UK IN A CHANGING EUROPE

UACES

THE STATE OF THE EUROPEAN UNION

FOREWORD

Brexit rolls on but, as the date of departure recedes into the middle distance, we at UK in a Changing Europe are broadening our focus for the next phase of our existence. Consequently, we decided it was time to consider in some detail how the European Union has developed and is likely to develop in the immediate future.

We have put together an all-star cast of experts on various aspects of the EU. They have, I'm sure you'll agree, between them produced a wonderful, state of the art snapshot of the State of the Union. I'd like to thank all of them, not only for producing such clear and informative pieces and for responding promptly to editorial suggestions and queries, but also, in many cases, for significantly rewriting their pieces in light of the considerable impact of the war in Ukraine.

Thanks also to Simon Usherwood, and to the University Association for Contemporary European Studies, with whom we have collaborated in putting together this report. UACES is the leading professional association for those interested in the EU, and you can find them at www.uaces.org

Closer to home, my thanks to Simon Usherwood for helping to put this together and to Joël Reland and Sophie Stowers for editing and commenting on the various drafts. Thanks too to Sophie for dealing with the designers and ensuring everything was produced properly and on time.

I very much hope you find what follows interesting and informative.

Anand Menon
Director, UK in a Changing Europe

23 June 2022

INTRODUCTION

Anand Menon and Simon Usherwood

It is hard to remember a time when the European Union has not been engaged in confronting a crisis. From that in the Eurozone, to that over migration, to the pandemic to the war in Ukraine, the Union has been challenged on numerous fronts in short order. Each of these challenges has affected it in different ways, with the consequence that European integration has changed rapidly over the course of a decade and a half.

This therefore seemed like an appropriate moment to pause and try to take stock of the current state of the European Union. In what follows, some of the most respected scholars working on the EU provide their analysis of its current state, looking, in turn, at member states, at the EU institutions, at a number of policy areas and cross-cutting political themes and at EU relations with key external partners.

This process itself was affected by crisis. We had originally intended to release this report on 9 May. The war in Ukraine, however (as is clear from the contributions that follow) put paid to those plans, hence we have published on a different anniversary — not that of the Schuman Declaration, but of the EU referendum of 2016. As ever with a report such as this, a brief introduction cannot possibly do justice to the richness of the analysis of the contributions that follow. However, several key findings do emerge.

First, and unsurprisingly, crises have had a marked impact on the nature and functioning of the Union. Take the war in Ukraine. This has led to a reassessment of traditional approaches to the EU in a number of member states, of which Germany's *Zeitenwende* is merely the most striking example. Moreover, the Polish Government, having embraced a path of Euroscepticism and conflict with the EU institutions, is increasingly coming to talk about the EU and NATO as institutional settings of equal value to the country, albeit still with points of significant friction.

Equally, the conflict has impacted both on the EU's own institutions and its policies. Member states in the European Council increasingly see the need for greater EU action on defence. The Commission's role in overseeing the Single Market has itself become more security-oriented given its role in sanctions policy, taking the lead on reducing dependence on Russian fossil fuel exports and in promoting joint defence procurement projects. Meanwhile, we must wait to see what impact, if any, the liberalization of migration rules following the war in Ukraine will have on the management of migration from other parts of the world.

Change was, of course, underway even prior to the war in Ukraine. The pandemic had led to the adoption of the unprecedented NextGeneration EU package. The experience of the Trump Presidency and an increasingly unpredictable United States led to several initiatives in the defence sector. That being said, the toughening of the language in the European Strategic Compass and the March 2022 Versailles declaration, which set out targets for identifying investment gaps (not to mention the applications by Sweden and Finland for NATO membership), were clearly a result of the Ukraine conflict. It is also worth noting, as Simon Usherwood points out, that Brexit too is bringing about changes in the way the EU functions.

Second, whether connected to Ukraine or not, the Union is undergoing profound changes. The NextGeneration initiative involves some 806 billion euros — five times the annual EU budget. As part of the package, member states agreed to introduce new revenue streams for the Union. Equally ambitious climate change goals were adopted in 2021 via the European Climate Law. Furthermore, the previous year witnessed the Commission's 2020 Pact on Migration and Asylum, while a raft of measures have also been brought forward to address the challenges posed by new technologies.

When it comes to external relations there has, of course, been a major reset in relations with Russia. Equally there is, as mentioned above, an ongoing reevaluation of relations with — and dependence on — the United States. And finally, the EU faces a real challenge when it comes to squaring the circle of relations with China. On the one hand, relations have worsened over the last decade. Equally, China became the EU's largest trading partner in 2020.

There are also relatively new areas of activity to consider. It will be interesting to see what becomes of the EU's 2020 Strategy on LGBTI rights, and of the Commission President's promise to build an anti-racist Europe. Tensions over both of these with some member states reflect a changed context for European integration. In the early years, much progress was made via rulings by a European Court of Justice, largely insulated from public and political attention. No longer. The ECJ now operates in an environment of high politics, dealing with sensitive issues including the rule of law, Russian sanctions and matters of border control. As a result, it is the subject of great political attention.

All the while, recent developments have impacted on relations between member states. President Macron's insistence on continuing dialogue with Moscow, and Germany's apparent reluctance to agree to an oil embargo or send arms to Ukraine, caused divisions with Central and East European states. At the same time, the apparent enthusiasm of Olaf Scholz, Emmanuel Macron and Mario Draghi for further integration, has led to the possibility of another split with

states reluctant to countenance treaty change — including Hungary, Poland and Ireland — who are suspicious, albeit for different reasons, of drives towards more integration.

Looking forward, the fate of NextGeneration EU will help determine whether splits between poorer and richer member states reemerge — as will decisions over interest rates. Important choices lie ahead about how tough to be on inflation, with a danger that raising interest rates aggressively might damage growth. Moreover, while higher interest rates might help fight inflation in Germany and Holland, they would increase debt servicing costs for states like Italy, Spain, France and Greece. When it comes to new technologies, there exists a possible tension between the 'industrial' approach of larger states and the more data driven approach of smaller and Scandinavian member states. Finally, in terms of values, there is the potential for the LGBTI rights and anti-racism initiatives launched by the Commission running into opposition, particularly on the part of some Central and East European states.

In sum then, this is a crucial moment in the history of the European Union. It has taken on new responsibilities in the face of new challenges and now must deliver, whilst simultaneously managing deep and potentially debilitating divisions between member states. There is all to play for.

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THE MEMBER STATES

FRANCE

Helen Drake

WHAT IS THE PRESENT STATE OF RELATIONS WITH THE EU?

Emmanuel Macron's re-election on 24 April 2022 was greeted with relief in Brussels. His commitment to the EU was not in question — unlike that of his opponent Marine le Pen — and was a centrepiece of his 2022 campaign.

Macron's success signalled that France would continue to push and cajole the EU along the agenda set out by the French President at the start of his previous term in 2017, which had laid out plans for a bolder, more strategic EU. During his first term, Macron spoke provocatively of a 'brain-dead' NATO, a 'Paris consensus' to reshape world order, and launched the European Intervention Initiative to signal his intent.

The French President played hard ball on Brexit and, like his predecessors, prioritises the Franco-German relationship. This bore fruit in the depths of the pandemic, when Germany agreed to an unprecedented EU borrowing facility for the EU's economic recovery. In the first six months of 2022 France also held the rotating presidency of the Council of the European Union, which afforded Macron another opportunity to reaffirm France's centrality to the EU and vice-versa, at a time when the French public was demonstrating a clear appetite for political figures offering alternatives to the status quo. France, then, was not only a 'loyal' but a 'tumultuous' member state.

HOW HAVE WE GOT HERE?

France was a founding member of the EU and continues as a leading country within it. EU membership has had a significant impact on France's political, social, economic, and institutional fabric from the start. The challenge of 'making Europe without unmaking France' soon became perilous for France's leaders, with mainstream political parties of left and right struggling to contain their differences over European integration, particularly its liberal orientation.

To sceptics, the EU came to be seen as a vector of harsh globalising forces undermining the capacity of the French state to act in the national interest. Despite two referenda on European integration (in 1991 on the Maastricht Treaty, won by a very narrow margin; and in 2005 on the Constitutional Treaty, its loss a blow to the pro-EU camp in France), the EU has increasingly been seen as remote from French people's interests and their control and has formed a fault line in French democratic politics.

Votes for parties and political personalities promising alternatives to the status quo of EU membership steadily rose from 2012 onwards, accounting for over half of the votes cast in the 2022 presidential elections. The calls of politicians such as Jean-Luc Mélenchon for 'another Europe' have gained considerable traction in France to the point where some even see a gulf between the French people and the EU. In this context, Emmanuel Macron's stance towards the EU is politically risky and much rides on his success in shaping European-level responses to global challenges.

WHERE DOES FRANCE WANT THE EU TO GO?

France has long wanted the EU to be more 'political' in nature. Macron's ambitions and therefore France's plans for FPEU22 are no exception to this rule. What does this mean in practice? The FPEU22 slogan — relance, puissance et appartenance, translated officially as 'recovery, strength and a sense of belonging' — is intended to encapsulate France's vision for the EU. According to this vision, if the EU acts like a sovereign political entity, then France itself becomes more sovereign.

'Recovery' calls not only for a distinctly European model for post-pandemic economic growth (proposals for an EU-wide minimum wage spring to mind); but also for growth that is sustainable enough to deliver the EU's Green Deal. 'Puissance' is a well-worn term in French political discourse, intended to convey the idea of Europe as a diplomatic actor that operates strategically in the international arena on economic, ecological, social, and even military matters, actively delivering world stability and security. A 'sense of belonging' refers to the idea of a more 'humane' EU in which citizens are heard and are bound by shared values, including the respect for human rights and the rule of law.

What France wants for the EU and what Macron wants for France are not automatically what they will get. The legislative ambitions of any Council presidency are constrained by business already in train and rely for their success on the competent fostering of agreement and coordination amongst the EU27. Yet France is experienced in this regard, giving some grounds for optimism; there have also been some achievements, for example in matters of digital governance; overall momentum was maintained despite the distraction of the French presidential election; and the war in Ukraine renders ideas of a 'political' Europe less fanciful by the day, particularly given post-Merkel Germany's Zeitenwende. Tensions persist, nonetheless, between France and its fellow NATO member states on the primacy of that organisation.

In sum, the French belief that Europe's moment has come has gained credibility in the light of the EU's overall responses both to Covid-19 and Russian

aggression. [Macron's re-election in difficult circumstances](#) will have injected the French President with fresh hope. His alliance with Germany is secure, and poor Franco-British relations will leave him and his plans relatively untroubled.

Facing him, however, are challenging domestic politics. Social protest against his domestic reform agenda is almost inevitable. French distrust of the liberal political elite in general and Macron in particular is considerable, despite his electoral victory. At large, the extent of the fallout of the Ukraine war is still unknown but could be extremely difficult for Europe's democracies, including France. Such is the sombre backdrop to the state of French relations with the EU in 2022.

GERMANY

Patricia Daehnhardt

WHAT IS THE PRESENT STATE OF RELATIONS WITH THE EU?

In November 2021, Olaf Scholz became Germany's new Chancellor, having promised continuity with Angela Merkel's policies upon his election. On key issues of European policy, the coalition treaty pledged to maintain the Single Market and the unity of the Union, returning to stricter EU budget rules in 2023 (after their suspension during the Covid-19 pandemic), and uphold its commitment to the rule-of-law mechanism against countries violating EU law.

Russia's invasion of Ukraine, on 24 February 2022, however, upended Europe's post-Cold War security order. In an important speech in the Bundestag only three days later, Chancellor Scholz announced a revolutionary 'Zeitenwende', a new era for Germany's foreign, security and defence policies: Germany would increase defence spending to more than 2% of GDP, create a €100 billion Special Fund for modernising its armed forces, send weapons to Ukraine, and reduce its energy dependence on Russia (which supplied 55% of Germany's gas and 35% of its oil at the start of the war).

The speech outlined two radical changes. First, it signalled a shift in defence policy which, if implemented in its entirety, would make Germany Europe's biggest military power, increasing defence expenditures from about €50 billion to approximately €75 billion per year. Foreign Minister Annalena Baerbock's announcement of Germany's first national security strategy for early 2023 and the possible creation of a National Security Council further underpin these changes. Second, it confirmed the failure of Germany's Russian Ostpolitik of 'Wandel durch Handel' (transformation through trade) — the expectation that economic interdependence galvanises political change — and the end of Germany's role as interlocutor between the West and Russia, and of the SPD's longstanding principle that security in Europe can only be achieved in collaboration with Russia.

HOW HAVE WE GOT HERE?

For the last ten years, the EU has been in permanent crisis-solving mode, responding first to the eurozone crisis, then to the 2014 Ukraine crisis, followed by the migration crisis, Brexit, the Covid-19 pandemic, and now the ongoing war in Ukraine. The eurozone crisis in particular was the catalyst that made Germany the leading power in Europe and stalled the German-French motor, raising the question of German leadership within the EU, if only as a 'reluctant hegemon'.

Germany had been the biggest beneficiary of the post-Cold War European-Atlantic order for over thirty years, firmly embedded in the institutional enlargements of the EU and NATO. Despite or because of this, Germany became an [assertive status quo power](#), shying away from exercising too much leadership, as this would have been too overpowering for its neighbours, but still gaining increasing influence within the Union. The war in Ukraine is now challenging many of these long-held German assumptions.

WHERE DOES GERMANY WANT THE EU TO HEAD?

Germany's response to the Russian invasion of Ukraine has been ambivalent. The Zeitenwende speech implied that the Scholz government would commit to long-overdue changes and implement them swiftly. Berlin, however, has been slow to join the EU's Russian oil embargo, approve the delivery of heavy armament to Ukraine, and send sufficient military support, unleashing strong [criticism](#) and loss of trust in Eastern Europe. After the EU's (and NATO's) unity in approving several rounds of sanctions on Russia and granting financial, military, and humanitarian support to Ukraine, divisions are now emerging between allies and partners. Inevitably, Berlin's hesitancy and inaction has already impacted its margin of manoeuvrability and is diminishing its influence within the EU.

To counter this weakened position, Berlin could revitalise the faltering German-French tandem together with Italy and push through the EU's reform agenda. The governments' preference for differentiated integration, qualified majority voting (QMV) in Common Foreign and Security Policy (CFSP), and the stated aim to further develop the EU into a federal European state is in line with Emmanuel Macron's and Mario Draghi's recent proposals for reforms in economic governance, climate action, digitalisation, migration, and defence. But despite Berlin's support for Draghi's [speech](#) on 3 May 2022 — for deepening economic integration, 'pragmatic federalism' in foreign policy and defence and treaty changes — and Macron's [speech](#) on 9 May 2022 — for QMV, treaty changes, and the creation of a 'European political community' — Scholz has not advanced a similar set of proposals, further strengthening the impression that Germany is lagging behind in these crucial times.

Although the triumvirate could count on the likely support of [Southern European](#) member states, they would face opposition by those who feel that the traditional German-French tandem no longer has the legitimacy to expect their allegiance. The Baltic, the Eastern European, and Scandinavian states already [voiced](#) their opposition to Macron's treaty changes proposal. In addition, Eastern European countries support the EU-membership bids from Ukraine, Georgia, and Moldova, disapproving of Macron's idea of a 'European political community' within which relations with Ukraine and others would be institutionalised into

a sort of European confederation, suggesting an indefinite postponement of EU membership. Scholz has not directly replied to Macron's idea — typically neither rejecting nor enthusiastically approving it — but has only [expressed](#) opposition for a fast-track approach for the new candidates.

Only if the German government overcomes its own inaction will it be able to push ahead with its stated aim of reforming the EU and playing its part in making the Union fit for the coming decade, while reinventing itself as more than a mere status quo power. This would also imply strengthening the European pillar in NATO, the German-US security relationship and the [German-UK](#) security and defence cooperation.

However, if Germany's recent policy towards the war in Ukraine — navigating a path of hesitance and reluctance — is anything to go by, it suggests that Germany is eschewing the radical changes that Scholz promised in favour of the policy continuity that helped him get elected.

If this were the case, Germany's credibility in Europe's new security order would be diminished, and its European policy would become a weaker link, reducing its overall influence. As it stands, the Chancellery's hesitancy sits uneasily alongside Berlin's willingness to push forward reforms and, even if the will exists, it is far from certain that it would not face considerable obstructions from less reform-minded member states, as well as from its own domestic politics. Consequently, a hesitant Germany would weaken the EU's own role in Europe and beyond.

IRELAND

David Phinnemore

WHAT IS THE PRESENT STATE OF RELATIONS WITH THE EU?

Ireland in 2022 appears as comfortable as it has ever been with its EU membership. Opinion polls indicate that four-fifths of people regard membership as 'a good thing'. Ireland has its Eurosceptic voices, yet there are no sizeable political forces advocating that Ireland follow its closest neighbour and leave the EU.

If anything, Brexit has encouraged Irish voters to value more than before the economic and political opportunities as well as the relative stability and certainty that EU membership provides. Observing Brexit has focused minds on the merits and opportunities of EU membership as opposed to the constraints it imposes and the challenges it raises, particularly for a small state.

The EU's approach to Brexit has shown that Ireland does have a voice in the EU and that membership can bring genuine solidarity. Faced with the possibility of Brexit hardening the land border and undermining the Northern Ireland peace process, the EU accommodated Ireland's position and provided Dublin with significant opportunities to shape the outcome of the UK's withdrawal negotiations, particularly as they concerned Northern Ireland.

This is not to say that Ireland has become an unquestioning champion of the EU. One recent analysis notes 'quite a mercenary [Irish] outlook on EU integration,' with 'enthusiasm for participation in the EU... built around specific policy benefits and advantages'. Like all member states, Ireland has positions to protect and interests to defend. It does so, however, in the context of increased domestic political consensus on the value of membership and declining levels of Euroscepticism within Irish politics, evident in the once staunchly EU-critical Sinn Féin's embracing of EU membership.

HOW HAVE WE GOT HERE?

Ireland joined the European Communities in 1973. Subsequently, its economy has been transformed. Early membership benefits included increased trading opportunities and access to structural funding. Then came the internal market and the free movement of goods, services, capital, and people. All this has provided a valuable context and stimulus for the remarkable transformation of the Irish economy.

By the late-1990s, Ireland was no more among the poorer member states with an economy still overly dependent on the UK as an export market and a source

of emigration. Rather, it was among the most prosperous, with unprecedented levels of foreign direct investment, and thriving high-tech and services sectors. This was the era of the 'Celtic tiger' with annual growth rates of almost 10%. For much of the 2000s, the economy continued to grow.

In 2008 a major banking crisis hit and with it a €64 billion bailout package from the EU and the International Monetary Fund. The fiscal crisis and ensuing austerity measures led to severe recession — gross domestic product fell by 10% during 2008-09 — and unemployment rising to above 13% in 2010. Domestic debate raged about the terms of the controversial bailout and the role of EU in the much-reviled 'Troika' supervising its implementation.

The crises did not, however, seriously dent popular support for EU membership. Yet support should not be seen as reflecting enthusiasm for further integration. Referenda in 2001 and 2008 initially saw votes against the Treaties of Nice and Lisbon respectively, although some 'no' votes had more to do with domestic issues and wider concerns about integration than the content of the treaties themselves. Following clarifications and concessions, second referenda returned majorities. However, concerns persisted about what further integration could mean for Ireland as a small state protective of its neutrality in a larger EU pursuing cooperation in a wider range of policy areas.

WHERE DOES IRELAND WANT THE EU TO HEAD?

Essentially comfortable with the EU as it is, and mindful of the difficulties the country has faced in translating support for EU membership into endorsement of EU treaty reforms, Ireland is not looking for bold new projects for the EU. The focus of the current government is on ensuring the EU works effectively and in a manner that allows Ireland to engage as fully as possible in pursuit of its interests.

Consequently, engagement with the Conference on the Future of Europe has been limited. Ireland is not alone here. There have been other priorities, not least the Covid-19 pandemic. There has also been Brexit, which affects Ireland far more than any other member state.

However, some thinking about what sort of future for the EU that Ireland wishes to see is needed, and on a range of issues. Priorities include: the socio-economic model the EU pursues, and within it the future of Ireland's reliance on the comparative advantage it has with its low corporation tax; Ireland's approach to emissions and climate change where its record is mixed; and the future of technology and digital services.

At present, the priority for addressing these is through exploiting current arrangements. The government's recent [Trade and Investment Strategy](#) focuses on 'Reaping the Benefits of the EU Single Market' and on 'Maximising Ireland's return from EU Free Trade Agreements'.

An urgent issue is how to respond to the Ukraine crisis. This is not only a question of what role Ireland wishes to see the EU play in terms of security and defence, but also how Ireland engages given its neutrality — popular among voters — and constitutional constraints. For now, the approach is one of cautious engagement — Ireland [participates](#) in various EU military operations — and an ['evolution' of neutrality](#) approach. The challenge is to ensure Ireland can deliver on its ambition to play the fullest possible role in the EU as the EU's own commitments and policies evolve.

Participating as fully as it can in the EU is central to Ireland's approach to membership. But there are limits. Ireland is highly unlikely, for example, to join Schengen, owing to the Common Travel Area with the UK. Which brings us back to Brexit and the persistent need for the EU to show as much flexibility as it can in accommodating Irish interests particularly with the Protocol on Ireland/Northern Ireland. If the Protocol fails, the integrity of the EU internal market and Ireland's place in it could well be called into question.

POLAND

Natasza Styczynska

WHAT IS THE PRESENT STATE OF RELATIONS WITH THE EU?

In autumn 2021 an ongoing conflict over the rule of law between the Polish government and the European Commission (EC) was exacerbated to the point that the opposition claimed it might lead to a 'Polexit'. The European Union's institutions are also often criticised by the ruling Law-and-Justice (PiS) led coalition for granting the largest member states excessive influence over the internal issues of smaller ones.

Yet, on the other hand, 90% of Poles are positive about EU membership, which makes Poland one of the most pro-European societies in the EU. Moreover, according to Eurobarometer, Poles tend to trust European institutions more than national ones. Poland therefore offers an interesting example of a country in which a Eurosceptic government was elected by citizens who, on the whole, are committed to EU membership.

The PiS-led coalition does not directly reject the EU but is critical of its institutions and their role, while voicing concern about the future direction of European integration. Jarosław Kaczyński, de facto leader of the ruling party, opposes deeper political integration, as do those Polish MEPs belonging to the European Conservatives and Reformists (ECR) Group in the European Parliament. Yet there is limited engagement with debates on the future. The European Commission's white paper on the future of Europe was not broadly discussed in Poland, much like other plans for the development of the EU.

The Russian invasion of Ukraine in February 2022 changed not only the rhetoric of the PiS-led government, but also the actions of the Polish government. The Prime Minister, Mateusz Morawiecki, and the PiS leader, Jarosław Kaczyński, criticised the EU for not offering enough support to Ukraine and the tone used in relation to the EU has changed noticeably.

In recent years, EU membership seemed to have been taken for granted by a majority of Poles and had even been played down by some right-wing politicians in particular. In 2018 President Andrzej Duda spoke about the EU as an 'imaginary community' from which Poles 'don't gain much'. Yet, two weeks after the 2022 Russian invasion of Ukraine he declared that 'Polish membership in NATO and the EU is Polish raison d'état'. The war has generated discussion about EU reform, particularly about the need to develop a more effective Common Foreign, Security and Defence Policy and also to coordinate

approaches towards gas and oil supplies. The Russian threat dominates public debate, sweeping aside previous issues such as the rule of law, economic turbulence, or the Covid-19 pandemic.

HOW HAVE WE GOT HERE?

The Polish-EU relationship was not always turbulent. During the first decade of membership the parties in power (with the exception of the first PiS-led government from 2005-07) were distinctly pro-European. This was based on a wider pro-Western foreign policy following the collapse of the Soviet Union, as well as the economic benefits and security guarantees that Poland gained from joining NATO in 1999 and the EU in 2004.

In 2015, parliamentary elections were won by a coalition led by the right-wing PiS party. Soon after, the first serious disagreements between the Polish government and the European Commission occurred over judicial reform. The European Commission expressed concerns over proposed reforms such as the politicisation of the Constitutional Court, resulting in the activation of Article 7 of the Treaty on European Union against Poland, due to a risk of a serious breach of the rule of law.

This became the top European issue in Poland, relegating Brexit and Poland's position within the negotiations to secondary importance. The negative impact of the ruling PiS party on the standards of the rule of law, democracy, and human rights has caused significant concern for EU institutions. Examples include the 'Article 7' procedure against both Poland and Hungary, subsequent judgments of the Court of Justice of the European Union (CJEU) in cases concerning reforms of the judiciary, and the European Parliament's resolution condemning 'LGBTI-free zones' in Poland. The conflict between the Polish government and the European Commission has overshadowed discussions regarding the benefits of membership which, more than 15 years after accession, are taken for granted by many Poles.

WHERE DOES POLAND WANT THE EU TO HEAD?

When thinking about Polish attitudes towards the future of the EU, one needs to consider the deep divisions within Polish politics on this question. Within the ruling right-wing coalition, there is hostility towards the deepening of political cooperation and towards the idea of a more federal EU. In summer 2021, the ruling PiS, along with other radical right-wing parties, signed the joint declaration on the future of Europe. The signatories (including France's Rassemblement National, Hungary's Fidesz, and Italy's Lega) called for reform, criticising the dominance of the largest member states and the supposedly dangerous tendency of EU institutions to 'impose an ideological monopoly'.

It may be too early to judge, but it seems that the war in Ukraine has reduced the willingness of the Polish right to cooperate with parties like Orbán's Fidesz that are [reluctant to criticise](#) Russian aggression. Unlike the ruling PiS and other right-wing parties, the liberal part of the Polish political arena would like to see the country more involved in EU matters (for example on the Common Foreign and Security Policy or energy issues), underlining that only EU membership can guarantee Poland's prosperity and security.

Donald Tusk, former prime minister and leader of the opposition Civic Platform, is one of the advocates of closer cooperation, encapsulated in a line from [a speech](#) he gave when President of the European Council — 'united we stand, divided we fall'. The pro-European attitudes of liberal politicians are stable, but the question remains whether the right-wing political elite, in the face of the war on their doorstep, will permanently change their view on the future of Europe and the need for more political integration.

THE EUROPEAN INSTITUTIONS

THE COMMISSION

Pierre Haroche

WHAT ARE THE COMMISSION'S CURRENT FUNCTIONS AND AIMS?

The European Commission is composed of a college of 27 commissioners — one per member state — supported by specialised services, or Directorates-General. The Commissioners' mission is to 'promote the general interest of the Union' without taking instructions from any national government, as emphasised in their oath of office.

Although it was originally conceived as a technocratic body, the Commission looks very much akin to a national government. Like most national governments, its main role is to propose a legislative agenda. It is responsible for preparing and proposing new legislation to the EU Council and European Parliament. For 2022, the Commission's work programme includes 42 new initiatives, with a particular emphasis on two headline ambitions: 'A European Green Deal', which seeks to make the EU climate-neutral by 2050, and 'A Europe Fit for the Digital Age', aiming to support the EU economy's digital transformation.

Similarly, the Commission proposes and implements the EU budget, including both the annual budget and the long-term EU budget. In 2020, the Commission also proposed the 'NextGenerationEU' recovery plan, which the EU Council and European Parliament adopted in the context of the Covid-19 crisis. To finance this plan, the Commission will have to borrow on the markets, which makes it necessary to create new EU-own resources to repay the funds that will be raised. This new instrument could thus eventually reduce the Commission's dependence on national contributions and increase its own financial power.

As 'guardian of the treaties', the Commission also monitors the implementation of EU law. For example, it recently decided to trigger a new procedure that could lead to the cutting of EU funds to Hungary over accusations of rule-of-law violations. This power tends to strengthen the Commission vis-à-vis the member states but also gives rise to accusations of democratic illegitimacy in comparison with national leaders.

Finally, the Commission has important executive powers in policy areas such as competition and external trade. In its capacity as trade negotiator, the Commission, represented by Michel Barnier, negotiated and signed the December 2020 EU-UK Trade and Cooperation Agreement. During the Brexit negotiations, the Commission showed crucial leadership in maintaining a united front within the 27.

One of the main differences between a national government and the Commission is that the latter has only limited formal power in foreign policy and defence, which essentially remain the responsibility of the EU Council deciding by unanimity, with the support of a body outside the Commission — the European External Action Service.

HOW HAVE WE GOT HERE?

The Commission has become an increasingly 'politicised' institution, in the sense that it sees itself less as a technical body implementing member states' wishes and more as a source of political leadership, capable of launching bold initiatives on major issues. Over the long term, this trend has been fuelled by the growing share of former members of national governments in the college and by the concentration of decision-making power in the hands of the President.

Walter Hallstein, the first President of the Commission (1958-67), famously presented himself as 'a kind of Prime Minister of Europe', signalling his intent to play a truly political role (much to the disgust of French President de Gaulle). Commission leadership was particularly apparent under President Jacques Delors (1985-95), who promoted an ambitious legislative programme to complete the Single Market.

Some scholars argue that, after the 1992 Maastricht Treaty, the EU became increasingly dominated by 'intergovernmental' decision-making between member states at the expense of the 'supranational' Commission. This evolution is exemplified by the management of the post-2008 Euro-crisis, marked by the central roles played by the European Council and national leaders.

President Jean-Claude Juncker (2014-19) sought to reverse this trend by calling his team a 'political Commission'. He meant that, having been appointed though the Spitzenkandidat process, in which each major political group in the European Parliament nominates its candidate for Commission President prior to the European elections, he could rely on strong parliamentary support that would allow him to pursue an ambitious political programme.

However, the 'political Commission' principle was criticised by some national governments, fearing that the Commission could step out of its role and favour larger member states at the expense of smaller ones. In 2019, member states abandoned the Spitzenkandidat procedure and returned to a logic of intergovernmental compromise to designate the Commission President.

HOW MIGHT ITS ROLE CHANGE IN THE FUTURE?

Some recent initiatives suggest that the Commission is increasingly seeking to assert itself in EU foreign and security policies using its traditional economic

powers. With the European Defence Fund adopted in April 2019, the Commission deployed its competence in research and industry to expand its role into defence. Ursula von der Leyen, who took office as Commission President in 2019, went further by stating that her Commission would be a 'geopolitical Commission'. New proposals, such as the anti-coercion instrument, which aims to protect the EU and its members against external powers seeking to interfere with their policy choices, illustrate this ambition.

Von der Leyen's project received a boost from recent events. First, the Covid-19 crisis highlighted Europe's dependence on China and has been an opportunity for the Commission to put forward the general objective of EU 'open strategic autonomy', particularly in terms of industry, raw materials, pharmaceutical products, finance, trade, and investments.

Second, the war in Ukraine has highlighted the crucial role of the Commission, not only in the preparation of unprecedented sanctions against Russia but also in the EU strategy to reduce its dependence on Russian fossil fuels. More recently, the Commission has made proposals to promote and subsidise member states' joint defence procurement projects in response to the war.

In a global context marked not only by renewed great-power competition but also by the increasingly intertwined relationship between economic and security policies, many of the Commission's traditional Single-Market-related policies are now becoming de facto more security-related.

THE EUROPEAN COUNCIL

Sara Hagemann

WHAT ARE THE COUNCIL'S CURRENT FUNCTIONS AND AIMS?

The European Council is the EU's most senior political body. It is where the heads of states and governments meet to discuss and decide on the EU's strategic agenda and seek to solve the most significant challenges that the EU is faced with — from within or outside its borders.

The proliferation of these challenges, combined with increased pressure from domestic political audiences, mean that politics between the member states in the European Council are currently very difficult. When we look at the European Council today and consider the political profiles of national leaders and the domestic pressures confronting them, we can expect a new direction to emerge for the EU during 2022: one in which the power balance shifts in favour of a dominant France and a less visible Germany, and where new policy priorities will be rapidly pursued in particular for defence and security, fiscal governance and economic policy, technology, and sustainability and climate change.

HOW HAVE WE GOT HERE?

Recent years have witnessed a major shift in the power dynamics between EU governments. The impact of the euro crisis, the refugee crisis, Brexit, Covid-19, and steps towards illiberal politics in several member states have drawn up new demarcation lines between the governments.

Not that it has ever been easy to find agreement between governments in Europe, or that coalitions between member countries in earlier years have been stable and predictable. Decision-making in the EU has always been characterised by a challenging negotiation process between narrower national interests and supranational political goals. Therefore, compromises are often found on a case-by-case basis, and package deals are necessary on large-scale policy initiatives to appease all member states involved.

Nevertheless, there are clear signs that the last decade's developments have been particularly difficult and had consequences for the European Council. Today, compromises have to be found in the shadow of very pronounced intergovernmental tensions, and the political agenda has to accommodate rapid responses more frequently. The invasion of Ukraine by Russia means that EU governments have a shared priority in securing stability and peace, but differences in interests and incentives are wide even over this. European Council President

Charles Michel has his work cut out as a political 'broker' between the member states.

HOW MIGHT ITS ROLE CHANGE IN THE FUTURE?

In terms of its legal and political mandate, the role of the European Council will almost certainly not change. However, we can expect real shifts in 2022. The war in Ukraine has changed everything in Europe, and the consequences will be felt for a long time to come regardless of how the next stages of the conflict play out. Even if armed confrontations cease, the aftermath will pose difficult questions for Europe's leaders: how to address immigration flows, how to control economic and financial instability as a result of the war, and how to contain the social and political turmoil which may continue for years in the region.

And EU governments will not be aligned on these matters, as is clear even from current rifts in the European Council. One of the biggest unresolved rows within the EU is over Poland and Hungary's failure to respect the rule of law. The war in Ukraine, and Poland's generous support for Ukrainian refugees, has clearly dampened tensions between Brussels and Warsaw. But tensions remain nevertheless, and a further deterioration is certainly possible.

 The rift between the EU and the recently re-elected Viktor Orbán in Hungary remains even wider. Here, the situation may intensify as the Commission is using its new 'conditionality mechanism' to potentially deprive Hungary of EU funds. There is great uncertainty over whether the situation could escalate, and there is a credible threat that Orbán could start to veto decisions that require unanimity between the governments — such as proposals for additional Russian sanctions.

While governments look for solutions to the war, the European Council is also adapting to new dynamics between its political leaders as a result of recent elections in key member states. Emmanuel Macron's re-election in France was a defining moment for Europe's future, both because of his ambitions and commitment to a more integrated EU (he talks of 'strategic autonomy' and further EU competencies in several areas), but also because of what did not happen: Marine Le Pen as president for France would have meant political fragmentation and radical right-wing politics at the heart of the EU at a dangerous time for the Union.

Many now see France as the EU's pre-eminent member, as German Chancellor Angela Merkel's retirement last year and the UK's exit from the Union leaves it politically unmatched by the other EU governments. Germany's new Chancellor, Olaf Scholz, is certainly a Europeanist, but his political vision and leadership for the continent are so far less visible than his predecessor's. Scholz will, however,

share some of Macron's ambitions for a stronger and more integrated Union, and is closer to Macron on, for example, the extension and use of EU's recovery funds, security cooperation, and other key priorities. For these topics Italy's Prime Minister Mario Draghi, former president of the European Central Bank from 2011 to 2019, will also be a key ally.

Yet, no individual country, not even France, can call the shots in the EU. It takes painful negotiations and careful diplomacy to form alliances that can progress the Union forward.

Therefore, if the EU is to successfully address its many pressing priorities in areas ranging from security and defence, to effective financial governance, to climate change and sustainability, to more innovative and agile industries, or immigration policy — to name but a few — the best strategy is to work with the priorities and constraints confronting all member states. In 2022, each European Council member — not least Scholz — needs a place on the stage next to Macron to create a set of confident leaders who work together for solutions for their countries and for Europe.

THE COURT

Darren Harvey

WHAT IS THE SITUATION NOW?

The Court of Justice of the European Union (CJEU) is the EU institution tasked with ensuring that the law is observed when it comes to interpreting and applying the EU Treaties.

Increasingly, the CJEU is called on to resolve legal issues with potentially immense political consequences. Beyond cases linked to the EU Internal Market, it now handles cases in areas such as EU asylum and immigration law; EU criminal law; EU family law; EU citizenship law; EU environmental law; religious freedoms; consumer protection and combatting terrorism.

HOW HAVE WE GOT HERE?

The changing subject matter before the CJEU is a direct consequence of successive amendments to the EU Treaties, expanding EU competences into fields traditionally viewed as the reserve of the member states. Furthermore, many of the complex and controversial issues facing the Court can be attributed to decisions by member states (and third parties such as the UK) to entrust the CJEU with resolving legal disputes.

On Brexit, for example, the Northern Ireland Protocol ensures that vast swathes of EU law governing everything from VAT and customs to product safety standards and animal and plant health continue to apply in Northern Ireland. The Protocol provides for the continued jurisdiction of the CJEU to rule on how that body of EU law is to be interpreted and applied.

Consequently, the CJEU has retained the power to issue binding judgements on whether the UK is correctly applying EU law in Northern Ireland. The Commission could take the UK to the CJEU for the latter's decision unilaterally to postpone undertaking certain checks on goods travelling from Great Britain to Northern Ireland that are legally required under the Protocol. Should this happen, the Court's continued role would become an explosive political issue in the UK once again. Accordingly, the UK government's red line on the issue of CJEU jurisdiction — seemingly erased in recent months — might well be redrawn.

Beyond Brexit, the invasion of Ukraine by Russia has led to a coordinated response from EU member states. The Council has agreed to adopt measures that impose wide-ranging sanctions on Russian politicians, military personnel, and individuals with connections to the Russian regime. There is a rich body of

CJEU case law on the legality of EU sanctions. In some high-profile cases, the CJEU has even found sanctions imposed upon individuals to be unlawful. As is already beginning to happen, high-profile Russian individuals and companies are challenging EU sanctions before the CJEU in an attempt to have measures annulled and, ultimately, their assets unfrozen.

If past practice is anything to go by, there is a chance that some of these sanctions will not withstand legal scrutiny. Given the political and economic interests involved in these cases, the CJEU will soon be thrust to the forefront of public debate as sanctions cases unfold in Luxembourg.

Finally, member states such as Poland, Hungary have recently taken actions which undermine the independence of their own national courts. These courts play a vital role in the EU legal system. It is in national courts where individuals first seek to invoke rights and obligations stemming from EU law. Therefore, threats to the independence of national courts risk undermining the functioning of the EU legal system as a whole.

The most high-profile example is Poland, where a series of reforms have increased political control over key judicial institutions. These reforms have included the dismissal or forced retirement of independent judges and the unlawful appointment of judges by the ruling party. Additionally, disciplinary proceedings can and have been launched by the Polish authorities against Polish judges for the content of their judicial decisions — including their decisions to apply provisions of EU law and give effect to CJEU judgments. Overall, there has been a systematic dismantling of the independence of the Polish courts in recent years.

In response, the CJEU has issued a series of landmark judgements holding that many of these reforms undermine the principle of judicial independence and, as a consequence, are contrary to EU law. The CJEU has been praised for its robust defence of the rule of law and for its insistence that the independence and impartiality of the judiciary be protected. The Court has also recently confirmed the legality of the EU's ground-breaking Rule of Law Conditionality Regulation.

Under this regulation, huge sums of money can be withheld from member states that violate the rule of law, should such violations affect or seriously risk affecting the EU budget or the EU's financial interests. At the time of writing, the Commission has triggered the conditionality mechanism against Hungary, starting a complex legal and political process that could ultimately result in EU funds being withheld. It is therefore inevitable that the CJEU will soon be required (either in the case of Hungary or in relation to other member states) to rule on whether Council Decisions to withhold funding are contrary to EU law — subjecting the Court, once again, to widespread media attention.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The CJEU faces the difficult task of discharging its core mandate of ensuring that the law is upheld in a political environment profoundly different from that of previous periods. During the early decades of European integration, the Court established a number of foundational legal principles such as direct effect and the supremacy of EU law without many people noticing or appearing to care. As Eric Stein famously put it, 'Tucked away in the fairyland Duchy of Luxembourg and blessed, until recently, with benign neglect by the powers that be and the mass media, the Court of Justice of the European Communities has fashioned a constitutional framework for a federal-type structure in Europe.'

Despite still being tucked away in Luxembourg, the CJEU is no longer blessed with benign neglect. Indeed, as its President has recently recognised, the environment that the CJEU operates in is one of 'high politics'. Whether it be ruling on the applicability of EU law in Northern Ireland, deciding whether judicial reforms in member states comply with the EU Treaties, or judging the legality of sanctions, the CJEU will unquestionably continue to play a leading role in shaping the EU legal order into the future. However, in an increasingly divisive political environment, the CJEU's responsibilities for interpreting and applying the law will now be discharged under the watchful eyes of national politicians and the mass media.

TREATY CHANGE

Claudia Toriz Ramos

WHAT IS THE SITUATION NOW?

The EU treaties provide its core constitutional law. They outline its constitutional and institutional framework as well as a number of decision-making procedures and policy areas. There were three founding treaties, which were successively amended. The last full revision was concluded in 1 December 2009, when the Treaty of Lisbon entered into force, after a long and painful period of negotiations (from 2002 to 2009).

The treaties currently in force are the Treaty on the European Union (TEU), the Treaty on the Functioning of the European Union (TFEU, former EEC Treaty), the EURATOM Treaty, and the Charter of Fundamental Rights. Together with the Accession treaties (for new member states) and a few other more specific treaties and protocols, they constitute the primary law of the Union.

Since Lisbon, there has been no attempt at major treaty amendment. On the one hand, the long process leading to the Lisbon Treaty provided evidence of the shortcomings of the treaty revision procedure. Lisbon introduced some changes that addressed some of the problems, but clearly not all. On the other, the subsequent decade left little space for lengthy revision procedures, given the number and the depth of the crises that engulfed Europe.

Treaty revision is expected to accommodate the evolution of European integration, a highly dynamic process, especially if compared with the stability of most national constitutional orders. This is not to say that there have been no changes in the EU since Lisbon, but its institutions have resorted to subtler and lighter mechanisms to face up to the crises, in order to avoid further turmoil. The lengthy revision process, dependent on member state unanimity and national ratification, largely accounts for this.

HOW HAVE WE GOT HERE?

Under the Lisbon Treaty, the treaty revision procedure (article 48, TEU) can take two forms: the ordinary and the (new) simplified. The first, concerning major changes — particularly involving the competences of the Union — requires a complex negotiation between the member states (a Convention and Intergovernmental Conferences), and final unanimous ratification by them all.

The second relies on a unanimous decision in the European Council, following consultation with the other EU institutions, and subsequently member states'

approval, according to their constitutional requirements. It covers internal policies of the EU and cannot broaden the EU's competences (article 48(6)). It also covers voting requirements for certain decisions, under the so called passerelle clause, which enables the European Council to 'lighten' decision-making procedures in the Council from unanimity to qualified majority voting in given areas, or to switch to the ordinary legislative procedure where the Treaties provide for a special legislative procedure (article 48(7)).

The general aim seems to be to avoid a complex procedure, whenever a pragmatic reaction to specific problems is necessary. The European Stability Mechanism (ESM), for instance, was made possible on the basis of this simplified procedure (in 2011, a paragraph was added to article 136(3), TFEU), in the context of the sovereign debt crisis.

Despite this, difficulties persist, in particular the necessity for unanimity for all treaty revision procedures. Furthermore, the broad scope of the simplified procedure (internal policies under Part Three of the TFEU) and the significance of changing voting requirements may make unanimity difficult. The intergovernmental imprint of the European Union's treaty revision procedure seems inescapable.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

There are several areas where treaty change may be foreseeable.

Regarding membership, Article 49 of the TEU establishes that adjustments to the treaties necessitated by the accession of a new member will be the subject of an agreement between the member states and the applicant state. This refers to accommodating institutional adjustments (e.g. representation of the new member in the EU institutions) or derogation clauses. With the exception of the Nice Treaty, accession treaties were not directly linked with major treaty amendment. However, because of the changes enlargement initiates — notably the increased number of members and hence diversity of standpoints — it may contribute to a demand for decision-making revision, with possible impacts on the unanimity rule.

Moreover, Brexit initiated a debate on both procedural issues and the substantive reasons for exit. The implementation of Article 50 of the TEU was a first test of its provisions. Whether this experience will trigger an amendment to the article itself remains to be seen. Finally, a new debate on breaches (Article 7 TEU) of EU core values (Article 2 TEU), notably democracy and the rule of law, has emerged, which also hints at disintegration. Differentiated integration (different levels and types of integration for different members) is consequentially a highly topical issue with potential constitutional implications.

A number of recent crises — the eurozone crisis, the refugee crisis and the pandemic — have underlined the limits of the EU's capabilities. However, they have also triggered a certain reinforcement of integration (such as mechanisms for preventing future economic crises or the recovery mechanisms designed during the pandemic crisis). Last but not least, the 2022 invasion of Ukraine has brought to the fore the shortcomings of the EU when it comes to security and defence. While it is still too soon to measure the consequences, deepening EU integration in this area will probably require treaty revision in the future.

The 'democratic deficit debate' has long haunted European integration. Although certain provisions of the Lisbon Treaty (Article 11, TEU; Article 24, TFEU) allow for a greater role for citizens in EU politics, this remains limited.

On 9 May 2022, the Conference on the Future of Europe, an attempt to include citizens and foster bottom-up mechanisms of participation, concluded its work. Its agenda and final report, shaped by citizens, were an ambitious exercise in deliberative democracy, but carry some risks — not least of making the exercise irrelevant if it has no major impact. On that day, Ursula von der Leyen, the Commission President, gave a speech in which she affirmed that the EU will follow the citizens' recommendations, even 'by changing the Treaties if need be', a perspective that French President, Emmanuel Macron, also backed. However, thirteen member states have already manifested their unwillingness to support 'premature' attempts at Treaty change, which again brings to the fore the issue of unanimity.

In summary, formal moves towards treaty change in 2022 are close to a standstill; yet, pragmatically, the dynamics of integration are far from stagnant and the means of integration remain a core debate of the Union.

POLITICS AND POLICY

THE EU ECONOMY IN 2022 — A REVIEW OF KEY CHALLENGES

Rory Shand & Dimitrios Syrrakos

WHAT IS THE SITUATION NOW?

By the end of 2021, the EU economy had recovered to its pre-pandemic levels. A resumption in consumption and domestic demand across most EU economies contributed to regaining the 2020 output loss. The EU stimulus package (Recovery Fund) has mitigated the pandemic's economic impacts and, at least for the time being, it seems that scarring will be short-term. The pandemic's wider economic legacy includes a higher debt burden, in line with global trends, and inflationary pressures that will likely be persistent as deficits have been directly financed by both expansionary fiscal and monetary policies.

These pressures are exacerbated by higher energy prices that compound supply chain problems. The war in Ukraine seems to have ensured the medium to long-term nature of inflationary pressures, signalling a return to a high inflation world economy. A severe cost-of-living crisis is building up in many parts of the world economy with the EU not immune, as the ongoing increase in energy and food prices drives significant increases in the cost of living.

HOW HAVE WE GOT HERE?

After eight years of recurrent eurozone debt crises from 2010 to 2018, the EU and eurozone economy experienced four years of strong growth from 2016-19 (Table 1). The European Central Banks 's quantitative easing (QE) programme ended in 2018 only to be resumed at the onset of the pandemic in 2020. The EU's Recovery Fund assisted in maintaining consumption during 2020-21 and provides a credible opportunity for enhanced investment in key areas such as communications, IT, AI, and pharmaceutical innovations, amongst others.

Table 1: Growth in the EU and the Eurozone

UK IN A CHANGING EUROPE

Year	EU (%)	Eurozone (%)
2016	2.0	1.9
2017	2.8	2.6
2018	2.1	1.8
2019	1.8	1.6

Mario Draghi's appointment as Italian Prime Minister, the formation of the new German government and the re-election of Emmanuel Macron as French President have consolidated internal political stability in the EU. Immense external pressures are exerted on the EU however by the war in Ukraine, presenting a major new challenge for the EU's energy markets. Inadequate planning in terms of bridging the gap between long-term environmental sustainability and the immediate need for cheap energy sources may prove the EU's Achilles heel as, apart from the obvious political strains, it adds to inflationary pressures. The shift in May 2022 towards boycotting the import of Russian oil and gas means member states will have to find alternative energy sources in coming years by switching to greener energy, which will require large levels of investment.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The war in Ukraine puts to bed the debate over the 'temporary' versus 'permanent' nature of inflation. It has already been acknowledged by international organisations and the major central banks that inflation deviations from the 2% target would be much more persistent than previously thought. The ECB must now choose between minimising inflation or maximising economic output or, alternatively, the most appropriate trade-off between the two.

If emphasis is placed on restoring inflation to target as soon as possible, then interest rate increases would have to be more frequent and of a higher magnitude. The risk is another recession and a hard landing for the EU economy.

Alternatively, to reduce the likelihood of another recession, inflation could be tackled more gradually. In this scenario, interest rate increases would be smaller. This would help EU economies surpass pre-pandemic levels, to the extent that this is feasible, without experiencing significant output losses.

As the process of fiscal consolidation largely depends on the cost of serving national debt, a 'going-higher-early' approach may counter inflationary pressures in Germany and the Netherlands but would increase the cost of servicing debt for several Eurozone countries including Italy, Spain, France, and Greece. On the other hand, a more gradual approach to interest rates could potentially undermine the process of anchoring inflationary expectations.

In deciding which approach is most appropriate, two factors are vital: energy costs and wage-settlements across EU economies. Absent energy prices returning to 2021 levels, aggressive interest rate increases by the ECB are the most likely outcome. This is contingent on EU cohesion with regards to its energy policy. The debate over the appropriate path to higher interest rates is taking place within the

wider context of whether a de facto upward revision of the 2% inflation target has taken place.

Although the major central banks are arguing against accelerating inflation, their options may be limited, as there could be a nominal interest rate threshold (e.g. 2.5-3%) above which interest rates could cause a problem in debt servicing. In effect, this would prolong the period of negative real interest rates (nominal or base rates minus inflation) which adversely impacts investment decisions.

Political factors also exert influence on economic policy. French President Emmanuel Macron has acknowledged the need to raise living standards for lower-income groups, and more broadly the cost-of-living crisis looms over member states. Focused on energy, heating, and food as a result of the war in Ukraine, member states face a need to balance the everyday costs of living for citizens with funding renewable energy or greener energy sources.

However, considerable political differences exist among member states in terms of issues such as state intervention to alleviate such crises. Moreover, the threat of a trade war between the recently departed UK and rest of the EU in May 2022 demonstrates the fractured nature of relations as a backdrop to collaborative governance responses.

Recent events, especially the Covid-19 pandemic and the war in Ukraine, have emphasised the need for collaborative governance, such as the EU's deal on banning imports of Russian oil in May 2022. In practice, such approaches require compromise and negotiation between member states with different requirements. Failure to achieve consensus in such matters threatens future collaborative governance arrangements.

The EU's powers to act here, even in collaborative delivery, are limited by well-established disharmonies within the union, such as problems with the European Semester system and the long-running arguments over tax harmonisation. Moreover, implementation within member states may be uneven, threatening the efficacy of collaborative governance approaches.

EU FINANCES

María-Luisa Sánchez Barrueco

WHAT IS THE SITUATION NOW?

The landscape of EU finances in 2022 is dominated by the implementation of the post-pandemic recovery programme NextGenerationEU (NGEU) and the urgent need to support Ukraine financially against the Russian invasion.

NGEU is a multi-billion euro relief programme created to address the economic impact of the pandemic. Up until December 2026, the EU will disburse €806 billion (five times its annual budget) through loans and grants to member states. Access to these funds depends, however, on the Commission's positive assessment of state-led economic reform programmes (Recovery and Resilience Plans, RRP), prior to Council approval by qualified majority.

Each national plan should address the Council's European Semester recommendations. All member states except for the Netherlands have submitted their RRPs. Hungary's plan is stalled, for (implicit) reasons linked to the rule of law. Funds are being rolled out in the other states. Due to NGEU, the GDP of the eurozone is expected to increase by 1.5% by 2026, the impact being significantly larger in Spain or Italy as main beneficiary countries.

The funding for the programme was raised through European public debt. An annual issue of €150 billion in bonds since June 2021 places the EU among the top-ranking debt issuers in the euro currency. The reimbursement schedule spans 2028-58, based on three pillars. In addition to repayments from loan-taking member states and a temporary increase of national contributions to the EU budget (overall, an additional 0.6% of the EU's GNI), governments are negotiating new revenue streams for the EU budget.

The purpose is to shift the fiscal burden away from national treasuries, particularly those seen as effectively fulfilling their obligations. States under-performing in plastic recycling or those shielding multinationals from tax pressure will contribute more, as will some private actors (for example those auctioning in the Emissions Trading System and importers from the least climate-friendly countries). Although the EU will enjoy greater budgetary autonomy as a result, it will still lack direct tax levying power: national governments and parliaments retain veto power on the new revenue streams. The EU aims to have these streams fully operational before the repayment schedule kicks-off in 2028.

NGEU represents a very significant chance for EU states to modernise their economies, provided the funds are channelled effectively towards the proposed reforms instead of feeding national cronyism and corruption. This raises concerns over countries where institutions such as courts of auditors, prosecutors, or the judiciary itself display features of capture by the executive. Poor judicial independence records weaken expectations that well-functioning watchdogs will prevent EU funds from being diverted.

Two recent institutional innovations may help curb this threat: a budget conditionality mechanism allowing the Commission to suspend funds directed to states with systemic democratic failures; and a European Public Prosecutor's Office (EPPO) capable of investigating harmonised crimes against the EU budget and prosecuting them within the national criminal courts. Neither have reached their cruising speed yet.

Further to (regulatory) sanctions targeting Russia, the EU has pledged support to Ukraine via a macroeconomic assistance programme (€1.2 billion until 2023) and lethal force (€0.9 billion financed by member states) through the European Peace Facility. Neither measure impacts NGEU.

HOW HAVE WE GOT HERE?

NGEU integrates lessons learned from past crises to significantly change EU rules. No wonder national leaders needed a 5-day long European Council (July 2020) to endorse it. Political institutions (Commission, Council) now assume the responsibility of crisis resolution instead of outsourcing it to technical bodies (such as the ECB) as they did in the past. Moreover, NGEU conveys real interstate solidarity.

States had solved previous crises through macroeconomic assistance initiatives: the EU exploited its privileged credit rating to borrow and lend on funds to crisis-ridden states. Only when borrowing states failed to pay back their debts did the others share the burden towards foreign creditors. Now, more than half of NGEU (52%, €338 billion in 2022 prices) is distributed through non-repayable subsidies, to be reimbursed from the EU's own budget. Regardless of their share of the NGEU pie, all EU States will be liable for reimbursing the debt. The biggest budget contributors effectively make 'solidarity' payments to NGEU's biggest grant recipients.

From a technical perspective, however, NGEU is far from the EU's 'Hamiltonian moment'. This is a one-off and temporary experiment, for which extraordinary revenue sources have been foreseen to safeguard budgetary balance at the end of the financial year.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

Trust in the EU's crisis-management ability hinges on the long-term impact of NGEU. The EU has bolstered its reputation as an outstanding borrower, and the ECB estimates that the inflationary risk of pumping cash into national economies is limited and contained, even in the largest beneficiaries.

Yet, NGEU-backed national investments must still prove their added value, effectiveness, and sustainability with regard to European public goods. Green and digital transitions must account for, respectively, more than 37% and 20% of NGEU spending. Whether and how much funded projects meet these targets will only be ascertained if the results measurement framework (milestones, targets) yields accurate and comparable results across policies and states, but evidence from past experiences is discouraging. Absorption capacity at the national level stands out as a main challenge, with potential beneficiaries being discouraged by the sheer complexity of applications and administrative bottlenecks. Supply-side disruptions resulting from the pandemic damage project implementation. States display great transparency gaps; some of them are still lacking an integrated hub enabling follow-up on results.

The complexity of NGEU implementation hinders the assignment of responsibilities, if results fail to meet expectations. Therefore, accountability arrangements should go beyond rubber-stamping states' reports to verify value-for-money and prevent corruption and fraud in the management of funds. The start in operations (1 June 2021) of a European Public Prosecutor's Office advances the trial of fraudsters and faster recovery of misused funds. Alas, the EPPO will not protect NGEU as effectively in non-participating countries (Hungary, Poland), where law enforcement bodies might stall or refuse to cooperate.

Future months will bear witness to the effectiveness of the budget conditionality mechanism, triggered against Hungary in late April, after CJEU's endorsement. Although the actual suspension of funds is still far down the (possibly bumpy) road, the prospects of losing access to EU grants could bring Hungary back from democratic backsliding.

All in all, NGEU has successfully propped up the profile of the EU budget as crisis management tool but it still faces significant challenges that might, in a worse-case scenario, fuel interstate discontent (contributors vs. recipients) and damage the EU's legitimacy, undermining future attempts at debt mutualisation.

COPING WITH NEW TECHNOLOGIES

Jamal Shahin

WHAT IS THE SITUATION NOW?

New technologies, and in particular digital technologies, have emerged as a central focus of the EU's policy priorities. Support for new technologies is part of a policy mix aimed at strengthening and modernising the European Single Market and ensuring that all European economic and social actors are capable of being active participants in the globalised and thoroughly digital economy. The European Commission's 'Digital Decade', launched in 2021, aims to capitalise on skills and infrastructures within the EU to ensure that Europe will emerge as the world's technological leader.

Whereas previous European Commission presidents have promoted the role of new technologies in Europe's future, Ursula Von der Leyen has been particularly supportive of the role of digital technologies. Under the label 'Europe fit for a Digital Age', the European Commission has brought together elements from a number of policy fields that cover industrial policy, competition policy, digital rights, security, education, and research policies.

The EU has tried to capitalize on its massive market size to influence these technologies. EU regulators claim to provide a distinct approach to technology regulation that is different to both Chinese and American methods of governing technology. EU rules have been established to protect European citizens' rights in cyberspace, based on regulations such as the GDPR (General Data Protection Regulation), which have raised expectations of a 'Brussels effect' in other technology-related spheres.

In light of recent controversies about the use of social media platforms to promote disinformation on issues such as Brexit and Covid-19, the EU has also focused its more recent policy and regulatory efforts on protecting democratic stability, leading Margrethe Vestager, Executive Vice President, to declare that one recent EU policy (the Digital Services Act) will 'bring back democracy'.

Alongside these market-based and rights-based approaches, a number of key figures have raised the issue of strategic autonomy or digital sovereignty. This approach, which calls for stronger collective action across EU member states in all digital policy areas, is supported by all major EU institutions. The conflict in Ukraine has only served to amplify the need for control over the platforms and

search engines that control our access to information, the supply chains that provide semiconductors for electronic devices, and the security arrangements around critical infrastructures.

HOW HAVE WE GOT HERE?

Current EU policies approach new technologies from various angles. They have developed from a focus almost exclusively on research and innovation in the 1980s, through public services (such as e-government) in the 1990s, to market strength in the first decades of the 21st century. The EU has become increasingly aware of the importance of the internet and new technologies for the Single Market — particularly since the beginning of the 2000s when it launched its Lisbon Strategy, which aimed to make the EU the most competitive knowledge-based economy in the world.

Since the end of 2019, when the current European Commission was installed, new technologies have formed a significant part of its legislative work programme. The list of policies is striking: the Artificial Intelligence Act, the 'Chips' Act, the Digital Services Act, the Digital Markets Act, the Data Governance Act, the Data Act, the EU's revisions on Network and Information Security, and the Cyber Resilience Act. All are designed to build confidence in the European digital landscape both inside and outside Europe. This strengthening of the European market has three aims. First, to support the growth of European actors in spaces dominated by the big American tech companies (the so-called GAFAM: Google, Apple, Facebook, Amazon and Microsoft) and China (for example, Huawei). Second, to allow smaller European companies to thrive in this highly innovative space for new technological developments. Third, to ensure that the public and private infrastructure in Europe is up to date and safe for the data that passes through it.

In addition, a number of international initiatives have been launched by the European Commission, whether in support of efforts to counter disinformation in cyberspace, or to call for (along with like-minded partners) a secure, global, and trust-driven future for the internet. These declarations are supported by bilateral 'Trade and Technology Councils' with, for example, the United States and India. At the European level, the different Council presidencies have focused on supporting start-up companies, by aiming to develop Europe's SME culture in the digital space.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The EU and its member states have long viewed technologies as the key for the European economy and society and will continue to do so. Massive investments

in research and innovation will continue particularly around [cybersecurity competences](#), as will the emphasis on a specific European value-driven approach to governance of the digital space. This will necessarily focus on strengthening democratic values.

The conflict in Ukraine only increases support for European 'sovereign solutions' to the global policy challenges brought about by the digital transformation. Strategic autonomy has become the cornerstone of Europe's contribution to the future of cyberspace, which seeks to find the balance between the protection of digital rights and the promotion of economic growth. Emmanuel Macron [said in 2018](#) that the future of the internet was either Chinese or Californian: the EU is trying to push for a European vision of the internet and associated technologies to counter these approaches.

Within the EU, however, there are many nuances not mentioned in high-level policy discussions. These concern how regulations are interpreted and implemented. Moreover, although larger member states practice a more 'industrial' technology policy, their smaller partners, including the Scandinavians, tend to adopt a more 'data-driven' approach. Although the numerous legislative acts introduced in recent years have been supported by almost all stakeholders, it remains to be seen how the private sector will apply the rules, and how much authority national regulators will actually yield to what is seen as an increasingly dominant European Commission in this area.

SECURITY AND DEFENCE

Jocelyn Mawdsley

WHAT IS THE SITUATION NOW?

The EU has become a more significant security actor, particularly in the areas of peacekeeping and post-conflict reconstruction. Security and defence policy remains intergovernmental, with member states deciding their own policies and budget, but the European Commission has gained importance through the regulation of, and support to, the defence technology and industrial base. These developments have been driven by a belief that European states should strive to be less militarily dependent on the United States while still supporting NATO. Although the intensification of the war in Ukraine will force many recalibrations of policy and spending at member-state level, the EU is likely to be at least an enabling actor in the future.

2021-22 has seen various processes that have been ongoing since the 2016 publication of the EU's Global Strategy come to fruition. The three main areas that are worthy of note are the Strategic Compass process, the strengthening of defence industrial and technology policy and the institutionalisation of an EU-US dialogue on defence and security.

The Strategic Compass process has been ongoing since 2020, and the final document was adopted by the European Council in March 2022. The document is divided into four 'baskets' of analysis: crisis management, resilience, capability development, and partnerships. A promise to establish a 5,000-strong rapid deployment force is one concrete target, but perhaps of greater significance are the plans for capability development, which include a VAT-waiver on defence equipment and new financing possibilities.

Second, 2021 saw the strengthening of the supranational side of EU defence. A new European Commission Directorate-General for Defence Industry and Space was established in January 2021 under the leadership of French commissioner Thierry Breton. Its role is to strengthen the competitiveness and innovation potential of the European Defence Industrial and Technological Base (EDITB), and to implement the EU space programme. Following a series of preparatory programmes, the European Defence Fund with a budget of €8 billion from 2021-27 launched its first call for proposals in June 2021. It aims to enhance the EDITB by offering funding for defence research and development.

Finally, the EU and US agreed to establish a dialogue on security and defence at their June 2021 summit. Areas for cooperation include cyber threats, climate

change, and disruptive technologies. This follows the agreement that the US (with Canada and Norway) will participate in an EU Permanent Structured Cooperation (PESCO) project on military mobility. Both steps are seen as concrete ways to improve EU-NATO relations. Although many states are members of both institutions, not all are. These things could all increase the EU's capabilities, but for now the capability remains potential rather than actual.

HOW HAVE WE GOT HERE?

Progress on security and defence has been driven by two main factors – geopolitical pressures and an industry-Commission cooperation dynamic. The 2016 Brexit vote, followed by the election of Donald Trump, led to fears that both the UK and the US were unreliable security partners. Although initial responses, such as PESCO, the framework managing 60 current EU defence cooperation projects, have been criticised for spreading resources too thinly, more recently the need for a more coherent approach has been recognised.

This led to the Strategic Compass process, which was an attempt to flesh out what EU defence capabilities could and should look like, but which also to a debate on strategic autonomy (the idea that the EU should tackle its over-reliance on other powers, namely the US for defence). Covid-19 also highlighted the need to reduce dependency. The concept has often been criticised for a lack of definition, however the March 2022 Versailles Declaration set targets for identifying defence investment gaps, reducing dependence on Russian energy, and in key sectors like critical raw materials and semi-conductors. Simultaneously, the long-standing defence policy ambitions of the European Commission have come to fruition in responding, through industrial and research policies like the European Defence Fund, to the defence industrial sector's fears that falling national defence budgets are leaving them uncompetitive globally. Together these two dynamics have produced appreciable progress for the mid- to long-term.

The US withdrawal from Afghanistan in summer 2021 provided another abrupt wake-up call. Not only had the notionally multilateralist Biden Administration not warned its European allies of the move, but those same allies struggled to evacuate their personnel and the Afghans they had worked with.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The Russian invasion of Ukraine in February 2022 is a seismic shock to European security. It is impossible to predict what the medium- to long-term impacts will be, but as evidence of Russian war crimes mounts, a return to the status quo seems inconceivable. The minor linguistic amendments made to the Strategic Compass pre-publication are unlikely to suffice. The once-settled European

security architecture developed at the end of the Cold War needs reassessment, and security postures need re-evaluating.

The early days of the war, after a shaky start, have produced a surprising degree of EU unity in drawing up sanctions and providing Ukraine with military equipment. Some states have accepted the need for radical changes more readily than others, with Sweden and Finland applying to join NATO. Olaf Scholz's 'Zeitenwende' speech on 27 February 2022 was significant, announcing a major increase in German defence spending to meet the NATO target of 2% of GDP, and removing German objections to arms exports and nuclear weapons-sharing (allowing NATO to use German armed forces to deliver nuclear weapons if used), though it has rapidly become mired in domestic arguments.

The shock of the invasion also appears to have improved political unity both within the EU and NATO in the short term at least (except for Hungary). This should enable a more constructive dialogue between the EU and NATO about a clearer division of responsibilities, something which will be necessary. In this light, it is to be hoped that the UK government might reconsider its decision not to have an institutionalised security and defence relationship with the EU. The European security order established in the 1990s has not to be reappraised, and the EU will need to be a part of that process.

THE EU'S MIGRATION MANAGEMENT

Sarah Wolff

WHAT IS THE SITUATION NOW?

Harmonising asylum policies among member states and addressing the dramatic human rights situation of refugees and asylum seekers are central objectives of the new European Asylum Agency set up in 2021 and of the European Commission's 2020 Pact on Migration and Asylum. The latter details initiatives to strengthen border management and ensure coherence between internal and external migration policies.

European Ministries of the Interior, however, continue to play a gatekeeping role by organising their own bilateral relations with third countries. Disagreement over responsibility-sharing still prevails amongst EU member states, and fundamental rights challenges have still to be adequately addressed.

The tendency to treat asylum as a police and criminal issue, rather than a humanitarian matter, is reflected in European Commission plans to widen the scope of searches in the Eurodac database that gathers fingerprints of asylum seekers. The Renewed EU Action Plan Against Migrant Smuggling (2021-25) criminalises family members and communities who provide basic services in transit as 'migrant smugglers'.

The impact of Covid-19 on the governance of the Schengen area, and hence free movement of people within the EU, has also been significant. With 17 member states unilaterally closing their borders in March 2020, the first wave of lockdown significantly curtailed freedom of movement. The European Commission prioritised 'green lanes' for the circulation of goods, medical equipment and essential workers, following the traditional logic of prioritising economics. It remains to be seen if this remains part of Schengen rules as proposed by the European Commission in December 2021.

Security in the Schengen area is nonetheless still a priority, with the development of an EU Police Cooperation Code, the acceleration of interoperability of EU databases, including the revision of the Prüm framework to allow exchange of DNA profiles, fingerprints, and vehicle registration.

HOW HAVE WE GOT HERE?

Since the 2000s, most EU action has been aimed at strengthening the EU's external borders, a compensatory measure for the removal of internal borders and the deepening of mobility within the Schengen area. Conflicts at the external borders and instability in the neighbourhood have led to greater use of biometrics, a common external visa policy for Schengen member states as well as the criminalisation of irregular migration in most EU member states. The growing influx of migrants since the 2010s has continued to push the EU towards a more restrictive external border regime. The decision by Germany in 2015 to welcome refugees illustrated that whenever systems are more welcoming towards migrants and refugees, this is often motivated by economic needs - the German economy was short of skilled labour that Syrian refugees have provided.

However, the effectiveness of these policies is questionable. Conflicts, authoritarianism, climate change, and the hope for a better life have normalised migration across and within regions. And yet, even though the pandemic has led to a decrease in boat crossings, people continue to drown in the Mediterranean Sea and the English Channel. Similarly, in spite of reforms to strengthen European Parliament oversight over the European Border and Coast Guard Agency, legal and ethical challenges have not been adequately addressed by EU institutions and EU courts. Accusations of push-backs (measures to force migrants back over a border) committed by Frontex are currently under investigation by the prosecutor of the International Criminal Court.

Migration policy at EU and member-state level is also shaped by domestic politics. The Commission created a portfolio for 'Protecting the European way of life' following populist gains in the 2019 European elections. The 2022 French presidential electoral campaign was heavily shaped by the extreme-right: witness Marine Le Pen's ambition to give 'national preference' to French citizens over foreigners for employment and the anti-Islam programme of Eric Zemmour. Against this backdrop, Emmanuel Macron has overseen the systematic dismantlement of migrant camps around Calais and proposes to increase deportations for those refused entry to the EU.

In contrast, little has been done to facilitate legal migration. The Blue Card Directive, modelled on the US green card, has yielded disappointing results, not least because competing national schemes have served to underline how difficult it is to coordinate migration policy in the absence of a single labour market.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The war in Ukraine has led to a major shift when it comes to EU migration and refugee protection. The EU has opted for a more liberal approach, for the first time activating the [Temporary Protection Directive](#) which provides immediate group protection for a mass influx of displaced persons from non-EU countries who are unable to return to their country of origin. Ukrainians thus have the right to residence, access to the labour market, housing, medical assistance, and education.

This solidarity is primarily pragmatic (alleviating pressure on national asylum systems) but there are also geopolitical motivations, namely a unified EU response to Russian aggression. And external tensions at the EU's borders are multiplying and becoming more serious. An extension of the conflict to Transnistria and Moldova could further destabilise the region and trigger the displacement of populations. There could also be renewed episodes of instrumentalization of migratory flows by illiberal states: in the summer of 2021, Belarusian President Lukashenko organised the crossing of Middle Eastern migrants into Poland.

The big question is whether the approach towards displaced Ukrainians will alter the debate over the revision of the Common European Asylum System. The conflict will necessitate measures to support Ukrainians in Europe. That Eastern European countries, in particular Poland, are now on the frontline could also lead to a new debate on solidarity within the Dublin system, since these countries were never eager to 'share' refugees before. The position of Hungary which has opened its doors but continues to be ambiguous vis-à-vis Russia as illustrated by the exemption it gained on the EU's Russian oil embargo in May 2022.

Many have questioned whether this new approach should also apply to refugees from Africa or Asia fleeing their countries for the same reasons as Ukrainians. Europe finds itself at a crossroads, confronted by the [liberal paradox](#) of how simultaneously to maintain openness in order to be competitive worldwide, to deliver on the liberal promise to protect citizens' and denizens' rights, and to control borders to maintain the functioning of the social contract with the existing population.

A EUROPEAN HEALTH UNION

Eleanor Brooks

WHAT IS THE SITUATION NOW?

First there was economic union, then monetary union, and now European Health Union (EHU). Responding directly to the EU's experience during the Covid-19 pandemic, the EHU is a recent and important new pillar of EU health policy. But what is it?

The first thing to note is that it is a health union, not a healthcare union. The latter would imply a kind of 'European health system' to supplement or even replace national health systems, with shared hospitals, staff, patients, medicines and funding structures. It would suggest building on the European Health Insurance Card (previously the E111) to give EU citizens access to healthcare of any kind — whether emergency or planned — in another member state. Such a union would require national governments to hand considerable control for their own health systems over to Brussels, which is why it is very unlikely any time soon.

The EHU, then, is something different. It is best understood as a vision — an umbrella under which a range of policies, some old and some new, are being collected. It includes action in areas such as cancer prevention and pharmaceutical policy, but its focus, at the time of writing, is public health emergencies.

A first set of EHU proposals was published in November 2020. They aim to equip the EU better to prevent, prepare for, and (when needed) respond to health crises. This includes giving new responsibilities to the European Centre for Disease Prevention and Control (ECDC) and the European Medicines Agency (EMA), to advise governments on how best to prevent and respond to health emergencies, and to the European Commission, to purchase, stockpile, and distribute vaccines and other medicines.

It also creates a Health Emergency Preparedness and Response Authority (HERA) to coordinate the availability and distribution of emergency medicines. The EU already had many of these responsibilities but the EHU proposals will extend and expand its role, supported by a ten-fold increase in the health budget.

HOW HAVE WE GOT HERE?

The EHU is a direct response to the EU's Covid-19 experience. Though governments soon moved to cooperate, the initial months of the crisis revealed weaknesses in the bloc's public health and emergency response arrangements. Italy's call for assistance in February 2020 was met first with silence and then, embarrassingly, with a response from China, rather than its European neighbours. Several states blocked the export of key goods, such as personal protective equipment, and many reintroduced border controls into the previously border-free Schengen zone. There were also difficulties in the collective purchasing of vaccines; some countries pursued separate, unilateral contracts that essentially pitted them against other member states and themselves, whereas others abandoned the collective purchase altogether and sought doses from Russian and Chinese manufacturers.

The health policy structures in place at the start of the pandemic, and which struggled to deliver in some cases, are the result of decades of closely controlled EU health policy expansion. National governments recognise the logic of cooperating in some areas of health — they asked the EU to take action on cancer, for instance, long before there was any legal basis for it to do so — but are careful to limit this cooperation to areas that do not require the transfer of significant powers.

The EU has the power to legislate in some specified areas of public health (namely the quality and safety of medicines, food and blood, tissues, cells and organs) but can only support and incentivise shared approaches in other areas of public health (such as smoking cessation, obesity, and communicable disease control), and it is expressly excluded from the financing, organisation and delivery of healthcare.

Consequently, and for example, whilst the ECDC is responsible for assessing the risk posed by a new health threat, such as Covid-19, it may not formally advise governments on which interventions are most effective to manage this risk. The EHU proposals seek to address these kinds of imbalances and to avoid the uncoordinated and (in some cases) inefficient national responses seen during the pandemic.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

At the time of writing, the various EHU initiatives published in November 2020 are at different stages in the legislative process — the extension of the EMA's mandate has been adopted and the HERA has been created, but other elements are still under negotiation. Moreover, it is not clear what further 'building blocks', if any, will follow. Perhaps most importantly, we do not know whether

the completed health union will extend beyond treatment (emergency response provisions) to prevention (creating strong public health systems that enable healthy and resilient societies).

On the one hand, the failure to clearly define the EHU, or the Commission's intentions for it going forward, would seem to risk inertia. Reflecting health's marginal position in EU politics before the Covid-19 pandemic, the EHU is not the 'pet project' of any of the Commission's senior leadership team. In contrast to, for example, the European Green Deal, which is spearheaded by Executive Vice President Frans Timmermans, the EHU lacks a 'czar' to coordinate and propel its development. Moreover, government reluctance towards any greater EU health powers will still need to be overcome, and the Commission itself may yet become reticent about its new roles, which are accompanied by increased complexity, sensitivity and pressure to deliver.

On the other hand, the ambiguity of the EHU might prove to be an asset. The Commission may make use of the vaguely-worded provisions to propose further building blocks that broaden the scope of the EHU beyond health emergencies. In this vein, it has already linked the EHU to other initiatives, such as the Farm to Fork Strategy and Europe's Beating Cancer Plan, which present stronger actions on risk factors such as alcohol, tobacco, and ultra-processed food. There is precedent here.

Historically, EU health powers have expanded in the aftermath of crisis, with new responsibilities following the outbreaks of BSE (or 'mad cow' disease) in 1996, SARS in 2003 and H1N1 influenza in 2009, for instance. In April 2020, EU leaders were so convinced of the need for greater EU health powers that they even floated the idea of changing the treaties to this end. Covid-19 is unlikely to sustain enough political support for a healthcare union but it might yet provide the necessary impetus for a health union that protects and promotes health, in the widest sense, through EU cooperation.

CLIMATE CHANGE

Claire Dupont

WHAT IS THE SITUATION NOW?

The EU has adopted two major goals to reduce its emissions of greenhouse gases (GHGs): the first is 55% lower emissions by 2030, compared to 1990 levels, and the second is climate neutrality by 2050. These goals are enshrined in its ['European Climate Law'](#), adopted through the ordinary legislative procedure via the European Parliament, Council of the EU, and the European Commission in 2021.

These latest efforts at climate policy development are framed by the European Commission's 2019 [European Green Deal](#) (EGD). The EGD provides an overarching framework that aims to integrate climate action across all sectors and projects. It includes external and social policy aspects, notably the recognition of the need for global climate leadership, and the objective of a 'just transition' through skills training and financial mechanisms to assist regions and citizens in the transition away from a fossil fuel-based economy.

Implementing the EGD requires a slew of legislative measures. Many of those proposed as part of the drive to achieve the 2030 target of reducing emissions by 55% — also known as the 'fit for 55' package — are moving through the [ordinary legislative procedure](#) at the time of writing. These include revisions to existing legislation, such as improving the energy performance of buildings.

However, there are also new measures, such as a proposed [Social Climate Fund](#) that aims to help citizens meet the costs of the climate and energy transition, or the [Carbon Border Adjustment Mechanism](#) (CBAM), which would place a carbon price on certain imported products (to match the carbon price paid by EU manufacturers), but which has generated some pushback from trading partners, especially developing countries and large emerging economies, who would be hit hard.

Climate policy is also inextricably linked to the EU's response to the war in Ukraine. Political attention has concentrated on measures to free the EU and its member states from reliance on imports of Russian fossil fuels. Calls have thus been made by EU institutions and analysts for energy saving measures and faster deployment of renewable energy [to aid the shift away from fossil fuels altogether](#).

On 18 May 2022, the European Commission launched its [REPowerEU](#) initiative, aimed at accelerating the transition towards a cleaner energy system,

including increasing the target for the share of renewable energy in final energy consumption from 40% to 45% by 2030. New initiatives to support an accelerated roll-out of solar panels and heat pumps were also proposed. While some member states have already responded to the war in Ukraine with their own policies to speed up the energy transition, others are considering further exploiting fossil fuel resources, both at home and abroad.

HOW HAVE WE GOT HERE?

EU climate policy has long followed a pattern of target setting and legislative development. The scope of the targets has been constrained by both internal and external pressures, including diverse preferences among member states and the aim for global climate leadership manifested in the annual global climate negotiations. The choices of policy instrument have also depended on EU divisions of competence, and the political appetite for certain types of measures as opposed to others. For example, when it became clear that a carbon tax, proposed and negotiated in the 1990s, was not going to succeed because of limited EU competence and political appetite among member states, the European Commission placed the Emissions Trading System — a market measure — at the heart of its climate governance strategy in the early 2000s.

Crises and turbulence have also forged EU climate policy. The financial and economic crises of the late 2000s led to environmental and climate policy being less of a priority. However, the resilience of the EGD as the EU responds to the Covid-19 pandemic and the war in Ukraine underlines that this is not always the case. The 2015 Paris Agreement, Fridays for Future protests, and Ursula von der Leyen's promise in 2019 to the European Parliament to ensure that Europe becomes the first 'climate neutral continent' have helped to build and maintain the political momentum around climate governance in the EU despite a turbulent context.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The EU projects itself globally as a climate leader. Its policy is focused on climate mitigation measures, but it has not been successful in persuading other parties to follow its lead. Few countries have adopted similar targets with similarly stringent implementing policy measures. Furthermore, the EU has so far put forward little in terms of climate adaptation policy — an endeavour that is becoming more urgent as the effects of climate change are being felt.

At the same time, the EGD provides an overarching framework that appears resilient. Internally, the EU will be busy in the short-term preparing and implementing the legislative measures needed to achieve climate neutrality by

2050. The war in Ukraine has led to a push for an even speedier implementation of some of these measures (most notably on renewable energy), although this is hardly unanimous. [Hungary](#) is particularly reticent about participating in EU measures to sanction Russian fossil fuels and make the shift to sustainable energy systems. How much of the policy mix will include technological solutions to capture and store or reuse carbon dioxide emissions is unclear, but the share of fossil fuels in the EU's economy — across food, energy, mobility and buildings sectors — is set to be drastically reduced over the course of the next 30 years.

This process of decarbonisation is a reality with massive external effects, as has become painfully clear via the [EU's reliance on Russian fossil fuel imports](#). The certainty about the trajectory does not, however, extend to the speed of the transition, given the different positions of member states. Foreign relations and diplomacy will have to increasingly account for climate neutrality.

For developing country partners in particular, issues around climate finance, commitments to finance loss and damage and climate adaptation efforts are especially important. The EU also needs to manage the diplomatic fall-out both of the EU's shift to climate neutrality (as through external measures such as CBAM), and the EU's shift away from Russian fossil fuels (for example, by diversifying supplies of energy sources and potentially delaying the transition in other partners).

THE RULE OF LAW

Gisela Hernández Gonzales

WHAT IS THE SITUATION NOW?

Currently, the EU is facing a serious Rule of Law (RoL) crisis. The dismantling of checks and balances preventing excessive concentration of power, particularly in Hungary and Poland, endangers several fundamental EU principles including the internal market and judicial cooperation.

The Treaty on European Union (TEU) provides for various legal mechanisms of RoL enforcement. Article 7 ultimately permits the Council to impose sanctions and even suspend the voting rights of a member state that systemically breaches the Union's fundamental values (contained in Article 2). Whereas sanctions must be agreed unanimously in the European Council, the mechanism first permits it to direct recommendations to the targeted member state on the basis of a fourth-fifths majority. Article 7's impact has, however, been limited as the unanimity requirement for sanctions makes them impossible to apply once there is more than one dissenting government.

The European Commission has attempted to protect the RoL through infringement actions under Article 258 TFEU. These allow it to direct a 'reasoned opinion' — a formal demand to observe EU law — to a member state whose government has failed to comply with its Treaty obligations. Ultimately, the Commission can bring that government to the ECJ, if it fails to address its concerns (Article 260 TFEU). The Commission has used this tool several times. In October 2021, the ECJ imposed a record fine of €1m per day on the Polish government in response to reforms creating a non-independent judicial body empowered to sanction judges over their rulings (and hence exert political pressure on the judiciary).

Nonetheless, as they are not specifically designed to deal with violations of fundamental values, infringement proceedings only permit action against a specific breach of the Treaty and not against systemic threats to the RoL.

In the meantime, the RoL crisis seems to be spreading. The European Parliament has raised the alarm about serious RoL deficiencies in Slovakia, Malta, Bulgaria, and Romania. Specialised bodies report a serious deterioration in democracy levels in Eastern Europe in recent years, with Poland and Hungary among the top 'autocratisers' in the world (the latter being considered an electoral autocracy).

HOW HAVE WE GOT HERE?

The Commission has historically favoured dialogue-based solutions to RoL issues. Examples of this ['appeasement of backsliding regimes'](#) can be found in the EC's 2014 [Rule of Law Framework](#) and the 2019 [Rule of Law Blueprint for Action](#). These instruments have proved [inefficient](#), as the governments of Poland and Hungary have not acted in good faith in compromising and finding solutions. The Commission also introduced its first Rule of Law Report in 2020, intended as an annual assessment of the RoL situation in member states. It has however been criticised as being [too little, too late](#) and of limited value as a preventive tool without a [strengthened methodology](#).

[Institutional dynamics](#) have also stymied attempts at more decisive action. [The Commission activated Article 7.1](#) against Poland in 2017, and the [Parliament did so](#) against Hungary in 2018, yet both procedures remain paralysed in the Council, which has been unable (or unwilling) to vote on whether to approve the recommendations. Although partisanship underpins the Parliament's limited action, anticipation of the Council's behaviour explains the Commission's frequent hesitance. Finally, RoL compliance problems, sympathy for the offending governments, and anti-integration stances may explain why some governments are more reluctant to sanction than others.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

In December 2020, the Parliament and the Council approved the Commission's 2018 proposal for a [rule of law conditionality regulation](#) that permits the Union to cut the disbursement of funds to a member state government where the EU's financial interest is endangered by RoL breaches. The [December 2020 European Council conclusions](#) prevented the regulation being used until the [ECJ ruled on its legality](#) (it did so on 16 February 2022) and the Commission developed [guidelines](#) on its application (published on 2 March 2022). The Commission's decision to follow the Council's conclusions, in an attempt to overcome Polish and Hungarian threats to veto the Multiannual Financial Framework (MFF) and the Recovery and Resiliency Facility (RRF), [was controversial](#). Indeed, [Parliament pressured](#) the Commission to launch the mechanism and even [sued it for failure to act](#).

On 5 April 2022, just two days after Viktor Orbán was re-elected in Hungary (in a [free but not fair](#) election), the Commission finally announced the activation of the conditionality regulation against the Hungarian government. The latter has three months to address the concerns before the Commission moves the issue to the Council, which must then vote on the funding cut.

The Commission has also kept Hungarian and Polish RRF plans under assessment, meaning they have not yet received any funds. The Commission might be using the RRF as leverage, and evidence suggests this is working. At the beginning of February 2022, Polish President Andrej Duda proposed a law [to dismantle](#) the controversial Disciplinary Chamber of the Polish Supreme Court, one of the main sticking points with the Commission.

The [Ukrainian refugee crisis might turn the tables,](#) for better or for worse. On the one hand, it shifts the focus of attention from RoL towards another of the succession of crises confronting the Union. Moreover, as Poland is at the forefront of refugee reception, even [Dutch Prime Minister Mark Rutte](#) (a strong advocate of not releasing RFF funding) admitted the need to provide Warsaw with financial support to address the crisis. However, [experts advised](#) that should not be the case unless the Polish government corrects some of its serious judicial deficiencies.

On the other hand, the war in Ukraine has also sown divisions in the Warsaw-Budapest axis, as Viktor Orbán has shown reticence in supporting Kyiv. This exacerbates Hungarian isolation, already apparent in Fidesz's suspension and withdrawal from the EPP parliamentary group and accentuated by the [split in the Visegrad group](#), where the Slovak and Czech governments disassociated themselves from Poland and Hungary over their RoL battle with the EU. Time will tell whether this means the beginning of Polish realignment towards the EU.

Finally, the war in Ukraine might have taught the EU another lesson: appeasement and concession-based approaches to undemocratic regimes reinforce illiberal behaviour rather than correct it. In this regard, the Union may benefit from the end of the Angela Merkel's era in Germany, as the ex-Chancellor was often too protective towards [her Hungarian counterpart](#) in an attempt to preserve German economic and political interests. Whether the government of Olaf Scholz moves away from this approach remains to be seen.

THE EU AND LGBTIQ RIGHTS

Koen Slootmaeckers

WHAT IS THE SITUATION NOW?

The European Union has increasingly come to be regarded by both proponents and opponents as a champion of the rights of Lesbian, Gay, Bisexual, Transgender, Intersex, and Queer (LGBTIQ) people. From the adoption of the 1997 Amsterdam Treaty — the first legally binding international treaty to include a reference to sexual orientation — to the 2020 Strategy on LGBTIQ Rights, LGBTIQ equality is positioned as part of the EU's core values.

Yet, the centrality of LGBTIQ rights has sparked opposition and even conflict within the EU. Although the EU presents itself as LGBTIQ friendly, legal protections under EU law remain limited. Moreover, there are significant differences between the Union's institutions and between member states.

LGBTIQ rights are embedded within the EU treaties as part of the EU's core values and the anti-discrimination principle, which explicitly mentions sexual orientation. This principle of anti-discrimination has been embedded in secondary legislation but only in limited areas such as employment. Proposals for a horizontal anti-discrimination directive, which would place LGBTIQ discrimination on an equal legal footing to race and gender (covering all areas of life), have been blocked in the Council for over a decade. The 2012 Victim's Right directive sets out some minimum rights for crime victims, including those of homophobic and transphobic crimes.

The European Parliament has been the most active institution. The Intergroup on LGBTI Rights, for example, has proposed and supported several resolutions and helped ensure the adoption of several reports on LGBTIQ rights. In recent years, the European Commission has become more active and has adopted the LGBTIQ Equality Strategy (2020-2025) which aims 'to address LGBTIQ discrimination more effectively by 2025'.

HOW HAVE WE GOT HERE?

Many factors account for the inclusion of LGBTIQ equality within the EU's policy agenda and in the treaties. Activists have played their part. The European Parliament emerged as a hub for transnational advocacy networks that allowed LGBTIQ activists to influence the Amsterdam Treaty.

The wider political context of the 1990s also played an important part, with the EU defining its own identity more clearly, both through the ongoing

constitutionalising process and its (re-) positioning vis-à-vis the rest of the world during this period. As part of these processes, democracy and human rights were incorporated as key defining principles of the EU. In the 2000s, LGBTIQ rights gained more prominence in light of the EU's general anti-discrimination principles and the increased politicisation of the issue in some of the new member states. In the 2010s, LGBTIQ rights developed into an issue in its own right — as a core value of the EU — and a principle to be promoted through its external relations. In the second half of the decade, the Commission adopted a list of actions on LGBTIQ rights which were the precursors of the current LGBTIQ equality strategy.

Yet, most of the steps taken by the European institutions in recent years seem to be rather symbolic, such as the Commission's participation in the 2016 Europride. Indeed, legislative change seems unlikely to follow, as LGBTIQ equality has become increasingly contested in disputes between EU institutions and the member states, diminishing the capacities of the EU to adopt new policies.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

Across the EU, we see 'political homophobia' being deployed to gain political capital. Although this phenomenon has become widespread as part of the so-called anti-gender movements, Poland and Hungary in particular stand out as a result of their aggressive anti-LGBTIQ policies. This has led to increased tensions between EU institutions and member states.

It is hard to predict where the EU might go with its LGBTIQ rights agenda. However, if we consider that the EU institutions responded to political homophobia in Eastern Europe in the 2000s by making LGBTIQ rights part of the EU's defining values, we can probably expect EU institutions to intensify their efforts to promote LGBTIQ rights internally and externally. Indeed, when entities are challenged in their own identification processes, a common response is to further emphasise this particular identity marker. Yet, these processes will lead to increased conflict with populist national political forces, who will seek to challenge the EU's interpretation of European values. Hence, new policies on LGBTIQ rights will be contested and are thus less likely to be adopted.

Against this background, the European Court of Justice might become a more important institution when it comes to defining the meaning of the EU's values and expanding notions of LGBTIQ rights within the EU. The ECJ has ruled on and expanded the notions of what is considered a family through court cases on the basis of violations of LGBTIQ families' freedom of movement (see for example: V.M.A. v Stolichna obshtina, rayon 'Pancharevo' (C-490/20), and Coman and Others v Inspectoratul General pentru Imigrări and Others

(C-673/16)). Similarly, we have also seen the European Commission [start infringement procedures and legal actions] against Poland and Hungary for their violations of the fundamental rights of LGBTIQ people.

Finally, the current war in Ukraine might have implications for the role of human rights and LGBTIQ rights in the EU's external policy processes. The war has been discursively framed as a conflict of value systems. For example, whereas [Putin] justified his war by referring to the need to protect Russia from the West's 'perverse' values, the European Commission Vice-President Maroš Šefčovič responded to the war by [stating that] 'It's quite clear that [Ukrainians] are indeed dying for European values'.

Given that the EU's support of Ukraine is in part justified by the need to defend democracy and liberal value systems, [which includes LGBTIQ rights], the war could lead to a consolidation of LGBTIQ rights as a marker of EU's external identity. However, to what extent this will allow the EU to overcome the current opposition to LGBTIQ rights within its own borders is much less certain. We could therefore see an increased disconnect between what the EU institutions declare to be its defining values and the reality on the ground.

THE EU AND RACISM

Shada Islam

WHAT IS THE SITUATION NOW?

Despite the corrosive racist discourse of Europe's far right populists and the increasing number of mainstream politicians who follow their lead, EU institutions have long ignored calls for tougher action to tackle racism and discrimination against Europe's estimated 50m ethnic minority citizens.

This changed in summer 2020 when Black Lives Matter (BLM) protests erupted across European cities following the killing of George Floyd in the US. Many EU leaders fumbled their initial responses to the protests — with some adamant that ethnic minorities in Europe did not face discrimination on the same scale as African Americans. However, others (including the EU's own Fundamental Rights Agency (FRA)), recognised that racism is also a European problem.

FRA reports have warned that 45% of people of North African descent, 41% of Roma and 39% of people of Sub-Saharan African descent face discrimination in the EU. The agency has also said that 11% of Jews felt discriminated against and that Muslims face discrimination in a broad range of settings, particularly when looking for work, working, or trying to access public or private services. These findings are corroborated by organisations like the Council of Europe's Commission Against Racism and Intolerance and the European Network Against Racism.

Soon after the BLM protests, European Commission President Ursula Von der Leyen promised to create an 'anti-racist Europe', admitting the importance of countering institutionalised racism, and the need for greater diversity in EU institutions. The EU had previously been reluctant to respond to questions about racial diversity, despite the fact that the European Commission staff survey revealed that a large majority of Commission officials who self-identify as having an ethnic minority background have either experienced or observed discrimination in their professional lives.

Von der Leyen steered an unprecedented anti-racism action plan through the EU executive and appointed the first-ever anti-racism coordinator — Finland's Michaela Moua — to help implement it. Diversity advisors at the Commission and the European External Action Service (EEAS), who had previously worked on promoting women through EU ranks, were also tasked with overseeing the recruitment of ethnic minority staff to address the #BrusselsSoWhite campaign.

HOW HAVE WE GOT HERE?

The Commission's new anti-racism agenda builds on the EU Treaty's Article 2, which states that the EU is 'founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities'.

Since 2000, the EU has approved the Race Equality Directive and the Framework Directive, as well as a draft EU 'Horizontal Directive', which sets up national Equality Bodies to monitor discrimination based on disability. Implementation, however, has been patchy. For example, a 2017 Diversity and Inclusion Charter, which promised to create 'a better workplace for all — including women, staff with disabilities, lesbian, gay, bisexual, transsexual and intersex (LGBTI) staff and older staff', made no mention of the need to tackle the lack of ethnic and racial diversity within EU institutions.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

Progress in implementing the anti-racism agenda has been slow. EU rules and regulations are not enough to tackle ingrained discrimination across the 27 member states. The roots of racism, xenophobia, and ethno-nationalist sentiments run deep and are embedded in the EU's institutional discourse and policies. In addition, while she may have waxed lyrical on fighting racism in autumn 2020, von der Leyen has appointed a Commissioner to protect the 'European Way of Life', seen by many as a dog whistle to the far right.

Racism is thriving in central and eastern European member states. Populist politicians like Hungary's Viktor Orbán and representatives of Poland's Justice Party, who make no secret of their bigoted worldviews, are only part of the problem. Racism is thriving across Europe because racist discourses and dog whistles to populists and right-wing extremists have become deeply embedded in Europe's mainstream politics.

The French presidential election campaign, marked by nationalist and reactionary narratives, saw an uptick in politicians, including government ministers, expressing blatantly Islamophobic views and denouncing American 'woke' ideas on racial justice and equality which, they claim, are creating division across Europe. Valérie Pécresse, the centre-right presidential candidate, referred to the racist 'great replacement' conspiracy theory during the campaign. Elsewhere, Austria, Denmark and the Netherlands are also under fire for policies that have discriminated against minorities.

The EU's Eurocentric policy responses to the humanitarian crisis provoked by the war in Ukraine, including incidents of racial discrimination at EU borders

and references by politicians to the need to welcome 'intelligent and educated' Ukrainian refugees rather than others who have 'unclear pasts', have reinforced perceptions of Europe as inherently wedded to Eurocentric and Orientalist narratives. Poland and Hungary have been as impressive in their embrace of Ukrainian refugees as they were in the rejection of those fleeing the Syrian and Afghan killing fields.

Frontex, the EU's border agency, has been accused of engaging in illegal and violent pushbacks against refugees seeking to enter Greece. These and other EU policies reveal the link between the EU's record on migration, racism, rising anti-Muslim sentiment and the continent's complex post-colonial relations with its southern, especially African, neighbours. This makes it even more imperative that the EU takes action to tackle systemic and institutional racism and not just treat the problem as one created by nasty bigots on the far right.

The inconvenient truth is that Europeans of colour are still largely treated as 'forever foreigners' and that for all the EU talk of 'unity in diversity', the difficult but much-needed conversation on European identity and whether Europeans can be other than white and Christian has yet to take place. Until that happens, too many self-serving politicians will continue to see the reality of Europe's multicultural, multi-ethnic, multireligious society as a threat, and racism will continue to thrive across the EU.

EUROSCEPTICISM IN THE EU

Giacomo Benedetto

WHAT IS THE SITUATION NOW?

Euroscepticism in party politics exists in various degrees and can be principled or opportunistic opposition to European integration. In their more moderate form, sceptics wish to slow down or prevent further integration. At the more radical end of the spectrum, the preference is for a complete reversal of integration, namely secession from the EU.

Occasionally, single-issue Eurosceptic parties emerge with the objective of exiting the EU, such as the UK Independence Party or the Danish People's Movement Against the EU. More often, radical Euroscepticism is expressed by parties, whose broader anti-establishmentism incorporates opposition to the EU. Such parties usually have more pressing priorities, whether it is opposition to immigration for the populist right, or radical anticapitalism for the populist left. Factions located within larger political parties can also express Euroscepticism. In the case of the British Conservatives, a minority Eurosceptic faction gradually became the majority over several decades. Similar factions within French Gaullism were less successful, and in other centre-right parties they failed to materialise.

Before gaining power, the governing parties in Poland and Hungary expressed mild Euroscepticism, but this was accentuated once in office as a function of larger political disputes with the EU over political freedoms, the rule of law, and the allocation of funds. There is potential for copycat approaches among political parties whose MEPs voted against the application of sanctions on Poland and Hungary — SDS in Slovenia, Forza Italia, Lega and Brothers of Italy in Italy, GERB in Bulgaria, and HDZ in Croatia — should they return to office.

Euroscepticism currently poses no immediate danger to the EU from challenger parties in opposition. There are currently no single-issue parties whose sole objective is leaving the EU. Rather, there are anti-system parties that, among other demands, favour withdrawal from the EU. Such parties increased their vote share during and just after the financial crisis of 2007/8. Since 2019, they have proven far less successful, particularly since the EU's post-Covid recovery package, worth €800 billion, has come into effect. EU investment, while it does not kill off Euroscepticism, does seem to weaken it. Any support for a Frexit, Italexit, and so on was an extension of broader anti-system and anti-immigration agendas (or in the case of leftist populism an anticapitalist agenda).

HOW DID WE GET HERE?

Other than Italy, the countries most affected by the eurozone crisis were slow to develop Eurosceptic populist parties. A neo-Nazi party did emerge in Greece, but peaked at 7% of the vote and has since declined. The Greek Communist Party (KKE) has always been a Grexit party but throughout this period remained at a stable 5% of the vote, neither gaining nor losing support. Radical right-wing populism emerged in Spain (Vox with 15% in 2019) and in Portugal, (Chega, with 6% in 2022) but in both cases it emerged later and at the expense of the centre-right rather than the centre-left. In Ireland there is no relevant party-based Euroscepticism.

Euroscepticism expressed by challenger parties seems to be stronger in those countries where there are concerns about net contributions, stemming either from the financial crisis or the negotiation of the recovery package in 2020. In Denmark, Finland, Austria, and Germany, the vote share of such parties declined at the most recent elections, although they remain significant forces.

In France's 2022 presidential election, Marine Le Pen on the populist right and Jean-Luc Mélenchon on the populist left softened their Euroscepticism compared to five years previously — perhaps affected by the conclusion of Brexit and the arrival of the Covid-19 crisis. Le Pen's 'frexitisme' was hidden behind commitments to exit from the EU's energy union and to dilute free movement of labour and services, whereas Mélenchon framed his ideas around anti-globalisation, with less explicit anti-EU rhetoric.

In Italy in 2018 the Five Star Movement (33% of the vote), which defied left-right placement, and the radical right-wing Lega (17%) performed exceptionally well. Since then, and in government, Five Star's popular support seems to have collapsed and its Euroscepticism (it was entertaining an Italexit in 2018) has declined markedly. The Lega surged in the polls in 2019 but has returned to the high-teens and its Euroscepticism in government has been downplayed. Although its participation in a government led by the former president of the European Central Bank plays a part in this, in the past the Lega's Euroscepticism was also quieter when in government than in opposition.

The widespread dip in popular support for Euroscepticism reflects wider European attitudes. According to [Standard Eurobarometer 95](#), in 2021 some 49% of EU citizens claimed 'to trust the European Union' — the highest level since 2008 and driven by big jumps in trust after the Brexit vote and the Covid-19 crisis.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

The member state that provided the source of much Euroscepticism has left. The most significant Eurosceptic challenge for the EU remains that of non-compliant governments, such as those in Poland and Hungary, and of potential copycats in Central and Eastern Europe, rather than the effect of challenger or 'outsider' parties competing against the mainstream. Since the start of the war in Ukraine, Fidesz in Hungary has been handsomely re-elected, whereas the governing, populist SDS in Slovenia has been defeated. A milder and less populist form of Euroscepticism is also present among governing elites in smaller contributor countries in the Netherlands and the Nordic area.

The Covid-19 crisis could have been fatal for the EU, if its members had not agreed a huge investment package to salvage the economies of the countries worst affected by the pandemic. But Euroscepticism could grow again if future crises (perhaps on energy or food security) are managed badly at the EU level. The lesson from Italy, whose public was once among the most supportive of European integration only to become — briefly in 2017 — more Eurosceptic than the UK, is that European Union membership is popular when it is perceived to bring prosperity, rather than because of deeply-held pro-European principle. If EU membership brings prolonged recession, Euroscepticism and Italexit, or its equivalents in other countries, could be back on the agenda.

HOW BREXIT IS CHANGING THE EU

Simon Usherwood

WHAT IS THE SITUATION NOW?

While there has rightly been a focus on the impact of Brexit on the UK, the EU itself has been changed by the withdrawal of the British in January 2020. Clearly, the latter did not undergo a systemic transformation, but the removal of some 67m people and the world's fifth largest economy still had an effect on both the international standing of the Union and its internal functioning. Brexit was not simply about UK-specific factors, but also about the more general condition of being an EU member state and what that means for participation and legitimacy. The effects will take many years to fully emerge, but several trends are already evident.

At one level, the UK's withdrawal has enabled agreement in areas where British participation might have prevented it, given both the numerous opt-outs that the British had obtained during their membership and the often divergent views that British ministers held in the Council, notably on budgetary affairs, foreign and security policy, and international development. The move to mutual debt issuance under NextGenerationEU (see the EU Finances Chapter) was primarily driven by the Covid-19 pandemic, but the absence of a British veto also contributed: witness London's 2011 blocking of action to respond to the eurozone crisis.

However, Brexit also weakens several policy dynamics, notably with regard to free trade, agricultural and fisheries reform, and enlargement — all areas where the UK had been a leading proponent of more decisive action. Even though accession has been given a shot in the arm by the invasion of Ukraine, the process still lacks the urgency that might have come from a British voice at the table.

The UK had been a difficult member state. However, several other member states were content to let the British take the heat for forcing decisions they also preferred. Even before the formal withdrawal in 2020, more liberal(ising) member states had begun to work together in the New Hanseatic League in an attempt to minimise the effect of Brexit on the economic front. For others, however, Brexit meant the loss of a significant ally. Whether directly (as for non-Eurozone members or for Malta on resisting tax harmonisation) or indirectly (as for Poland, who could use British resistance to constitutional intervention to justify its undermining of the Rule of Law), the absence of the UK has left many member states more exposed.

HOW HAVE WE GOT HERE?

More generally, the UK's awkwardness as a member state helped to normalise similar behaviour by other member states. However, since this ultimately led to withdrawal, and because the Brexit process itself produced strong rhetoric across the EU27 about the value of membership, the numerous other disagreements among member states have been partly offset. Certainly, the collapse of withdrawal demands since 2016 by the likes of Marine Le Pen, Alternative für Deutschland or the Lega in Italy has provided a window of opportunity for the EU to position itself as a legitimate space for international governance.

Consequently, it is at the level of the EU's polity that the impact of Brexit has been most visible so far. The Conference on the Future of Europe was informed by the experience of Brexit and a recognition that the factors that led to the Leave vote in 2016 were not specific to the UK. The Bratislava Declaration, issued shortly after the 2016 referendum, spoke of a 'common challenge' of 'a perceived lack of control and fears related to migration, terrorism, and economic and social insecurity' that implied a need to 'show unity'. A concern to return to the long-term project of democratisation and constitutionalisation that had been on hold since the 2009 Lisbon treaty has been evident across the EU's institutions. This covers not only attempts to increase citizen participation but also to promote the development of work against misinformation. More cynically, the von der Leyen Commission's turn to 'promoting the European way of life' (including more robust border and immigration controls) also carries echoes of Brexit, as a demonstration of how the EU can be an effective vehicle for the concerns of those who feel left behind by Europeanisation and globalisation.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

As much as the negotiations that followed the 2016 referendum showed a highly coordinated and effective approach led by the Commission (if measured by the similarity of initial aims to final text), the persistent problems of implementation since the UK's withdrawal in January 2020 point to the limits of EU influence. In particular, the high degree of uncertainty around the Northern Ireland Protocol presents a material threat to peace and stability. The renewed threat of British disapplication of the Protocol in the wake of the Northern Ireland Assembly elections in May 2022 appears to have undone whatever positive mood music had greeted UK–EU cooperation following Russia's invasion of Ukraine. Valuable though the latter has been, the EU still sees the UK as an unreliable partner to be kept at arm's length.

Beyond this, Brexit establishes that Article 50 provides a path for withdrawal, even if the experience was painful for all involved. Indeed, precisely because the British appeared to handle it so poorly (in procedural and political terms), any improvement in UK performance might lead to Eurosceptics arguing that withdrawal was having positive implications. Brexit might, then, continue to haunt the Union. That being said, the marginalisation of Brexit as a priority in the face of post-Covid reconstruction, attacks on the Rule of Law in various member states, and the war in Ukraine does mean that there is a risk of the Union losing sight of the lesson of Brexit: delivering effective policy alone cannot ensure buy-in to European integration, but instead needs to be bolstered by effective means for participation, representation, and control.

KEY RELATIONSHIPS

THE EU-US RELATIONSHIP

Ben Tonra

WHAT IS THE SITUATION NOW?

Russia's war against Ukraine has shattered the assumptions of the post-Cold War era, re-energised and expanded NATO, reaffirmed the centrality of the US to European security, and refocused European debate on its own defence and relations with the US, while highlighting differing geostrategic perspectives within the EU. A return to those assumptions seems highly improbable.

First, the very fact of the Trump presidency — and his enduring political influence in the US — suggests that Trump himself (or another version thereof) might well return in 2024. Second, the bipartisan US consensus on China means that, the crisis in Europe notwithstanding, the strategic focus of US foreign and defence policy has moved and will remain on the Pacific. Frustrations with Europe's approach to that region persist. Third, Russia's attack has set into sharp relief Europe's strategic vulnerability and its inability to address security threats in its immediate neighbourhood. The EU is grappling with implications of this new reality. Its relationship with the US will be critical in defining both its role within, and the nature of, the Atlantic Alliance.

HOW HAVE WE GOT HERE?

Before the Russian invasion, the transatlantic relationship was troubled and many of these troubling dynamics remain. Trump was not so much an exception as he was a crude culmination of several trends. These included the increasing introspection of US politics (on race and the culture wars), the China/Pacific 'pivot', US frustration with European 'free-riding' within NATO, and dissatisfaction with the economic returns delivered by globalisation.

For their part, while the EU and its member states paid lip service to the transatlantic partnership, they resolutely refused to bear a proportionate share of their own defence burden. European allies were also qualified in their pursuit of transatlantic free trade, insisting on precautionary principles and robust sectoral regulation in the face of US efforts to liberalise across the board. All the while, European capitals excelled at chiding — or openly clashing with — US policy choices on security or trade, whether that was over China or in the WTO. In brief, Europe sometimes play the role of the sulky millennial — unwilling to move out of the family home to shoulder her own responsibilities, while remaining a voluble critic of how the house was being run.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

Europe remains conflicted in its approach. In defence, the EU will continue to pursue the ill-defined goal of 'strategic autonomy'. The concept obscures wide differences of approach and understanding; presented as being the means both to reinforce the European pillar of NATO and to enable Europe to act independently of the US in security and defence terms.

Notwithstanding this deliberate ambiguity, the concept has been used as the core rhetorical vehicle underpinning a real world deepening and accelerating programme of defence cooperation and military industrial research, investment, and deployment, underpinned by the new €8 billion European Defence Fund. This also lays a powerful groundwork for more operational cooperation. The current infrastructure of budgetary coordination and consultation in defence is also likely to be tightened up and linked even more closely to shared project development, whereas the €5 billion European Peace Facility — €1 billion of which has already been sent to Ukraine — is designed to give practical effect to the EU's capacity to strengthen international security.

With European defence budgets on a steep rise — near doubling in some cases — the need for coordination is acute. With NATO's enlargement to include Finland and Sweden, the likelihood is that accelerated EU defence coordination will take place within a NATO-defined framework. This is likely to accelerate the deeper engagement of third countries — most especially NATO members — in EU project development.

Against this strengthened institutional infrastructure, the EU continues to suffer from a basic strategic contest between those states that are resolutely committed to a NATO-first defence strategy and those that insist Europe must bear a greater responsibility for its own security and defence. Each side in this long-running debate — with its roots stretching back to the 1956 Suez Crisis and the diametrically opposed lessons drawn from that by London and Paris — has its own blind spots. From the 'Atlanticist' camp, led now by central and northern European members, there is not yet an explanation as to how Europe can square its strategic dependence on the US with potentially radical shifts in US policy towards NATO, which might yet be driven by domestic politics and clearly signalled changes in US strategic priorities towards the Pacific and China. For the 'Europeanists,' led by France, there is a similar silence as to how the EU can plausibly offer guarantees on territorial defence to its members, due both to huge gaps in European conventional defence and differences over nuclear deterrence.

This dialogue of opposites — which has traditionally blocked any decisive move by the EU one way or the other — has been profoundly shaken by the Russian

invasion of Ukraine. For some, it has underlined the [irrelevance of the EU](#) to territorial defence and security. For others it only reinforces arguments that the EU must spearhead a conceptual, cultural and, above all, practical [revolution in Europe's approach to its own defence](#) and the security of its neighbourhood. The neighbourhood situation is especially acute as it is too often overlooked by the US and is outside the parameters of NATO, despite continuing to generate significant security concerns for Europe (as the war in Ukraine has laid bare).

Although the very nature of the EU militates against bold moves, decisive steps, and the crossing of Rubicons, the war in Ukraine has profoundly shifted the baseline of defence debates. The EU and the US have forged a strikingly strong broad-based security partnership in the face of Russian aggression that would have been unthinkable just months ago. Europe has, of course, been blessed by the presence of a convinced Atlanticist in the White House. That, however, cannot be assured, and we have seen bilateral relations nose-dive before over trade, financial, regulatory, and other disputes in the recent past. At the same time, the world will not wait. As global challenges — over security, climate change, trade, and the regulations of tech companies — multiply and deepen the question has to be asked whether the EU and the US can afford to maintain a sometimes ambivalent and differentiated partnership, or whether the infrastructure of that partnership needs some profound re-engineering.

THE EU–RUSSIA RELATIONSHIP

Maxine David

WHAT IS THE SITUATION NOW?

In 2014, the EU's incoming High Representative for Foreign Affairs, Federica Mogherini, declared that Russia was [no longer a strategic partner](). Russia's earlier annexation of Crimea, downing of passenger flight MH17, and the proxy wars in the Donetsk and Luhansk regions of Ukraine had all had a negative impact on relations.

Despite nearly eight years of EU [sanctions]() against Russia and the Kremlin's retaliation, trade in non-sanctioned goods and services continued, albeit with declining EU [foreign direct investment in Russia](). Other people-to-people connections remained in place — Russia continued to benefit from access to EU funding under [Erasmus+]() and the jointly-convened [EU–Russia Expert Network]() for foreign policy dialogue. Nevertheless, polls showed that [66% of Europeans]() held negative views of Russia, and [45% of Russians]() had negative views of the EU (42% positive). Russia's 2022 war against Ukraine has essentially destroyed what remained of that problematic relationship.

HOW HAVE WE GOT HERE?

Although Putin has largely referenced NATO's enlargement when expounding on Russia's threat perception, it is clear that the EU represents the bigger threat, to the point that Moscow tried to replicate it in the form of the [Eurasian Economic Union](). But this was no example of a successful export of norms. Whether through [disputes]() in the WTO (despite the EU championing of Russian membership) or its invasion of Ukraine, Russia has shown the EU that reliance on economic means to ensure peaceable relations has clear limits.

Domestically, Russia has pursued an [authoritarian path](), typified by the constitutional changes in 2021 that allowed Putin to serve two more presidential terms (on top of the four already served). Other examples include the so-called foreign agents law, which stigmatises non-governmental organisations receiving foreign funding and was used most recently as an excuse to close down [Memorial](), Russia's oldest — and externally well-respected — human rights group, as well as various independent media outlets, such as [Dozhd](). Little wonder that the emergence on Russia's doorstep of successful liberal democracies from the ashes of the USSR represents a challenge to Putin's regime.

To a large extent, therefore, the current state of relations has to be understood as a function of developments within Russia itself. Some have argued that, in the last decade or so, we have been witnessing a Russian state undergoing an existential crisis. For Putin — and therefore the dominant Russian narrative — events in the 1990s (western exploitation of Russian markets; the collapse of the rouble; and liberal intervention in the former Yugoslavia) are the primary cause of this crisis. Despite Russia's 2014 annexation of Crimea, the EU came too late to an understanding of the nature and depth of grievances brewing in the Kremlin, of a regime labouring under a paranoid desperation that made Shevtsova's worry that the regime's 'survival instinct could take a nasty, even bloody, form' all too prescient.

A further aggravating factor was the failure to agree a post-Cold War European security architecture in which Russia was centred rather than marginalised. But to blame current developments on this situation is to deny Russia the very agency it claims it warrants. The question is whether any agreement would have withstood the test of time over the last three decades and more. Had NATO disbanded or not enlarged, would the EU have had to militarise sooner? And would Russia have responded with equanimity? Undoubtedly not, as Putin considers Russia to be in a battle with the West (and therefore EU) over values and identity.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

EU-Russia relations are now hostage to the outcome of the Ukraine war. The EU's response has been swift and proactive. At member-state level, there has been a good deal of solidarity shown towards Ukraine but significant cracks are also evident, notably when it comes to Hungary and Germany. The longer the war goes on, the deeper those cracks will become, as EU states encounter economic and other challenges, not to mention war fatigue.

Nor is it an exaggeration to say the EU could itself face a crisis of identity. Built on the ethos of preventing and avoiding war, its reaction to Russian aggression on its borders could distance the EU from its founding principle of peace, not least because Russia has shown the limits of interdependence as a war-prevention strategy. Meanwhile, the Polish response to Ukrainian refugees has been laudable but also contrasts sharply with its treatment of Syrian, Afghan and other non-European refugees. Commission President, Ursula von der Leyen's controversial release of Covid recovery funding to Poland signals that the EU has not even begun to reckon with these threats to its identity, preoccupied as it is with divesting itself of any dependence on Russia and reducing other vulnerabilities.

Such preoccupation is important: the priority being to cut remittances to Russia as much as possible. Its April 2022 RePowerEU initiative accelerated energy diversification, reducing dependence on Russian energy, and making any renewal of Nordstream II gas pipeline look impossible. We can expect an acceleration in the [decline of the trade relationship with Russia](#). But [the suspension of much research cooperation](#) has, temporarily at least, shut one of the people-to-people contact routes that traditionally remained open, and gives the EU little to no opportunity to affect the thinking of Russian people.

Looking ahead, it would not be unrealistic to expect a [shift in the centre](#) of the EU's gravity towards East-Central Europe, suggesting more Russia-sceptical attitudes will prevail. Ironically, rather than accelerating the [decline of Western liberalism](#), Putin's war has delivered a shot in the arm for Western unity and multilateralism. Nevertheless, French President Macron's arguments that the EU needs to strive for a less complacent security strategy, to keep the US in Europe but reduce its dependency on it, would be sensible to heed. However, some member states will remain wary of building EU strategic autonomy if it undermines NATO.

Russia will now have to deal with an EU more firmly anchored in relations with the US, with more combative views of Russia dominating. Meanwhile EU-Russia relations are still beset with the same problems: how to build a security environment both can live with and the place of Russia, if any, in it.

THE EU-CHINA RELATIONSHIP

Tomasz Kamiński

WHAT IS THE SITUATION NOW?

EU relations with China remain turbulent and complex. China is simultaneously a partner, an economic competitor, and a systemic rival of the EU. European policy needs not only to reconcile these three potentially contradictory views of China, but also contend with the fact that interaction occurs at three levels: European (engaging EU institutions), national (between member states and China), and subnational (between cities and regions from Europe and China). Turbulence on one level might affect the others, adding to the complexity of the relationship.

Media coverage stresses the political tensions between the two sides, feeding an intense political debate within the EU on what constitutes the right approach towards China. Alleged human rights abuses in Xinjiang internment camps, consolidation of Beijing's influence over Hong Kong, China's refusal to denounce Russia's unprovoked invasion of Ukraine, and the ongoing political dispute with Lithuania are the main focus points. All are consequences of fundamental differences in political systems, the norms on which they are based, and specific policy preferences. The EU must constantly balance confrontation and collaboration while deciding whether to prioritise its economic interests or the realisation of its broader strategic aims.

These dynamics came to a head in 2021 with the imposition of sanctions by both sides and the decision by the European Parliament to freeze ratification of the investment agreement (CAI) with China that, after seven years of negotiation, had finally been concluded in December 2020. At the same time, trade cooperation between the two sides has been strengthened, with a 10% rise in EU exports to China and an even stronger (23%) increase in imports since 2020.

With more than 15,000 trains operating from 89 Chinese cities and serving 175 cities in 23 European countries, the number of freight services operating on the China-Europe Railway Express recorded a new high. Moreover, an important China-EU agreement on geographical indications came into force in March 2021, protecting 100 European products in China. All of which seems to confirm the words of the Chinese Foreign Minister Wang Yi, who stressed that 'economic and trade cooperation between the two sides has enjoyed positive growth despite overall difficulties'.

HOW HAVE WE GOT HERE?

EU-China ties have worsened since Xi Jinping came to power in late 2012. China, under his rule, has expanded its military, attempted to undermine the Western-led international system of free trade and the rule of law, and intensified internal repression. Under the Belt and Road Initiative (BRI), Beijing has attempted to increase its political and economic presence, particularly in Eurasia and Africa, ousting Europeans from their traditional zones of influence. Simultaneously, Chinese tech companies have attempted to play a role in the development of European high-tech and critical infrastructure, which has hardened the EU's stance on China. Moreover, the clamp down on civil liberties in Hong Kong, human rights abuses in Xinjiang and the popular conspiracy theory claiming that China deliberately spread the Covid-19 virus globally caused European public opinion to turn against China. A majority in the EU's largest member states now have a negative opinion of China.

This confrontational position has been entrenched by US policy, which, in response to China's increasing assertiveness, has attempted to restrain its rival. This sharp pivot in US policy toward China, one of the most important foreign policy adjustments since the end of the Cold War, has left Europe with little room for manoeuvre. Even if some European leaders have advocated greater 'strategic autonomy', abandoning a 75-year-old military and political dependency on Washington is difficult.

In the shadow of those political tensions, economic and social links with China have rapidly increased. Trade has doubled since 2009, China officially became the EU's largest trade partner in 2020, and subnational relations have also flourished. Most EU regions and half of its cities have established contacts with Chinese partners, developing economic, academic, educational, or cultural exchanges. According to Eurostat, in just a decade, from 2008 to 2018, the number of long-term Chinese residents in Europe increased 15-fold, reaching more than 600,000. All these developments are signs of rising interdependencies between the EU and China, which are caused by deepening globalisation.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

For the EU, finding a place between the US and China, while flexing its geopolitical muscles, securing vital interests, and managing pressure from the public will not be easy. The EU will have to continue trading with China and working with Beijing on key common interests, such as climate, while also criticising China on human rights abuses. To make this possible, the EU has to maintain multiple communication channels with China, which the European Parliament's latest resolution on China addressed, calling for greater policy

coordination between member states and local and regional actors. Considering [different national approaches](#) to Huawei's expansion in Europe or the BRI, this will be a tall order.

The EU will also continue the dialogue with the US on China, for at least as long as the US President is eager to cooperate, trying to secure the strategic stability, which is vital for the economy. The EU–US high-level consultations on the Indo-Pacific open space for a more coordinated approach to different China-related issues: from sanctions on Xinjiang, through cooperation on maritime commons, climate change to emerging technologies. At the same time, one can expect Brussels to develop its 'geoeconomics toolbox' — measures such as [the anti-coercion instrument](#), [the anti-foreign subsidies regulation,](#) or [the international procurement instrument](#), to mention a few. Together with [the Global Gateway](#), a connectivity programme presented as a European response to China's BRI, all are intended to strengthen the EU's position vis-à-vis China. The proposed directive on corporate sustainability due diligence will make life harder for Chinese companies operating in the EU and profiting from the exploitation of forced labour or the environment.

The narrow path between rivalry and collaboration is likely the relationship's future. The EU will need to find the right balance between the interests of different European actors, on various levels of policy-making, and EU allies. Chinese reluctance to condemn the Russian invasion of Ukraine has complicated already taut relations and is a reminder of how quickly external factors risk upsetting the delicate balance of the EU's China policy.

THE EU-UK RELATIONSHIP

Anand Menon & Sophie Stowers

WHAT IS THE SITUATION NOW?

Uncertainty has been a recurring theme in the EU-UK relationship since 2016. The TCA, signed in 2020, remained deliberately silent on future cooperation in several key policy areas, and both sides have had to juggle the impact of a new agreement upon their trading relationship with the consequences of a global pandemic.

Matters are further complicated by the fact that the EU does not simply have a relationship with the United Kingdom as a whole. As a result of the Protocol on Ireland/Northern Ireland negotiated as part of the Withdrawal Agreement of 2019, it enjoys subtly different relations with Great Britain on the one hand, and Northern Ireland on the other. And it is the fallout from the Protocol that continues to dominate the broader relationship between the EU and the UK.

At the time of writing, the two sides find themselves in a stand-off over the UK's insistence that the Protocol is not working and will need to be either renegotiated or unilaterally amended. Given the insistence of the EU on the need for technical negotiations to address practical problems, and its consequent refusal to contemplate the amendment of the Protocol itself, the British Government unveiled legislation allowing it to unilaterally overturn parts of the agreement. In response, the EU has threatened retaliation.

HOW HAVE WE GOT HERE?

It has been a long and bumpy road from the referendum of 23 June 2016 to where we are today. The story of much of that intervening period has been recounted many times and does not need retelling here. Suffice to say that the sheer length of the Brexit process, and the bitterness and polarisation it engendered left the UK profoundly divided between rival political camps calling — respectively — for a second referendum and a hard Brexit.

Boris Johnson's election as leader of the Conservative Party ensured the latter outcome. This in turn raised the thorny issue of the so-called Northern Ireland 'trilemma'. Simply put, absent something approximating Single Market and Customs Union membership (negotiated by Theresa May in the form of her infamous 'backstop'), the choice was between a border on the island of Ireland (rejected by both the UK and the EU) and some kind of special status for Northern Ireland that obviated the need for intra-Irish checks, consequently requiring them between Great Britain and Northern Ireland.

Mr Johnson opted for the latter. However, the way he did so — denying that the Protocol would necessitate any checks between Great Britain and Northern Ireland — laid the foundations for the bitterness that was to follow.

The Withdrawal Agreement containing the Protocol was agreed on 17 October 2019 and came into force on 1 February 2020. From April of that year, the EU-UK Joint Committee that it created negotiated how precisely the Protocol was to be implemented. Even before those negotiations started, the UK had produced a Command Paper (in May 2020) that argued for flexibility when it came to the frequency and complexity of checks on agri-food moving from Great Britain to Northern Ireland.

Because the Joint Committee did not come to an agreement until 10 December 2020, the two sides agreed on some 'easements' to allow businesses time to adapt.

A dispute over vaccine production in January 2021 led the EU to trigger Article 16 of the Protocol, blocking the transport of vaccines across the Northern Ireland border. The Commission argued that this was a necessary step to avoid 'serious societal difficulties' and protect vaccine supplies to member states, but eventually backed down.

Yet, tensions once again flared in March 2021, as the UK unilaterally extended the three-month grace period on agri-foods, leading the EU to begin legal proceedings against the government.

In July 2021 the UK Government published a Command Paper arguing not only that the Protocol was not working, but that technical fixes would not suffice. Rather, it argued that a renegotiation was necessary and the arrangements for overseeing the functioning of the Protocol — and particularly the role of the EU's Court in those arrangements — must be overhauled.

Responding to the Command paper, on 27 July the EU halted its legal proceedings to allow time for negotiations. On 13 October, it published detailed proposals to simplify operation of the Protocol.

However, by the spring of 2022 the UK Government was arguing that such technical solutions were not enough and insisting again on a renegotiation while threatening unilateral action to amend the Protocol.

WHERE IS THE EU LIKELY TO HEAD ON THIS?

How the EU approaches relations with the UK will hinge to a significant degree on the fate of the Protocol. Although cooperation will continue, notably over responses to the conflict in Ukraine, a number of issues will remain unresolved as long as uncertainty over the arrangements for Northern Ireland persists.

More broadly, as long as the UK is arguing in favour of a renegotiation, for which there is simply no support in the EU, relations will continue to be tense. More broadly, the threat of unilateral UK action keeps alive the prospect of retaliation from the EU, including the suspension of parts or all of the Trade and Cooperation Agreement, meaning continued uncertainty over the future trading relationship.

Peering further ahead, with all the caveats that this implies, there seems little scope for any further institutionalisation of EU–UK cooperation. The current Government is unlikely to agree provisions for formalised security cooperation (the prevailing view in London seems to be that events in Ukraine have illustrated that cooperation can take place absent such arrangements) or negotiate provisions for services trade as a supplement to the TCA (the allergy to anything smacking of freedom of movement led to the rejection of the EU's offer of a mobility package during the original negotiations for the TCA).

The EU has little incentive to initiate such discussion whilst there is no desire from London. Going forward, though, there may be scope for the negotiation of additional arrangements under a different government — Labour have signalled their willingness to sign up not only to an SPS agreement, but also a security arrangement.

More broadly, the conflict in Ukraine — and consequent debate on potential Ukrainian EU membership — led to President Macron's call for a 'European Political Community,' incorporating all those European states that are not members of the EU. This is a debate for the longer term, but any discussion of a Ukrainian relationship with the EU short of membership will necessarily involve talk of the UK–EU relationship, and whether this can be formalised in some way that reinforces cooperation.

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