



Conference Report:

Europe under pressure – how to overcome divisions and secure EU strength and coherence

Tallinn, 21-22 November 2013

by Niklas Helwig

On 21/22 November 2013 the 5th German Nordic Baltic Forum took place in Tallinn. The event was organised by the Estonian Foreign Policy Institute (EVI) and the Institut für Europäische Politik (IEP). Almost 50 experts from academia and think tanks as well as practitioners from foreign ministries and national parliaments met in Tallinn to discuss current challenges of the European Union (EU) and various scenarios for its future development. Since its first edition in 2008, the meeting seeks to provide a forum for exchange and debate among practitioners and academics in a capital of one of the participating countries.

The lively panel debates of the two-day seminar were clustered around three themes:

- Performance and policy choices of the EU in the economic crisis
- The EU's development towards a coherent foreign policy actor and the internal and external challenges it faces
- The future of the Europe Union: what kind of reforms and methods?

EU as an economic crisis manager

Not surprisingly, ways and means to overcome the crisis in the Monetary Union were at the core of many interventions during the conference. The strengthening of the Eurozone was perceived as being key to the strength and credibility of the EU in the future. Obviously, the EU was not perceived as part of the problem but as part of the solution, though participants acknowledged that “we are still walking in the fog” -as one speaker put it- and that lots of pieces have to come together to form a comprehensive approach. This is obvious in both, the current economic policies of member states and the crisis management of the EU. The pressures and divisions in the Union are manifold, due to different narratives in the ‘North’ and ‘South’ of the EU, or -in other words- due to cleavages in perceptions between the EU countries suffering from the economic crisis and the ‘solidarity countries’. Reforms, such as the fiscal compact, six and two pack or the single supervisory mechanism have been introduced and promise ‘some light at the end of the tunnel’. However, tackling the crisis is still high on the agenda in Brussels and national capitals. Finding a coherent strategy remains challenging as various divisions still persist. Member states have different philosophies regarding economic competitiveness: the Anglo-Saxon model is characterised by a stronger role of the central bank in stabilising the economy, while the German model pronounces price

stability as the main goal. The recent discussions on Germany's export surplus revealed again the different levels of competitiveness across the Union.

The discussions in the seminar showed that it is important for politicians and political scientists to understand the economic concepts and debates among economists. In this regard, the 2013 German Nordic Baltic Forum benefitted from the presence and contributions of experts on macroeconomic policies. In particular, the experts explained the debate among economists concerning different economic models for the Eurozone. The austerity approach favoured by Germany, which is aimed at increasing competitiveness of economically troubled countries, is thereby not uncontested. For example, economists disagree on the size of the fiscal multipliers in crisis countries: fiscal austerity might have a more damaging effect on the overall economic performance of a crisis country than previously estimated. When searching for solutions, experts usually refer to the successful adjustments of Baltic States during the global economic downturn. Estonia, Latvia and Lithuania achieved adjustments through a painful process of internal devaluation. However, an expert on macroeconomic policies in the Baltic States explained that the measures are not easily transferrable to other crisis-hit countries. The Baltic States had flexible labour markets as well as a weak organisation of interests groups and trade unions. These were factors, which enabled the countries to improve competitiveness by decreasing production costs. However, these conditions are not necessarily present in other countries.

In addition to the debate on the right recipe to get European economies in balance, concrete measures to organise the governance of the Monetary Union were discussed. First experiences under the new rules of the European Semester are mixed and many member states are hesitant or sometimes reluctant to implement the recommendations of the reports of the European Commission. A single supervisory mechanism was introduced as a first step towards a banking union. However, a German expert described the difficulties of his country to agree to a common resolution mechanism without a change of the treaties. Such a measure would most likely be challenged at the German Constitutional Court.

Several speakers underlined the disconnection between the EU's economic crisis management and the public opinion and described this cleavage as being possibly the most troublesome. An expert was afraid that a good result for EU sceptic parties in the upcoming 2014 European Parliament elections might be more than a simple protest vote. EU scepticism might rather be based on a widely shared view that the EU lost its legitimacy as an economic crisis manager with repercussions on the internal cohesion of the EU in the future. Therefore, moderate parties and EU elites should not underestimate EU resentment in the public and should lobby collectively to underline the importance of the EU. Another practitioner felt that the social dimension of the crisis has to be taken into account to show people that their concerns and the economic crisis are taken seriously.

EU as a global actor

The strengths and challenges of EU foreign policy were the subject of another in-depth debate during the seminar. Overall the performance of the EU on the international stage was seen as being fruitful for the EU member states, in particularly for the smaller ones. While some observed renationalisation tendencies and lacking ownership towards collective steps among the 28, speakers from the Baltics underlined the importance of belonging to the "club". They rejected any sort of unilateralism as an alternative despite all the weaknesses of the system and the well-known gap between ambitions and realities. From an historical perspective, the Common Foreign and Security Policy (CFSP) is still somewhat in an

embryonic state compared to other EU policy fields, some argued. Nation states are the main players, but they differ in their capabilities and are often divided on concrete policy choices. Meanwhile, the Franco-German engine does not have the same significance as in other policy areas and fails to provide a push towards more integration. However, besides the challenges to a coherent EU presence in the world, the European External Action Service (EEAS) and the High Representative of the Union (HR) have the potential to facilitate cooperation and representation of the Union and have proven their usefulness over the past years.

The seminar took place only one week before the Eastern Partnership Summit in Vilnius. Participants pointed out that this would be a strategic summit for the EU: if the Union fails to provide a strategy to tackle the relations with its neighbours, it is unlikely that it can be successful on a global scale. Unfortunately, the news of Ukraine's suspension of the preparation of the association and trade agreement with the EU was a telling example of the strategic challenges that Europe faces in global politics. Several participants pointed out that the EU needs a strategy to win over eastern European countries that are still heavily influenced by Russia and issued their concern that the EU had not devoted enough time and energy to this topic. An expert described that the Ukrainian regime is mainly concerned with staying in power. However, the regime cannot only stay in power via democratic means, but relies on good relations with Russia. Hence, the question is what the EU can offer the Ukrainian government in return for loosening the ties with its eastern neighbour.

The participants had differing views on the prospects of EU's foreign policy project. Some experts were pessimistic. EU foreign policy misses clear priorities. An unfocused foreign policy agenda causes discussions on side issues on the level of foreign ministers and ultimately leads to lost opportunities. An expert pointed out that the EU could have put more emphasis for example on the preparation of the Eastern Partnership summit, where a deeper engagement could have led to a more successful outcome. Another expert described that the transition period after the Lisbon treaty caused a gap in the management of EU's external activities. While the transition period might be almost over, the discontinuity harmed the 'coordination reflex' of the member states, which might be more inclined to act unitarily. As a consequence, we might have less EU foreign policy than before the treaty reform.

Other seminar participants saw the achievements and prospects in a more positive light. Shifts in the international system, such as the rise of the BRICS or the potential strategic reorientation of the US towards the Asia Pacific region, put pressure on the member states in the long run to work closely together. Recently the EEAS and HR managed to produce the first positive headlines after the difficult transition of the first years after the Lisbon reforms. The new diplomatic structure of the EU was able to play an important role as a facilitator and contributed to first positive results in the case of the Iran Nuclear talks. They also reached a breakthrough in the Serbia-Kosovo negotiations. While the EU was largely absent during the revolutionary developments in Egypt in 2011, it had a strong presence in 2013 with Catherine Ashton being the main senior western interlocutor on the ground. A member state diplomat shared his positive experience of working together with an EEAS delegation abroad. The positive effect of the coordination role of EU delegations should therefore not be underestimated.

A close observer updated the participants of the seminar on the review of the EEAS that has taken place throughout 2013 under the responsibility of the High Representative. First conclusions are scheduled for the end of the year. Not surprisingly, the discussions among member states on the review were difficult. Controversial issues were inter alia the cooperation with the Commission, deputies for the HR, additional permanent chairs of Council

working groups for the EEAS as well as the future role and integration of EU Special Representatives. It is crucial for the success of the EEAS that member states' foreign ministries see the service as one of them and not as the 29th competitor in Brussels. The rotation of diplomats from the national foreign ministries in and out of the EEAS helps to establish a feeling of ownership on the side of the member states. On EU level, the EEAS still faces coordination problems with the Commission and a two-way rotation system with the EEAS would help to bridge the divides between the two actors. The development of the new foreign policy architecture might get additional impetus with the new Commission and EEAS leadership in 2014.

Optimal Europe

How should the EU be organised in the future? As often before in EU's history, member states might again have reached a crossroads and have to decide if they want to aim for more Europe, differentiation or even renationalisation. All participants agreed that renationalisation is the least favourable choice. In this regard, the British review on the balance of UK and EU competences was not seen as helpful. While it can be a fruitful exercise to look into specific policies and review the necessity and effectiveness of particular regulations, it is not clear why the whole division of competences should be put into question. Domestic pressures on the government might best explain this UK initiative. The UK risks opening a Pandora's box and thereby encourages other member states to write their own wish list of EU competences. The Netherlands already carried out a subsidiarity review. The participants were sceptical that such a 'Europe à la carte' is the answer to the challenges of the EU.

Some participants made an appeal for more Europe instead. From this perspective the current pressure on the EU is a necessary factor to push the member states towards deeper integration. When the pressure of the crisis decreases, necessary reforms will be difficult to implement. One of the participants pointed out that the current patchwork of different intergovernmental mechanisms in addition to the treaties is not necessarily enough to prepare the EU for a possible comeback of the crisis. Instead, the participant called for a new convention that especially focuses on the governance of the Eurozone. Issues that have to be clarified are for example the role of the Commission in economic surveillance, democratic accountability towards the European and national parliaments, reconciliation of the ESM and the community method as well as the authority of the European Semester recommendations. The European Parliament could initiate a convention and invite EU leaders to write a joint draft. The changes would eventually be adopted via the ordinary revision procedure in the treaties.

Not all experts at the seminar were in favour of a treaty revision. Several participants argued that the EU should concentrate on issues that can be done within the existing treaties. The current treaty framework still leaves room for necessary initiatives, for example in the area of the common market, security and defence, transportation and energy policy. Rather than going for a new treaty, one expert advised to follow a strategy of adaption to the current plethora of instruments and implement them fully. Indeed, several participants argued for a Europe that should concentrate on results rather than institutions. Functional policies should be in the focus instead of talking about a step-by-step process towards a federal Europe.

A key result of the seminar discussions was that EU's future is neither less nor more Europe, but an Optimal Europe. Optimal Europe does not mean that everything has to be regulated on EU level, but it is firmly based on the principal of subsidiarity. EU leaders remain committed to

the community method as the first and main framework for action. However, they keep the possibility to compliment the community method with other procedures, such as the Union method advocated by Angela Merkel. Also in the field of EU foreign policy, the experts were of the opinion that the supranational and the intergovernmental model are complimentary. The EEAS is the best example for this hybrid approach that ideally ties all EU instruments and processes together. In the future, the strength of the service might be to function as a network actor that brings all relevant players on EU, member state and subnational level together. Meanwhile, in order to make Optimal Europe work, different perceptions in the member states on the challenges that Europe faces have to be overcome. A participant pointed out that Franco-German consensus building is essential though not sufficient for the development of compromises that work for all member states. In principle, the UK remains an indispensable partner in the EU. Optimal Europe, in the end, is about overcoming divisions and the use of all available tools to reach better solutions. An expert concluded: diversity is one of Europe's biggest assets; disunity, however, is the recipe for failure.

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