody>
</table>
II. Listening to understand partners’ priorities and concerns

In order to successfully engage with partners, we need to listen to their concerns about EU policy and make sure that we understand their issues. Partners have different priority topics, organisational structures and timelines, but the pilot project showed that almost all formulate an annual work plan, coordinate (possibly via regular yearly plenary meetings), and publish their own policy priorities. Priorities and calendars tend to be correlated with the publication of the European Commission’s annual work programme.

We propose to regularly analyse topics covered by partners and to follow their sentiment regarding EU policy options and decisions already made or in the process of being made. This can lead to issue-specific follow-up meetings on common policy priorities between experts from both sides. Regular exchanges are needed to build trust and express genuine interest in our partners as well as to reveal any gaps in awareness or misconceptions in their understanding of EU policy.

For the sake of efficiency, a single entry point on both sides should be established.

<table>
<thead>
<tr>
<th>STAGE II</th>
<th>Action</th>
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</thead>
<tbody>
<tr>
<td>LISTENING to understand partners’ priorities and concerns</td>
<td>1. Regular analysis of which topics partners cover and/or are concerned with</td>
</tr>
<tr>
<td></td>
<td>2. Automatised digital aggregation/’sentiment’ analysis of publicly available material</td>
</tr>
<tr>
<td></td>
<td>3. Regular follow-up and issue-specific meetings on common policy priorities</td>
</tr>
<tr>
<td></td>
<td>4. Consultation on the gaps in awareness/misperceptions of EP and EPRS work</td>
</tr>
<tr>
<td></td>
<td>5. Establishing a single entry point for partners to contact the EPRS</td>
</tr>
</tbody>
</table>

III. Mutual exchange of knowledge and expertise

Once links are established and both the EP and our partner organisations are aware of each other’s priorities, organisational structures and timelines, a mutual exchange of ideas can take place.

This should begin by carefully matching EP policy priorities with those of our partners. Exchange of information, via an efficient online platform such as URBIS, can be coordinated in such a way that input from partners arrives on time, so that it can be properly taken into account by MEPs and EP committees. Bi-annual European Link Event, could be envisaged to bring together representatives of partner organisations from various levels in a structured dialogue on EU policy issues. Sharing expertise could also take place via an upgraded seconded national experts (SNEs) scheme.

Depending on the EPRS priorities and requests received, partners can then be consulted on a regular or ad hoc basis on specific EU policy topics. At the same time, Linking the Levels’ capacity and method of coordination with other EPRS units is to be built up in order to synthesise the collected input from partners for the use in the work of EP committees and the EP as a whole, thus supporting evidence-based policy-making and scrutiny of the Executive.

<table>
<thead>
<tr>
<th>STAGE III</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual EXCHANGE of knowledge and expertise</td>
<td>1. Aggregating EPRS policy analysts’ work plans, priorities and timelines</td>
</tr>
<tr>
<td></td>
<td>2. Examining and aggregating partners’ work plans, priorities and timelines</td>
</tr>
<tr>
<td></td>
<td>3. Developing, maintaining and promoting an electronic platform to collect relevant contributions from partners (URBIS+)</td>
</tr>
<tr>
<td></td>
<td>4. Regular consultations of partners on relevant policy topics</td>
</tr>
<tr>
<td></td>
<td>5. Synthesising collected input from partners for the EP and its committees</td>
</tr>
</tbody>
</table>
Employing innovative technologies

It is important to point out that in order to bring various levels of government closer in efficient, effective and lasting ways, new technologies should be employed. This will ensure the necessary speed of communication with partners, allow for the obtaining and processing of relevant information in a timely way, and create an interactive sense of community and interconnection between the people working at the various levels of decision-making in Europe.

The EP has already strategically developed a platform for gathering experience and expertise from various partners at different levels of government. The **URBIS online platform** was launched in 2016 and started gathering input from partners on legislative files. We believe that a **next-generation interactive upgrade** is needed so that URBIS evolves into an attractive and useful platform for interactive communication with partners as well as between partners themselves.

We also propose that **cutting-edge digital and AI technology applications** be employed, for example to track the number of times a certain organisation is mentioned in documents online (including on social media), identify and track the sentiment associated with the entry, and determine tag clouds and topics of documents and social media posts mentioning a particular organisation. This will make it possible to target a representative selection of partner organisations and to help establish an overall understanding as to which EU policy topics are trending and what is the understanding and perception about a particular legislative file at the various levels of government. This approach would make the due diligence analysis efficient and would present the results for MEPs, EP Committees and EP staff in a meaningful and informative way.

Upgrading the interinstitutional set-up at the EU level

Connecting better with citizens and governmental organisations closer to them could become a common interinstitutional goal. Being the institution in charge of directly representing the European citizens at the Union level, the EP should position itself at the forefront of the current discussions by making ambitious proposals going beyond the ones recently made by the European Commission (EC) on subsidiarity, while leading by example. ‘Active partnership rather than passive consultation’ could be the motto to set the direction, in line with the **Linking the Levels’ approach** described above.

Intra-EP coordination

In order to streamline internal cooperation and make partnership building as efficient and widely beneficial as possible, the EP could perhaps envisage a working group that would bring together colleagues from various DGs, following the successful example of the **WG on Europa Experience**. Given the ideas proposed in this paper, and based on the feedback received, this could potentially interest colleagues in DG EPRS as well as in DG COMM, DG EXPO and DG IPOL, DG ITEC, DG LINC and DG PRES (e.g. the Directorate for Relations with National Parliaments, Transparency Unit and Interinstitutional Relations Unit).

Above all, a close relationship on policy streams between internal EP experts on EU policy topics would streamline processes and further increase the quality of EP studies and publications. It could therefore be useful to strengthen cooperation between relevant DGs, which would also avoid duplicating the work, so that, for example, briefings or events are not simultaneously produced on the same topic.
Interinstitutional coordination

The 2016 Interinstitutional Agreement on Better Law-Making\(^{20}\) has improved the cooperation on legislative programming at the EU level. The EP, the EC and the Council have established several exchanges of views on initiatives before agreeing on a joint declaration each year. Building on this progress and in order to implement the agreement efficiently, the EU institutions may want to give more attention to the needs of other governmental actors. Dissatisfaction is manifest, especially among local and regional actors, about how the EU is consulting them and taking their input into account, while they play a central role in the implementation of EU policies.

In the spirit of joining forces to provide quality research and legislative briefings, Committee of the Regions (COR) and European Economic and Social Committee (EESC) experts could be better linked with EPRS experts, so as to carry out EU policy research in a coordinated fashion, while integrating relevant stakeholders. The current interinstitutional discussion about subsidiarity and proportionality also provides an opportunity to move closer to the citizens. The COR and the EESC should be able to better activate their networks and put them at the disposal of the EU institutions for coordinated consultations on EU policy. The pilot project currently envisaged by the COR, consisting of creating a ‘regional hub’ of 20 regions to gather feedback for EU policy-making, fits well with this objective.\(^{21}\)

The European Commission has developed numerous tools and processes with the aim of better respecting the principle of subsidiarity, yet the degree of satisfaction regarding the process often remains low. An interinstitutional working group could be established, so that European consultations would become more systematic, structured in a more relevant way for the local and regional levels of governments and the feedback received would better contribute to the quality of EU legislation. This would require the establishment of an agile network of governmental actors and stakeholders from different levels.

The consultations could take place under the authority of the EP and EC Secretaries-General placed on an equal footing. This would ensure that each institution fully exercises its institutional legislative role, be it with regard to legislative proposals or scrutiny activities. The operationalisation of the policy consultations and sharing of expertise could be coordinated by the interinstitutional working group to ensure input received from all levels of government could enrich the policy analysis and debate at the EU level.

Conclusion

This presentation of ongoing in-depth research and engagement with actors at various levels of government shows that systematic integration of various levels is needed in the EU.\(^{22}\)

Greater attention must be given to the competencies and diverse realities within which each governmental organisation operates. When carried out gradually and with the aim of maximising mutual benefit, linking the levels would ensure better joint understanding in our complex union. On the one hand, the important work of the EU and the EP in particular would be better appreciated by the citizens, and on the other hand, input received from all levels of government could enrich policy analysis and debate at the EU level, thereby enhancing the relevance and quality of legislation.

Linking the Levels would thereby help the EU to overcome a significant developmental limitation, make Europe stronger in its diversity and help us move forward together in this fast-paced ‘glocalised’ world.

\textbf{Klemen Žumer}

February 2019
### Linking the Levels - Table of Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done</th>
<th>colour</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 LOCAL LEVEL governmental partnerships with municipalities</td>
<td>Linking the Levels, DG EPRS</td>
<td>Establishing systematic partnerships with organisations representing the local level of government, such as the European Local Authority Network, the Council of European Municipalities and Regions, Eurocities and other key organisations among over 50 other umbrella organisations.</td>
<td>1</td>
</tr>
<tr>
<td>2 LOCAL LEVEL governmental partnerships with large EU cities</td>
<td>Linking the Levels, DG EPRS</td>
<td>Establishing systematic partnerships with the administrations of 83 largest EU cities (urban area population over 500 000), including at least one city per member state.</td>
<td>1</td>
</tr>
<tr>
<td>3 REGIONAL LEVEL governmental partnerships with EU regional executives</td>
<td>Linking the Levels, DG EPRS</td>
<td>Establishing systematic partnerships with 434 regional organisations in the EU of which more than the half have a representation in Brussels. Priority is to be given to the regional governments with experts on EU policy in Brussels.</td>
<td>1</td>
</tr>
<tr>
<td>4 REGIONAL LEVEL government partnerships with EU regional parliamentary assemblies</td>
<td>Linking the Levels, DG EPRS</td>
<td>Establishing systematic partnerships with EU regional parliamentary assemblies via the Conference of European Regional Legislative Assemblies (CALRE), representing all 74 regional legislative assemblies from 8 EU Member States.</td>
<td>1</td>
</tr>
<tr>
<td>5 NATIONAL LEVEL structured relationships with national parliaments</td>
<td>EP Directorate for Relations with National Parliaments, DG PRES</td>
<td>Advising and providing expertise to the EP in its institutional cooperation and legislative dialogue with national parliaments, providing support for interparliamentary activities, contributing to the implementation of Treaty provisions on interparliamentary cooperation in the EP.</td>
<td>1</td>
</tr>
<tr>
<td>6 NATIONAL LEVEL partnerships with national parliaments on research 2.0</td>
<td>DG EPRS + DG PRES</td>
<td>Building on the existing contacts to establish systematic partnerships with national parliaments to share research and expertise on EU policy, related to the implementation and scrutiny of EU legislation, beyond impact assessment and evaluation.</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>EUROPEAN LEVEL governmental organisations partnerships</td>
<td>Linking the Levels, DG EPRS</td>
<td>Building on existing contacts to establish systematic links and partnerships bilaterally with key European-level organisations, e.g. COR, EESC, ECB, EIB, ECA; and European Ombudsman.</td>
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<tr>
<td></td>
<td>GLOBAL LEVEL international organisations partnerships</td>
<td>Linking the Levels, DG EPRS + EPLO Washington D.C.</td>
<td>Establishing systematic partnerships bilaterally with key international organisations, e.g. World Bank, NATO, ICJ, OECD, IMF or WTO.</td>
</tr>
<tr>
<td></td>
<td>GLOBAL LEVEL governmental partnerships with large continental democracies on sub-federal level</td>
<td>Linking the Levels, DG EPRS + EPLO Washington D.C.</td>
<td>Establishing an exchange programme between same-level governmental organisations across large democracies in the EU, US, Canada, India, Brasil, Indonesia, Japan. The programme would offer training opportunities, foster people-to-people and best-practice exchanges; following an example of the Japan-US cooperation via Clair foundation.</td>
</tr>
<tr>
<td></td>
<td>Establishing a Linking the Levels INTRA-EP WORKING GROUP</td>
<td>Cabinet of the EP Secretary General</td>
<td>Coordinating the linkage of the levels inside the EP via a working group, akin to the successful example of the EP Sec Gen WG on Europa Experience.</td>
</tr>
<tr>
<td></td>
<td>DG EPRS-DG TRAD working group on partners’ expertise translations</td>
<td>DG TRAD + Linking the Levels, DG EPRS</td>
<td>Establishing a systematic process to translate and summarise relevant expert input received in various EU official languages to be used in EPRS EU policy briefings.</td>
</tr>
<tr>
<td></td>
<td>Establishing a Linking the Levels EU INTER-INSTITUTIONAL WG</td>
<td>Cabinet of the EP Secretary General + Interinstitutio nal Relations Unit, DG PRES</td>
<td>Coordinating the linkage of the levels between EU institution, e.g. on the regular joint consultations of partners on relevant policy topics and sharing of expertise;Potentially involving EP, EC, Council, COR, EESC, ECA, ECB and EIB.</td>
</tr>
<tr>
<td></td>
<td>Building automated DIGITAL AI AGGREGATION of partners’ sentiment</td>
<td>DG ITEC + DG TRAD + Linking the Levels, DG EPRS</td>
<td>Using innovative technologies to efficiently monitor partners’ interests, priorities, and sentiments as expressed on their official websites and their social media channels, with the aim to better understand our partners’ work, priorities and expertise.</td>
</tr>
<tr>
<td></td>
<td>Annual AGGREGATE DOCUMENT OF PARTNERS’ WORK for all levels</td>
<td>Linking the Levels, DG EPRS + DG IPOL/DG EXPO</td>
<td>Major policy-monitoring and agenda-setting deliverable for coordination of work priorities and overview of expertise on all levels of government in the EU.</td>
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<tr>
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<td>-----------------------------------------------</td>
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</tr>
<tr>
<td>14</td>
<td>Systematic CONSULTATION OF PARTNERS from all levels</td>
<td>Linking the Levels, DG EPRS + DG IPOL/DG EXPO + DG ITEC</td>
<td>Building a comprehensive coordinated system to consult partners from all levels on EU policy, in a timely fashion, to be used by EPRS colleagues across the DG, while encouraging provision of feedback to partners.</td>
</tr>
<tr>
<td>15</td>
<td>Building EPRS capacity to SYNTHESISE PARTNERS’ INPUT from all levels</td>
<td>Linking the Levels + relevant units, DG EPRS</td>
<td>Establishing a network of policy analysts from various units of EPRS to evaluate feedback received from partners, analysing and synthesising the relevant elements into publications, so as to be useful to the MEPs and EP committees.</td>
</tr>
<tr>
<td>16</td>
<td>Linking the Levels EU EXCHANGE PROGRAMME for experts and officials</td>
<td>Cabinet of the EP Secretary General</td>
<td>Developing a standing programme designed to promote the exchange of experts and staff between various levels of government, including an upgrade of the existing seconded national experts (SNEs) scheme.</td>
</tr>
<tr>
<td>17</td>
<td>Annual update of the DATABASE OF PARTNERS’ CONTACTS for all levels</td>
<td>EC/EP Transparency Unit, DG PRES + Linking the Levels, DG EPRS</td>
<td>Comprehensive Linking the Levels database to be assembled, in coordination with the transparency register database and regularly updated in line with GDPR regulation.</td>
</tr>
<tr>
<td>18</td>
<td>Monthly EPRS NEWSLETTER 2.0 to be sent to partners on all levels</td>
<td>DG EPRS</td>
<td>Tailor-made communication tool designed to bring the work of EPRS and the EU policy agenda closer to decision-makers at all levels of government in the EU, informing also about forthcoming events and publications, while soliciting participation and input.</td>
</tr>
<tr>
<td>19</td>
<td>Building URBIS 2.0 platform for communication with partners on all levels</td>
<td>DG ITEC + Linking the Levels, DG EPRS</td>
<td>Upgrading, maintaining and promoting an attractive, interactive, and mutually beneficial electronic platform to collect relevant contributions from partners (URBIS 2.0).</td>
</tr>
</tbody>
</table>
Bi-annual EUROPEAN LINK EVENT ("ELE") with partners from all levels

DG LINC + DG COMM + Linking the Levels, DG EPRS

Bringing together in person representatives of partner organisations from various levels to Brussels or Strasbourg every two years, for a series of events of structured dialogue on EU policy issues, following the successful example of the European Youth Event.

Activating EPLOs & EPAS schools info points to include EPRS publications

DG COMM + Linking the Levels, DG EPRS

Raising awareness about EPRS publications and EU policies by upgrading the EPLOs & 1500 EPAS schools’ info points in EU Member States and local communities.

Upgrading Europe Direct Info Centres into interactive contact points in EU regions

DG COMM + EC + Linking the Levels, DG EPRS

Upgrading Europe Direct Information Centres (EDICs) to increase EPRS outreach, while also gathering sentiment and feedback from local level stakeholders in direct contact with European citizens.

High-level Welcome pack for newly elected/appointed leadership of partners on all levels

EP Sec Gen + DG EPRS

EP President / Secretary General could write to congratulate each newly elected e.g. regional president / secretary general, sending them a special welcome pack, which would include an updated Leistungsbilanz briefings and other relevant EPRS brochures on EU/EP policy priorities, EU funds, etc. as well as a presentation of EPRS Linking the Levels.

ENDNOTES

1 This paper focuses on governmental organisations and reflects on how they could help EU institutions reduce the gap with EU citizens and improve the quality of the legislation they produce. As a matter of consequence, even if EU citizens are at the core of the reflection, the ways to directly link with them are not addressed in this paper. Our research also identified 7470 non-governmental organisations divided by types of organisation, namely NGOs; trade, business and employers’ associations; professional and employees’ associations; think-tanks and research institutions; and academic institutions; which are not covered in this paper.


3 Special Eurobarometer 307, “The role and impact of local and regional authorities within the EU”, Committee of the Regions and European Commission, February 2009.


15 Zielonka, J., op. cit., p. 90.


17 Linking the Levels pilot project has directly engaged in partnership-building meetings with the following organisations: Covenant of Mayors for Climate and Energy, Committee of Regions, European Economic and Social Committee, Council of European Municipalities and Regions, Conference of European Regional Legislative Assemblies (CALRE), European Local Authority Network (ELAN), Eurocities, Convention of Scottish Local Authorities (COSLA), Deutscher Landkreistag (German County Association), Union of Dutch Municipalities (VNG), Austrian Cities Association, Swedish Association of Local and Regional Authorities (SALAR), and the French region of Nouvelle-Aquitaine.

18  The existing technologies that could be employed for this purpose are for example the Latent Dirichler Allocation, Sentiment classification and analytics, Mention analytics, Topic modelling, Machine learning, Comparison analytics, Tagclouds, NLP topic modelling, and Named entity recognition.


22 The extensive research of various levels of government in the EU has been carried out in 2018 by the author, together with Yann-Sven Rittelmeyer, helped by Alexander Dunne, Coline Schupfer, and Enrico Di Gaspero.

23 Japan-US Clair foundation is (CLAIR) is a government-affiliated foundation that works to support local governments’ international cooperation efforts, using the knowhow and extensive international network to provide training opportunities, fostering people-to-people exchange and carrying out research on behalf of local governments.
THE NEXT 10 YEARS - OVERCOMING DEVELOPMENTAL LIMITATIONS

LINKING THE LEVELS

OUTREACH

- Monthly EPRS NEWSLETTER 2.0 to be sent to partners on all levels
- Annual update of the DATABASE OF PARTNERS’ CONTACTS for all levels
- Building URBIS 2.0 platform for communication with partners on all levels
- Linking the Levels EU EXCHANGE PROGRAMME for experts and officials
- Building EPRS capacity to SYNTHESISE PARTNERS’ INPUT from all levels

EXTERNAL INPUT

- Activating EPLoS & EPAS schools info points to include EPRS publications
- Upgrading Europe Direct Info Centers into interactive contact points in EU regions
- High-level Welcome pack to newly elected/appointed govt authorities
- Building automaticised DIGITAL AI AGGREGATION of partners’ sentiment
- Building AGGREGATE DOCUMENT OF PARTNERS’ WORK for all levels
- Systematic CONSULTATION OF PARTNERS from all levels

LEVELS OF GOVERNMENT

- Governmental partnerships with EU regional executives
- Governmental partnerships with EU regional parliamentary assemblies
- Structured relationships with national parliaments
- Partnerships with national parliaments on research 2.0
- Governmental organisations partnerships
- Sub-federal partnerships between large continental democracies

GLOBAL

- International organisations partnerships
- Establishing Linking the Levels INTRA-EP WORKING GROUP
- DG EPRS-DO TRAD working group on partners’ expertise translations
- Establishing Linking the Levels EU INTER-INSTITUTIONAL WG for all levels

EUROPEAN

- Upgrading Europe Direct Info Centers into interactive contact points in EU regions
- Governmental partnerships with large EU cities
- Governmental partnerships with EU regional executives

NATIONAL

- Governmental partnerships with municipalities
- Governmental partnerships with large EU cities
- Governmental partnerships with EU regional executives

REGIONAL

- Governmental partnerships with EU regional executives
- Governmental partnerships with EU regional parliamentary assemblies
- Structured relationships with national parliaments
- Partnerships with national parliaments on research 2.0

LOCAL

- Governmental partnerships with national parliaments
- Governmental partnerships with EU regional executives
- Governmental partnerships with EU regional parliamentary assemblies
- Structured relationships with national parliaments
- Partnerships with national parliaments on research 2.0

EXTERNAL INPUT

- Activating EPLoS & EPAS schools info points to include EPRS publications
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- Upgrading Europe Direct Info Centers into interactive contact points in EU regions
- Governmental partnerships with large EU cities
- Governmental partnerships with EU regional executives

NATIONAL

- Governmental partnerships with municipalities
- Governmental partnerships with large EU cities
- Governmental partnerships with EU regional executives

REGIONAL

- Governmental partnerships with EU regional executives
- Governmental partnerships with EU regional parliamentary assemblies
- Structured relationships with national parliaments
- Partnerships with national parliaments on research 2.0

LOCAL

- Governmental partnerships with national parliaments
- Governmental partnerships with EU regional executives
- Governmental partnerships with EU regional parliamentary assemblies
- Structured relationships with national parliaments
- Partnerships with national parliaments on research 2.0
Cooperating with continental democracies

SUMMARY

The rules-based global order underpinned by the international institutions established after World War II is currently facing serious challenges. The volatile economic and security policies of the current US administration, the growing international influence of an increasingly authoritarian China, and Russia’s attempts to sabotage the democratic process in some countries pose serious risks to global stability and to the spread of liberal democracy. Additionally, the consequences of the 2008 to 2009 crisis have undermined the faith of many people in the effectiveness of the free market and globalisation, leading to a resurgence of protectionism and nationalist populism. This growing international instability poses many threats to the European Union, but also offers it an opportunity to reconsider its foreign policy strategy and the tools used to safeguard and to promote its principles. In this context, it is vital for the EU to foster alliances and partnerships among like-minded actors to achieve foreign policy goals, including that of shaping the norms and rules of the international system. A key question for the EU is therefore how it can build more effective cooperation with democracies of a comparable size, population, and with a similar multi-level system of governance, to tackle challenges faced at internal, bilateral and multilateral levels. Taking into account the mixed results of previous efforts but understanding the need to achieve such cooperation, the next decade will undoubtedly be marked by renewed efforts by the EU to solidify and develop partnerships with these ‘continental democracies’. The transatlantic relationship can serve as a basis for these partnerships. Cooperation with these actors is critical to the EU’s aspiration to be a global player (one of the EU’s main priorities) in trade, security and development, but also in shaping the direction and future of multilateralism as embodied by the institutions of global governance.

Introduction

It is impossible not to believe that, at the current pace of change, the world will be a very different place a decade from now. As illustrated by several foresight studies, by 2030 the global context may exhibit some, or all, of the following characteristics:

- Western democracy-related values (such as checks and balances) that form the basis of the current multilateral order will be severely tested in a process that has already begun.
- Power and influence in the international system will be diffused among a number of actors, not all of which will be democratic. Unipolarity, with the US in the lead may be over and other systems – beyond democracy – may be thriving and delivering domestically and internationally.
- The ‘democracy vs authoritarianism’ debate will spread to levels beyond the state, such as cities but also the digital world.
- The EU may (still) be caught in a war on standards between the US and China.
- The United Nations Security Council (UNSC) may be more influenced by non-democratic forces, if China and Russia engage more systematically in pushing back democratic demands on an international scale.
To uphold the values enshrined in the EU Treaties and to achieve the aims of its common foreign and security policy, the EU will need to counter the growing influence of non-democratic and non-liberal actors and seek new and reinforced alliances with big, democratic players in order to avoid the deterioration of democracy, human rights and, ultimately, of peace at national, regional and global levels. Those liberal democracies that share a larger or lesser degree of openness with the EU, are challenged by the same vulnerabilities that are present in the EU – some of them deriving from the openness itself (e.g. more space for foreign influence of all types) – but critically stand to benefit from the preservation of the rules-based international order that is a cornerstone of the EU’s external action.

It is important to note that Europe will only be able to generate new or reinforce existing alliances if it is able to assert its power (for example its competitiveness at global level); if it has clarity – for itself and for its partners – about its identity and the goals it aspires to; and if it is able to prove that it can effectively deliver on major issues (security, migration, climate change, etc.). Addressing these challenges – some of which require work to reinforce the EU internally – is essential at external level.

Why continental democracies?

The idea of cooperating with large democracies is implicitly enshrined in the Treaty of Lisbon and, in particular, in Article 21 (Title V) which stipulates that 'the Union shall seek to develop relations and build partnerships with third countries, and international, regional or global organisations which share the principles [of democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law]'. The Treaty refers to these principles as those that inspired the EU’s own creation, development and enlargement. While democracies today are defined (and self-defined) in a multitude of ways, leading to a variety of democracies, the definition of a large (or any) actor as a democratic one depends on at least one minimum universally acceptable standard: that of power being held by the people or by their elected representatives. The EU itself, through Article 10 of the Treaty on European Union (TEU), defines itself as an actor 'founded on representative democracy' with governments accountable to citizens through their elected representatives.

The democratic peace theory posits that democracies are more peaceful in their foreign relations. There are several accounts of the relationship between democracy and peace, with most focusing on domestic political institutions, domestic political norms, and constructed identities. Therefore, cooperation with other major democracies, is not only mutually beneficial, but also key for the pursuit of peace on a global level, a major goal of EU foreign policy. For the purposes of this paper, democracies that exhibit the characteristics outlined in this introduction will be referred to as ‘continental democracies’, the term ‘continental’ alluding to their relative size. Consistent with the definition of democracy briefly discussed above, the countries included in this group will be considered democratic on the basis of the minimum standard: free and fair elections.
From past EU efforts to a forward-looking approach

Since 2003 and the first EU security strategy, the EU has made commendable efforts to engage with large and powerful potential strategic partners or allies bilaterally, with the long-term objective of spillover from these bilateral partnerships to the multilateral level. It has – at times, simultaneously – taken an inter-regional approach, engaging with other regional organisations, primarily through trade, with the same end goal. Yet both approaches have presented challenges. The ‘strategic partnership’ approach took into consideration the economic and military (material) power of partners, but at times overlooked the fundamental difference caused by diverging approaches to democracy and its related values (China and Russia, for example, were on the list of strategic partners). The interregional approach, on the other hand, posed limitations to collaboration on ‘high politics’, on account of the fact that partners exhibited a lower level of ‘integration’ or ‘supranationalisation’ than the EU and lower standards in terms of the quality of democracy (one example is Mercosur and the accession of Venezuela).

The idea of a distinct strategy for cooperation with large federal democracies at the level of a continent is an innovative one in this context. First because it opens up the possibility for institutionalised cooperation with a group that is not economically (GDP) or geographically defined (regional), but rather defined by the presence of democratic norms and related values (possibly a G-x or D-x of large democracies with a prospect of being progressively institutionalised as a group, like the G20 did gradually). It is interesting, for example, that no specific initiative for EU cooperation with the ‘IBSA’ (India, Brazil, South Africa) group ever took off, even though it is a group of large democracies. Conditions for participation in this group would bear some resemblance to the criteria for EU accession, going beyond economics and considering as a precondition the commitment to democracy, rule of law and to the rules-based international order.

**Continental democracies**

*In the developed world*

It is a general observation that the vast majority of countries in the developed world are democracies. Scholarly debate has tended to conclude that this is the case because ‘social structures that facilitate democracy also improve economic development’ rather than that developed countries choose to be democracies. Japan, the Republic of Korea, Canada, Australia and the United States are examples of established democracies in the developed world that, in addition, resemble the EU in either size, population and/or federal structures.

*In the developing world*

The end of authoritarian regimes consolidated before and during the Cold War and/or colonial times led several states to the path of transition towards democracy. During the first decade of the new millennium several of these states – some significant in population and territory size – were branded ‘emerging’ or rising ‘democracies’. As highlighted by the Overseas Development Institute, *most countries across the developing world today are formal, if highly imperfect, democracies – so the real question is no longer whether they can deliver, but how they can do so*. Of these, India, Turkey, Brazil, South Africa and Mexico have already received particular attention as partners for the EU and others, such as Indonesia and Nigeria, present characteristics that suggest potential for more fruitful cooperation.
Potential partners

Looking at our partners for the future, the idea of big, democratic 'ensembles' as partners, opens up prospects for cooperation that go beyond sectoral policies and touch upon issues such as the preservation of liberal democracy and the values that it advocates. As mentioned in the introduction, the distribution of economic power and global influence in the future is likely to favour non-democratic regimes, with China projected to overtake the US as the world’s largest economy, and countries such as Egypt, Iran and Nigeria, with lesser or minimal degrees of freedom, likely to be among the twenty largest economies in the world by the year 2030. At the same time, the list of major economies that are projected to maintain economic and potentially political power (for example through membership of the G20) includes several large democracies such as the US, India, Japan, South Korea, Canada and Brazil, as well as countries whose state of democratisation is gradually advancing – yet facing significant challenges – such as Indonesia. Apart from being large economies, these countries present – to greater or lesser degrees – similarities with the EU in terms of size of territory, population, and cultural, religious and linguistic diversity and, for most of them, multi-level democracy. They also share, to a greater or lesser degree depending on size and history, a recognition of the unifying role of federal-level representative institutions, in particular parliaments, in the creation of a national-level identity going beyond the aforementioned diversities. In many cases, the historical memory of deadly conflict caused by religious, linguistic, ethnic and other diversities. In many cases, the historical memory of deadly conflict caused by religious, linguistic, ethnic and other diversities within their territory, has rendered the link between representative democracy and peace into an existential one, much like in the EU. The Indian Constitution, for example, today recognises 23 languages, spoken in different parts of the country, as a result of its federal structure and its history. The linguistic diversity and the governance challenges that accompany it, resemble those faced by the EU, which currently numbers 24 official languages. These challenges range from purely administrative issues, such as the importance of translation and interpretation, to specific dimensions of policy, for example in the domain of education. Several of these large democracies are federal republics, consisting of several states with their own legislatures. Mexico, for example, is a federal republic formed by 32 sovereign states with their own congresses, Indonesia, consisting of over 13 000 islands with almost a thousand of them

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<tr>
<th>Largest economies in 2030 and G20 members</th>
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<td>20 Largest economies in 2030</td>
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<td>1. China</td>
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<td>6. Brazil</td>
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<td>17. Canada</td>
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<td>18. Spain*</td>
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<td>19. Iran</td>
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<td>20. Egypt</td>
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<tr>
<td>Additional G20 members</td>
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<td>South Africa</td>
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<td>Australia</td>
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<td>EU</td>
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Sources: PWC, 2015; Freedom House, 2018; World Bank Data Catalogue, GDP Ranking 2017; Economist Intelligence Unit; Jane's IHS Markit country dashboards

* Spain attends the G20 summits as a 'permanent guest'.
permanently inhabited, faces its own particular challenges in making decentralisation and multi-
level governance work, some of which are familiar to the EU in terms of its regional policy given that
many EU Member States have islands and insular territories.

These potential partners also carry economic and political weight and have a regional role to play. One cannot overlook, for example, the defining role of Brazil in the creation of regional organisations such as Mercosur and Unasur in South America. Enhanced cooperation between the EU and these continental democracies could, thus, have a strong diffusion effect across regions, particularly in engagement with smaller states in the process of democratisation. Other potential partners have an important role to play in enhancing and facilitating the EU’s cooperation with regions of critical importance for the EU. Africa is a case in point. According to current forecasts, by 2100 more than half of the world’s growth and one third of the world’s population is expected to come from the continent. The median age in sub-Saharan Africa is 19.5, a stark contrast to 38 in the US, 43 in the EU and 47 in Japan. The implications of these demographics are enormous for the future of labour and migration, among other things. As the African continent struggles with development and democratisation, a stronger partnership between the EU and big African democracies, such as South Africa, could facilitate the implementation and further evolution of the EU’s already ambitious and evolving Africa policy.

The transatlantic model

In practical terms, bilateral cooperation with the countries identified could follow the model of the ‘special relationship’ between the EU and the US, which features a variety of high level dialogues, an enhanced presence for the EU institutions (including a dedicated European Parliament Liaison Office – EPLO in the capital) and substantial dialogue at legislative level. Transatlantic relations also offer interesting examples for sectoral cooperation on the ground (for example in security and development policy), exchanges of know-how and mutual information sharing. Just as the EU enjoys a special relationship with the US, based on the community of democratic values, the EU could build such special relationships with other ‘continental’ democracies.

At the same time, it is impossible to overlook the impact of the Trump administration on transatlantic relations, not only in terms of policies but also in terms of a shared understanding of democracy, multilateralism and liberal internationalism – including the role of international law. The election of Trump, coinciding with a rising wave of populism and some degree of illiberal tendencies at home, raises the all-important question of proximity between administrations and citizens. While over past decades, the US and EU have worked together to preserve and build a globalised international system with multilateral institutions as a central feature as one of the elements of global democracy, electorates are increasingly indicating a rejection of this project through their preferences. If anything, this experience, should be built into any future cooperation with large democracies: the sensitive equilibrium between the average citizen’s daily life and circumstances and the ambitious project of a peaceful, rules-based and representative global order should be a central focus. Linking the levels between the public and the international is a vital component. In this, cities, regions, education and technology are possibilities that should be explored in full. Given the size and the sensitive relationship with sovereignty of several of these continental democracies, it is also important to disperse any sense of imposition of norms and/or of a vision of the global, thus avoiding accusations of hegemonic and post-colonialist approaches that have led to previous failure to engage.

Finally, and in line with what the founding Treaties envisage for external action, consideration should be given to how to ensure consistency between external action (in this case cooperation with major democracies) and other EU policies. Migration and environmental policy are two areas that can exemplify the internal/external nexus. At the same time, public outreach (media and other communication actors) across the spectrum of democracies should be mobilised to convey the inextricable link between cooperation and the achievement of major foreign policy goals, not least among them to preserve peace, foster sustainable development and tackle crises of various kinds. The EU itself can only remain relevant in the global environment by inspiring cooperation; while the current environment is characterised by the military might of the US and Russia, and the economic
growth of China as an antagonist to the US, few international actors of this scale can lead in diplomacy and international cooperation in the way that the US did after the end of WWII. A G-x of democracies, supported by the EU, could fill this critical gap.

**Areas for cooperation**

**Consolidating democracy on the domestic front**

Today's largest democracies demonstrate different levels of democratic consolidation. In addition, even in those that have been stable democracies for the past century the institutions of democracy are being challenged from various sides. Therefore cooperation to consolidate and preserve the fundamentals of democracy is needed.

- The challenges faced by these players are similar to those faced by the EU: legislating and managing subsidiarity, guaranteeing peace between components, finding a balance between different levels of governance, identifying common interests while respecting diversity, and ensuring cohesiveness and the redistribution of wealth.
- The diplomatic missions of the Member States and the Union delegations in continental democracies should cooperate and should contribute to formulating and implementing a common approach (enhancing the use of Article 32 TEU).
- Parliaments can be strong vectors of unity and continuity at times when executives change – often between extremes. By analogy, parliamentary diplomacy can be a strong vector for cooperation. The European Parliament has developed a pioneering and so far unique approach of **structured** parliamentary outreach towards its partners: the transatlantic legislators' dialogue, the successful European Parliament/national parliament common projects (e.g. common European Parliament/French Parliament cooperation on democracy support in Tunisia), as well as MEP study visits with priority partners could serve as a model for European Parliament/third country parliament projects.

**Strengthening bilateral ties**

Fruitful and efficient bilateral cooperation among democracies has been shown to enhance the 'soft' or 'normative' power of attraction related to democracy. Bilateral cooperation should be framed in such a way as to avoid previous pitfalls and obstacles such as post-colonial approaches (or perceptions thereof); duplication of resources and efforts; problems with identifying relevant stakeholders, etc. To reinforce the importance of like-mindedness and the benefits of the 'community of democracies' it is important that the EU illustrate and prioritise cooperation with those countries in mutually beneficial fields:

- in trade, the conclusion of comprehensive large scale agreements;
- in security and defence, enhancing trust and creating alliances, through the exploration of exercises and possibilities for cooperation in defence research and industry and military projects, including NATO global partnerships (making use of the EU position in NATO);
- in development, with the common identification of regional necessities and approaches.
- going beyond capitals, EU Member State consular missions in major cities – often referred to as 'global cities' (e.g. Los Angeles, Sao Paulo, Mumbai, Sydney) could work closer together to promote business and other ties between the EU and the partner countries.

**Preserving the multilateral rules-based order**

The multilateral order may be imperfect but it can to a large extent be credited with the preservation of peace and prosperity. Based on the agreement that reform is needed, but not at the expense of democracy, continental democracies can work together to make the necessary changes in the
existing architecture of global governance in trade, development, international justice, security, democracy support and humanitarian aid.

- The EU should continue seeking partnerships in international fora, through the recognition of commonalities.
- Several analysts have written about possible groups of 'like-minded and capable' democracies as forces to promote strategic goals in international organisations, for example a D-10 or G-9 that would advance the liberal international order. None however consider the EU as a single actor. That should change. A D-6 or -7 of democratic states could be considered with a focus on democracy, based on **minimum common democratic denominators** for the national level and the vision of the international system, and possibly safeguards in the event of the deterioration of democracy (e.g. the Mercosur democracy clause that led to the temporary suspension of Paraguay and Venezuela, or Article 7 TEU).
- Reform of the WTO should be based on respect for rules and standards. It should be possible for the EU to get these partners on board.

**Educating a new generation of democratic global citizens**

Providing a common understanding of the benefits of democracy domestically and internationally is a key point. Stakeholders from education, media and the arts across large democracies are some of the actors who can be further mobilised, in particular by means of outreach to youth. Demographics suggest that the younger generation in the developing world will have a critical role to play in the configuration of the future of international politics.

- Awareness should be raised of how democracy functions in other parts of the world – both the similarities and the differences.
- A sense of common values could be enhanced by the actual experience of staying in one of the partner countries (an educational exchange or traineeship perhaps).
- The media (documentaries, news, blogs, videos) should raise this awareness.

**The future's new frontiers: foresight, forecasting and crystal balls**

Today's international environment is a challenging and unstable one. While tackling day to day policy challenges, electoral cycles and political developments, these major democracies (like all states) also bear responsibility for the prevention or at least the management of the known and unknown crises the future may bring. At geopolitical level, some of these countries are tackling a constant threat of the possible increase in the influence of authoritarian players in their region. Others face the possibility of high-impact climatic changes, with a huge social and economic impact. Other still are threatened by growing imbalances in the cyber field between them and hostile groups. At the same time, the future with its immense potential for technological advances, could hold great benefits for these emerging democracies. Thus, a final point of cooperation is, in fact, the future itself and more specifically the art of forecasting it, preventing disasters and precipitating beneficial technological advances with the potential to aid democracy and its cherished values.

**Monika Nogaj**
February 2019
## Possible initiatives

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<tr>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done</th>
<th>colour</th>
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<tbody>
<tr>
<td>1 Mapping capacities and powers in continental democracies</td>
<td>European Parliament</td>
<td>As a basis for cooperation it is important to map the (executive, legislative and judicial) powers of institutions at different levels in partner democracies and, vice versa, for them to be aware of who is their counterpart in different areas. This will help identify issuespecific interlocutors on all levels.</td>
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<td>2 Cooperation below federal level</td>
<td>European Commission, Member States and regional entities</td>
<td>Many of the policies in which democracy enables cooperation are implemented and at times formulated at state (as opposed to federal) level. State to state cooperation and even that between local actors in areas such as environment, urban regeneration, housing and infrastructure, but also in the quality of democracy (e.g. sharing local election best practices) should be included in partnerships. Build global partnerships on the model of the Covenant of Mayors and the Urban 20 Summit. Enhance cooperation among EU Member States’ consulates in ‘global cities’.</td>
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<td>3 Set up EPLO offices in partner countries</td>
<td>European Parliament</td>
<td>The European Parliament was the first parliament in the world to conduct structured parliamentary diplomacy via its liaison office in Washington. Based on this positive experience, European Parliament liaison offices should be set up in other partner countries (India, Brazil), and/or serve as regional hubs.</td>
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<td>4 Expand parliamentary diplomacy</td>
<td>European Parliament</td>
<td>The US model of substantial legislator dialogues and joint parliamentary missions to third countries (fact-finding, election observation) should be followed, building on examples of cooperation with other partners, organising exchanges and study visits by parliamentarians from partner countries.</td>
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<td>5 A common democratic history project/house of democracy</td>
<td>European Commission and European Parliament</td>
<td>Fund the construction of monuments to democracy in all major democratic capitals with links to each other (see some past UN exhibitions). A rotating exhibition across partner countries and major cities (based on the model of House of European History) mapping the difficult course towards democracy in all these parts of the world and identifying others in region still struggling. Make the public aware of the struggle for democracy and the fruits reaped from it across the world.</td>
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<td>6 Legislation in progress</td>
<td>European Parliament</td>
<td>Rolling table/checklist to monitor the progress of legislation on issues of common interest in the European Parliament and partner parliaments (e.g. GDPR/data protection).</td>
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<td>7 Safer and smoother elections</td>
<td>European External Action Service and European Parliament</td>
<td>Jointly develop methods to ensure smooth and safe democratic processes (elections) in the countries themselves and in their regions. Coordinate more on election observation missions in partner regions (continents). Expand on existing models of cooperation, for example between the EU/UN and African Union.</td>
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<td>8 Move discussions on visa liberalisation forward</td>
<td>European Commission</td>
<td>Facilitate reciprocal visa-free travel for tourism, business and short study stays such as the one with Brazil, 2012. (Currently the Commission is adapting the Common EU visa policy).</td>
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<td>9 New models for development cooperation</td>
<td>European Commission and European External Action Service</td>
<td>Development is a common challenge for some continental democracies (e.g. Brazil, India and South Africa) since they need to remedy large inequities at the domestic level and function as donors too. Working with them through common trust funds for development cooperation projects at home and in third countries, creating partnerships targeted at specific development needs (involving maximising the efficiency of the budget) and linking development to democracy support (domestically and in third country projects) are some of the ongoing targets that could be enhanced.</td>
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<td>Project</td>
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<td>10</td>
<td>European Commission and European Parliament</td>
<td>Completed (Canada), ongoing and future trade negotiations for FTAs (or upgrades of existing FTAs) must remain on the agenda with an emphasis on the links between trade and sustainability – political, economic and environmental. The EU-Indonesia Agreement is an interesting case to follow and draw lessons from given the parallel process of democratic consolidation.</td>
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<td>11</td>
<td>Member States and all EU Institutions</td>
<td>Step up economic diplomacy, including through the visits of MEPs and the European Parliament President (see the example of President Tajani’s visit to Nigeria), business to business links including female, youth and social entrepreneurship focus. Give incentives to businesses and entrepreneurs (perhaps through the next multiannual financial framework (MFF) to explore cooperation with these countries. EU offices in Member States should communicate opportunities.</td>
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<td>12</td>
<td>European External Action Service and Member States</td>
<td>Creating new CSDP partnerships with continental democracies, including in naval operations (countering piracy). In addition, as EU military cooperation evolves based on the new initiatives (permanent structured cooperation (PESCO), military mobility, development of joint capabilities), explore participation or observation in joint military/naval exercises with or among these countries (e.g. common naval IBSA exercise in Goa in 2016). Build on the example of the simulated peacekeeping Mission Viking (Brazil, 2018), bringing in other large non-European democracies as hosts.</td>
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<td>13</td>
<td>European External Action Service and PESCO Member States</td>
<td>As the ongoing discussion about third-country participation in the new defence initiatives moves forward, Member States could consider democracy as prerequisite in future rules (conditions) for participation in new defence initiatives (e.g. PESCO, European defence fund (EDF)) and – the reverse – exclusion in cases of deterioration of democratic conditions.</td>
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<td>14</td>
<td>European Commission and European External Action Service</td>
<td>The strategic partnerships launched following the 2003 European security strategy envisaged bilateral summits, but these were not surrounded by a narrative and context that would reach the public. Democracies should work with national media to frame and explain the strategic and principled nature of these summits. In the EU the Commission could lead this effort given links to media from all Member States.</td>
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<td>15</td>
<td>European External Action Service</td>
<td>Some of the major democracies in the world, such as Brazil, Japan and India, are part of the G-4 which has had a longstanding agenda for the UNSC. The EU should continue to engage in a serious and earnest discussion about this with all major democracies, going beyond the allocation of permanent seats but touching on burden sharing, efficiency and the principle of responsibility to protect (building on previous efforts made by several of these countries).</td>
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<td>16</td>
<td>European Parliament</td>
<td>Global governance and its architecture suffers from a relative deficit in representative democracy. Parliaments across large democracies could work together (through delegations and joint committees among other things) to reinforce the parliamentary dimension of international fora (e.g. G-20). A joint parliamentary resolution across a potential D-x of democracies on the reform of global governance and its democratic dimension could be considered.</td>
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<td>European Council</td>
<td>Initiate the formation of a D-x of large democratic states at foreign minister/leader level with a possibility to expand (based on the G20 model), based on minimum common democratic denominators for national level and the vision of the international system, and possibly safeguards in the event of a deterioration of democratic standards. On the agenda: political cooperation and constructive reform of the rules-based international system.</td>
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<td>Strategic consultation and policy coordination in the UNGA and other fora</td>
<td>European External Action Service and European Commission</td>
<td>The United Nations General Assembly (UNGA) and other multilateral fora are the premier spaces for crisis response in many areas of new security threats (epidemics, climate, and population movements). The Commission could kick-start a conversation among the ‘D-x’ of like-minded democracies to coordinate positions on these issues before the UNGA/G20/COP and/or other fora.</td>
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<td>Create a university network across the partner democracies</td>
<td>European Commission and European Parliament</td>
<td>Set aside funding (to be met by funding in partner countries) in the next MFF for such a network or fund through Horizon 2020 and counterparts.</td>
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<td>Joint project on role of parliaments in consolidating democracy</td>
<td>European Parliament</td>
<td>A joint project on the role of parliaments in the consolidation of democracy in these countries: arrange launch to take place in all partner countries and languages. Some work could be done within the framework of the Inter-Parliamentary Union and thus reach out to other smaller democracies, or countries in earlier stages of democratisation.</td>
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<td>Youth exchange: enhancing Erasmus Mundus and increasing EU global traineeships</td>
<td>European Commission and European Parliament</td>
<td>Tailored Erasmus Mundus for continental democracies. Focus on courses that help explain how democracy works. Create more traineeship programmes for the other major democracies based on the model existing for US citizens coming to EU institutions. Establish a network of all interns to keep in touch after the end of their traineeships.</td>
<td></td>
</tr>
<tr>
<td>Global democratic future leadership academy</td>
<td>European Parliament</td>
<td>Brussels could host a youth leadership academy for future leaders (all sectors) from the D-x countries. Young entrepreneurs could be challenged to devise solutions (including through technology) for hands on policy issues and share know how with experienced policy makers from across the countries. The Paris Peace Forum could serve as a model for the innovation part, while the initiative could build on the Young Leaders Programme at the European Development Days.</td>
<td></td>
</tr>
<tr>
<td>Future hub</td>
<td>European Parliament and the ESPAS</td>
<td>Develop a space for joint simulations of future crises: how will we handle the next epidemic, dictatorships, war, natural disaster together? Collaborative funding for scientific cooperation for forecasting/predicting future scenarios. This would involve the STOA Committee, Global Trends/ESPAS counterparts in other continental democracies and strategic planning units in ministries.</td>
<td></td>
</tr>
<tr>
<td>The communication and digital dimension in democracies</td>
<td>European Parliament and European Commission</td>
<td>Introduce to all parliaments a discussion on digital democracy, and the benefits and problems of digitalisation for democratic processes. Encourage media partnerships and joint responses to digital platforms and their influence. Build on joint efforts to tackle fake news campaigns that smear democracy.</td>
<td></td>
</tr>
</tbody>
</table>

**ENDNOTES**

1 In tackling this issue, this paper is consistent with the work being done on long-term global trends in the European strategy and policy analysis system (ESPAS) process, but with a much stronger focus on operational challenges and choices, particularly for the European Parliament.

2 According to the [Cambridge Dictionary](https://dictionary.cambridge.org/) the term ‘continental’ may refer to entities ‘of or relating to continents’.

3 Cooperation with continental democracies does not exclude the possibility of engaging with non-democratic countries. Rather, it offers the possibility to work together with democratic partners on elaborating a strategy for this engagement, consistently with the Treaty of Lisbon itself which stipulates that the EU ‘shall promote multilateral solutions to common problems’ and that the EU will pursue a high degree of cooperation in international relations for the consolidation and support of democracy. One option would be to consider cooperation in areas of low-politics (such as climate or trade), a strategy which is already being implemented by the EU, but to bring in the ‘alliance’ with other major democracies as additional leverage. Such efforts should, of course, be examined on a case by case, and with ex ante assessments depending on the sector.
THE NEXT 10 YEARS
- OVERCOMING DEVELOPMENTAL LIMITATIONS

COOPERATING with CONTINENTAL DEMOCRACIES

- Global Democratic Leadership Academy
- Future Hub
- Communication & digital dimension
- Mapping capacities and powers in democracies
- Cooperation below the federal level
- EPLO Offices
- Expand Parliamentary diplomacy
- A common democratic history project/House of Democracy
- Legislation in Progress
- Safer and Smoother Elections
- Move forward discussions on visa liberalization
- New models for development cooperation
- FTAs to be upgraded and reinforced
- Increase economic diplomacy, business to business links
- Facing crises together, CSDP and joint exercises
- Parliamentary cooperation for Global Governance
- Transparent and visible bilateral Summits
- Participation in new defence initiatives
- Preserving the multilateral rules based order
- Strengthening bilateral Ties
- Educating the new generation of democratic global citizens
- consolidating democracy domestically
- University Network
- Strategic consultation and coordination in ML fora (Dx)
- Role of Parliaments in consolidating democracy
- Youth exchanges and traineeships
- UNSC reform

Parliamentary cooperation for Global Governance
- Preserving the multilateral rules based order
- Strengthening bilateral Ties
- Educating the new generation of democratic global citizens
- Consolidating democracy domestically
Building complementary (executive) capacity
Euro robustness

SUMMARY
Almost 20 years after its introduction, the euro area’s common currency is one of the main symbols of the European Union. The euro is used by 340 million people and is the second biggest international currency after the US dollar. The events of the last decade have shown that one of the most important factors for its acceptance, i.e. its resilience, is closely linked to the strength of euro area economies. A series of measures were therefore taken on three fronts to increase its robustness: measures to increase investment, to complete the single market and to strengthen fiscal and economic union. Other measures are currently under discussion to further enhance the relevant frameworks and make the economic and monetary union more resilient.

The euro today
Today, euro banknotes and coins are legal tender in 19 of the 28 Member States of the European Union and are used by 340 million people. The euro and the legal framework that underpins it, economic and monetary union (EMU), have been instrumental in promoting price stability, fostering trade and financial integration and ensuring resilience, particularly in turbulent times.

At global level, the euro is the second most important international currency after the US dollar, being used in international financial markets and third countries as an anchor, reserve or intervention currency. While part of this international role was inherited from the euro’s legacy currencies, the advent of EMU has provided it with a new impetus, with the creation of a large single monetary area and the integration of its domestic financial markets.

The first decade (1999-2009)
In addition to increasing in importance during the first part of last decade, the euro’s role remained relatively stable, despite the several geopolitical challenges the EU faced and the financial crisis of 2007 to 2009. It is also noteworthy that the EU responded to this financial crisis in a broadly similar way to the United States: on the monetary side, both the Fed and the European Central Bank changed their operational framework – including more frequent auctions and changes in their procedures, an expansion of the volume of lending facilities, longer-term financing, a broadening of the range of accepted collateral and the setting up of liquidity facilities for intermediaries other than banks. When the need for additional action arose, they both resorted to non-conventional measures and quantitative easing (although the ECB did so at a later stage). On the fiscal side, while the management of the support measures varied across EU countries, as well as between the EU and the US, those measures have been implemented through ministries of finance, through broadly the same tools (government guarantees, capital and liquidity injections and asset protection) with mainly similar conditions, i.e. restrictions on dividend payments, regular reporting on business developments, restructuring requirements, government participation in banks' management, and, in some cases, explicit targets to increase lending. Lastly, from the table below, it can be seen that the fiscal support of both blocs totalled the same level of commitments as a share of gross domestic product.
The EU, therefore, showed during the global financial crisis that it could adopt the necessary policies and mobilise adequate resources to avoid a meltdown. At the same time, the measures deployed to fight the crisis created conditions that – despite not being the only cause – ultimately contributed to the sovereign debt crisis (in the cases of Spain and Ireland, for example, through the sovereign-bank nexus). Furthermore, the magnitude of resources committed to support the banking sector, showed EU leaders that the regulatory framework at their disposal in the area of financial institutions and financial markets had to be strengthened. Likewise, the sovereign dimension of the crisis and its effects on public finances led Member States to adopt an array of measures to stabilise the fiscal situation of sovereigns.

The European sovereign debt crisis

The sovereign debt crisis laid bare the incomplete design and inherent instabilities of EMU, and the fragmentation of the financial system of the euro area as a result of the crisis caused – for the first time since the euro’s adoption – a decline in the international use of the currency. The European reaction was, again, monetary (ECB), financial and fiscal. The ECB adopted unconventional monetary policy measures and signalled that it would do ‘whatever it takes’ to preserve the common currency. For their part, European leaders resorted initially to bilateral loans to the countries in distress, before increasing the number, scope, lending capacity and tools of European supranational issuers (see table below). As a counterbalance, they strengthened the regulatory framework relative to European economic governance – specifically the measures taken to enhance fiscal and macroeconomic surveillance (macroeconomic imbalance procedure) and further supervise EU banks (banking union). These measures increased the euro’s resilience, something demonstrated by the broad stabilisation of its international use after 2013.

<table>
<thead>
<tr>
<th>European supranational issuers</th>
<th>Balance of payments facility</th>
<th>European Financial Stabilisation Mechanism</th>
<th>European Financial Stability Facility</th>
<th>European Stability Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal foundation</td>
<td>Supranational body (EU)</td>
<td>Private company</td>
<td>International financial institution</td>
<td></td>
</tr>
<tr>
<td>Established in</td>
<td>2002</td>
<td>2010</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>Lending capacity</td>
<td>€50 billion</td>
<td>€60 billion</td>
<td>€440 billion (effective lending capacity)</td>
<td>€500 billion</td>
</tr>
<tr>
<td>Tools</td>
<td>Loans or credit lines</td>
<td>Loans and interventions in bond markets</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: European Commission, June 2018.

A correlation, therefore, came to light between, on one hand, the robustness of the euro and its international importance, and on the other, the strength of the EU economy and the completion of the financial, economic and fiscal governance framework for economic and monetary union.8

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Commitments

<table>
<thead>
<tr>
<th>Commitments</th>
<th>European Union</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital injections (in € billion)</td>
<td>236.1</td>
<td>(310)</td>
</tr>
<tr>
<td>Liability guarantees (in € billion)</td>
<td>957.7</td>
<td>(2 152)</td>
</tr>
<tr>
<td>Asset support measures (in € billion)</td>
<td>346.5</td>
<td>(238)</td>
</tr>
<tr>
<td>Total commitments as % of GDP</td>
<td>26 %</td>
<td>26 %</td>
</tr>
</tbody>
</table>
Initiatives following the crises

In this context and on top of the economic governance measures, several initiatives were taken around three main pillars, aimed at relaunching economic growth and enhancing economic and monetary union. The first area involved completing the single market. In this context, the most important novelty was the capital markets union initiative, which aimed, among other things, to complement bank financing, to provide impetus for further investment and contribute to risk-sharing and reduction. The second area related to the investment gap that became evident as of 2008. In this area, the major initiative was the Investment Plan for Europe which intended to mobilise private investment through the European Fund for Strategic Investments (EFSI) and to provide visibility and technical assistance for investment projects. The last area was economic and fiscal union where – in parallel to strengthening the existing economic governance framework through the European Stability Mechanism (ESM) or the Fiscal Compact – discussions began in 2012 on how to further integrate frameworks for the financial sector, budgetary matters and economic policy, while also adding greater democratic legitimacy and accountability to the process. An important milestone in this process was the 2015 report 'Completing Europe's economic and monetary union', drafted by the European Commission President in collaboration with the Presidents of the European Council, Eurogroup, European Central Bank and European Parliament. The report built upon the 2012 Commission communication 'Blueprint for a deep and genuine EMU', which was followed by the December 2012 report 'Towards a genuine economic and monetary union'. On the basis of the 2015 report, initiatives were proposed in two main waves, the first in 2015 and the second in 2017. Lastly, given that the recovery from the crisis in terms of GDP and employment growth was not shared equally among EU citizens within and among Member States, EU leaders proclaimed the European Pillar of Social Rights at the Social Summit in Gothenburg in November 2017.

Going forward

Despite the aforementioned measures, many voices, both institutional and academic, have raised concerns that the EMU is still not complete and that, if additional measures are not taken soon enough, it will still be ill-equipped to deal with another crisis – even one of smaller magnitude. Indeed, market fragmentation has not yet been reduced adequately and, while many measures aimed at strengthening the system or preventing other sources of instability (e.g. the reduction of leverage) have been adopted since 2008, it is still too early to conclude that systemic risk has receded. In addition, as a result of the aforementioned measures, the ECB's monetary policy has been burdened significantly and both public and private debt levels remain high. The fact that the growth potential of the euro area is and may remain low, the possibility that the populists leading some advanced countries might opt for risky macroeconomic policies, and the United Kingdom's expected withdrawal from the European Union are all elements that could have serious repercussions and possibly lead to a new financial or fiscal crisis.

In this context, a number of measures have been proposed by academics and institutions to strengthen the existing framework. In the same vein, some researchers have investigated the lessons that the EU could draw from the US, with particular regard to its fiscal policy and governance, notwithstanding the fact that the EU and US have different financial systems and fiscal governance frameworks. Further insights could be offered by the optimum currency area theory. Despite the fact that it exerted limited influence on EMU as agreed in Maastricht, it contains specific criteria that can be used to measure how close the euro area is to such an area today, and devise additional action to achieve further convergence and strengthen EMU governance. A selection of policy initiatives on EMU reform are listed below.

Angelos Delivorias

February 2019
### Possible initiatives

<table>
<thead>
<tr>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilise additional investment to reduce Europe's investment gap – EFSI '1.0' and '2.0' (Investment Plan for Europe – IPE) initiatives</td>
<td>European Commission and European Investment Bank (EIB)</td>
<td>By <strong>December 2018</strong>, more than €69.5 billion of EIB Group financing had been approved under EFSI, with a projected associated investment of €371.2 billion.</td>
</tr>
<tr>
<td>The <strong>InvestEU programme</strong>, continues the IPE legacy, aiming to mobilise €650 billion in additional investment during the 2021 to 2027 period, through a €47.5 billion total guarantee that would back the investment projects of financial partners (EIB, EBRD, World Bank).</td>
<td>European Parliament and Council</td>
<td>Commission proposal under discussion in Parliament and Council</td>
</tr>
<tr>
<td>A <a href="#">European Investment Stabilisation Function</a> would be used to maintain public investment levels in Member States experiencing large asymmetric shocks. Access to the function would be subject to strict criteria to avoid moral hazard.</td>
<td>European Parliament and Council</td>
<td>Commission proposal under discussion in Parliament and Council</td>
</tr>
<tr>
<td>Further integrate and strengthen the EU banking system, through <a href="#">banking union</a>, (i.e. the <a href="#">Single Rulebook</a>, <a href="#">Single Supervisory Mechanism</a> and the <a href="#">Single Resolution Mechanism</a>).</td>
<td>Part of project complete</td>
<td>The third pillar of banking union (the European deposit insurance scheme) has still to be adopted (please see next point).</td>
</tr>
<tr>
<td>A <a href="#">European deposit insurance scheme</a> would create equal protection for all insured euro area depositors. The proposal is under discussion, Alternative proposals have been formulated.</td>
<td>European Parliament and Council</td>
<td>Commission proposal under discussion in Parliament and Council</td>
</tr>
<tr>
<td>Diversify sources of finance (EU is predominantly bank-centred) – through the <a href="#">capital markets union</a> initiative. First phase (e.g. <a href="#">securitisation</a>, <a href="#">prospectus</a>, <a href="#">EuVECA</a> &amp; <a href="#">EuSEF</a>) complete. Further proposals currently under discussion (including the <a href="#">regulation</a> and <a href="#">directive</a> on covered bonds; the <a href="#">regulation</a> and <a href="#">directive</a> on the cross-border distribution of collective investment funds; and the <a href="#">ESA review</a>).</td>
<td>European Parliament and Council</td>
<td>Commission proposals under discussion in Parliament and Council</td>
</tr>
<tr>
<td>Enhance the single market by establishing a common <a href="#">corporate tax base</a> (CCTB) and a common consolidated corporate tax base (CCCTB).</td>
<td>European Parliament and Council</td>
<td>Commission proposals under discussion in Parliament and Council</td>
</tr>
<tr>
<td>Reduce the sovereign-bank nexus (by encouraging banks and investors to diversify their holdings or euro area bonds), and create further financing tools: <a href="#">sovereign bond-backed securities</a>.</td>
<td>European Parliament and Council</td>
<td>Commission proposal under discussion in Parliament and Council</td>
</tr>
<tr>
<td>Enhance the single market by <a href="#">harmonising EU business law</a>, so as to increase cross-border investment. Possible steps include a <strong>European code of business law</strong> and regulation in new areas,</td>
<td>Academic initiative and National Parliaments</td>
<td>With regard to EU regulation, the European Parliament could commission studies to assess the form and impact of such measures,</td>
</tr>
<tr>
<td>(a 'euro-mortgage', European preservation orders, European insurance contracts, European business loans).</td>
<td>European Parliament</td>
<td>which could lead to a legislative own-initiative report.</td>
</tr>
<tr>
<td>---</td>
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<tr>
<td>Reduce the sovereign exposure of banks in the EU through sovereign concentration charges, or by creating a euro-area basket.</td>
<td>European Parliament</td>
<td>The European Parliament has already published two external studies on the subject, which could lead to a legislative own-initiative report.</td>
</tr>
<tr>
<td>While the directive on preventive restructuring frameworks and second chance is an important step, the nexus between insolvency systems and NPLs strengthens the case for further work towards the harmonisation of insolvency frameworks. Reforms could involve an EU-wide regime for out-of-court procedures, strengthening the supervisory framework, and providing for higher sanctions and redress procedures.</td>
<td>European Parliament and Council</td>
<td>The proposal for a directive is currently under discussion in Parliament and Council. Regarding greater harmonisation, the Commission’s expected study on the differences between bank insolvency laws and their potential harmonisation, or further studies by the Parliament, could lead to a legislative own-initiative report.</td>
</tr>
<tr>
<td>An important step that has been taken in the US and the UK to reduce banking risk (by diminishing the implicit public guarantees on market transactions) involves the separation between retail and investment (including market-making) banking activities.</td>
<td>European Parliament</td>
<td>Measure withdrawn by the Commission. Given that the Volcker Rule came into effect in 2014 and in the UK, banks have to implement the Vickers Report reforms until 2019, Parliament could commission studies to assess the impact of such measures in those countries.</td>
</tr>
<tr>
<td>The above measures, (along with measures to reduce non-performing loans) could in turn encourage the creation of pan-European banks, with more diversified balance sheets, to take advantage of economies of scale.</td>
<td>Private sector / European Parliament</td>
<td>This is largely a private sector initiative. Parliament could commission a study on whether a specific framework to facilitate the creation of such banks is needed.</td>
</tr>
<tr>
<td>While the International Financial Reporting Standards are used by large companies in many EU Member States, the supervision of those standards and auditing companies is currently a national prerogative. To increase the comparability of data, an EU body should be entrusted with the supervision of accounting standards and auditing companies.</td>
<td>European Parliament</td>
<td>Parliament could commission studies to assess the form and impact of such a measure, which could lead to a legislative own-initiative report.</td>
</tr>
<tr>
<td>The creation of supranational issuers to expand EU Member States’ capacity to provide loans for other Member States experiencing (or threatened by) severe financial difficulties, i.e. the European Financial Stabilisation Mechanism, the European Financial Stability Facility and the European Stability Mechanism.</td>
<td>Project completed</td>
<td>Procedure completed, but there are calls for reform of the ESM (please see next point)</td>
</tr>
<tr>
<td>Transformation of the ESM into a European monetary fund in order to bring it into the framework of the Treaties, decrease reliance to the IMF, and increase its accountability.</td>
<td>European Parliament and Council</td>
<td>Commission proposal under discussion in Parliament (consent) and Council</td>
</tr>
</tbody>
</table>
| The Commission issued a communication, arguing for a stronger international role for the euro, and a recommendation on | European Parliament | The European Parliament could commission studies to quantify more effectively the impact of the
<table>
<thead>
<tr>
<th>Page</th>
<th>Text</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Apart from the aforementioned ‘hard’ measures, ‘soft’ measures such as those relative to the EU’s representation in international economic fora could strengthen its handling of future crises and increase its international influence.</td>
</tr>
<tr>
<td>19</td>
<td>The <strong>communication</strong> on a European minister of economy and finance. Alternatively, assigning the fiscal and macroeconomic supervision to a special Commissioner and appointing the ECFIN Commissioner as Eurogroup President.</td>
</tr>
<tr>
<td>20</td>
<td>The <strong>Stability and Growth Pact</strong> is currently long and complex. It could be simplified, based on specific elements, and its enforcement strengthened.</td>
</tr>
<tr>
<td>21</td>
<td>In line with previous Parliament reports, the Commission’s report ‘Completing Europe’s economic and monetary union’ and its ‘Reflection paper on the <strong>deepening of the economic and monetary union</strong>’, measures should be taken to increase the EMU’s democratic legitimacy and the accountability of its institutions.</td>
</tr>
<tr>
<td>22</td>
<td>Responsibility for conditional assistance could be <strong>fully assigned to the ESM</strong>, with an expanded mandate. As a consequence of the previous point, the ESM could be subject to the political oversight of Parliament and be governed by a board of directors operating at arm’s length from their governments.</td>
</tr>
<tr>
<td>23</td>
<td>In the light of the December Eurogroup, a more credible framework to ensure sovereign debt sustainability could be provided, to ensure that creditors participate in crisis resolution and to protect the ESM from lending to insolvent Member States.</td>
</tr>
<tr>
<td>24</td>
<td>In the US, fiscal stabilisation policy can be topped up by <strong>federal discretionary measures</strong>, including extended unemployment benefits and general-purpose grants to the states. In this vein, a central <strong>fiscal stabilisation capacity</strong> for the euro area, could take the form of a common unemployment insurance scheme. First losses could continue to be borne at national level, and participation could depend on compliance with fiscal rules and the European Semester, to prevent moral hazard,</td>
</tr>
</tbody>
</table>
REFERENCES


European Commission, Quarterly report on the euro area, Volume 17, No 1 and No 2, 2018.


ENDNOTES

1 According to a recent Commission communication, as a safe store of value, the euro represents around 20% of international reserves of foreign central banks. In addition, by the end of 2017, more than 20% of debt issuance on international markets was denominated in euros. Also, about 36% of the value of international transactions were invoiced or settled in euros in 2017. Lastly, around 60 countries (including dependent territories) in the world are either using, will use, or link their currency to the euro.

2 Already in 2001, the ECB noted that the euro’s share as a financing and an investment currency was more important than the total share of its legacy currencies at the end of 1998.


4 Their actions were reflected in the expansion of their respective balance sheets. It must also be noted, however, that until the sovereign debt crisis, the increase in the ECB balance sheet was less significant than that of the Fed.

5 Principally with regard to financial institutions and their subsidiaries, but also to other sectors, when needed.

6 At the same time, it must be noted that there were differences between the US and the EU – because of the two blocs’ differing financial systems – but also, within the EU, reflecting the problems faced by the banking system of each Member State, and also states’ budgetary constraints.

7 The concept of robustness or resilience refers to an economy’s vulnerability to shocks, its capacity to absorb them and its ability to recover from them.

8 Indeed, the main conditions for a currency to grow internationally are: (i) a large country or monetary area; (ii) deep and liquid financial markets; (iii) nominal stability both internally (low inflation) and externally (a stable or at least ‘not depreciating’ exchange rate); (iv) financial stability and a safe regulatory environment; (v) some attributes of non-economic power (military force, single voice in international forums). As will be seen, the euro area fulfills the first and third, and is taking measures to strengthen the second, fourth and fifth.

9 The term ‘discussions’ is used to refer both to Commission initiatives and to deliberations of the Presidents of the European Commission, the Euro Summit, the Eurogroup, the European Central Bank and the European Parliament.

10 Euro area Member States faced different economic situations and varying fiscal consolidation needs during the crisis. Only in 2017 did all euro area Member States share GDP growth for the first time after the crisis.

11 Interest rates are still very low, while the ECB has been increasing its balance sheet significantly as a result of the various purchase programmes it implemented to deal with the crisis.

12 See, among other things, the documents listed under ‘References’.
The European Union is mostly bank-centred, while in the United States, capital markets play a more important role. This is a result of having been set up during different historic periods, having different economic drivers and being at different stages of development.

The core traditional contributions at the heart of the optimum currency area (OCA) theory were made by Robert Mundell in 1961, Ronald McKinnon in 1963 and Peter Kenen in 1969, and were subsequently debated and enriched by several other academics. Criteria for an OCA include price and wage flexibility, mobility of factors of production (including labour), financial market integration, degree of economic openness, diversification in production and consumption, similarities of inflation rates, fiscal integration and political integration.

The EMU agreed in Maastricht was a political compromise following up the Single Market Programme and has been only partly influenced by the optimum currency area theory.

As a general rule, the 'Actor responsible' column indicates the institution(s) competent to decide on the adoption of the measures concerned. When there is no Commission proposal or European Parliament/European Council request, the column refers to possible pathways for the European Parliament to pursue.

Colour code: if the project has been approved: green; if the project is under discussion: yellow; if the project has not yet been proposed, has been blocked by one of the institutions, or has been withdrawn: red.

The integration of the Treaty on Stability, Coordination and Governance (TSCG – Fiscal Compact) has in the meantime been voted down in Committee and Council has not discussed it further.
THE NEXT 10 YEARS
– BUILDING COMPLEMENTARY (EXECUTIVE) CAPACITY

EURO ROBUSTNESS

Completing the Single Market (including Banking Union and Capital Markets Union)

Economic and Fiscal Union (general and institutional matters)

Maintaining and increasing investment

- A credible framework for sovereign debt restructuring
- Reform the ESM and subject it to further oversight
- Measures to increase accountability
- Simplification of the Stability and Growth Pact
- European Minister of Economy and Finance
- Representations in international economic fora
- Actions to strengthen international role of the euro
- Transforming ESM to EMF
- Supranational issuer institutions (EFSF, ESM)
- Increase availability / comparability of financial reporting data
- Creation of pan-European banks
- Separation of retail from investment banking
- Progressive harmonisation of insolvency frameworks
- Reduction of banks’ sovereign concentration
- Harmonising EU Business Law
- Sovereign bond-backed securities
- Common corporate tax base (& CCCTB)
- Capital Markets Union initiatives
- InvestEU Programme
- European Investment Stabilisation Function
- European Deposit Insurance Scheme
- Banking Union (Single Rulebook / SSM / SRM)
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- Banking Union (Single Rulebook / SSM / SRM)
- European Deposit Insurance Scheme
- Transforming ESM to EMF
- Increase availability / comparability of financial reporting data
- Creation of pan-European banks
- Separation of retail from investment banking
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- Sovereign bond-backed securities
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SUMMARY

The unprecedented numbers of asylum-seekers and migrants arriving in the EU, which peaked in 2015, exposed a series of deficiencies and gaps in EU policies for protecting the external border. It affected the functioning of the Schengen free movement rules, leading to the introduction of border checks by several Member States. In response to these challenges, as well as to the surge in terrorist and serious cross-border crime, the EU has embarked on a broader reform process with the aim of reinforcing the links between border control and security.

Measures to strengthen EU external border control have focused on reinforcing current rules, such as the Schengen Borders Code, and expanding the mandates of relevant EU agencies, such as Frontex, eu-Lisa, Europol and EASO. In response to shortcomings identified in the EU's information systems, efforts have been made to make better use of information systems and technologies for security, criminal records, and border and migration management. This has included strengthening existing IT systems (SIS II, VIS, Eurodac, ECRIS-TCN), establishing new ones (ETIAS, Entry/Exit System) and improving their interoperability.

The broader mandate and increased activities in the area of EU border management is also reflected in the amount, flexibility and diversity of EU funds dedicated to this policy area.

Introduction

The migration crisis has sparked a debate on the EU's identity and values. Inefficiencies in the EU's external border control have prompted a loss of trust by the EU citizens. At the same time, a lack of trust among EU Member States led to the temporary introduction of internal border controls in some countries, compromising one of the main achievements of the EU, the freedom of movement within the Schengen area. Against this backdrop, ensuring safe borders has understandably become a priority for the EU and its citizens.

The EU is now focusing its efforts on strengthening its border management capacities. This includes reflecting on the potential for complementary EU action, as well as increased involvement of EU Member States both in the near future and in a longer perspective.

The context in 2030

Seen from a long-term perspective, some of the challenges likely to be affecting EU border policy in 2030 relate to political developments in both the EU and the wider world.

The Schengen Area might be expanded to some other countries, presumably to Bulgaria, Romania and Croatia, and less probably to some Western Balkans countries.

Cross-border crime, including terrorism, is likely to continue to pose a common threat, as the greater mobility of people and goods across borders has caused a new proliferation of transnational criminality. Meanwhile cybercrime is also on the rise, along with the possibility for terrorist groups to recruit remotely.

The number of people displaced as a result of armed conflict, human rights violations and persecution is likely to continue to increase. Given Europe's geographic situation and its reputation
as a continent of solidarity and openness, Europe is likely to continue to represent a shelter for asylum-seekers. Climate change is expected to trigger further migration over the longer term, as a result of rising sea levels, extreme weather conditions and more frequent natural disasters.

Passenger flows will probably continue to increase. According to the European Commission, the number of air passengers in the EU will increase by 80% in 2030 as compared to 2009 values. The International Air Transports Association (IATA) forecasts 7.8 billion passengers in the European Union in 2036, almost doubling this year's values.

Europe will have to deal with an increasingly aging population. According to the European Commission, 29% of Europeans will be over 65 years old in 2070, compared to 19% in 2016.

State of play

The objective of the European Union in the field of external border protection is to safeguard freedom of movement within the Schengen area, an area without internal borders, and to ensure the efficient monitoring of people and goods crossing the EU’s external borders.

The Schengen Borders Code is the main instrument laying down common rules on external border crossings, entry requirements and duration of stays in the Schengen area. It provides for checks on all people (including EU nationals and others with the right to free movement) crossing the EU’s external borders, both on entry and on exit, in order to ensure that they do not pose a risk to public policy, internal security or public health. The Schengen Borders Code also places conditions on the temporary reintroduction of internal border checks in the event of a serious or immediate threat or in exceptional circumstances.

The central pillar of the EU’s integrated border management set up is the European Border and Coast Guard, composed of the European Border and Coast Guard Agency (Frontex) and the national authorities for border management. The agency is tasked with border control, border surveillance and return activities, and carries out those tasks in cooperation with authorities from EU Member States and non-EU countries. It also performs ‘vulnerability assessments’ to detect and mitigate weaknesses in the EU border protection system.

Furthermore, national authorities and EU agencies active in the field of security, border and migration management, such as Frontex, Europol, EASO and Eurojust, use centralised large-scale information systems. The Schengen Information System (SIS) stores alerts and provides information on certain categories of wanted or missing persons, including children and vulnerable adults in need of protection, as well as objects (e.g. stolen or lost firearms, and identity documents). It also enables border guards and migration authorities to enter or consult alerts on third-country nationals for the purpose of verifying their right to enter or stay in the Schengen Area. The Visa Information System (VIS), which is connected to all visa-issuing consulates of the Schengen countries and to all their external border crossing points, enables border guards to verify that a person presenting a visa is actually the person who applied for it. It can also help to identify people found on Schengen territory carrying fraudulent or no documents, and those who do not or no longer fulfil the conditions for entry or to stay or reside in the EU. The purpose of the European fingerprint database (Eurodac) is to help EU Member States to determine responsibility for examining an asylum application by establishing the identity of applicants for international protection and of persons apprehended in connection with unlawful crossing of the EU’s external border. It also allows Member States' law enforcement authorities and Europol to compare fingerprints linked to criminal investigations with those contained in Eurodac, for the purposes of preventing, detecting and investigating serious crime and terrorism.
Management of the EU's external border has become increasingly challenging since the unprecedented migration flows in 2015, with the uncontrolled arrival of migrants and asylum-seekers in the EU. This situation led eventually to the temporary reintroduction of internal borders between several Member States on the basis either of the 'security situation in Europe and threats resulting from the continuous significant secondary movements' of illegally staying third country nationals or of a 'persistent terrorist threat'. The fact that the Schengen area has not been functioning fully has generated economic, social and political costs, while EU citizens have lost trust in the EU's ability to tackle the deficiencies exposed by the refugee crisis.

The surge in terrorist and serious cross-border crime activities on EU territory has also exposed the gaps in and fragmentation of the EU's border management information systems. Currently, not all EU countries are connected to all existing systems. Moreover, different authorities have different access to data, which is stored separately in different systems that are not usually inter-connected.

Uncontrolled flows have also prompted the EU to provide greater support for its Member States at the external border. The operational support towards improved border management provided under the hotspot approach includes identifying and registering every asylum seeker arrival as well as providing for adequate reception conditions and capacity. Although the fingerprinting of migrants has progressed and, according to the Commission figures, has reached close to 100%, reception conditions remain a serious concern, as reported by the European Agency for Human Rights and several NGOs.

The 2015 migration crisis also led the European Union to strengthen its external migratory policy, focusing on two main geographical areas: the eastern Mediterranean sea, with the adoption and
implementation of the EU-Turkey Statement; and some parts of the African continent (North Africa, the Horn of Africa and the regions of the Sahel and Lake Chad), through the Emergency Trust Fund for Africa.

Although the aim of reducing illegal border crossings along the EU’s external border has arguably been achieved, with a significant fall in numbers in 2016 and 2017 on the eastern Mediterranean, the Western Balkan and the central Mediterranean migratory routes, the EU has been criticised for prioritising border controls over migrants’ human rights and for externalising border controls in third countries that have poor human rights records. For example, a number of Member States set up fences and border walls at the external Schengen border to prevent migrants, including asylum seekers from entering EU territory. The European Court of Human Rights found that this amounted to a violation of the right to asylum and of the prohibition on collective expulsions.

Potential future developments

When it comes to the future of border management, the stakes for the free movement of people and goods and for ensuring internal security in the Schengen area are high. The accomplishment of a single area without borders where people and goods can circulate freely brings significant benefits, for both European citizens and European companies. The Schengen area is one of the main instruments through which EU citizens can exercise their freedoms, and where the internal market can thrive and grow. It is considered one of the most important achievements of the Union. Protecting the EU’s external border, including by making better use of IT systems and technologies, is therefore crucial in order to maintain a well-functioning Schengen area.

For this purpose, the EU embarked on the gradual establishment and implementation of European integrated border management (EIBM) at national and Union level, with the aim of facilitating legitimate crossings of the EU’s external border while preventing and detecting cross-border crime, such as migrant smuggling, trafficking in human beings and terrorism. This also entails referring persons who are in need of, or wish to apply for, international protection to the appropriate authorities and ensuring those who have no right to enter or stay in the EU return to their home countries.

The European Council is gradually shifting its focus to prioritise strengthening the EU’s external border and preventing irregular migrants from reaching European territory, in cooperation with third countries. Concerning border protection, the Commission has further tapped into the potential of the EU Treaties, especially Articles 77(2)(d) and 79(2)(c), by strengthening the European Border and Coast Guard Agency (EBCGA) and proposing to set up the EU agency for asylum (EUAA), with a stronger mandate than the current European Asylum Support Office (EASO), and providing them with their own means and powers to protect the external border. Regulation 2016/1624 on the EBCGA for the first time clearly stated that the ‘objective of Union policy in the field of external border management is to develop and implement European integrated border management at national and Union level’. This is based on a four-tier control model which includes:

1. measures in third countries,
2. measures with neighbouring third countries,
3. border control measures at the external borders, risk analysis,
4. measures within the Schengen area, and return.

In relation to measures in and with third countries, the EU is aiming to extend its partnership with Africa in order to tackle migration at its core. The Commission is promoting legal migration schemes for labour or traineeship purposes with selected African countries and has proposed a new Africa – Europe Alliance for Sustainable Investment and Jobs, aimed at encouraging private investment, boosting trade and enhancing job creation on the neighbouring continent.
A potential future EU strategy for integrated border management to address the gaps in EU cooperation should in this way achieve the expected results in terms of limiting irregular migrant flows and reducing organised crime and terrorist risks, while upholding the fundamental rights of migrants and EU citizens.

EU legal framework

According to Article 3(2) of the Treaty on European Union (TEU) the EU 'shall offer its citizens an area [...] without internal frontiers, in which the free movement of persons is ensured in conjunction with appropriate measures with respect to external border controls [...]'.

EU powers regarding common policy on border management are shared with the Member States. While Article 71 of the Treaty on the Functioning of the European Union (TFEU) facilitates cooperation among Member States to strengthen internal security, Member States retain the competence:

- to exercise law-enforcement power when they enforce measures adopted pursuant to EU provisions on operational cooperation and border control (Article 72 TFEU), and
- to engage in forms of administrative cooperation in matters of national security (Article 73 TFEU).

In the area of external border protection, the main focus in recent years has been devoted to Article 77(2)(b) and (d) and Article 79(2)(c) TFEU on the role of the European Parliament and the Council as co-legislators when adopting measures for border control and surveillance. These articles form the legal basis for the gradual establishment of an integrated border management system, the upgrading of information systems in the area of border checks, interoperability, and the reinforcement of checks and prevention of illegal border crossings.

The EU Charter of Fundamental Rights also plays a crucial role in the EU's migration and border policies, as it enshrines the right to asylum (Article 18), certain guarantees that must be respected in the event of removal, expulsion or extradition (Article 19), and other relevant fundamental rights (the right to life, the right to integrity, the prohibition of torture, the right to liberty and security and the rights of children). As regards the international law applicable to this policy area, the European Convention for the Protection of Human Rights and Fundamental Freedoms, the United Nations Convention on the Rights of the Child and the Convention Relating to the Status of Refugees and obligations relating to access to international protection in particular, require respect for fundamental rights and compliance with the principle of non-refoulement when conducting border procedures and admitting or returning people arriving in the EU. During border control activities at sea, Member States and EU actors are obliged to fulfil their tasks in full respect of the United Nations Convention on the Law of the Sea, the International Convention for the Safety of Life at Sea and the International Convention on Maritime Search and Rescue.

Under the European Agenda on Migration, a new migration partnership framework set up in 2016 aims to reduce the root causes of irregular migration and forced displacement by addressing political, social and economic factors in countries of origin. This framework builds upon the Global Approach to Migration and Mobility, and establishes dialogues with partners such as the Rabat, Khartoum and Budapest processes as well as regional development and protection programmes in the Middle East, North Africa and the Horn of Africa. As this framework is not subject to the co-decision procedure, the European Parliament has no direct competence regarding the migration partnership processes. Nevertheless, it can submit its observations though own-initiative reports and has the right to be informed by the EEAS and the Commission. In its resolution of 5 April 2017 on EU external action on addressing refugee and migrant movement, the European Parliament called for a greater right of scrutiny and more transparency.

Financial framework

Most EU funds related to the protection of the EU's external borders fall under Heading 3 (Security and citizenship) of the multiannual financial framework (MFF). The main instrument is the Internal Security Fund (ISF), providing support for:
• external border management and common visa policy, and
• police cooperation, and preventing and combating crime, including migrant smuggling.

The ISF initial allocation for 2014 to 2020 increased slightly from €3.7 billion to €3.8 billion. In addition, over the same period, almost €0.17 billion have been earmarked for IT systems (VIS and SIS), allowing national authorities to cooperate on border management by sharing relevant information.

The EU also has decentralised agencies working on migration, notably:

• the European Border and Coast Guard Agency (Frontex), involved in external border management and control, and
• the European Union Law Enforcement Agency (Europol), assisting police cooperation between Member States, including in the area of migrant smuggling.

EU agencies operate under indirect management, meaning the Commission delegates budget implementation to those agencies. The total EU contribution from the 2014 to 2020 MFF to Frontex increased from the initial €628 million to €1 638 million, and to Europol from €654 million to €753 million.

Figure 2 – Frontex budget (€ million)

Data source: Frontex.

Funding tools for other policy areas inside the Union may also be relevant to border measures, such as the €0.55 billion Customs 2020 programme and the Horizon 2020 framework programme for research and innovation, whose Secure societies strand has a budget of around €1.7 billion for 2014 to 2020 and finances, among other things, activities to improve border security. Copernicus, the EU earth observation system, offers a specific service for security applications that provides information in response to security challenges with a view to supporting relevant EU policies. Its objective is to improve crisis prevention, preparedness and response in key areas, including border and maritime surveillance.

Under the EU’s common foreign and security policy (CFSP) funds are committed through Council decisions based on various legal bases in the Treaty, depending on the measure being funded.

Jesús Carmona
February 2019
### Possible initiatives

<table>
<thead>
<tr>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done?</th>
<th>colour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support third countries' operational capacities</td>
<td>Commission, EU agencies</td>
<td>The ECBG Regulation mandates Frontex to provide technical and operational support for third countries through specialised training and coordination of joint operations based on a prior status agreement, currently signed with Albania, and soon to be signed with Macedonia. Frontex can also deploy liaison officers in third countries, especially in countries of origin and transit of irregular migrants. Further cooperation and status agreements could be envisaged.</td>
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<tr>
<td>Step up resettlement and create a permanent framework</td>
<td>Commission, Parliament, Council, Member States</td>
<td>Currently, the main legal channel for refugees to enter the EU is through resettlement. Until now this has been done by means of temporary and voluntary schemes, while the proposal for establishing a permanent EU resettlement framework is still pending. Member States have already pledged to take in another 50,000 refugees by October 2019. Beyond that date, EU could adopt a permanent framework.</td>
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<td>Establish a European humanitarian visa</td>
<td>Commission, Parliament, Council</td>
<td>There is no specific legal framework for humanitarian visas in the current EU Visa Code and therefore no formal channels for asylum-seekers to reach the EU. The European Parliament has called repeatedly for the adoption of humanitarian visas at EU level, although a recent legislative own-initiative report adopted by the LIBE Committee, was rejected in plenary.</td>
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<tr>
<td>Reach readmission agreements and a sustainable reintegration</td>
<td>Commission, Parliament, Council</td>
<td>The Commission launched a partnership framework with third countries in 2016 aiming to enhance cooperation on migration management, mixing positive and negative incentives into EU development and trade policies. This includes negotiating readmission agreements with priority countries, while also pursuing other forms of cooperation. By 2030 the aim could be a functioning circular migration scheme.</td>
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<tr>
<td>Address root causes of migration through migration compacts</td>
<td>Commission, Parliament, Council</td>
<td>The External Investment Plan (EIP) was launched in 2017 to address the root causes of migration in the Southern neighbourhood and Africa, aiming to boost growth and jobs in priority areas such as agroindustry, SMEs, energy and connectivity. For 2021 to 2027, the European Commission has proposed an ‘EFSD+’, which would have a larger geographical scope and increased resources.</td>
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<tr>
<td>An effective two-way Africa-EU partnership</td>
<td>Commission, EEAS</td>
<td>Sub-Saharan countries and the EU are bound by the Cotonou Agreement and a range of agreements cover EU relations with North Africa. EU relations with the greater Africa and the African Union (AU) are managed in the framework of the joint Africa-EU strategy (JAES). In order to streamline future relations more effectively, the EU would like to see the whole Africa covered by Cotonou’s successor. The European Commission has proposed a ‘new alliance for sustainable development and jobs’, supporting education, security and political stability, in addition to a continent-to-continent free trade agreement.</td>
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<tr>
<td>EU-Turkey Statement</td>
<td>Member States</td>
<td>The EU and Turkey achieved an agreement in 2016 to stem the flows of illegal entries to the EU via Turkey and improve migration management. The Commission considers that the implementation of the statement has</td>
<td></td>
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<tr>
<td>Number</td>
<td>Action Taken</td>
<td>Responsible Parties</td>
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<td>8</td>
<td>Permanent search and rescue operation in the Mediterranean</td>
<td>Commission, Parliament, Council, Member States</td>
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<tr>
<td>8</td>
<td>Helped to reduce irregular entries, save lives at sea and resettle Syrian refugees, thus serving as a potential model for cooperation with further third countries.</td>
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<td>9</td>
<td>Limit military (CSDP) operations to conflict management</td>
<td>Operation Sophia, the military operation in the high seas off the coast of Libya was launched in 2015 to fight human smuggling and trafficking networks, but its mandate was subsequently expanded to capacity building for the Libyan navy and coast guards and contributing to information sharing on the UN arms embargo. It also develops search and rescue activities in its operation area, assuming some tasks that could fall under Frontex external powers. In the future, CSDP operations could be clearly distinguished from Frontex external powers, by limiting CSDP operations to crisis management at conflict spots.</td>
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<td>10</td>
<td>Ensure the respect for human rights outside EU borders</td>
<td>The EU's external migration policy should ensure respect for migrants' human rights and the principle of non-refoulement, contributing to relevant capacity building in third countries and ensuring that every EU border management activity (e.g. joint operations coordinated by Frontex) upholds the Charter of Fundamental Rights of the EU, EU law and relevant international treaties even when developed with third countries authorities or on third countries' territories.</td>
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<td>11</td>
<td>Third-country access to EU information systems for limited purposes</td>
<td>The EU could envisage a common framework for exchanging information with neighbouring countries to improve situational awareness and increase reaction capability at the external border for the purpose of detecting, preventing and combating irregular migration and cross-border crime, and helping to save lives.</td>
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<tr>
<td>12</td>
<td>Establish a predictable regional disembarkation mechanism</td>
<td>The 'regional disembarkation platforms' need to ensure that people rescued at sea are quickly disembarked according to international law and that responsible post-disembarkation processes take place. The UNCHR has urged the EU to advance the establishment of a predictable regional mechanism, while at the same time defining its governing framework with the IOM.</td>
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<td>13</td>
<td>Enhance Frontex mandate and operational capacities</td>
<td>The Commission has proposed to enhance the mandate of the European Border and Coast Guard (EBCG) and create a standing corps of 10 000 EU border guards. The mandate of Frontex could be further enhanced through the attribution of control and command powers, and by reinforcement of Member States’ obligations to provide human and technical resources for joint operations.</td>
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<td>14</td>
<td>Strengthen inter-agency cooperation</td>
<td>Efficient management of the EU’s external border requires strong cooperation (including information exchange and operational activities) between relevant national authorities and EU agencies (Frontex, EASO, Europol, CEPOL, the European Maritime Safety Agency,</td>
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<tr>
<td>Number</td>
<td>Description</td>
<td>Responsible Bodies</td>
<td>Notes</td>
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<tr>
<td>15</td>
<td>Ensure full respect for human rights in the EU’s border management activities</td>
<td>Commission, Parliament, Council, EU agencies</td>
<td>Currently, only sea border surveillance activities have common rules. Future EU action could focus on establishing clear and binding common rules applicable to any joint operation, the revision of Frontex fundamental rights monitoring mechanism, or further involvement of EASO in EBCG activities.</td>
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<tr>
<td>16</td>
<td>Use automated border control (ABC) gates</td>
<td>Commission, Parliament, Council, Member States</td>
<td>The main airports in the Schengen area are already using different ABC modalities (including through EU projects such as ABC4EU, Fast Pass). Currently the ABC gates are not generally open to third-country nationals, but the new Entry/Exit Regulation leaves Member States the possibility to set up national registered traveller programmes that allow pre-vetted third country nationals to use ABC gates. Future action could include a harmonised EU registered traveller programme.</td>
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<tr>
<td>17</td>
<td>Common system for identifying high-risk passengers</td>
<td>Member States</td>
<td>The directive on the use of passenger name record (PNR) data establishes a common system that could enable law enforcement authorities to identify high-risk passengers and track their movements before they reach the EU, but the directive has not been fully implemented by all Member States. The EU has also concluded PNR agreements with the United States and Australia, while the agreement with Canada is being renegotiated after a successful challenge in the Court of Justice of the EU.</td>
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<td>18</td>
<td>Harmonise national identification documents for EU citizens</td>
<td>Commission, Parliament, Council</td>
<td>The Commission has proposed to harmonise and strengthen the security of national identity cards and residence permits issued to EU citizens and their family members to prevent document fraud, speed up border controls and tackle cross-border crime. The proposal is currently being discussed in Parliament and Council. A step further would be to establish a uniform format for identification documents for EU citizens and their families (European ID card), as has already been done with the residence permits of third-country nationals.</td>
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<td>19</td>
<td>Upgrade information systems for border management</td>
<td>Commission, Parliament, Council, EU agencies</td>
<td>Under Articles 77 and 79 TFEU, the EU has recently established new information systems for border management, namely a system providing for the electronic registering of the entry and exit of third country nationals admitted in the EU (Entry/Exit System) and a system determining the eligibility of all visa-exempt third country nationals to travel to the Schengen Area (ETIAS). Several proposals to upgrade existing information systems (SIS for return and border checks, VIS, Eurodac, Eurosur) are also currently being discussed.</td>
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<tr>
<td>20</td>
<td>Enhance the mandate of eu-LISA in information systems</td>
<td>Commission, Parliament, Council</td>
<td>Future action could include further information systems placed under the management of eu-LISA and strengthening its cooperation with other EU agencies.</td>
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<tr>
<td>21</td>
<td>Achieve full interoperability of information systems by 2023</td>
<td>Parliament, Council, Member States</td>
<td>In 2018, the Commission published two proposals establishing a framework for interoperability between EU information systems: one on borders and visas, and another on police and judicial cooperation, asylum and migration. The Commission is aiming to achieve full interoperability of information systems by 2023.</td>
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<td>22</td>
<td>Adopt a new Visa Code</td>
<td>Parliament, Council</td>
<td>In 2018, the Commission proposed to revise the Visa Code to strengthen the common visa policy by increasing its role in the EU’s cooperation with third-countries, and to facilitate the processing of visas for legitimate travellers. The proposal is currently being...</td>
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<td>discussed. EU action in this area could include adopting a new Visa Code regulating short-term Schengen visas.</td>
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<tr>
<td>23</td>
<td>Harmonise long-term visas</td>
<td>The 2003 directive on the status of third-country nationals who are long-term residents allows Member States to grant long-term resident status to third-country nationals, including beneficiaries of international protection, who have resided legally and continuously in a Member State for five years and who fulfil a set of other conditions, such as stable and regular resources. The Commission has tasked itself through the REFIT initiative with simplifying and streamlining the current EU framework, which could include further harmonisation.</td>
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<td>24</td>
<td>Continue implementing the Schengen Evaluation and Monitoring Mechanism</td>
<td>Since 2015 the Commission has been reporting on the Schengen Evaluation and Monitoring Mechanism, which verifies the application of the Schengen acquis. A possible revision of the mechanism could be envisaged to tackle some shortcomings identified by different actors, including the European Parliament.</td>
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</tbody>
</table>
## Annex II

### Comparative analysis with partners (main elements)

<table>
<thead>
<tr>
<th></th>
<th>Support third countries to develop technical and operational capacities in border management</th>
<th>EU</th>
<th>US</th>
<th>CA</th>
<th>AU</th>
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<tr>
<td>1</td>
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<td>Permanent resettlement framework</td>
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<td>3</td>
<td>Military involvement in border management activities</td>
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<td>5</td>
<td>Asylum authority cooperating with border authorities</td>
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<td>6</td>
<td>Second generation passports with biometric recognition systems</td>
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<td>7</td>
<td>Automated Border Control (ABC) gates</td>
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<td>For nationals</td>
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<td>8</td>
<td>Obligation of air carriers to provide passengers name record (PNR)</td>
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<td>9</td>
<td>Prior authorisation for citizens from visa-waived countries</td>
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<td>10</td>
<td>Keeping records of ENTRY/EXIT information for all citizens whose documents are checked</td>
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<td>11</td>
<td>System for frequent pre-vetted travellers (Registered Traveller Programme)</td>
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<td>Brief description of the situation in USA, Canada and Australia</td>
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<tr>
<td>1</td>
<td><strong>Support third countries to develop technical and operational capacities in border management</strong></td>
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<td>The United States, Canada and Australia work with international partners to extend best practices and build the capacity of foreign authorities in border management activities. For instance, US Customs and Border Protection Agency develops several international training and assistance programs aiming to improve third countries authorities’ effectiveness in relation to customs operations, border policing and immigration inspections. The Canadian Border Services Agency has also developed an International Capacity Building program supporting third countries border management authorities and the Australian Department of Home Affairs supports partner states, mainly from the Asian continent, through different initiatives aiming to assist them in managing migration flows and developing border management activities.</td>
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<td>2</td>
<td><strong>Permanent resettlement framework</strong></td>
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<td>The three countries have permanent resettlement frameworks based on annual quotas determined through a governmental decision. The programs are implemented in partnership with the United Nations High Commissioner for Refugees (UNHCR). The US refugee admission ceiling for fiscal year 2018 was 45 000, whereas Canada’s resettlement quota for 2018 was 27 000 and Australia’s quota amounted to 14 800 refugees for the same fiscal year.</td>
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<td><strong>Military involvement in border management activities</strong></td>
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<td>The three countries analysed have civilian border guard corps. Nevertheless, military support in border management operations is provided under certain circumstances. For instance, since the end of October 2018, military forces assigned to ‘Operation Faithful Patriot’ are deployed over the southwest US border under the command of US Northern Command. Canadian Armed Forces have the main responsibility of providing search and rescue from the air and they support border management activities in different ways (e.g. under Operation ELEMENT they supported the government response to an influx of asylum seekers crossing from the United States until December 2017). Australia established in 2013 Operation Sovereign Borders (OSB) led by the Australian Defence Force and aimed at stopping maritime arrivals of asylum seekers.</td>
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<td>4</td>
<td><strong>Inter-Agency cooperation (border management and law enforcement)</strong></td>
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<td>In the US, Canada and Australia, inter-agency cooperation is key in border management activities. In the US, although the US Customs and Border Protection (CBP) is the border security agency combining customs, immigration, border security and agricultural protection in a single organisation, there are other agencies or departments involved in border management and law enforcement, namely the US Immigration and Customs Enforcement, the US Coast Guard and the US Citizens and Immigration Services. They all come together under the responsibility of the Department of Homeland Security, ensuring coordination among them. The Canada Border Services Agency (CBSA) is the federal agency responsible for securing the border and facilitating the flow of legitimate travellers and trade. It works together with other agencies and departments responsible for national security and safety under a single portfolio (Public Safety Canada) reporting to the Minister of Public Safety. CBSA works closely with the Royal Canadian Mounted Police under their Joint Border Strategy. The Australian Border Force (ABF) is the border enforcement agency and customs service, working within the Department of Home Affairs together with other partners, especially the Federal Police, the Criminal Intelligence Commission and the Security Intelligence Organisation.</td>
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</table>
5 Asylum authority cooperating with border authorities

The Asylum Division of the US Citizenship and Immigration Services (USCIS) is responsible for managing asylum applications made by individuals already in the US or at a port of entry when the person is not in removal proceedings (affirmative asylum). In case of denial, asylum applicants are referred to immigration judges. In Canada, the Refugee Protection Division (RPD) of the Immigration and Refugee Board of Canada (IRB), an independent administrative tribunal, is competent for deciding asylum claims made inside Canada or at any port of entry. Its decisions can be appealed to the Refugee Appeal Division (RAD) of the IRB. The IRB cooperates with the Canadian Border Services Agency (CBSA), who refers asylum claims made at ports of entry and is responsible for the security screening of asylum seekers. In Australia, the Department of Home Affairs (Immigration and citizenship) is competent to decide asylum claims (protection visas) made inside Australia or at a port of entry, although in the latter case an immigration inspector will determine if the person triggers Australia’s international obligations allowing to lodge an asylum application. Negative decisions can be appealed to the Administrative Appeals Tribunal, conducting and independent merits review of the decision.

6 Second generation passports with biometric recognition systems

The United States, Canada and Australia have second-generation passports with biometric recognition systems. Such passports include an electronic chip encoded with the personal information found on the passport’s data page (e.g. name, date of birth, etc.) and a digital photograph of the holder.

7 Automated Border Control (ABC) gates

For nationals

The US has an Automated Passport Control (APC) program that expedites the entry process of US and Canadian citizens in certain airports, US legal permanent residents, international travellers using the Visa Waiver Program, and international travellers with a B1/B2 or a D visa. At selected Canadian airports, travellers can use Automated Border Clearance (ABC) self-serve kiosks to avoid long lines. Eligible passengers are Canadian citizens, permanent residents in Canada and US citizens. In Australia, SmartGates automatically process travellers in some international airports through facial recognition technology. Australian citizens and eligible foreign passengers with ePassports can benefit from the system.

For non-nationals

8 Obligation of air carriers to provide passengers name record (PNR)

US law requires airlines operating flights from, to or through the United States to provide the US Customs and Border Protection with Passenger Name Record (PNR) data prior to departure in order to detect and investigate high-risk passengers. Similarly, under Canadian law, commercial air carriers are required to provide the Canadian Border Services Agency with Advance Passenger Information and Passenger Name Record (API/PNR). Under Australian law, internal air service operators flying from, to or through Australia have to provide the Australian border protection service with Passengers Name Record data if required to do so.

9 Prior authorisation for citizens from visa-waived countries

The three countries have a visa-exempt program for international travellers based on an electronic prior authorization, allowing to legally stay in the country for a limited period. In the US, the Electronic System for Travel Authorization (ESTA) is only available for selected foreign nationals and once approved is valid for two years. Meanwhile, in Canada, the so-called Electronic Travel Authorization (eTA) is valid for up to five years and only applies to visa-exempt foreign nationals. In Australia, foreign nationals generally need a visa to enter the country (except for New Zealand passport holders). Nevertheless, the so-called Electronic Travel Authority (ETA) visa is valid for twelve months and allows selected international travellers to visit the country for a period of three months each time they enter.

10 Keeping records of ENTRY/EXIT information for all citizens whose documents are checked

The US Customs and Border Protection maintains arrival and departure records during a period of five years whereas in Canada it is the Canadian Border Service Agency who records travellers’ entries to the country, providing exit information in a limited capacity. Both countries are currently developing a coordinated...
| System for frequent pre-vetted travellers (Registered Traveller Programme) | The United States and Canada have adopted the NEXUS program, in order to speed up border crossings for low-risk, pre-approved travellers from both countries. The program is run jointly by the Canadian Border Services and the US Customs and Border Protection Agencies, and must be approved by both countries. Additionally, the US Department of Homeland Security has launched several Trusted Traveller Programs such as the Global entry, the TSA Pre, the SENTRI, and the FAST programs, and the Canadian Border Services also launched CANPASS and Remote Area Border Crossing (RABC) to speed up border controls for certain travellers. |

| Entry/Exit Information System at their shared land border. In Australia, the Overseas Arrivals and Departures (OAD) system provides information on arrivals and departures of Australian residents or overseas visitors through airports and seaports. |  |

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THE NEXT 10 YEARS
– BUILDING COMPLEMENTARY (EXECUTIVE) CAPACITY

SAFE BORDERS

INTERNAL DIMENSION

- Harmonise long-term visas
- Support third countries’ operational capacities
- Step up resettlement and create a permanent framework
- Establish a European humanitarian visa
- Reach readmission agreements and a sustainable reintegration
- Address root causes of migration through migration compacts
- An effective two-way Africa-EU partnership
- EU-Turkey statement
- Permanent search and rescue operation in Mediterranean
- Limit military (CSDP) operations to conflict management
- Ensure the respect for human rights outside EU borders

EXTERNAL DIMENSION

- Adopt a new Visa Code
- Achieve full interoperability of information systems by 2023
- Enhance the mandate of eu-LISA in information systems
- Upgrade information systems for border management
- Harmonise national identification documents for EU citizens
- Common system for identifying high-risk passengers
- Use automated border control gates
- Ensure full respect for human rights in EU’s border management activities
- Strengthen inter-agency cooperation
- Enhance FRONTEX mandate and operational capacities
- Establish a predictable regional disembarkation mechanism
- Third-country access to EU information systems for limited purposes
- Ensure the respect for human rights for third-country nationals
- Establish a European humanitarian visa
- Reach readmission agreements and a sustainable reintegration
- Address root causes of migration through migration compacts
- An effective two-way Africa-EU partnership
- EU-Turkey statement
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- Ensure the respect for human rights outside EU borders
Reinforcing cohesiveness in the EU

SUMMARY
This ideas paper discusses how to strengthen or reinforce cohesiveness in the European Union in the period to 2030. In the past few decades social and economic differences between Member States have been declining. Nonetheless regional disparities remain evident, not only between but within countries. East-West divides have been joined by North-South fissures. Lack of cohesiveness in societies may bring negative consequences for political stability and trust in institutions. For the EU, the main challenges in view of future trends include ensuring a dynamic economic environment, enhancing skills, tackling inequalities and demographic changes, and tapping into the potential of the digital revolution. The paper briefly looks at the dimensions of the cohesiveness issue, outlines certain forecasted trends to 2030 and sets out a non-exhaustive set of proposals to address ongoing and future policy challenges.

Introduction
Cohesiveness itself is a multifaceted and multi-layered concept. It can be defined as the quality of forming a united whole amongst certain members of a group or a community. It can be manifested at the level of the family, school, workplace or neighbourhood, right up to the regional, national and European Union level. EU measures to promote cohesiveness have in the main been based on the three axes of economic, social and territorial cohesion - each including a range of different aspects - but cohesiveness can also be viewed via the angle of behaviours, attitudes, values, emotions or social norms.

Certain conditions may favour cohesiveness and spur economic and social integration. Such conditions may be:

- **economic** (business and commercial interactions within a community but also measures relating to poverty, income redistribution, employment, mobility, education, health and housing)
- **social** (strength of social partners and civic society, development of social networks and social capital, volunteering, social supports)
- **political** (active citizenship, engagement and participation)
- **local** or **territorial** (quality living environments, accessible and secure public spaces, environmental protection)
- **cultural** (common values, beliefs or norms, common characteristics such as language or ethnicity).

In brief, we may describe a cohesive society as one where members of the population enjoy ample economic and social opportunities, display high levels of mutual trust and solidarity, and feel a sense of belonging and confidence in public institutions.
EU actions on cohesiveness (cohesion and other policies)

Tackling inequalities, fragmentation and the sense of being ‘left behind’ or marginalised is crucial in the context of ensuring not only good socio-economic conditions but also political stability. Recent political developments in Europe, the US and elsewhere (the rise of populist parties and political leaders, the UK’s vote on Brexit, etc) mean that this theme is currently seen as very pertinent. However, for the EU, the issue of how to overcome disparities and inequalities is not a new one.

A number of the earliest EU funds, such as the European Social Fund (created in 1958), the European Agricultural Guidance and Guarantee Fund (1962) and the European Regional Development Fund (1975) reflected motivations among Member States to correct regional and social imbalances resulting from agricultural preponderance, industrial change and structural under-employment. The accession of Greece, Portugal and Spain in the 1980s brought a shift of focus in favour of reducing disparities and addressing divergences between richer and poorer areas. The legal basis introduced by the Single European Act (1986) opened up the possibility of creating an integrated cohesion policy, with the first framework regulation on Structural Funds being adopted in 1988 and the Cohesion Fund being created in 1994 to support projects in the fields of the environment and transport infrastructure in the least prosperous Member States. Cohesion funding increased in the next programming periods, reaching 33.9% of the MFF for the years 2014-2020. With subsequent accessions, newer themes or focus emerged, for example concerning the extremely sparsely-populated regions (Finland and Sweden) and regions with GDP significantly lower than EU average (EU-10 and later EU-13).

Over time, regional and cohesion policy has also been aligned with overarching EU strategies, such as the Lisbon Strategy or the Europe 2020 Strategy. It has been used to address employment, and competitiveness issues (particularly since the financial crisis) as well as demographic and climate challenges. The policy has evolved and has undergone modernization and reforms to maximize the impact of available funding, simplify procedures and ensure a focus on results. It can be expected that the future cohesion policy will address upcoming challenges such as rising inequalities, continued economic disparities, migration, climate change, innovation and job automation. It could also become part of a broader EU strategy aimed at improving socio-economic development.

It may also be recalled that while cohesion policy has been the main tool to address regional disparities, the objective of cohesion/cohesiveness has been pursued via a wide range of EU funds, programmes and policy measures across a variety of sectors, including culture, trade, transport, agriculture, business, industry, research and education.

Context in 2030

According to the 2015 ESPAS report on ‘Global Trends to 2030’, the main trends Europe will face in the coming decade relate to economic, social, demographic, environmental and global governance challenges.

Economic transformation is expected to be mostly driven by innovation, technology and the digital revolution. This trend may bring huge opportunities in terms of productivity, welfare gains and individual empowerment, but it can also lead to societal disruptions caused by unemployment and increasing inequalities.

In terms of employment, automation and increasing role of AI are expected to lead to job loss or job displacement as well as increased demand for new skillsets. However, the simultaneous spread of new work patterns such as flexible work and telework may lead to better work-life balance and higher productivity, states the 2017 joint ILO and Eurofound report on the effects of ICT on the world of work.

Demographic changes will include an ageing population (the median age in Europe in 2030 is projected to be 44.7), a shrinking labour force, increased migration and rising inequalities. To avoid unsustainable pressure on the social protection systems, productivity gains will need to be achieved...
and migration policy possibly reframed. The inequalities in wealth are likely to continue to rise, while addressing them might require rethinking of the current socio-economic system and creating opportunities for social mobility.

Environmental pressures and climate change are likely to bring challenges in terms of waste, pollution, large-scale exploitation of resources, food and water supply, managing rising energy consumption and shifting patterns of production. The green economy is likely to be on the rise, with new breakthroughs in clean technology expected.

Further globalisation and rising competition from Asia is expected to be coupled with changes in the global balance of power. With uncertainties regarding the future role of the United States, there will be a need to find matching global governance structures in an increasingly multipolar world. Convergence around values such as fundamental human rights, democracy and the social market economy will be needed in Europe at a time of fragile international security and possible geopolitical tensions and conflicts.

Internally, the EU will also need to address the crisis of democracy, fragmented societies and the ‘revenge of the places left behind’. The 2018 Global Risks Report of the World Economic Forum sees inequalities as the biggest cause of populism and polarisation in societies. The WEF recommendations to address these challenges include strengthening global cooperation, exploiting the opportunities of new technologies and mitigating their risks, adopting long-term thinking in capitalism and recognising the importance of identity in communities.

Current challenges and future solutions

The state of cohesion in the EU is monitored in the cohesion report published by the European Commission every three years and presenting progress towards economic, social and territorial cohesion. Its latest edition from 2017 presents an overview of recent developments and challenges across EU regions. The sections below, presenting an overview of the state of cohesion at EU level, follow the Treaty categorisation into economic, social and territorial cohesion.

Economic cohesiveness

Economic cohesion can refer to convergence in income (as measured by GDP per capita) between Member States and regions. The main division lines here are still between EU-13 and EU-15, with GDP per capita in the EU’s poorest regions being seven times lower than in the richest areas. Since the financial crisis there’s also a growing North-South divide within the euro area, with Greece, southern Italy, Portugal and Spain experiencing a decline in real wages, investment and consumption. In this context, two main categories of lagging regions have been identified: ‘low income’ regions in the East and ‘low growth’ regions in the South. Low-income regions face structural challenges in their economy, while low growth regions are experiencing stagnant productivity and little job creation. Both types of regions have relatively high unemployment rates and very low levels of female participation in the labour force. Moreover, lagging regions are also characterised by weak institutions. Another cleavage is along the urban-rural divide/income gap, especially in the EU-13, where cities are the main drivers of growth and job creation.

The Commission’s 2017 Cohesion Report noted that the European economy was recovering after the crisis, with GDP catching up and regional disparities narrowing again after a few years of stagnation. However, a closer look at the economic trends among EU regions and Member States reveals that many less developed regions converged towards the EU average through faster productivity growth, while also losing employment. The manufacturing sector in these regions has for the most part performed well, but to ensure continued convergence, they will need to move up the value chain to activities with a higher skill, technology and innovation content, to keep up with globalisation and technological change.

Regions with high GDP per capita have grown faster than the less developed ones through a combination of both productivity and employment growth. They have usually benefitted from
agglomeration economies around the national capital or a large city, and a better matching of skills on the labour market. Infrastructure investment in transport and ICT generated high returns, while the spatial proximity of firms produced more innovation and knowledge spillovers. These benefits can be further extended by improving links between large cities and their rural hinterland or between smaller cities, where the sharing of specialised services can give rise to economies of scale.

However, several regions with a GDP per capita close to the EU average seem stuck in a ‘middle-income trap’ due to a weak manufacturing sector and insufficiently developed regional innovation systems. Some suggestions to improve their performance include: a stronger export-orientation, a shift into new sectors and activities, a boost to research and innovation, an increase in education and training, and an improvement in the business environment. Any strategies designed to stimulate the catching up of less developed regions need to take account of the factor endowments and local conditions. In light of the general future trends outlined in the previous section, however, all regions will have to exploit the potential of emerging technologies and the digital revolution, as well as invest in a well-educated workforce prepared for knowledge-intensive jobs and working within fast-growing key enabling technologies.

Social cohesiveness

A 2018 Eurofound report on ‘Social cohesion and well-being in Europe’ argues that the main components of social cohesion include perceived social exclusion and social tensions, interpersonal trust, participation in society and sense of community. There is also a strong correlation between social cohesion and the subjective sense of well-being. While perceptions of social exclusion at EU level are generally low (with particularly low levels in the northern countries and higher in the south-eastern Member States), the perceived social tensions, both economic and ethno-cultural, are high. Ethno-cultural tensions are more prevalent in the richer, western Member States that have recently experienced increased levels of immigration. Economic tensions tend to be higher in the post-communist societies. Interpersonal trust follows the same North versus South-Eastern divide, while participation rates in political activity and civic engagement are disturbingly low across the EU overall. The socioeconomically disadvantaged segments of society are the key risk groups for social exclusion, low trust, low participation in society and perceived economic tensions, with age, employment status, education, health and urban-rural setting being the biggest determinants.

According to the 7th cohesion report, various drivers of social cohesion in the EU are improving. These include levels of education, rising employment rates and a narrower gender gap. Employment has recovered (as measured by the employment rate), although unemployment is still above its pre-crisis level (i.e. 7.7% in 2017, compared with 7% in 2008). Regional disparities in unemployment are still widespread, with particularly high rates for people under 25. While the risk of poverty or social exclusion in the EU has fallen back to its pre-crisis level, the share of low work intensity households and urban pockets of poverty is the highest in EU-15 cities. Possible measures to address this problem include investments in skills and labour market activation.

Some regions have rapid population growth while others face depopulation. Movements have predominantly been from the EU-13 to the EU-15 and within the EU-13 from rural regions to capital

Income inequality in the EU

Income inequality is much lower among EU citizens than in many other parts of the world. Measured by the Gini coefficient (on a scale from 0 to 1) it has been falling in the EU for about two decades until the 2008 crisis and amounted to 0.33 in 2017 (compared with a much higher value of inequality in the US amounting to 0.48). While the EU-wide inequality rate is relatively low, there are significant differences between EU countries ranging from 0.25 in Belgium, Czech Republic, Slovenia and the Scandinavian countries to around 0.35 in Bulgaria, Greece, Spain and the Baltic countries. The EU-wide value of 0.33 is also still quite high compared with Norway (0.23), Japan (0.30) and Canada (0.31).

Income inequality has been associated with negative effects on health, social mobility, proneness to populism, sustained poverty and crime rates. Reducing inequality is therefore an important goal for the EU. Income inequality (measured by the quintile share ratio, i.e. the proportion of the total equivalised disposable income received by the 20% of the population with the highest income - top quintile - to that received by the 20% of the population with the lowest income - lowest quintile) is one of the Social Scoreboard indicators, supporting the European Pillar of Social Rights. This scoreboard feeds into the European Semester of economic policy coordination.
and other large cities. In several regions, this has led to rapid changes in population, which has put pressure on public infrastructure and services (either to increase or downscale them). The EU has also seen a rapid increase in people applying for asylum, which creates the need to ensure effective integration of all refugees or migrants legally residing in the EU for the sake of cohesion and future prosperity. Such measures could include improving their skills to help them find a job or set up a business, providing them with better access to finance and tackling discrimination.

In addition, stronger efforts are needed to address early school leaving, the NEET group (young people not in education, employment or training) and the group of low-skilled and low-qualified adults. In the technology-driven world of the future, people need to have access to opportunities continuously to update and improve their skills as well as to acquire new ones. This is vital not only to enable them to remain in employment and advance in their careers but also to boost productivity and the competitiveness of the economy.

Education and continuing training are considered to be among the main drivers of economic growth. To reinforce social cohesion in the future, longer-term trends including growing inequality, immigration and increasing cultural diversity will need to be addressed, along with reducing social disparities with regard to poverty, labour market access, health, equitable education and intergenerational justice. The European Pillar of Social Rights provides a useful roadmap for reinforcing social cohesion in terms of equal opportunities, access to the labour markets, fair working conditions as well as social protection and inclusion.

Cultural policy can play a strong role in promoting inclusion and social cohesion. The March 2016 Rome Declaration and November 2017 Gothenburg Leaders’ Agenda on Education and Culture stressed that citizens’ access to culture and education, their cultural engagement, and awareness of shared history and values could contribute to inclusive communities and stronger cultural international relations. The Commission has proposed a renewed Agenda for Culture in the post-2020 period, with an emphasis on the social dimension of cultural policy as well as its external role. Further consideration can also be given to ‘decentralisation’ measures aimed at ensuring possibilities for cultural participation not only in larger metropolitan areas but also in more remote, peripheral or sparsely populated localities and regions.

Territorial cohesion

Key issues in terms of territorial cohesion, supported by cohesion policy funding include the shift towards a low-carbon economy, adaption to climate change, improving environmental protection, resource efficiency and cross-border cooperation. Support measures include improving energy efficiency in public buildings, housing and small and medium-sized enterprises, smart grids; renewable energy sources; clean urban transport, railways, cycle tracks and footpaths; research on climate change and adaptation to it, including resilient infrastructure and risk prevention and management.

Progress towards the 2020 climate and energy targets (20% cut in greenhouse gas emissions, a 20% improvement in energy efficiency and a 20% share of renewables in final energy consumption) has been positive. In terms of sustainable transport, support measures tackled making transport more competitive and increasing the quality of the network, reducing dependence on oil, greenhouse gas and other emissions, limiting congestion and improving safety. Particular attention was paid to cities, in particular with focus on resource and energy-efficiency of buildings, reducing dependency on car transports, encouraging a low carbon lifestyle and increasing access to green spaces. However, challenges still remain in the area of pollution and waste.

In terms of cross-border cooperation, the EU has continued to work on eliminating institutional and regulatory barriers to the movement of goods, services, people, capital and ideas. European Territorial Cooperation focuses on mitigating the adverse effects of internal borders, especially with regard to cross-border security, transport, education, energy, health care, training and job creation. However, physical obstacles and poor transport infrastructure still limit access to markets and
services on the other side of the border, while cultural and language differences can restrict interaction between people or businesses. Moreover, it is estimated that removing 20% of the existing legal and administrative obstacles would bring a gain of up to 2% of GDP in border regions. Institutional frameworks are also crucial for improving territorial development. While the quality of governance varies widely across the EU, support measures offered include training and exchanges for civil servants, e-government tools and investments in modernisation of public service delivery.

Proposals for action

Proposals for potential policy actions to address the challenges outlined above are listed in the Table/Wheel attached to this paper.

Outlook to the post-2020 policy framework

In the context of the debate on the future of Europe and ahead of the proposals for the next multi-annual financial framework, the European Commission’s White Paper of March 2017 outlined possible paths in face of challenges linked to globalisation, impact of new technologies, security concerns and the rise of populism. The White Paper presented five scenarios for the future of Europe as EU27. These included keeping up the status quo, reducing EU activities to the single market, reinforcing enhanced cooperation between groups of Member States, engaging in a limited areas but with more efficiency and deepen the social and economic basis through ‘doing more together. This was complemented by five reflection papers with detailed ideas, options and proposals on the Social Dimension of Europe, Harnessing Globalisation, Deepening the EMU, Future of European Defence and Future of EU Finances.

The negotiations on the post-2020 policy framework under the new MFF are a decisive moment to agree on major investment priorities, procedures and implementation methods. The post-2020 cohesion policy framework outlined in the Commission proposal of May 2018 proposes new funding priorities and simplifies rules both for programme managers and final beneficiaries. The number of policy objectives goes down from the previous eleven to five: 1) A smarter Europe through innovation and economic transformation, 2) A greener low-carbon Europe, 3) A more connected Europe with strategic transport and digital networks 4) A more Social Europe, delivering on the European Pillar of Social Rights and supporting quality employment and skills and 5) Europe closer to citizens, with the support of locally-led development strategies and sustainable urban, rural and coastal development.

New provisions also allow for simpler synergies with other instruments from the new EU budget. Such programmes will be available under the new MFF in a variety of sectors including education and culture (Erasmus and Creative Europe), economy and the euro (Reform Support Programme, Investment Stabilisation Function, InvestEU), employment (European Solidarity Corps, European Globalisation Adjustment Fund), civil society (Rights and Values Programme), modernised Common Agricultural Policy, environment (Environment and Climate Action Programme LIFE), fisheries (EMFF), research and innovation (Horizon Europe and ITER), transport (Connecting Europe Facility), digital networks (Digital Europe Programme) as well as funds and programmes in the area of migration, humanitarian aid, development cooperation, border management, security and defence. All these funds and policies when working in synergy, have the potential to contribute to increased cohesiveness in the EU in light of the future challenges and trends relating to EU economy, society and territory.

Sarah Sheil
February 2019
## Possible initiatives

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<tr>
<td>1</td>
<td>InvestEU Programme 2021-2027 (synergies with funding priorities targeted by cohesion policy)</td>
<td>EU institutions</td>
<td>The newly proposed InvestEU Programme builds on the success of the Juncker Plan and EFSI. The Programme will focus on 4 areas also covered by the post-2020 cohesion policy (sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; social investment and skills), which provides opportunities for synergy.</td>
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<tr>
<td>2</td>
<td>European Year of Cities</td>
<td>EU institutions / MS</td>
<td>Nearly three quarters of the EU's population live in towns and cities. The aim of the European Year of Cities would be to raise awareness of EU policies and initiatives directed at them, such as the ‘Urban Agenda’, ‘Smart Cities’ and various sources of funding to tackle city-specific issues (such as sustainable transport, waste and pollution, urban poverty and integration of migrants). The ‘European Year’ initiative is implemented together with Member States who appoint a National Coordinator in charge of specific projects. In addition to the events in regions and cities, EU institutions organise events to launch and celebrate the European Year.</td>
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<tr>
<td>3</td>
<td>Better complementarities of the ESI Funds with other EU policy actions</td>
<td>EU institutions</td>
<td>Cohesion policy covers several areas also addressed by other EU funding sources such as COSME, Erasmus, Creative Europe, EaSI, Connecting Europe Facility and EU policies (e.g. social, cultural, agriculture). Enhancing coordination, synergies and complementarities between them could help maximise the impact and efficiency of EU funding. Concrete steps could include training for LRAs to make them aware of existing opportunities and provide advice on rules pertinent to each funding source.</td>
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<tr>
<td>4</td>
<td>Develop Europe 2030 targets (cohesiveness indicators)</td>
<td>EU institutions</td>
<td>A new strategy replacing ‘Europe 2020’ strategy for smart, sustainable and inclusive growth could include at least one target relating to cohesiveness. Building on the lessons learnt from Europe 2020, the new strategy could ensure more buy-in from citizens and authorities, possibly a more heart-capturing and enhanced vision of future Europe with high quality of life and improved socio-economic conditions and could possibly be</td>
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<tr>
<td>5</td>
<td>One-stop-shop for EU funding (website/online platform reflecting synergies of all EU instruments and funding programme in support of cohesion)</td>
<td>Commission / MS</td>
<td>To enable high synergy of all EU funding sources a one-stop-shop platform could be created as the main entry point for citizens, businesses and policy-makers at local, regional and national levels. This could raise awareness on the magnitude of various EU funding resources and tools, giving the interested stakeholders instant insight into what is available for various categories of users, funding managers (EC, MS, regions) and thematic areas. This initiative could also enhance synergies in terms of combining funding sources to support actions under a concrete theme.</td>
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<tr>
<td>6</td>
<td>Mapping cohesiveness and divergence in the EU</td>
<td>Commission</td>
<td>Developing a systematic mapping exercise (to be updated annually) and showing in real time the social, economic and territorial convergence across the EU on a variety of key aspects such as economy, health, education, transport and environment (possibly expanding existing ESPON resources). This could be done at a level allowing for more granularity than the NUTS system to reflect the inner convergence / divergence within regions and localities to help identify and tackle smaller areas lagging behind.</td>
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<tr>
<td>7</td>
<td>Cohesiveness Charter / strengthening territorial cooperation</td>
<td>EU institutions / LRAs</td>
<td>Cross-border partnerships and direct cooperation between local and regional authorities could be encouraged with the EU acting as a facilitator or a linking platform. The success of Covenant of Mayors in the area of climate change and energy, as well as the Smart Cities initiative could be replicated in other thematic areas important for economic, social and territorial cohesion. The Cohesiveness Charter would give a basis for enhanced cooperation if regions and cities wished to set more ambitious targets and voluntarily move faster towards common goals. This initiative would of course be in line with respective competences and implementation powers at the various levels.</td>
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<td>8</td>
<td>Foster e-health, telework, e-administration, e-learning</td>
<td>EU institutions</td>
<td>The potential of digital technologies in various areas with high impact on cohesiveness could be explored. These include health, work,</td>
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<td>9</td>
<td>Strengthen sustainability of EU funded projects (faster start-ups, longer lifespans)</td>
<td>EU institutions / MS</td>
<td>Governance and education. Within its areas of competence (be it shared or relating to coordination, support and supplementing actions of EU Member States), the EU could expand its Digital Agenda to include more aspects improving quality of life and cohesiveness.</td>
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<tr>
<td>10</td>
<td>Foster a more space-sensitive regional policy, tap specific potential</td>
<td>EU institutions / MS / regions</td>
<td>Cohesion policy could include a component (funding and advice) relating to sustainability of EU-funded projects. This could consist of helping businesses and other undertakings develop long-term feasibility plans for sustainable operation and profit, along with aid with implementation of such plans, periodic monitoring and support after EU funding has stopped.</td>
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<tr>
<td>11</td>
<td>Link the levels: better follow up on feedback from cohesion policy implementers (closer dialogue between cohesion policy designers and LRA implementers)</td>
<td>EU institutions</td>
<td>Traditional approaches to targeting territorial cohesion are typically single-sector and top-down. A place-based approach proposes a flexible policy choice with a key role for regional and local stakeholders to channel funding in a way more tailored to local challenges and needs. Parts of this approach are already used in the ‘smart specialisation strategies’ and the ‘Territorial Agenda’ but the main cohesion policy funding clusters still remain rigid. More flexibility could help address cohesiveness within regions and appreciate their territorial specificity.</td>
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<tr>
<td>12</td>
<td>Developing skills and competences for digital society – add digital to PISA</td>
<td>EU institutions / OECD</td>
<td>To address the projected shortage of employees with digital skills across the EU, the EU could consider amplifying its action targeted at developing skills necessary for both ICT-intensive industries and other sectors. A concrete step could include encouraging the OECD to include digital skills to its PISA tests, which currently cover only three competence fields: mathematics, science and reading.</td>
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| 13 | Reinforced focus on lagging regions | EU institutions | While EU cohesion policy channels most of its funding to the less developed regions, from the point of view of cohesiveness it is also important to target the two
The categories of persistently lagging regions (low-income regions in the East and low-growth regions in the South). The Catching Up initiative, also known as the Lagging Regions Initiative, examines the main factors holding back growth and investment, and provides advice on the best use of cohesion policy tools to address the needs of these regions in terms of human capital, innovation, quality of institutions, and better accessibility.

<table>
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<tr>
<th>14</th>
<th>Sponsor applied research in the area of cohesiveness (i.e. bridging research and policy, focusing on empirical cases and best practices)</th>
<th>EU institutions</th>
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<tr>
<td>15</td>
<td>An EU Cohesiveness Index (based on existing Eurostat data, with regular monitoring and periodic updates)</td>
<td>EU institutions</td>
</tr>
<tr>
<td>16</td>
<td>Reinforcing social innovation / social dimension</td>
<td>EU institutions</td>
</tr>
<tr>
<td>17</td>
<td>Strengthen regions’ capacity to deal with climate change</td>
<td>EU institutions</td>
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A wealth of research in the area of cohesion and territorial development exists, but what is still missing is a sufficient degree of making this research applicable for use in policy. This could be remedied by an increased focus on applied or empirical studies, as well as measures design to bring the existing research closer to politicians and policy-makers.

Building on the experience of already existing indexes (i.e. Regional Competitiveness Index, Social Progress Index, and Regional Innovation Scoreboard), an EU Cohesiveness Index could be developed to track progress on cohesiveness across the EU.

Various EU initiatives targeting the social dimension, including the European Pillar of Social Rights, are currently on the rise. From the point of view of social cohesion, this presents a great opportunity to address issues pertaining to this aspect in a coordinated way. In addition to the social dimension of EMU (which focuses mainly on the market-related aspects such as employment and skills) and the Pillar (which addresses equal opportunities, access to the labour markets, fair working conditions as well as social protection and inclusion), there is scope to include strategies on complementary aspects of social cohesion such as social innovation in terms of community development, social inclusion, respect for diversity, interpersonal trust, and participation in society.

Climate change is another major challenge in the decade up to 2030. A coordinated action including EU-wide measures (common targets and...
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<th>Number</th>
<th>Description</th>
<th>Responsible Body</th>
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<tbody>
<tr>
<td>18</td>
<td>Establish better horizontal coordination in the EP on the future of work (eg via task force, special committee or other means)</td>
<td>EP</td>
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<tr>
<td>19</td>
<td>Better targeting of disadvantaged groups (minorities, migrants, women)</td>
<td>EU institutions</td>
</tr>
<tr>
<td>20</td>
<td>Innovative governance</td>
<td>EU institutions / MS / LRAs</td>
</tr>
<tr>
<td>21</td>
<td>Increase visibility of EU action on the ground</td>
<td>EU institutions / MS</td>
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- Funding sources could be interlinked with direct local cooperation such as the successful Covenant of Mayors which commits signatories to develop and implement Sustainable Energy and Climate Action Plans. The EU could facilitate this process, taking advantage of its tools as a platform for popularising ideas and bringing together people from across the EU (via conferences, websites and forums such as the CoR/EESC).

- One of the major future trends are changes in working patterns (automation, flexibility, digitalisation, job loss and displacement), while demographic projections point to a shrinking labour force. These trends coupled with work insecurity and the ‘gig economy’ could have a major impact on EU population and its livelihood. Therefore, the EP could consider horizontal own-initiative work (eg. EMPL, JURI, CULT, REGI) in this crucial area to explore options for EU support and action.

- Currently the European Social Fund prioritises fighting social exclusion of disadvantaged groups. However, given the projected rise in migration flows and the still persistent challenges in terms of women’s participation and position of minorities, further EU action to tackle discrimination and enhance opportunities could be envisaged to increase solidarity and cohesiveness. Particular focus could be on the area of employability, improved access to services and integrating into the community.

- Governance has been identified as one of the key factors responsible for growth and competitiveness at the regional level. EU action could provide support to develop institutional capacity, by linking resources under technical assistance, the Reform Support Programme and other support measures supporting governance.

- A web portal bringing together all websites that feature EU-funded projects. Currently such websites are fragmented among the EU institutions, Member States or regional portals. This could include further development of the ‘What
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<th>22</th>
<th>Tackle fake news/disinformation on digital platforms</th>
<th>EU institutions</th>
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<tr>
<td>Europe Does For Me’ initiative, with increased interactivity and possibility for citizens to contribute. It could also capitalise on the information available on the Open Data portal (on ESI funding allocations, businesses supported, kilometres of roads built) and include a feature where projects would be added in real time, along with reporting on progress and profiling of participants and community impact. It could also be linked with local events.</td>
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<tr>
<th>23</th>
<th>Harness online social networks</th>
<th>EU institutions</th>
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<tr>
<td>The online spread of mis- and disinformation is a growing phenomenon and likely to increase in the future, while almost half of EU citizens follow news on social media. The EU steps to tackle fake news and online disinformation must build up on the findings of stakeholders consultations and HLEG reports, developing tools to check the credibility of information, foster media literacy, raise awareness and promote diversity of information.</td>
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<tr>
<th>24</th>
<th>Increased citizens’ involvement in shaping EU policy</th>
<th>EU institutions</th>
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<tr>
<td>Building on the experiences of the <a href="http://www.thistimeinvoting.eu">www.thistimeinvoting.eu</a> website run by DG COM in EP, social networks created for citizens and policy stakeholders could be extended beyond the European Elections. Such digital campaigns and platforms, focusing on themes pertinent for the population, could bring together people from across the EU and reinforce mutual links.</td>
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| A possible way to enhance the feeling of empowerment and stimulate interest in European affairs could include actions aimed at raising awareness of already existing tools (such as European Citizens’ Initiative and stakeholder consultations conducted during the preparation of legislative acts) as well as actions increasing involvement of citizens in shaping EU policies (building on experiences with local participatory budgets, where citizens vote on the priority projects to be funded under the available resources). |
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THE NEXT 10 YEARS
– BUILDING COMPLEMENTARY (EXECUTIVE) CAPACITY

COHESIVENESS

- Increase citizens' involvement in shaping EU policies
- Harness online social networks
- Tackle fake news on digital platforms
- Increase visibility of EU action on the ground
- Innovative governance
- Better targeting of disadvantaged groups
- Establish better horizontal coordination in EP on the future of work
- Strengthen regions' capacity to deal with climate change
- Reinforce social innovation and social dimension
- EU Cohesiveness Index
- Sponsor applied research in the area of cohesiveness
- Reinforced focus on lagging regions
- InvestEU Programme 2021-2027
- European year of cities
- Better complementarities of ESI funds with other EU policy actions
- Develop Europe 2030 targets (cohesiveness indicators)
- One-stop shop for EU funding
- Mapping cohesiveness and divergence in the EU
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- Foster e-health, telework, e-administration
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Shaping a common European defence policy by 2030

Summary

In an increasingly volatile international environment, the European Union will need to step up its security and defence cooperation in the next decade if it is to fulfil its own level of ambition and achieve strategic autonomy, in close cooperation and complementarity with NATO. EU Member States will have to determine if they wish to step up cooperation and move towards a European Defence Union, and possibly, in the long run, a European army. They will also need to strengthen the existing institutional framework, including by creating a post for a commissioner for defence and a directorate general (DG) for defence from 2019 onwards. The Union will need to spend more and better collectively on defence in order to reduce the ‘waste rate’ of existing defence systems duplication and increase the share of collaborative defence equipment programmes.

Introduction

The security landscape of the next decade will continue to be shaped by increased uncertainty in the immediate neighbourhood of the European Union. Worldwide the security situation will remain volatile due inter alia to massive migration flows and/or scarce access to resources, including water and food. In economic and strategic terms, the rise of emerging and resurgent powers will increasingly call post-Cold War security stability into question and will put an additional strain on transatlantic security. The EU will remain a soft power, although, as already foreseen in the EU Global Strategy, some elements of ‘hard power’ are expected to develop gradually as a result of the changing geopolitical environment. In complementarity with NATO for those Member States that are members of both organisations, EU Member States will have to accelerate their cooperation efforts in order to address common future security challenges of a conventional or non-conventional (for example, cyber or hybrid) nature.

In the uncertain, multipolar, world that is emerging, the EU will need to shape its strategic autonomy in order to be able to stand up for its principles and values, protect its citizens, defend a multilateral rules-based international order and be able to respond to the threats its Member States will be facing individually and collectively. To do so, the Union will need to build on its achievements since December 2012 and continue to strengthen European defence cooperation. Four dimensions are of the utmost importance, namely: 1) a common strategic culture; 2) institutional and decisional consolidation; 3) implementation in full of the Lisbon Treaty provisions on security and defence; and 4) the mutualisation of resources.
A common strategic culture

Strategic culture has been defined as a 'set of beliefs, attitudes and norms towards the use of force'. Elements of a common EU strategic culture have emerged within the past two decades with the creation of an institutional framework, designed, in principal, to support the crisis management dimension of the common security and defence policy (CSDP). EU CSDP action has been enabled by constant public support for the policy and by the adoption of a commonly shared set of principles and values guiding the EU's action in security and defence and, more broadly, in external relations. These two elements, alongside a common threat assessment and a common doctrine represent the foundations of a fully-fledged common strategic culture. In the long run, the EU will need to develop an EU-level doctrine reflected in a White Paper. The European Parliament has called for such a development in several of its recent resolutions.

Taking part in the future of Europe debate, most Heads of State or Government thus far have spoken of the common threats to security the EU and the Member States are facing. They have also called for a common response to these threats. The EU Global Strategy has identified a number of non-conventional threats facing the EU, including terrorism, hybrid threats, climate change, cyber security, disinformation and weapons of mass destruction (WMDs). These have, in most cases, resulted in the adoption of sectorial strategies (for example, the EU strategy to counter hybrid threats).

The EU Global Strategy also states that 'for Europe soft and hard power go hand in hand' and that the 'EU will step up its contribution to Europe's collective security' in close cooperation with NATO. Yet no assessment of the conventional threats Member States are commonly facing has been conducted so far. This debate is rather urgent as it may determine what kind of capabilities the EU Member States need to develop together in the next decade in order to be able to respond to the full spectrum of threats, enhance Europe's strategic autonomy, share the transatlantic burden within NATO, avoid duplication of capabilities and compensate for the progressive disengagement of the US from European affairs.

The adoption of a White Paper on security and defence would provide clear guidance on security and defence for the next decade. It should identify the set of threats and the collective means necessary to deal with them, including the size and form of commonly operated forces. It would require increased specialisation of national armed forces to ensure complementarity and interoperability.

In his speech at the Sorbonne in 2017, the President of France, Emmanuel Macron, spoke of the need to operate military doctrine rapprochement between EU Member States in order to improve interoperability. This would mean finding a common denominator between countries with interventionist traditions and willingness to use force, such as France, countries with a strong parliamentary oversight tradition, such as Germany, and countries with strong and diverse neutral
traditions, such as Austria, Sweden or Finland. It would also mean determining what kind of power the EU should be and if it needs and wishes to provide itself with the means to collectively address the full spectrum of threats.

In order to be able to respond to the full spectrum of threats, the EU Member States will also need to discuss nuclear deterrence. At the first sight, the UK’s departure from the EU will place the burden of nuclear deterrence on France. The Franco-British 2010 Lancaster House nuclear cooperation treaty introduced a mutual assistance clause in the event that the ‘vital interests’ of one of the two signatories are threatened. This implies that the existing nuclear deterrence guarantee would remain in place. Yet, maintaining nuclear capabilities is increasingly costly and analysts have advanced the idea that cost sharing for example for submarine capabilities ‘may be an adequate alternative’ in the long run.

Training and capacity building may increasingly play a key role in building a common European strategic culture. The EU should increase its training and capacity building offer by providing targeted programmes for different categories of personnel, be they military or civilian. The European Initiative for the Exchange of Young Officers (EMILYO) could be expanded to become a European-scale Erasmus for cadets, with common modules and training sessions targeted at familiarising young officers with the EU’s action in security and defence, the internal-external security nexus, key emerging technologies, including artificial intelligence, and data analysis. This initiative would strengthen student mobility. It could be funded by the EU budget up to 5 % of the €25.9 billion proposed for Erasmus+ for the 2021 to 2027 period.

A European Intelligence Academy would offer staff training and develop common intelligence practices. This is much needed in an increasingly interconnected environment where anticipation, information sharing and inter-services cooperation are of utmost importance in addressing cross-border risks such as terrorism, hybrid threats or cyber-attacks. On 19 November 2018, the Foreign Affairs Council decided to establish a joint EU intelligence school. The school will be established as a permanent structured cooperation (PESCO) project led by Greece and Cyprus. For the moment, the school will be funded on a ‘costs lie where they fall’ basis by Member States. However, a joint mechanism where costs would be shared between the EU budget (for example, training costs, research) and Member States’ budgets (for example, seconded personnel costs) could also be envisaged, if Member States so choose. The school represents an important step in building a European intelligence community. Following the November 2015 terrorist attacks in Paris, Belgian Prime Minister Charles Michel called for the creation of a European intelligence agency, an idea that has not yet won the support of all Member States.

In a nutshell, several measures could be taken to facilitate the emergence of a common strategic culture in the next decade.

- **Generate public support for security and defence** – On the whole, the European public largely considers security to be a positive concept. Three in four EU citizens support ‘a common defence and security policy among EU Member States’, a percentage that has remained relatively stable since 2004 (Eurobarometer 89, March 2018). EU action on external security and defence continues to be largely unknown to the public and so there is a need for dedicated communication campaigns to shed light on EU action. These should also stress the need to pool and share resources, so as to ensure more efficient protection of EU citizens.

- **Promote EU principles and values** – The EU Global Strategy recalled the EU’s attachment to a set of principles and values, including the principle of multilateralism. In an increasingly volatile environment where diverging views on the international world order are emerging, multilateralism represents a guarantee for dialogue and peace. An observer seat for the EU at the UN Security Council would allow the Union to stand by and defend its principles within the UN framework.
• **Conduct common threat assessment** – The EU Member States need to have regular discussions on the full spectrum of common threats to security they collectively face and periodically shape a common response.

• **Secure doctrine rapprochement** – This is a prerequisite if the EU wishes to build a common strategic culture in the next decade and move towards strengthened cooperation in security and defence, including by establishing a European defence Union if Member States so choose.

• **Provide training and build capacity** – The EU, in close cooperation with Member States, should diversify the training on offer for all categories of personnel in the security sector, whether civilian or military.

### Institutional and decisional consolidation

The institutional setting governing European defence cooperation is now largely in place. Nevertheless, certain institutional changes would send a clear political signal that the EU is committed to further strengthening European defence cooperation.

• **Dedicated format of the European Council for defence** – Since December 2012, security and defence has been a ‘rolling item’ on the European Council’s agenda. So far, defence has only been discussed as one of several agenda points at formal European Council meetings. The European Council could meet once a year in ‘European Security Council’ format as suggested by the French and German Ministers of Foreign Affairs in 2016. It was not made clear then if the proposed dedicated defence meeting should replace one of the four formal annual meetings of the European Council held on the basis of Article 15(3) of the Treaty on European Union (TEU) or if a meeting outside this framework should be organised. The latter solution would allow more flexibility and be easily introduced by extending the Leaders Meetings format to defence. It would allow EU leaders to evaluate, based on a report from the High Representative, the common threats faced by the EU and the Member States and discuss how to counter them collectively and more effectively, on a regular basis. This could lead to new policy proposals that would be adopted and further monitored at formal meetings of the European Council.

• **Ministers of defence Council configuration** – This would give defence ministers decision-making power over technical defence aspects while foreign ministers would retain responsibility for the EU’s overall external action. The High Representative of the Union for Foreign Affairs and Security Policy (HR) would

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### The role of the HR/VP

Federica Mogherini’s letter of appointment as Vice-President (VP) of the Commission indicated that she would be responsible for steering and coordinating the work of all Commissioners with regard to external relations, that she would chair the Commissioners’ Group on External Action (CGEA), and that Commissioners could deputise her in their respective areas of competence. Analysts see this as an important institutional step forward in foreign and security policy, in line with the Lisbon Treaty (Article 18(4) TEU). They argue that it has strengthened the VP dimension of the HR role, while breaking with previous practice (the previous European Commission President, José Manuel Barroso, used to chair the CGEA meetings). They have also concluded that the CGEA’s work has helped to achieve ‘greater internal coherence’ in EU external action, having a positive impact not only on the work of the European Commission but also at inter-institutional level, with Commissioners attending the Foreign Affairs Council when matters pertaining to their portfolios are on the agenda.

### Commissioner for defence

A commissioner for defence, member of the CGEA and deputising, when necessary, for the HR/VP on defence issues pertaining to the Commission’s work could strengthen the action of the HR/VP in the next European Commission (from 2019 to 2024). If such a position were to be created, the portfolio could include defence research and the defence industry, with an initial focus on space and aeronautics. The implementation and evaluation of the European Defence Fund should also fall within the remit of a DG for defence. The creation of a commissioner position and of a DG defence would recognise the leap forward made in defence under the Juncker Commission and, in particular, the introduction of defence research funding into the EU budget. It would also prepare the work of the 2024 to 2029 European Commission, which will have to present the 2028–2034 multiannual financial framework (MFF), when an additional increase in defence funding could be considered.
continue to chair the ministers of defence meetings, as is currently the practice. The decision to amend the list of Council configurations would belong to the European Council (Article 236 of the Treaty on the Functioning of the European Union (TFEU)).

- **The role of the High Representative of the Union for Foreign Affairs/Vice-President of the Commission (HR/VP)** – The next incumbent of the high representative role will need to continue to strengthen both HR and VP dimensions, and build on current best practice (see box).

- **Commissioner for defence/DG defence** – The European Commission could create a commissioner for defence position as of 2019, to strengthen the EU’s action in security and defence, implement ongoing initiatives, and prepare new ones, including long-term budgetary forecasts.

- **European Parliament Committee on Security and Defence** – The European Parliament might transform its Sub-Committee on Security and Defence (SEDE) into a fully-fledged committee starting with the 2019 to 2024 legislature. This idea has already been put forward in two resolutions adopted by the European Parliament in 2017 and 2018, respectively. To become effective, the transformation of SEDE into a full committee would require, in accordance with the European Parliament’s Rules of Procedure, the agreement of the Conference of Presidents and a vote in plenary by March 2019, at the latest. The Rules of Procedure of the European Parliament would need to be amended and include the mandate (‘powers and responsibilities’) of the new standing committee. This transformation would intervene at a moment when security and defence policy is facing rapid transformation. It would strengthen parliamentary oversight, allowing the new standing committee to cover the entire spectrum of defence related issues, from CSDP missions to the defence industry. It would also allow for up to six own-initiative reports on defence and security to be conducted simultaneously, report topics and rapporteurs to be recommended directly to the Conference of Presidents, and reports to be adopted, with direct access to plenary.

**Implementation in full of Lisbon Treaty provisions**

In September 2016 in Bratislava, the 27 Heads of State or Government decided that the December 2016 European Council would consider ‘how to make better use of the options in the Treaties, especially as regards capabilities’. No discussion on the operationalisation in full of the Lisbon Treaty’s security and defence provisions has taken place since in the European Council. All EU leaders have done is give a green-light to PESCO in December 2016 and launch it in December 2017. They have since followed its implementation, consisting so far of two sets of projects (34 in total) aimed at boosting the development of capabilities. Several other Lisbon Treaty provisions, some of them discussed below, remain un- or under-explored. Their full operationalisation would allow the EU to strengthen European defence cooperation in the next decade or even make a big leap forward towards a European defence union, as requested several times by the European Parliament in its resolutions.

Among the Lisbon Treaty clauses, the one that is by far the most ambitious provides for the establishment of a European Defence Union (Article 42(2) TEU). In his ‘State of the Union’ address in September 2017, European Commission President Jean-Claude Junker stated that ‘by 2025 we need a fully-fledged European defence union. We need it. And NATO wants it’. Earlier that year, in a ‘Reflection paper on the future of European defence’, the European Commission explored three possible scenarios for the evolution of the EU’s security and defence policy up until 2025. The three scenarios were aimed at deepening existing security and defence cooperation. However, only the most ambitious of the three would provide for ‘a common Union defence policy’, which would lead, when the European Council so decides, to ‘common defence’.

Based on the most demanding scenario, a European defence union would allow for 'common financing and procurement of capabilities supported by the EU budget', to conduct the entire spectrum of EU-led operations, to develop and operate certain European assets (for example, drones), and to share high-end military assets. It would also demand that Member States accept the principle of specialisation on a large scale, which they are not currently fully comfortable with.

Initial progress was already made on some of these aspects through the development of PESCO projects or the introduction of the EDF, where defence research costs can be funded from the EU budget whilst capabilities procurement remains in the hands of the Member States. Yet, the creation of a European defence union requires a major paradigm shift as capabilities could be increasingly funded, developed, procured and operated in common. The activation in full of Article 42(2)TEU could, in time, lead to a European army, an idea supported recently by the President of France, Emmanuel Macron, and the Chancellor of Germany, Angela Merkel.

Further implementation of the Lisbon Treaty would require:

- **the establishment of a European defence union (Article 42(2) TEU).** This is entirely in the hands of the European Council and would require all Member States to give their agreement;
- **permanent structured cooperation (Articles 42(6) and 46 TEU and Protocol No 10).** The launching of PESCO in December 2017 was a major step forward in European defence cooperation. A number of issues still remain to be clarified during the implementation phase. They include inter alia third state participation in PESCO as well as the 'regular assessment' of participating Member States' 'contributions with regard to capabilities' (Article 3, Protocol No 10). The European Defence Agency has an important role to play in the latter through the newly introduced coordinated annual review on defence (CARD);
- **a mutual assistance (defence) clause.** There are lessons to be learned from the first activation in 2015 at the request of France (see box). The Member States could take a decision within Council on the procedure that needs to be followed in the event that the clause is activated again;
- **CSDP operations to be entrusted to a group of Member States (Article 44 TEU).** This treaty provision has been **interpreted** as introducing a **flexible mechanism** applicable to CSDP missions and operations and allowing circumnavigation of force-generation processes that, despite several revisions of the Crisis Management Procedures (CMP), remain **cumbersome**. This article has not yet been triggered. In the long run, the European Intervention Initiative (EI2) initiative could make Article 44 TEU obsolete;
- **qualified majority voting (QMV) for CSDP civilian operations.** So far decisions relating to

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### Mutual assistance (defence) clause

The mutual assistance (defence) clause stipulates that in the event that a Member State is the 'victim of armed aggression on its territory, the other Member States shall have towards it an obligation of aid and assistance by all the means in their power'. Article 42(7) TEU does not clarify the modalities to be followed when activating the clause. It does not specify who is responsible for coordinating the 'aid and assistance' provided by the Member States and for liaising with NATO, whose primacy in ensuring 'collective defence' is recognised by the Treaty for those Member States that are members of both organisations. The European Parliament has repeatedly called upon the Member States to establish 'precise and binding guidelines' to be followed for future activation of the 'mutual assistance (defence) clause'.

The EU Global Strategy emphasises the twin nature of Article 42(7) TEU and Article 222 TFEU (the solidarity clause). It stresses that 'Europeans, working with partners, must have the necessary capabilities to defend themselves and live up to their commitments to mutual assistance and solidarity'. The Council adopted a decision on the procedure to follow in the event of activation of the solidarity clause but a similar decision is still awaited in the case of the mutual assistance (defence) clause. The 2016 joint communication on countering hybrid threats considered that 'strategic decision making capacity could be enhanced by establishing a common operational protocol' for the event that both of the mutual assistance (defence) clause and the solidarity clause are triggered simultaneously. The protocol should ensure coherence between internal and external responses and should entrust the coordination of the process to the High Representative.
the launch of both civilian and military missions and operations have been taken in
unanimity. European Commission President Jean-Claude Juncker suggested in his
2018 State of the Union speech that QMV should apply to civilian CSDP missions. If
given a green light by the European Council and adopted by the Council, this measure
would further accelerate decisions to launch civilian CSDP missions but would not
shorten deployment time. This last aspect will need to be addressed during the
implementation of the Civilian Compact adopted by the Council on 19 November 2018.

Mutualisation of resources

The ambition displayed in the EU Global Strategy is to be able to act globally, in complementarity
with NATO but also autonomously, whenever needed, in order to protect EU citizens. This ambition
will only be fulfilled if EU Member States agree to further mutualise their resources by increasingly
pooling and sharing capabilities and by strengthening the European defence industry and market.

There is a broad consensus among EU leaders that none of the EU Member States can tackle the
security threats they are confronted with in isolation and that cost sharing in defence is a necessity.
EU leaders first agreed in December 2013, after over half of a decade of shrinking national defence
budgets, to boost defence expenditure. A year later, at NATO’s Wales Summit, the 22 EU Member
States that are also members of NATO committed to spend 2 % of their GDP on defence by 2024.
Subsequently, the European Council referred several times to this target, extending the
commitment undertaken in NATO to all EU Member States. The total defence expenditure of the 27
EU Member States that are members of the European Defence Agency (EDA) (Denmark having an
opt-out in defence) has risen since 2013 in both nominal and real terms.

EDA members remain collectively below the agreed guideline of 2 % of GDP defence expenditure,
the estimate for 2017 being at 1.43% of GDP (constant 2010 prices). The shortfall estimated between
actual (€205 billion, 2016 figures) and hypothetical expenditure (€293 billion, 2016 figures), based
on the 2 % of GDP target, is €88 billion. Furthermore, NATO 2018 estimates show that only six EU
Member States (Greece, Estonia, the United Kingdom, Latvia, Poland and Lithuania) will reach the
2 % of GDP target this year, that two others (Romania and France) range between 1.80 and 2 %, and
that the rest remain below 1.60 % of GDP in terms of defence expenditure. Currently, EU Member
States are collectively the second largest defence spender after the US but this trend will be reversed
by 2025 and 2030, regardless of the withdrawal of the UK from the EU, when China will become the
second largest defence spender in the world after the US (see Figure 1). It has been estimated that
the Chinese defence budget will nearly triple from US$215 billion in 2016 to US$736 billion by 2030,
while it has been estimated that the US defence budget will increase from US$611 billion to
US$1026 billion during the same period.

Figure 1 – EU 28 collective defence spending in a comparative perspective (€ billion)

Source: European Commission, based on SIPRI, Jane’s and EPSC, 2017.
The EDA Steering Board has agreed four benchmarks in 2007, which have also been agreed in NATO. They require 20% of total defence spending to be allocated to investment (equipment procurement and research and development (R&D), including research and technology (R&T)), with 35% of the total procurement budget to be spent on collaborative defence equipment procurement projects. They also require spending 2% of total defence expenditure to be spent on defence R&T, with 20% of it on collaborative R&T. The EDA has estimated that a total of 20.6% of defence expenditure was allocated to investments in 2017, although a growing gap between rising equipment procurement costs and shrinking R&D/R&T was identified, which in the long run will increase the obsolescence risk. The other three benchmarks have not been met and if they were to be met, current expenditure levels under each benchmark would have to be multiplied by nearly or more than two, as shown for R&T in Figure 2.

Figure 2 – Gap between actual R&T expenditure and hypothetical expenditure, based on the 2% of total defence expenditure target


It is important not only to increase defence spending but also to allow better spending in defence. The ‘waste rate’ in defence, due inter alia to duplication of systems (for example, EU Member States maintain 17 main battle tanks compared with 1 for the US) and of lack of economies of scale, was estimated in 2013 to range annually between €26 billion and €120 billion. The same year, EU leaders agreed that some defence research costs could be mutualised and funded from the EU budget in order to avoid technical obsolescence in the medium to long term and to ensure better value for money. They then identified Horizon 2020 as a means to finance dual use research (for example, satellites). Horizon Europe will be the civilian research programme running for the 2021 to 2027 multiannual financial framework (MFF) period and the European Parliament has called for the envelope for this project to be increased from €83.5 billion to €120 billion in order to boost research, including dual-use research, in the coming years.

Back in 2013, EU leaders also gave the green light to the creation of a newly dedicated instrument for defence research, a ‘preparatory action on CSDP-related research’, funded from the EU budget. The preparatory action covers the 2017 to 2019 period for the sum of €90 million. The preparatory action is the predecessor to the European Defence Research Programme (EDRP), initiated by the European Commission in 2017. The EDF may benefit from a €13 billion envelope for the 2021 to 2027 financial period. Out of this total envelope, €4.1 billion will be earmarked for collaborative research projects, funded through the European Defence Research Programme at 100% through the EDF ‘research window’ (EDRP). The remaining €8.9 billion will be allocated for the ‘capability window’ (European Defence Industrial Development Programme EDIDP) which includes prototype development, certification and testing. A maximum 20% of development costs will be eligible for EDF funding while certification and testing could benefit from 80% EDF funding, with EU Member States funding the difference. This represents a slight increase when compared with the initial estimate put forward by the European Commission.
in 2017 when it launched the EDF initiative (€500 million a year for defence research and €1 billion a year for prototype development under the capability window after 2020).

The EDF represents a financial booster for European defence research but its funding will not however succeed in bridging the gap identified by the lack of 2% of total defence expenditure allocations to defence research at the national level. An additional amount of nearly €2 billion a year would enable current spending requirements to be met collectively, without taking into consideration future requirements deriving from an increasingly volatile international context and a leap forward in technology expected in other regions of the world, in particular in the Asia-Pacific region, in the next decade. In addition, under the capability window, the EDF introduces a ‘financial toolkit’ that will allow EU Member States to procure capabilities jointly through pooled national financial resources, for an estimated yearly sum of €5 billion. This amount corresponds to what the EU Member States currently spend collectively every year on European collaborative equipment projects. It also matches the gap between actual expenditure on collaborative procurement projects and the hypothetical amount required to achieve 35% of total defence equipment spending for collaborative defence equipment projects. To bridge the gap, EU Member States would need to reach €12 billion in European collaborative defence spending, as shown in Figure 3.

Figure 3 – Gap between actual collaborative defence projects expenditure and hypothetical expenditure, based on the 35% of the total defence equipment expenditure target


The European Commission has estimated that only 16% as opposed to 35% of procurement commonly agreed within the EDA was conducted through collaborative projects in 2015. The passing in 2009 of two defence directives, on procurement and on transfers of defence-related products, was intended to boost European collaborative defence procurement, to counter the fragmentation of the defence market and to support defence industry development. A decade later, the implementation record of the two directives is meagre. Over 80% of defence procurement continues to be conducted on a national basis, but in the long term there is the potential for ‘a profound change in procurement practices’ if the EU Member States are willing to fully commit to the implementation of the EDF capability window. The European Commission considers that the directive on transfers of defence-related products offered an ‘innovative and flexible tool’ that ‘has not yet been fully exploited’ and that it has contributed to ‘some cost reductions’, while ‘potential for further reductions lies ahead, pending better implementation and uptake of the directive’s provisions’.

Several other instruments, designed outside the EU budget (for example, the European Peace Facility, which could reach €10.5 billion in the next MFF) or within the EU budget (for example, strategic transport infrastructure in support of military mobility to be funded through the Connecting Europe Facility for an earmarked amount of €6.5 billion) would help complement EDF action in defence. All these initiatives represent a substantive leap forward for the 2021 to 2027 MFF.
period, as defence spending has increased **22-fold** if compared with the current 2014 to 2020 MFF, for an estimated amount of nearly €30 billion, of which €13 billion for the EDF.

Several measures could be taken in the years to come to further mutualise resources:

- **European defence budget** – The President of France, Emmanuel Macron, **spoke** about ‘a common defence budget’ to be made operational at the beginning of the next decade. The EDF meets this requirement and could be further expanded in terms of funding if the EU Member States so wish for the 2028 to 2034 period. The possible increase would have to cover both EU-funded expenditure and Member State-funded expenditure if the Union wished to build a common defence union and achieve strategic autonomy. An increase by five or six times current earmarked expenditure (€13 billion) would bring the EU-funded part to between €65 and 78 billion for the 2027 to 2034 MFF. This money could be used for advanced defence research as well as, if EU Member States agree, to fund up to 100 % of development, certification and testing costs.

- **European defence research** – The EU could create a European excellence pole in defence research and create a European defence research agency funded at 100 % from the EU budget. This agency could conduct research into **key technologies**, including artificial intelligence, nanotechnologies, sensors, or advanced materials. It could create collaborative projects and networks with national research institutes and academia. It would need to liaise with the European Research Agency which will continue to administer EU-funded research programmes of the Horizon Europe type. It will also need to liaise with the European defence agency which will continue to be responsible for capabilities development.

- **Joint development and procurement of capabilities** – The EU Member States will need to meet the benchmark set for collaborative defence equipment procurement. A series of complementary cooperative mechanisms – the coordinated annual review on defence (CARD), permanent structured cooperation (PESCO), and the European Defence Fund (EDF) – have been introduced since 2016 with the aim of enabling EU Member States to jointly identify defence capability shortages and, subsequently, to develop new ones effectively. This resulted in the administrative role of the EDA being boosted, without its (financial and manpower) resources being substantively increased. The negligible budgetary increase (from €30 to 32 million) observed since 2016 was principally directed towards running costs, including a dynamic and much needed recruitment policy. Nonetheless, substantial financial allocations are needed in the medium to long term in order to allow the agency to grow on the operational side and support Member States in the development of capabilities.

- **Military mobility** – ‘Military mobility’, led by the Netherlands, is the most inclusive PESCO project, with 24 out of 25 Member States participating. It is **complemented** by two other initiatives developed by the European Commission (the November 2017 **joint communication on improving military mobility in the EU** expected to be funded through the Connecting Europe Facility instrument as a dual-use project) and by the **EU-NATO initiative**. The overall aim of the three ‘military mobility’ initiatives is to facilitate the rapid movement of military capabilities (troops and equipment) from one side of the continent to the other, if need be. It has a strategic importance both to NATO and to the EU and would mean reviewing and building critical infrastructure as well as harmonising national legislation requirements.

- **Single defence market** – On several occasions, the European Council has **stressed** that ‘fragmented European defence markets jeopardise the sustainability and competitiveness of Europe’s defence and security industry’ and **calling** for efforts to strengthen the defence industry. In order to address this weakness, in 2016 the European Commission put forward the European defence action plan (EDAP) with the aim of **supporting** defence research (EDF ‘research window’) and prototype
development (EDF ‘capabilities window), to support SMEs and to foster ‘an open and competitive defence market’, facilitating the cross-border activity of European companies and helping Member States’ governments get the ‘best value for money in their defence procurement’. A full assessment of the impact of the EDAP on the single defence market will only be possible in several years from now. In order to foster the single defence market, the EU Member States will also need to fully implement the two defence directives, which, to date, have not reached their full potential.

Conclusion

The EU has made substantive progress in European defence cooperation in recent years. The EU Member States will need to build on this progress and strengthen their cooperation in the coming decade if they wish to meet the level of ambition set out in the EU Global Strategy and the challenges posed by an increasingly volatile global environment. They will need to build a common strategic culture based on common threat assessments and a common military doctrine. They will also have to strengthen the institutional framework for defence cooperation and fully implement the Lisbon Treaty provisions. The latter would mean establishing a European defence union that, in the long run, if the Member States so choose, could rely on a European army. They will also need to strengthen cooperation with NATO, spend better on defence and give priority to collaborative projects.

Suzana Anghel
February 2019
### Possible initiatives

<table>
<thead>
<tr>
<th>Measures helping to shape European defence by 2030</th>
<th>Actor responsible</th>
<th>What should be done?</th>
<th>colour</th>
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</thead>
</table>
| 1 Public support for European security and defence cooperation | EU institutions | - organise communication campaigns focusing on the EU’s role as a security provider  
- communicate on the values and principles that inspire the EU’s action in external security and defence  
- organise campaigns to explain the need to mutualise resources in support of EU action in security and defence | Yellow |
| 2 Promoting the EU’s principles and values | EU institutions | - support the ongoing reform of the UN  
- secure an observer status seat for the EU in the UN Security Council  
- continue to engage with multilateral partners, including the UN, NATO, and the African Union. | Yellow |
| 3 Common threat assessment | European Council, Foreign Affairs Council, Member States, Input from the EEAS | - conduct regular assessments of the threats and risks the EU is facing  
- focus on the entire spectrum of threats, both conventional and non-conventional  
- discuss nuclear deterrence, including means to share the financial burden | Yellow |
| 4 Doctrine rapprochement | European Council, Member States | - determine what kind of power the EU should be by 2030  
- find a common denominator for national traditions regarding the use of force, including rapprochement on parliamentary oversight practices  
- adopt a white paper on defence where common threats and risks are identified and a common response is agreed  
- recognise that further specialisation of national armed forces is needed to foster complementarity and interoperability | Red |
| 5 Training and capacity building | EEEA, European Commission, Member States | - expand EMILYO to European level ‘Erasmus for cadets’  
- fund the ‘Erasmus for cadets’ from the EU budget (5% of the Erasmus+ budget for 2021-2027)  
- have the joint EU intelligence school develop both training and research programmes  
- fund the joint EU intelligence school from the EU budget (training and | Yellow |
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<tr>
<td>6</td>
<td>European Security Council</td>
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<tr>
<td>7</td>
<td>Ministers of Defence Council configuration</td>
<td>European Council</td>
</tr>
</tbody>
</table>
| 8 | Role of the HR/VP | HR/VP | • ensure consistency between HR and VP action
• continue to chair the CGEA |
| 9 | Commissioner for Defence/DG Defence | EU Institutions | • create a commissioner for defence and a DG defence in 2019 in the new European Commission
• possible portfolio focus: defence research and defence industry, including space and aeronautics
• responsible for the implementation of the EDF and EDIDP
• after 2024, responsible for the preparation of the 2028 to 2034 MFF |
| 10 | Committee on security and defence | European Parliament | • possible establishment of a standing committee on security and defence as of 2019 |
| 11 | European Defence Union | European Council | • decide to activate the clause of Article 42(2) TEU
• possible features of a European defence union: be able to conduct the entire spectrum of EU-led operations, privilege commonly financed and procured capabilities, introduce further specialisation of national armed forces |
| 12 | PESCO (Articles 42(6) and 46 TFEU and Protocol No 10) | EU Institutions | • implement PESCO projects
• decide on pending issues, including the terms of participation of third states |
| 13 | Mutual assistance (defence) clause (Article 42(7)TEU) | Member States within the Council | • decide on the guidelines which need to be followed in the event that the clause is activated again
• clarify the role of the EU institutions, in particular the High Representative and the EEAS |
| 14 | Article 44 TEU operations | Council | • decide, based on the Politico-Military Group (PMG) recommendations and the EU Military Committee military advice, on the procedure applicable in the event that Article 44 TEU is activated |
| 15 | QMV in civilian CSDP | European Council and Council | • extend QMV to civilian CSDP |
| 16 | European defence budget | EU institutions, Member States | • implement the European Defence Fund  
• further increase both EU-funded and Member States-funded actions for the 2028 to 2034 MFF. |
| 17 | European defence research | European Council, EU institutions, Member States | • establish a European defence research agency fully funded by the EU budget with the aim of conducting research on key technologies  
• ensure inter-institutional cooperation with existing agencies administering, within their respective mandates, research and capabilities development projects (ERA and EDA) |
| 18 | Joint development and procurement of capabilities | EU institutions, in particular the EDA | • develop the necessary capabilities allowing the full spectrum of CSDP missions and operations to be conducted  
• develop modular capabilities, possibly on the model of the Guépard French Units, thus facilitating rapid deployment  
• Member States to meet the EDA targets for collaborative defence equipment procurement  
• strengthen existing EU pooling and sharing programmes and develop new ones  
• equip the EDA with sufficient financial means to ensure consistency between its CARD, PESCO and EDF tasks |
| 19 | Military mobility | | • ensure coherence between the three military mobility initiatives  
• build critical infrastructure  
• harmonise national legislation in order to allow the rapid transfer of troops and equipment from one Member State to another |
| 20 | Single defence market | EU institutions, Member States | • implement in full the 2009 procurement and the transfers of defence-related products directives  
• implement EDAP |
THE NEXT 10 YEARS
– BUILDING COMPLEMENTARY (EXECUTIVE) CAPACITY

SECURITY and DEFENCE

Mutualisation of resources
- Joint development and procurement of capabilities
- Military mobility
- Single defence market

Common strategic culture
- Principles and values
- Common threat assessment
- Doctrine rapprochement

Lisbon Treaty implementation
- QMV in civilian CSDP
- Art. 44 TEU operations
- Mutual assistance (defence) clause
- PESCO
- European Defence Union

Institutional consolidation
- European defence research
- European defence budget
- Training: Erasmus for cadets & Joint EU Intelligence School
- European Security Council
- Ministers of Defence Council
- Balancing the HR & VP dimensions
- Commissioner for Defence/DG Defence
- EP Committee on security and defence
- Commission for Defence/DG Defence

Shaping a common defence policy by 2030

Institutional consolidation
- Lisbon Treaty implementation
- European Defence Union
- Joint development and procurement of capabilities
- Military mobility
- Single defence market

Common threat assessment
- Principles and values
- Doctrine rapprochement

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- QMV in civilian CSDP
- Art. 44 TEU operations
- Mutual assistance (defence) clause
Enhancing EU global competitiveness

SUMMARY

Faced with the prospect of an ageing population and in an increasingly complex, rapidly changing and uncertain global environment, the EU has to constantly upgrade its competitiveness, while continuing to ensure social fairness and sustainable development.

This paper analyses what might be improved in the existing EU toolbox so that Europe can truly embrace the upcoming fourth industrial revolution. In line with the abundant literature on the subject, we identify room for improvements in innovation policy, capital markets and access to finance, in the efficiency of the internal market and in the implementation of structural reforms and, finally, in enhancing EU strategic capacities.

The EU has a key role to play in this process as undertaking certain research and investments collaboratively at EU level avoids duplication and allows pooling of resources, skills and existing knowledge. The waste of not acting is substantial: if the EU as a whole was able to reach the same level of efficiency as the most competitive EU Member States, EU GDP would increase by more than €3 trillion, representing approximately 20% of current EU GDP.

What is global competitiveness?

Originally, global competitiveness is a concept taken from industrial and business economics, with the aim of explaining why some companies are more successful on the global stage. The purpose is also to derive strategic implications with a view to maintaining and increasing the market shares of these companies. In the 1980s and in the 1990s, the concept started to be actively used in the United States (US) to draw comparisons between the relative external positions of countries. However, as pointed out by a number of economists, when applied at a particular level of spatial desegregation (economic areas, countries, regions, local entities) the business approach of competitiveness might be affected by serious limitations.

Intra-EU trade and non-tradable goods and services represent the largest part of the European Union (EU) Gross Domestic Product (GDP). Therefore, internal improvements in productivity, through, for instance, a more efficient organisation of the EU value chain and a deepening of the single market, would add substantial value to the EU GDP.

Moreover, unlike two competing firms, levels of spatial desegregation (e.g. countries), do not compete to sell identical products and, they might specialise in areas where they have a comparative advantage. Their economic structure might also be concentrated around the provision of intermediate goods, thus contributing and benefiting from the organisation of the global value chain. Trade between two countries is thus far most likely to be a win-win solution rather than a competition for market shares.

Finally, the sole focus on maintaining or increasing international market shares might lead to unnecessary and disruptive administrative interventions in the economy, to unwise public spending and ultimately to trade disruption. In particular, policies that aim only to lower costs and that
manage to raise exports through that channel tend to focus on short-term benefits while cementing zero-sum trade among countries and lowering levels of aggregate prosperity in the medium and long run.\textsuperscript{5}

Competitiveness is thus best described as the set of institutions, policies and factors that determine the growth of productivity. The level of productivity, in turn, in an open environment favourable to trade, sets the level of prosperity that can be reached by an economy.\textsuperscript{6} That being said, as far as international trade is concerned, there is always a need to avoid complacency by ensuring a level playing field for European firms on external markets. In practice, this means continuing to pursue fair and balanced trade policies to be able reap the full benefits of improvements in productivity. It is also necessary to prioritise actions on policies that benefit the EU as a whole rather than the separate and sometimes conflicting interests of Member States in specific areas.

What matters for the EU’s global competitiveness is thus to improve its internal productivity while ensuring a level playing field on international markets and prioritising actions to maximise benefits for the EU as a whole.\textsuperscript{7} These objectives are mutually reinforcing and pursuing only one of them at a time would mean that the realised benefits would be far less important than initially expected.

**Recent evolution and main underlying factors explaining global competitiveness**

Despite recent improvements in the European economy, productivity growth has remained subdued. The average potential growth rate of hourly labour productivity in the EU slowed down from close to 2% in the beginning of the 1990s to around 1.4% for the period 2000-2016. Since then, average annual potential labour productivity growth has continued to fluctuate below 1%\textsuperscript{8} (see figure 1).

One has to recognise that this decline in the productivity trend is observed in most of the developed economies. Given the different economic structures and the various institutional arrangements in these economies, tackling this issue appears to be a more complicated and complex undertaking than sometimes suggested.\textsuperscript{9}

The fact that emerging markets record higher rates of productivity growth has also to be seen in relation to their low level of relative initial productivity. It is linked to a catching-up process as they adopt more advanced means of production. A negative relative comparison might thus not be an issue by itself, as what matters is for the EU to focus primarily on improving its own productivity. This international comparison nevertheless illustrates the scale of the current challenge. It might also give some clues as to the areas where some progress could be made.

Going further, numerous analytical frameworks have been developed to disentangle more precisely the importance and the role of each factor in this process.\textsuperscript{10} One of the most advanced and well established, covering all major economies in the world and with results published every year, is the global competitiveness report by the World Economic Forum.\textsuperscript{11} Using the data of the latest 2018 report, the average score for the European Union can be computed. The results for each indicator can also be compared with other economies.

This analysis points to room for improvement in innovation policy (R&D expenditures, research institutions), in capital markets and in access to finance (market capitalisation, venture capital availability, financing of SMEs), in the efficiency of the internal market and in the implementation of structural reforms (burden of regulation, efficiency of the legal framework). The comparison also stresses that the EU has to enhance its strategic capacities (future orientation of government). These results are not something new as they have been highlighted by the European institutions as areas where further progress need to be made.

**Figure 1: Trends in hourly labour productivity growth in the main regions of the world\textsuperscript{12}**
Improving the global competitive position of the EU while continuing to ensure social fairness and sustainable development will remain a major challenge within the overarching European priorities. Regarding global competitiveness, from a policy point of view, our analysis indicated that the EU should ensure that the right conditions are in place for more innovation, more risk-taking and start-ups creation, more competition and better regulation, better access to capital, in particular for SMEs, and more strategic orientation of EU policies.

An increased level of common resources and knowledge is crucial if the EU aims to compete effectively with the US, Japan and China, which have much larger populations and bigger public and private research, innovation and investment budgets than any single EU Member State. Emerging economies have also entered the race and are catching up fast.

The EU has a key role to play in this process as undertaking certain research and investments collaboratively at EU level avoids duplication and allows pooling of resources, skills and existing knowledge. In addition, a significant part of EU actions and investments is in projects for the collective public good that would not be done by the private sector alone and can be done more coherently and efficiently by several countries than by one. Finally, regarding a more strategic orientation of EU policies, there is a need to avoid complacency by ensuring a level playing field for European firms on external markets and to aim for an EU that speaks coherently, confidently and with one voice.

To improve global EU competitiveness, it is thus essential to prioritise actions on policies that benefit the EU as a whole, rather than the separate and sometimes conflicting interests of Member States in specific areas. In turn, with the right conditions in place, new activities will develop and grow,
contributing to productivity growth and to improved EU global competitiveness. The question that these results raise is how to identify a broad and coherent set of complementary practical measures that could be adopted or further developed to make Europe thrive in the upcoming challenging context. In the following tables, we describe measures where actions could bring significant benefits in the four main areas identified in our analysis:

- Innovation;
- Capital markets and access to finance;
- Internal market efficiency and structural reforms;
- EU global strategic capacities.

Jérôme Saulnier
February 2019
## Possible initiatives

### 1- Innovation

<table>
<thead>
<tr>
<th>Project</th>
<th>Actor responsible</th>
<th>What should be done?</th>
<th>colour</th>
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</table>
| 1 | Commissioner for digital transformation | EU Institutions | • Develop and promote a consolidated EU vision of the internet and define a coherent vision of the EU digital single market  
• Apply common rules to ensure that sufficient competition is guaranteed  
• Encourage high level of e-government in Member States to reap the budgetary savings | Red |
| 2 | InvestEU Innov separate fund | EU Institutions | • Clearly identify research and innovation as a priority and reach the 3 % EU target expenditure on R&D  
• Stimulate private investment in research and innovation  
• Select areas for large investment with common added value (AI, robotics, biotech etc.)  
• Encourage the emergence of new firms in rapidly growing areas  
• Increase EU export of knowledge-based products and activities | Red |
| 3 | Enhanced Horizon 2020 | European Commission | • Clearly identify research and innovation as a priority and reach the contribution of public expenditure on R&D to achieve the 3 % EU target  
• Further support breakthrough, market-creating EU innovations  
• Support fundamental research | Green |
| 4 | Clean Energy Europe | European Parliament, European Commission, Member States | • Continue to ensure EU leadership and the emergence of new firms in this area  
• Implement the clean energy package and reach the 32 % target on renewable energy  
• Save on imports of energy and increase renewable technologies and services exports | Green |
| 5 | European University Quality Label | European Commission | • Assess the quality of the education and of the research conducted by EU universities and associated research institutions  
• Improve EU global university ranking positions  
• Make Europe’s universities competitive players worldwide  
• Reward links between universities and between universities and firms  
• Encourage start-up creation  
• Reduce skills mismatch | Yellow |
## 2- Capital markets and access to finance

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<th>Project</th>
<th>Actor responsible</th>
<th>What should be done</th>
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</table>
| 6       | Capital Markets Union (CMU) | EU institutions, Member States  
- Complement Europe’s strong tradition of bank financing by providing alternatives to credit-based financing  
- Reduce capital markets fragmentation  
- Continue to harmonise regulatory rules and tax practices, enforce effective supervision  
- Encourage the emergence and the growth of new firms  
- Develop EU financial centres | Yellow |
| 7       | InvestEU Infra separate fund | EU institutions  
- Make the European Fund for Strategic Investments (EFSI) permanent  
- Regroup the fund dedicated to non-innovation areas under one instrument  
- Continue to support and to stimulate business investment  
- Improve EU networks infrastructure | Yellow |
| 8       | Boosted VentureEU | European Commission  
- Increase availability of venture capital  
- Boost investment in innovative start-up and scale-up companies across Europe  
- Encourage risk-taking and entrepreneurship | Yellow |
| 9       | Common EU public procurement agency | EU institutions  
- Administer public procurement of large public procurement projects  
- Ensure a more efficient and effective administrative capacity to deal with the public procurement of large investment projects | Red |
| 10      | Common EU approach for foreign investors | EU institutions  
- Continue to attract portfolios and foreign direct investment  
- Bring clarity while helping to continue attracting foreign investors  
- Counter the devaluation of EU citizenship and fight the potential for corruption, money laundering and tax evasion  
- Reduce external vulnerabilities and risks of financial instability in Member States | Red |
### 3- Internal market efficiency and structural reforms

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<th>Project</th>
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<th>What should be done</th>
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</table>
| 11      | European Monetary Fund (EMF) | EU institutions | • Contribute to the effective implementation of structural reforms  
• Tackle obstacles to the fundamental drivers of competition and growth  
• Reduce complexity and duplication of rules  
• Tackle barriers to entrepreneurship  
• Improve the EU capacity to deliver budgetary responsibility |
| 12      | Completed single market for services | EU institutions | • Improve services integration and services productivity  
• Increase competition and encourage entrepreneurship in services  
• Ensure a well-functioning EU services market |
| 13      | Stronger single market rules enforcement service | European Commission | • Create a new stronger service  
• Continue to reduce wide differences in the implementation of the single market legislation  
• Reduce legal uncertainty, technical barriers and lack of cooperation  
• Continue to ensure mutual recognition and compliance |
| 14      | Flex-secure EU to facilitate labour mobility | EU institutions, Member States | • Create the European Labour Authority and focus its mandate on the generalisation and the harmonisation of flex-security systems to facilitate labour mobility  
• Develop a common and open labour market  
• Reduce inefficiency and mismatches between regions facing labour shortages and regions facing high unemployment  
• Anticipate the impact of rapid digitalisation and new forms of work  
• Reduce skills mismatch |
| 15      | Competitiveness-friendly EU corporate taxation | EU institutions, Member States | • Offer companies solid and predictable rules, a fair and level playing field and reduced costs and administrative burden  
• Support R&D through tax deduction on R&I  
• Contribute to more diversification of financing by correcting the bias in the tax system towards debt over equity |
## 4- EU global strategic capacities

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<th>Project</th>
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<th>What should be done</th>
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</table>
| 16| EU budget in line with global ambitions | EU institutions, Member States           | • Earmark funding for spending on InvestEU Innov  
• Earmark funding for spending on InvestEU Infra  
• Earmark funding for building a common defence |        |
| 17| Effective and efficient European defence | EU institutions, Member States           | • Benefit from savings on annual European defence equipment spending  
• Benefit from greater macroeconomic impact of investment in the defence sector at EU level  
• Reap the innovation and high-skilled employment benefits from defence investments  
• Benefit from spill-over of defence spending in technologies to the civil sector |        |
| 18| Extended common external representation | EU institutions, Member States           | • Streamline and improve the efficiency and the effectiveness of the European representation in third countries while maintaining an equal level of consular protection for EU citizens  
• Have the EU speaking more with one voice and strengthen the position and the role of the EU in international fora |        |
| 19| Openness to external trade relations   | EU institutions                          | • Benefit from free trade through better access to international markets and more exports  
• Improve EU competitiveness by benefiting from lower prices, more variety, and higher quality of goods and services  
• Improve EU competitiveness by setting up a more efficient value chain  
• Continue developing fair and balanced external trade relations that bring benefits to all |        |
| 20| Strategic tools for EU external trade policy | European Commission                     | • Continue to ensure a level playing field and a global environment that bring benefits to all  
• Continue to monitor external imbalances  
• Continue to develop, improve and upgrade EU trade defence instruments |        |
REFERENCES


Draghi M. (2016). The productivity challenge for Europe - Lectio magistralis by Mario Draghi, President of the ECB, marking the 100th anniversary of the Deusto Business School.


ENDNOTES

3 EPRS, 2017.
4 IMF, 2018a.
5 IMF, 2018b; European Commission, 2018. This is one of the reasons which explain why, to ensure a level playing field and a global environment that benefit to all, global macroeconomic imbalances needs to be closely and constantly monitored.
6 WEF, 2018.
7 ECB, 2016.
8 European Commission 2018.
9 Acemoglu et al., 2014; Eichengreen, 2015; Gordon, 2016; Syverson, 2016.
11 It aggregates an average of 98 indicators into a composite index assessing the set of factors that determine an economy’s level of productivity – widely considered as the most important determinant of long-term growth. Each indicator measures a different aspect of competitiveness, using a scale from 0 to 100 to display how close an economy is to the ideal state or ‘frontier’ of competitiveness.
THE NEXT 10 YEARS – BUILDING COMPLEMENTARY (EXECUTIVE) CAPACITY

GLOBAL COMPETITIVENESS

Global strategic capacities

- Effective and efficient European Defence
- Extended common external representation
- Openness to external trade relations
- Strategic tools for EU external trade policy
- EU budget in line with global ambitions

Innovation

- Commissioner for digital transformation
- An InvestEU Innov separate fund
- Enhanced Horizon 2020
- Clean Energy Europe
- European University Quality Label

Internal market efficiency and structural reforms

- Competitiveness friendly EU corporate taxation
- Flex-secure EU to facilitate labour mobility
- Stronger single market rules enforcement service
- Completed single market for services
- European Monetary Fund (EMF)

Capital markets and access to finance

- Capital Markets Union (CMU)
- InvestEU Infra separate fund
- Enhanced VentureEU
- Common EU approach for foreign investors
- Common EU public procurement agency
Climate change

SUMMARY
An ambitious climate policy could help to make the European Union, currently a global leader in the field, a strong pole in a multipolar world in 2030. Strong climate action would contribute to the long-term competitiveness of our economy, to the well-being of citizens and to global sustainability. It could provide the EU with a first-mover advantage and boost the EU's position on the global stage.

Background
The EU is competent to act in most areas of environment and climate policy, although its action is limited by the principle of subsidiarity and the requirement for unanimity in Council on certain topics (such as tax, land use and energy mix). Although large parts of environmental and climate policy are set at EU level, the main responsibility for implementation lies with Member States, and in some cases with regional and local authorities.

Under Articles 191 to 193 of the Treaty on the Functioning of the European Union, EU environmental policy is designed to provide 'a high level of protection' and is based on four principles (precaution; preventive action; rectification of damages at source; and 'the polluter pays').

Long-term visions for climate
At EU level, a 2050 low carbon objective, adopted by the European Council in October 2009, seeks to reduce greenhouse gas emissions by 80 to 95 % by 2050, compared with 1990 levels, as part of a global effort to limit temperature increases to below 2°C. This reduction target is confirmed in the seventh environment action programme, a decision adopted by the European Parliament and Council in 2013, which seeks to achieve a 2050 vision for sustainability ('living well, within the limits of our planet'). In addition, a 2030 climate and energy framework, adopted by the European Council in October 2014, sets three targets to be met by 2030: at least 40 % cuts in greenhouse gas emissions, compared with 1990 levels; a minimum 27 % share for renewables in the energy mix; and an improvement in energy efficiency of at least 27 %.

At global level, the 2015 Paris agreement aims to keep the global temperature rise well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C. Today, global temperature is 0.9°C above pre-industrial levels.

EU policy to 2030
The European Union is a world leader on climate action. It has pursued far-reaching objectives in the lead-up to 2020, recently supported by the energy union policy.

As regards climate change mitigation, most of the EU regulatory framework up to 2030 was set in 2018 (or is in the process of being finalised). Parliament and Council have adopted new rules and 2030 emission targets for specific sectors, strengthening and extending previous targets.

- Energy and industry: the EU emissions trading system (ETS), which covers around 45 % of the EU's greenhouse gas emissions, has been reformed. Emissions covered under the ETS must be reduced by 43 % by 2030 compared with 2005 levels.
Transport, buildings and agriculture: the Effort Sharing Regulation requires emissions in these sectors to be cut by 30% by 2030 compared with 2005 levels. Specifically on transport, a number of proposals are being considered by the co-legislators, in particular CO2 standards for trucks and buses and for cars and vans.

Land use and forestry: the Regulation on the land-use sector requires greenhouse gas emissions from land use and forestry to be offset by the removal from the atmosphere of at least an equivalent volume of CO2 in the period from 2021 to 2030.

Energy efficiency: a directive adopted in December 2018 sets a binding energy efficiency target of 32.5% for 2030.

Renewable energy: a directive adopted in December 2018 sets a new renewable energy target of 32% for 2030.

To simplify the process of monitoring progress and to address weaknesses in implementing the energy union goals, in December 2018 the European Union adopted a regulation establishing a governance framework for the energy union.

After a 10-year period of almost continuous reductions between 2004 and 2014, EU greenhouse gas emissions have been stable since 2014 at levels approximately 22% below 1990 levels; as a result, the 2020 target (reducing greenhouse gas emissions by 20% from 1990 levels) is expected to be met. On renewable energy, the EU is on track to meet its target of bringing the share of renewables in the energy mix to 20% by 2020. The EU is a global leader in terms of renewable power capacity per capita and per GDP unit.

As regards climate change adaptation, EU policy is defined in a 2013 adaptation strategy designed to encourage Member States to adopt comprehensive strategies; promoting adaptation in key vulnerable sectors (such as agriculture, fisheries and cohesion policy); and developing knowledge about adaptation to enable better informed decision making. In 2018, 25 Member States had developed a national adaptation strategy.1

As regards funding, climate action has been built into all major EU policies and programmes, in particular: cohesion, agriculture, maritime and fisheries, external aid, energy and transport, and research and innovation policies.2 Under the 2014-2020 multiannual financial framework, 20% of the EU budget is to be spent on climate-related objectives.

Gap between the Paris agreement goal and EU policy to 2030

A number of elements suggest that there is a gap between the goal set in the Paris agreement (endeavour to limit temperature increase to 1.5°C) and the EU climate policy described above.

A 2018 report by the intergovernmental panel on climate change (IPCC) highlights a number of impacts that could be avoided by limiting global warming to 1.5°C, compared to 2°C or more.3 It notes that a 1.5°C increase in temperature is likely to materialise between 2030 and 2052. As a result, the period until 2030 could provide an opportunity to limit global warming to 1.5°C through ‘rapid and far-reaching’ transitions in land, energy, industry, buildings, transport, and cities. Global net human-caused emissions of carbon dioxide would need to fall by about 45% from 2010 levels by 2030, reaching ‘net-zero’ by around 2050.4 A 2018 report by the European Climate Foundation finds that to be on a trajectory to net-zero emissions by 2050, EU greenhouse gas emissions would need to be reduced by 55 to 65% by 2030, compared with 1990 levels.

In a resolution of 25 October 2018, Parliament called for the EU’s greenhouse gas emissions to be cut by 55% by 2030, compared with 1990 levels. In November 2018, the Commission published a 2050 long-term strategy presenting eight scenarios for a transition to a low-carbon economy, in line with the Paris agreement objective.
Recent and ongoing judicial action on climate

In a June 2015 ruling, a District Court in The Hague ruled that the Dutch government must cut CO₂ emissions by at least 25% by 2020 (as opposed to the planned 17%), based on the high risk posed by climate change in the country and the state’s duty to protect the environment. The ruling was upheld on 9 October 2018 by the Court of Appeal.

Similar cases have been initiated in a number of countries, including Ireland and Belgium. At EU level, similar action was brought before the Court of Justice of the EU in May 2018 (case T-330/18).

Possible additional ways to achieve the long-term vision

Updating the 2030 and 2050 long-term visions could provide an opportunity to enshrine these goals in EU law, which would ensure their binding character and position the EU firmly on the global stage as a climate leader.

A systemic transition to a low-carbon economy could offer a number of solutions to climate challenges, while turning the EU into a modern and competitive green economy. Such a transition is a complex and challenging process, involving a high number of actors and processes.

Horizontal measures

Possible horizontal measures supporting a transition can be grouped into a number of areas.

To make an ambitious long-term vision reality, research and innovation investments would need to be further increased, as existing technology is estimated to deliver 75% of the emissions cuts needed to reach net-zero emissions by 2050.

In addition, to support transition, broader innovation is needed in citizen engagement, behaviour, skills and policies. The European Union could support societal innovation with a view to cutting greenhouse gas emissions from food or mobility systems for instance. Greenhouse gas emissions are shaped to a very large extent by cities, in particular as regards energy and mobility systems. As a result, policy actions could target them in particular.

The ambition level of the 2030 mitigation measures (described above) could be further increased in a number of respects. Meanwhile, it is important to ensure that the transition is as fair as possible by supporting people, employment and regions at risk of losing out.

It is essential to take climate action beyond the EU to global level. Under the current commitments submitted by all parties under the Paris agreement, global temperature is expected to increase by 3.2°C. The EU could further strengthen its capacity for climate diplomacy and build climate action further into its external action, including in trade and development aid policies.

Measures in specific systems

Measures supporting transition are possible in a number of areas.

As regards energy systems, the co-legislators could strengthen the ambition level and/or the binding character of existing policies on energy efficiency, renewables, and the overall reduction of greenhouse gas emissions from energy production.

As regards food and land systems, the greening of the common agricultural policy could be significantly strengthened. This would be an opportunity to make sure that farmers and foresters benefit economically from climate friendly practices, through rewards for the public goods they deliver beyond compliance with EU legislation.
As regards mobility systems, achieving net-zero emissions by 2050 would require strong actions on road, shipping and air transport.

As regards production systems, the EU could take further advantage of the synergies with the circular economy agenda by raising this policy’s level of ambition.

As regards finance systems, the EU could take action, beyond existing initiatives, to mainstream sustainability and climate in finance.

**Didier Bourguignon**

February 2019
### Possible initiatives

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<th>Project</th>
<th>Actor responsible</th>
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<tbody>
<tr>
<td>1 Long-term visions enshrined in EU law</td>
<td>EU</td>
<td>The 2030 and 2050 long-term visions may require updating in order to be compatible with the goal of the Paris agreement (i.e. to limit temperature rise to 1.5°C). Updating these long-term visions could provide an opportunity to enshrine them in EU law (as done in the UK with the 2008 Climate Change Act). This would ensure their binding character and position the EU firmly on the global stage as a climate leader.</td>
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<tr>
<td>2 EU emissions trading system</td>
<td>EU</td>
<td>The EU emissions trading system (ETS), which covers around 45% of the EU's greenhouse gas emissions, works based on the 'cap and trade principle'. It is the world's first major carbon market and remains the largest. A key element of the EU's climate policy, it has been reformed a number of times in recent years. The EU emissions trading system could be further expanded to cover other sectors of the economy.</td>
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<tr>
<td>3 Targets for renewables and energy efficiency</td>
<td>EU</td>
<td>Legislation setting new targets for renewable energy and energy efficiency, to be met by 2030, was adopted in December 2018. However, meeting the Paris agreement objective of limiting the temperature rise to 1.5°C could mean further strengthening the level of ambition of these targets. This could also enable the EU to remain a world leader in the clean energy transition.</td>
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<tr>
<td>4 Climate adaptation strategies</td>
<td>Commission, Member States</td>
<td>A 2013 EU adaptation strategy is designed to encourage Member States to adopt comprehensive strategies, promote adaptation and develop knowledge. In a 2018 evaluation of the strategy, the Commission found that the strategy was effective, while highlighting the need for additional action to implement and monitor national strategies, promote local action, bridge newly emerging knowledge gaps, complete mainstreaming in EU policy and foster the use of insurance and financial instruments in adaptation.</td>
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<td>5 Climate funding in 2021-2027 MFF</td>
<td>EU</td>
<td>Under the 2014-2020 multiannual financial framework (MFF) just under 20% (approximately €180 billion) of the EU budget is expected to be spent on climate action objectives. In a May 2018 communication the Commission proposed to increase this share to 25% for the 2021 to 2027 MFF. In a resolution of 30 May 2018 the European Parliament called for climate-related spending to reach 30% of EU spending as soon as possible and at the latest by 2027.</td>
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<td>6 Horizon 2020/Horizon Europe</td>
<td>EU</td>
<td>The framework programme for research and innovation (Horizon 2020 and the upcoming Horizon Europe) provides support for technological innovation, with a focus on climate: 35% of the funds awarded under the Horizon 2020 programme for research and innovation are related to climate objectives. Parliament has called for the climate dimension of Horizon Europe to be strengthened.</td>
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### 7 Support for climate-friendly lifestyles

**EU, Member States, local authorities**

To encourage broad innovation, the European Union could raise awareness and create incentives for climate-friendly lifestyles. These incentives could relate to consumption (including food) and to mobility (for instance increasing the share of walking, cycling and public transport, as has been done successfully in some EU cities). Restrictions on advertising for products and services with high climate impacts could also be considered.

### 8 Support and incentives for negative emissions

**EU**

Meeting a net-zero emissions goal by 2050 would mean relying in part on negative emissions technologies, including reforestation, afforestation, carbon-friendly agriculture, bioenergy with carbon capture and storage, enhanced weathering, ocean fertilisation, or direct air capture with carbon storage. Although the contribution of these technologies is likely to be limited, the EU could adopt a regulatory framework supporting and incentivising existing and new measures on negative emissions.

### 9 Innovation deals

**Commission**

The European Union could create more protected spaces where innovators can experiment with new technologies or practices, along the lines of innovation deals (voluntary cooperation agreements between the EU, innovators, and national, regional and local authorities tackling regulatory obstacles to innovation in the circular economy). Innovation deals could be extended to sustainability and climate action, broadened to support societal innovation, and possibly coupled with funding.

### 10 Public procurement to support innovation

**EU**

Public procurement, which accounts for about 14% of EU GDP, could be used as a tool to support transition to sustainability through its leverage effect. Although the European Union has launched a few initiatives relating in particular to criteria and guidance on green public procurement, public procurement of innovative products and services and clean vehicles, public procurement could be used more systematically to support sustainability and innovation.

### 11 Covenant of Mayors

**Commission**

The Covenant of Mayors, launched by the European Commission in 2008 to engage and support EU cities to commit towards climate objectives, developed far beyond initial expectations. Since 2016, after merging with the US Compact of Mayors, it is a global initiative focusing on climate change mitigation, adaptation to the adverse effects of climate change, and universal access to secure, clean and affordable energy. It now has regional offices around the world.

### 12 Support for pioneering cities

**EU**

Emissions of greenhouse gases are shaped to a very large extent by cities, in particular as regards energy and mobility systems. The EU could further support cities, for instance through the structural funds, to be experimentation spaces and pioneers for radical change. The EU could also promote and help disseminate the use of nature-based solutions in urban contexts.
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<td>13</td>
<td>Support for a fair transition</td>
<td>EU</td>
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<td>Beyond existing initiatives, fairness of the transition could be further supported at several levels. First, support for people at risk of energy poverty may be needed. Second, employment and skills could need to be supported, though training and other means, in order to provide quality jobs for workers in sectors that would become obsolete. Third, additional funding could be channelled to specific regions at risk of losing out, along the lines of the Commission's platform for coal regions in transition. Measures could also be taken to increase the uptake of EU funding for climate-related projects in Member States where it is lower.</td>
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<td>14</td>
<td>Carbon tax on certain imports</td>
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<td>The European Union could introduce a carbon tax on certain imported products to reflect greenhouse gas emitted during their manufacture and transport. A carbon border tax adjustment of this kind, which could be based on the price of carbon in the EU emissions trading system, would be levied on goods and services from countries that do not put an equivalent price on carbon.</td>
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<td>15</td>
<td>Climate action in trade</td>
<td>EU</td>
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<td></td>
<td>The EU could build climate action more deeply into its trade policy. The EU could require third countries to take climate action measures (such as implementing the Paris agreement) as a precondition for future trade agreements. The EU could also consider restrictions on trade in commodities (such as timber, soy, palm oil, beef or cocoa) putting wetlands and forests at risk, in order to prevent deforestation and land use change in third countries.</td>
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<td>16</td>
<td>Climate action in development aid</td>
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<td>Climate change is a multiplier of other threats that disproportionately affect developing countries. In this respect, climate mitigation and adaptation could become a stronger feature of development aid. This would also help to prevent migration flows driven by climate impacts (‘climate refugees’).</td>
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<td>17</td>
<td>Sustainable development goals in EU policy</td>
<td>EU</td>
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<td>Climate action and decarbonisation could be further integrated in EU policies such as agriculture, cohesion, competitiveness or transport. The United Nations sustainable development goals could provide a holistic framework in which to do so. Better use could be made of synergies with other environmental policies, for instance on air quality, circular economy, nature protection and disaster risk reduction. In parallel, it is also important to anticipate the possible adverse effects of low carbon solutions on the environment, society and the economy.</td>
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<td>18</td>
<td>Decentralised energy systems</td>
<td>EU</td>
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<td>Energy systems have traditionally been highly centralised. As a way to encourage the transition in energy systems, the co-legislators could further promote decentralised energy generation, energy storage and the more active involvement of consumers through demand response.</td>
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<td>19</td>
<td>Support for energy efficiency in buildings</td>
<td>EU</td>
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<td>The building stock is estimated to be responsible for over a third of CO₂ emissions in the EU. Beyond existing EU legislation, which mostly addresses new buildings, the EU could support national, regional and local authorities</td>
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<td><strong>20</strong></td>
<td>Stronger CAP greening</td>
<td>EU</td>
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<td><strong>21</strong></td>
<td>Shift to very low carbon mobility</td>
<td>EU</td>
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<td><strong>22</strong></td>
<td>Review subsidies and taxes</td>
<td>EU</td>
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<td><strong>23</strong></td>
<td>Support for circular economy</td>
<td>EU</td>
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<tr>
<td><strong>24</strong></td>
<td>Mainstreaming climate in finance</td>
<td>EU</td>
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European Climate Foundation, Net zero by 2050: from whether to how, 2018.
Intergovernmental panel on climate change, Global Warming of 1.5°C: an IPCC special report on the impacts of global warming of 1.5 °C above pre-industrial levels, 2018.

ENDNOTES

1 The European Environment Agency maintains a list of adaptation case studies. The Delta programme, in the Netherlands, provides an example of best practice.
2 Programmes contributing, to a greater or lesser extent, to climate action include the European structural and investment funds, the European Fund for Strategic Investments, the European Agricultural Fund for Rural Development, the LIFE programme, Horizon 2020, the Union Civil Protection Mechanism, as well as numerous EU external action and humanitarian aid initiatives. These funds and programmes are implemented by the Commission either independently, together with the Member States, or in cooperation with organisations in third countries.
3 For instance, by 2100, global sea level rise would be 10 cm lower with global warming of 1.5°C compared with 2°C. The likelihood of an Arctic Ocean free of sea ice in summer would be once per century with global warming of 1.5°C, compared with at least once per decade with 2°C. Coral reefs would decline by 70 to 90% with global warming of 1.5°C, whereas virtually all would be lost with 2°C.
4 This means that any remaining emissions would need to be balanced by removing CO₂ from the air.
THE NEXT 10 YEARS
– BUILDING COMPLEMENTARY
(EXECUTIVE) CAPACITY

CLIMATE CHANGE

Specific systems:
- energy, food and land,
- mobility, production,
- finance

Strongening the existing framework

Horizontal measures:
- broad innovation,
- fairness,
- external action

- Support for circular economy
- Review subsidies and taxes
- Shift to very low carbon mobility
- Stronger CAP greening
- Support for energy efficiency in buildings
- Decentralised energy systems
- Sustainable development goals in EU policy
- Climate action in development aid
- Climate action in trade
- Carbon tax on certain imports
- Support for a fair transition
- Support for pioneering cities
- EU emissions trading system
- Targets for renewables and energy efficiency
- Climate adaptation strategies
- Climate funding in 2021-2027 MFF
- Horizon 2020 Horizon Europe
- Support for climate-friendly lifestyles
- Support and incentives for negative emissions
- Innovation deals
- Public procurement to support innovation
- Covenant of Mayors
- Support for pioneering cities
This compendium contains a set of 12 ‘Ideas Papers’ prepared by policy analysts in the European Parliamentary Research Service (EPRS) to stimulate discussion at the various sessions of the January 2019 Innovation Day, with a view to the European Parliament administration’s preparations for the coming 2019-2024 parliamentary term.