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The EU's domestic and international challenges

AN INTERNATIONAL BRAINSTORMING WORKSHOP
WITH EXPERTS ON EUROPEAN POLICY

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From 28 to 30 October 2015, the Konrad-Adenauer-Stiftung organised a workshop in Cadenabbia, Italy, to discuss the domestic and international challenges currently facing the European Union. The participants were selected experts on European policy from the European Parliament, national parliaments, various ministries, foundations, think tanks and research institutes. The diversity of the represented nationalities – with around 30 participants from the Czech Republic, France, Germany, Greece, Hungary, Italy, Lithuania, Poland, Spain, and the United Kingdom – reflected the European focus of the workshop. The discussions ranged among a number of questions, such as:

- How to strengthen the European Economic and Monetary Union and how to help Greece in the long-term?
- How to convince Britain to stay in the EU?
- How to rebuild trust in the EU project among the population?
- How to deal with the (electoral) success of populist parties?
- How to deal with the migration crisis?
- How to deal with Russia?

This paper presents the main results of the discussions, which took place before the terrorist attacks in November 2015 in Paris and hence did not focus on security issues within the EU or counterterrorism. It also includes some options for European and national policymaking in the next months.

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I. THE EUROPEAN ECONOMIC AND MONETARY UNION

Concerning the structure of the eurozone as a whole, it became evident during the workshop that a key precondition for any moves towards deeper integration is a willingness among the euro countries to accept more coordination and more solidarity. However, a one-sided expansion of solidarity mechanisms without complementary mechanisms to effectively enforce fiscal rules and structural reform processes was seen – most of all by German participants – as neither politically feasible nor economically sensible.

Many firewalls and mechanisms for tackling the current challenges have been successfully implemented since 2010. The members of the eurozone widely agree that the EU should keep the International Monetary Fund (IMF) on board – because of its technical expertise and its financial support of programme countries – and that the eurozone should not lose contact with the rest of the EU-28. Nevertheless, there is currently no intellectual consensus among the euro countries on what the future structure of the eurozone should look like and even less on how to get there. The recently published Five Presidents' Report can serve as a basis for a discussion to that end – both in terms of content and process.¹

Strengthening confidence in the Greek economy was consistently identified as the key prerequisite for the success of the third Economic Adjustment Programme. There was wide agreement that the 'Grexit' debate has been extremely detrimental in this respect. Going forward, it is therefore critical that Greece's membership in the eurozone is no longer called into question, in particular not by European leaders.

Furthermore, some participants noted that the on-going debate as to whether Greece requires debt relief is of little relevance for the success of the programme, given that the costs of the Greek debt service are moderate and compare favourably to those of other member states. Hence, some participants recommended focusing the debates on the necessity of a sustainable debt repayment system rather than a sustainable debt level.

In terms of the necessary structural reforms in Greece, measures aimed at strengthening the administrative capacity of the country should be paramount. In light of the difficult political situation, some participants recommended not to ask for excessive consolidation and to prioritise structural reforms with short- to medium-term growth effects over politically sensitive reforms with benefits that are only felt in the long run.

II. BRITAIN'S FUTURE IN EUROPE

There was a broad agreement in the room that the EU is better off with the United Kingdom (UK) as a member – although not at all costs – and that the UK is better off in the EU than outside it. Beside important economic arguments in favour of the UK's EU membership there are also powerful geopolitical arguments: In a multi-polar world where crises are ever more interlinked, the UK on its own and an EU without the UK are much more likely to be marginalised.

In addition, it was pointed out that a 'Brexit' might trigger the disintegration of the UK, e.g., by reinvigorating the Scottish independence movement. The EU should thus carefully consider the UK's demands but at the same time, the UK should be realistic in its demands. Furthermore, if the British government wants to stick to its schedule for the EU reforms and the referendum, it will have to table its detailed demands very soon.

At present, it seems that British demands will concentrate around four issues and that none of them would require far-reaching treaty changes. First, the UK wants to restrict the welfare entitlements for workers from other EU countries. Second, it seeks safeguards that non-eurozone countries are not outvoted by eurozone countries on important decisions at EU level, e.g., in the Council of the EU where the latter have a qualified majority.

While the EU will certainly remain a multi-currency union in the foreseeable future, there was no consensus in the room as to whether the British concerns over this situation are justified. The attempt to use money from the European Financial Stabilisation Mechanism (the temporary rescue fund created in 2010 and to which Britain had contributed) for the Third Economic Adjustment Programme of Greece against the will of the British

¹ http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf



government was cited as one example that the risk is real.²

Third, with respect to sovereignty, the British government wants explicit assurance that the wording “ever closer union” in the EU Treaties does not apply to the UK. In addition, the British government wants to reduce the democratic deficit it sees in the EU by empowering national parliaments on European issues.

Here, participants cautioned against creating additional veto players in EU decision-making while acknowledging that national parliaments could indeed better exercise their role in making sure that European legislation respects the principle of subsidiarity.

Fourth, with respect to competitiveness, the UK expects, for instance, intensified actions on trade agreements, the (digital) single market, and the creation of an energy union. It also wants to see a different approach in the EU institutions in the sense that more emphasis should be placed on the quality rather than the quantity of legislation.

Some of the participants pointed out that many of these demands would be carrying coals to Newcastle given that the Juncker Commission has already identified them as priorities and is in fact acting on them, e.g., with the recent Communication on the Single Market,³ the creation of the European Energy Union and negotiations on many free trade agreements, such as the Transatlantic Trade and Investment Partnership (TTIP).

III. THE EU'S LEGITIMACY CRISIS

The results of a recent EU-wide survey indicate that on average EU citizens are not opposed to the idea of the EU as such but that they are dissatisfied with the current state of affairs.⁴ It appears that the EU suffers from a two-fold legitimacy crisis. Some participants emphasised the lack of input legitimacy, i.e., the perception among citizens that they have no say in decisions or in choosing those who make decisions at the EU level. The findings of the above-mentioned survey indeed confirm that the public wants more possibilities to participate, in particular through EU-wide referenda.

Other participants claimed that output legitimacy, i.e., citizens' satisfaction with the policy outcomes delivered by the EU, is even more important than further enhancing input legitimacy. In particular, there is a strong correlation between the electoral success of populist parties and weak economic growth. This is further complicated within the EU by the fact that successes are often claimed by national politicians while failures are blamed on the EU.

IV. POPULISM IN EUROPE: IMPLICATIONS AND RESPONSES

One consequence of the EU's legitimacy crisis, which is further exacerbated by a similar legitimacy crisis at the national level in many member states, is the (electoral) success of populist parties. What these parties/movements tend to have in common is an 'us vs. them' and an anti-establishment rhetoric as well as political positions that remain at the level of grand narratives. In our debate, a number of different observations were made concerning populism in the EU.

First, a certain voter potential for populist movements is an inevitable by-product of individualisation and the fragmentation of the national party systems all across Europe. However, the size of this potential varies considerably. What matters in dealing with populist parties is to keep them out of power and also to keep them from setting the agenda whilst forestalling the impression that established parties shy away from countering their arguments.

Second, rebuilding public confidence in the EU requires better management of the expectations as to what the EU can and cannot deliver. Frank and consistent communication by political parties is a key element here.

Third, the language used to talk about the EU is a relevant factor. Often, EU language is rather managerial and dry. Some participants see a need to present positive narratives to counter the negative narratives of euro-sceptic parties. In their view, the importance of emotions in the political discourse should not be dismissed, given that successful political parties have traditionally managed to instil a certain sense of belonging among their voters that made them more than pure problem-solving entities. Others, however, consider the importance of narratives overrated. The unresolved finality

² <http://www.theguardian.com/politics/2015/jul/16/george-osborne-backs-down-eu-efsm-bailout-fund-greece-crisis>

³ http://europa.eu/rapid/press-release_MEMO-15-5910_en.htm

⁴ <https://www.bertelsmann-stiftung.de/en/publications/publication/did/what-do-the-people-want/>



question⁵ was cited as a reason why it proves difficult to debunk some of the 'stories' populists tell about the EU.

Fourth, some participants spoke out in favour of launching a public debate on the question of what it means to be one of 'us' in order to avoid leaving the issue of identity mainly to the far right. However, as others pointed out, earlier experiences with such initiatives, such as the German 'Leitkultur' debate in the early 2000s and in France under President Nicolas Sarkozy, highlighted the fact that identity debates can be divisive and even play into the hands of right-wing extremist parties.

Fifth, there was wide agreement that an ideologically motivated push for 'more Europe' is no option, especially not via the elitist method that has characterised the European integration process in the past. The 'better Europe' rhetoric that currently prevails among moderate parties was generally considered to be part of the response to populism. However, some cautioned that it is insufficient.

Sixth, experience shows that the strategy of moving towards the positions of the populist parties in an attempt to 'recapture' lost voters is usually unsuccessful, not least because it legitimises the populists' positions.

Seventh, established parties should refrain from emulating the mobilisation strategy of populist parties. Neither should they use an 'us vs. them' rhetoric because the impression of a common front of 'us' as the united block of good parties against 'them' as the dangerous extremists plays into their hands. Nor should they forfeit the compromise-oriented style of politics in favour of the more polarising one used by populist movements. This being said, established parties have to question the way they do politics and adapt to new developments, e.g., the increasing importance of social media.

Eighth, people still want to engage themselves politically but they are increasingly less willing to do so within a political party. To maintain their relevance in capturing political movements, parties have to find new ways of enabling non-party members with overlapping convictions to engage themselves, e.g., in the context of issue-based projects.

V. HOW TO DEAL WITH THE MIGRATION CRISIS?

At the moment, the migration flows into Europe are one of the most dominant issues in the public and political discourse all across Europe. The discussion in Cadenabbia clearly showed that the member states have widely divergent views on how events are unfolding and on the actions required. For instance, one point of contention concerns the term used to label the current challenge. While the German discourse primarily refers to it as a refugee crisis, other countries regard it as a migration crisis with a refugee aspect. In other words, there appears to be no common understanding about what the EU is dealing with. Everybody agreed that there is no quick fix. Instead, the participants heatedly discussed which steps are needed to solve the crisis in the mid- to long-term.

First, there was a lot of unease among participants about the fact that the current response is not based on a solid legal footing although few called for a return to the rules of the Dublin Regulation. The most immediate concern for many participants was the need to regain control over the EU's external borders – not in order to close the borders but to return to a more structured procedure. This requires logistical and financial support for front-line states, such as Greece.

Second, there was broad consensus that the Dublin Regulation must be replaced by a European approach with some kind of burden-sharing mechanism, but opinions diverged on how this should look in practice. Relocation was a favoured option of many participants but there was deep scepticism resulting, on the one hand, from the reluctance of some member states in Eastern and Central Europe to take in refugees and, on the other, from the practical challenge of how to keep refugees in the countries which they are allocated to in an EU with open internal borders. One element to facilitate an agreement could be financial incentives for countries that take in refugees, e.g., through per capita payments. Furthermore, some participants stressed that all member states must understand the costs associated with a failure in coming to an agreement soon. Most importantly, it would sooner or later lead to a suspension of the Schengen system. The negative implications of this would be felt hardest in those Eastern and Central European countries where local industry supply chains are closely interlinked with the economy of other member states, such as Germany.

⁵ I.e., the question of what the ultimate outcome of the European integration process should be.



Third, EU asylum policy, EU foreign policy, and EU development policy have to be better integrated, especially with respect to the countries in the Middle East, Central and South Asia, and Africa that exert the largest migration pressure in the short- to medium-term.

Fourth, the EU needs readmission agreements with those countries to make it easier to return rejected migrants. For the time being, it only has such agreements with countries that exert little or no migration pressure.

Fifth, the EU needs more channels for regular migration to unburden the asylum system.

Sixth, nobody in the room questioned the necessity of cooperating more intensively with external partners, especially with Turkey, in order to solve the migration crisis. However, convincing Turkey to do that will come at a high price and it will be challenging to maintain the leverage required to make sure it holds up its side of the bargain. Another challenge is the reluctance of some EU countries like France to ease visa regulations for Turkish citizens out of fear of strengthening the far right. Some participants therefore placed more hope on a bilateral agreement between Germany and Turkey than on an EU-Turkey agreement.

Seventh, the ultimate prerequisite for a lasting solution to the refugee crisis is, of course, an end of the conflict in Syria but it is entirely unclear at the moment how this can be achieved. Some still see the chance for a diplomatic solution. Others warned against ruling out military action in case all diplomatic initiatives should fail and if there were clear strategic objectives to be achieved militarily.

Eighth, funding of the UN's refugee agency UNHCR has to be drastically increased in order to enable humane treatment of refugees in the immediate neighbourhood of the war zones.

VI. HOW TO DEAL WITH RUSSIA?

First, the participants agreed that in principle Russia remains an important strategic partner of the EU. However, playing soft did not soften Vladimir Putin, Russia's president, in the past. In that sense, the ability of the EU to unanimously agree on sanctions against Russia took him by surprise and was a strong and important signal. There was general agreement in the room that the EU must not be afraid to be strong when dealing with Putin despite the economic costs of sanctions.

Second, it was emphasised by one participant that Putin has to be understood as the moderator of a difficult power system in Russia that will only remain stable as long as the elite around him continues to benefit. According to this analysis, all of Putin's key decisions in recent years, including the illegitimate annexation of Crimea and his military adventurism in Eastern Ukraine, were rational in the sense that they did not threaten the stability of this system – which is Putin's ultimate concern.

Third, it was pointed out that Western European countries need to better understand that the caution of the Eastern and Central European member states towards Putin's Russia is not an overreaction but well justified. For instance, Putin consistently portrays the Baltics as failed states and calls their sovereignty into question in his rhetoric about his duty to protect ethnic Russians abroad, i.e., also the large Russian minorities in the Baltic States.

Fourth, given that it currently seems that the provisions in the Minsk II agreement will not be completely fulfilled, many participants spoke out in favour of keeping up the economic and political pressure on Russia. Nonetheless, it remains unclear at the moment how to interpret the agreement and how to proceed. Some added that in case of an escalation, the EU and NATO must be prepared to act. As a lesson from the Ukraine crisis, some countries (e.g., the Czech Republic) have decided to increase their own defence budget to two percent of GDP as is required of all NATO members.

Fifth, especially the participants from Eastern member states warned against deals with Putin that would decrease the pressure on Russia in the Ukraine crisis in exchange for its cooperation in ending the conflict in Syria. There was general consensus that the territorial integrity of Ukraine should not become a bargaining chip.

VII. CONCLUSION

Two general observations stood out at the end of the workshop. First, the current domestic and international challenges facing the EU and its member states are extremely interconnected and require cross-cutting and joint responses. Second, in some respects there are striking differences when it comes to the national perspectives on these challenges. Hence, it is necessary for the member states to better understand each others' perspectives and to work towards reaching a common understanding. The workshop in Cadenabbia tried to



achieve this on a small scale. Political leaders have to achieve it at the EU level.

Especially in the context of the current challenges in the eurozone, in the migration crisis, and in foreign policy matters (particularly in Syria and towards Russia), very few national decisions today have no implications beyond national borders. If the EU is to succeed in tackling present and future challenges, the member states must fully accept ownership for their actions and consider the impacts of their own national policies on their European partners and the wider world. And at times, they should be prepared to compromise on their short-term national interests for the sake of overriding pan-European interests. It is clear that in the end no member state can overcome these challenges on its own.

VIII. LIST OF PARTICIPANTS IN THE WORKSHOP

The following persons participated in the workshop. The main outcomes of the discussion presented in this paper do not necessarily reflect the opinions of all participants but represent the general tenor of the conversation.

- **Stefan Beierl**, Team Political Dialogue and Analysis, Konrad-Adenauer-Stiftung, Berlin
- **Dr Céline-Agathe Caro**, Coordinator European Policy, Konrad-Adenauer-Stiftung, Berlin
- **Prof. Nathaniel Copsey**, EU Research Analyst, Referendum Unit, Europe Directorate, Foreign and Commonwealth Office, London
- **Dr Gregor Forschbach VL**, Unit M I 3 (German Law on Aliens), Federal Ministry of the Interior, Berlin
- **Dr Stephan Hesselmann**, Office of Dr Michael Fuchs MP, Vice-Chairman of the CDU/CSU Parliamentary Group, German Bundestag, Berlin
- **Isabell Hoffmann**, Project Manager, Program Europe's Future, Bertelsmann Stiftung, Brussels
- **Bernd Hüttemann**, Secretary General, European Movement Germany, Berlin
- **Hans Janssens**, Head of Communication, CDA Party, Den Haag
- **Martina Kaiser**, Desk Officer European Affairs, Konrad-Adenauer-Stiftung, Berlin
- **Prof. Dimitris Keridis**, Professor of International Politics at Panteion University, Senior Fellow at the Konstantinos G. Karamanlis Foundation and Deputy Director of the Institute of International Relations, Athens
- **Linas Kojala**, Research Associate at the Konrad-Adenauer-Stiftung and Analyst at Eastern Europe Study Centre, Vilnius
- **Dennis Kolberg**, European Policy Division, Federal Ministry of Finance, Berlin
- **Michael Land**, CDU/CSU-Group in the European Parliament, German Bundestag, Berlin
- **Nico Lange**, Deputy Head of Department Politics and Consulting, Konrad-Adenauer-Stiftung, Berlin
- **Almut Möller**, Co-Director, European Council on Foreign Relations, Berlin
- **Pol Morillas**, Research Fellow in European Affairs, Barcelona Centre for International Affairs (CIDOB), Barcelona
- **Prof. Nadan Petrovic**, Coordinator of the Center for Migration and Refugee Studies at La Sapienza University of Rome and Advisor to the Italian Parliament, Rome
- **Dr Jana Puglierin**, Program Officer, Future Forum Berlin, German Council on Foreign Relations (DGAP), Berlin
- **Dr Franziska Rinke**, Coordinator Law, Konrad-Adenauer-Stiftung, Berlin
- **Jan Muck Schlichting MR**, Head of Unit PE 2 (EU structures, Economic and Monetary Union), Administration of the German Bundestag, Berlin
- **Márton Schöberl**, Director-General, Institute for Foreign Affairs and Trade, Budapest
- **Dr Sebastian Seidel**, Federal Chancellery, Berlin
- **Arthur Sode**, Economy and Finance Department of the French government's General Commission for Strategy and Economic Foresight (CGSP), Paris
- **Susanna Vogt**, Director, Konrad-Adenauer-Stiftung, Athens
- **Olaf Wientzek**, Research Associate, Konrad-Adenauer-Stiftung, Brussels