

The State of the European Union after and before national elections in 2017

The EU was founded 60 years ago. I am very grateful to the founding fathers for their wise decision. What has been achieved in those 60 years of European integration is an incredible success. Former enemies became friends, shaping their future together. The Community of 6 states became a Union of 28 states. Most EU citizens have lived in peace for longer than the history of Europe has known for centuries.

The EU is a promise to its citizens of a life of democracy instead of dictatorship, with the rule of law instead of arbitrariness, with equal rights instead of discrimination, it is the promise on joint efforts to increase prosperity and social protection and it is the promise of long-term security for a life of freedom and peace.

European integration did not take a straight path during its 60 year history. Sometimes integration came to a standstill and was then often accelerated by crises – economic crises, political crises. Elections at the EU level and at national levels have always been important – for the speed of integration and for political priorities. But for decades political parties that put the EU in principle in question, aiming to disintegrate, destabilize or even abandon the EU, played no significant role. In many member states they did not even have seats in parliament. This has changed in recent years.

Let me first make some personal remarks: I am enthusiastic about the EU. I lived in West Berlin when the wall was still standing. In that happy moment of history, when the wall came down, I was a member of the regional government of Berlin. I could therefore contribute through my work to the reunification of Berlin. Later, as a member of the European Commission, I had the great opportunity to contribute, through my work as Commissioner for the EU budget, to the enlargement process of 2004 – overcoming the former division of Europe. This is the political background of my pro-European spirit.

What is the state of the Union today? I want to thank the Heinrich Böll Foundation for giving me the opportunity to share with you my personal view and considerations as a political scientist on this important topic.

Severe internal challenges to the EU, which emerged over recent years, have had the potential to threaten the EU's ability to act, while at the same time global challenges facing the EU also require urgent responses.

Let me highlight three internal challenges: Brexit, the rise of anti-European parties and the internal conflict with two Member States about the values and institutions of liberal democracy.

Brexit

The Brexit referendum took place a year ago, on 23rd of June, 2016. A majority (51,9 %) voted in favor of leaving the EU. The national turnout was 72 %. In March 2017 the UK government initiated the official withdrawal process and this Monday (19th of June) the Brexit negotiations started.

It is the first time that a member state will leave the Union. While there is a lot of experience in the EU with accession negotiations, no such experience exists of exit talks and exit treaties. Nevertheless, the EU-27 have very quickly agreed that “the Union will maintain its unity and act as one” with only one negotiator on behalf of the Union. There will be no bilateral or side negotiations. The EU-27 also agreed upon the issues upon which there must be a common understanding between the EU and UK before negotiations on future relations can start.

Thus, the risk that Brexit could destabilize the EU is now limited by the firm commitment of the EU-27 to stick together. Yet I call Brexit a tragedy. Why?

- The Brexit decision was based on questionable and even fake arguments in the leave campaign. The leave campaigners, for example, used figures on what the UK pays to the EU budget and what the UK would save by leaving the EU that were simply wrong.
- The leave campaigners argued that EU has no democratic legitimacy. But if we compare the democratic legitimacy of EU’s institutions and decision procedures with those in the UK, then the result is that EU really does not need to hide behind the UK. On the contrary. Just remember that the British parliament had to take legal action against its government to get the right to vote on the final Brexit treaty, whereas the right of the European Parliament to vote on an exit treaty is fixed in the primary law of the EU and there will be no Brexit treaty if the European Parliament does not agree.
- The Brexiteers used the slogan “take back control”. But will the political influence of the UK and its ability to shape its fate grow in the globalized world by leaving the EU, by acting alone? Will the country gain sovereignty? I have strong doubts.

Brexit will be a lose-lose situation with the highest risks for the British side - for the peace process in Northern Ireland, for a break-up of the UK and for the country’s economy. But the EU-27 is committed to do the best to limit these risks for the UK.

The rise of anti-European parties

The loudest advocate of Brexit was the UKIP party. A single issue party – it has had Brexit as its only political aim. In the last European Parliament elections in 2014 UKIP became

the strongest British party. But in the newly elected British parliament they did not gain one seat.

What about Eurosceptic or anti-EU parties in the European Parliament? Right-wings parties have about 20% of the seats. There are deputies from the French *Front National*, the Belgian *Vlaams Block*, the Hungarian *Jobbik*, the German *AfD*, to mention only a few. Their impact on decision-making in the European Parliament is quite low. But they have influence on public discourse, and thereby they have influence on the positions of other parties, which try to win back voters by adopting the arguments of the populist parties.

What do the populist anti-European parties have in common? They share ideologies against the cornerstones of liberal democracies, against the concepts of political pluralism and pluralistic societies guided by the principles of equal rights, protection of minorities, and governed by the rule of law. They see immigration and globalization as the roots of all problems in society. They like to present themselves as the representatives of the “common man” and agitate against what they call the political establishment. They are in favor of authoritarian regimes. They call for taking back national sovereignty from Brussels and direct their nationalist policy approaches not only against the EU but also against the institutions of multilateral global governance. They often use hate-filled speeches against Brussels, against other nations, and against minorities in society.

In recent years the anti-European populist parties have gained more and more votes in national elections. Thus, the probability increased that they could directly influence European policy through government participation at a national level, or could even enter the European Council – the table of the heads of state and government. There they would have a lot of ways at hand to block and destabilize the EU.

Because of these risks, trans-European public interest in elections in other Member States has increased enormously. People know that the outcome of a national election is no longer just relevant for the national population, but for the European population. Therefore, the presidential election in Austria last year, the parliamentary elections in the Netherlands this year and in particular the presidential elections in France, were followed with much attention across Europe.

What do the results of the last national elections tell us?

We see a change. We see that the Brexit-Vote and the election of Donald Trump as American President came across like a wake-up call to Europeans. We see a new political awareness about what is at stake if an anti-liberal, anti-European politician would become head of state or government.

In the presidential election in Austria last December, the pro-European candidate Alexander van der Bellen outpolled the candidate of the right-wing party FPÖ by a clear majority, gaining 53.8% of the vote on a turnout of 74%.

In the parliamentary elections in the Netherlands in March, the right-wing populist party of Geert Wilders achieved much fewer votes than expected a few weeks before, with a turnout of 82%.

The presidential election in France was followed with special international attention. Marine Le Pen of the *Front National* as a French President, as a member of the European Council, as the president of a country that is a military nuclear power and a permanent member of the Security Council of the United Nations - the consequence would be not only severe for France, but for the whole EU, blocking deepening of EU integration and blocking enlargement – and for the whole international community of the Western world.

Luckily I need not to speculate in detail on the possible positions of Front National politicians in the Security Council of the UN. The French voters have decided otherwise. The French electorate voted in the presidential election with the overwhelming majority of 66% of votes for Emmanuel Macron, the candidate with an explicitly pro-European programme. His new movement even won the majority of seats in the parliamentary election. This landslide victory of Emmanuel Macron is a very important signal for other upcoming national elections. It is a signal that pro-European attitudes and a pro-European programme can win elections.

In Germany the parliamentary election will take place in September. The composition of the Bundestag is governed by proportional representation. According to the latest polls 6 parties will enter the Bundestag. What are their positions towards the EU? In the leftist party sovereign and Eurosceptic positions prevail – but the party is not advocating for leaving the EU. On the other side the right-wing populist party *AfD* clearly stands for a nationalist policy and a departure from the values of liberal democracy. This party was founded during the Euro-crisis rejecting that Germany should take over liabilities for loans to Greece. The next election would be the first time that the party is represented in the Bundestag. However, support for the party is sinking. Polls say *AfD* will gain about 8% of the vote, far less than forecasted a year ago.

The other four parties are pro-European, the Greens most strongly. No other party is willing to form a coalition with *AfD*. The Eurosceptic position of the left party as well as its Anti-NATO position is an obstacle to government participation. Thus, taking into account all of the differences between these German parties regarding concrete ideas and proposals for European legislation, the focus and direction of EU integration and on enlargement, the outcome of the German election and the formation of the next government will not be a decision on stabilizing or destabilizing the EU. Rather, the pro-European parties are all aware of Germany's responsibility for the future of the European project and they are all in favor of strengthening the Franco-German partnership as an important pillar of European integration.

Parliamentary elections may take place in Italy this year. It is still open. In the last municipal elections in Italy, the populist five-star movement, which has been steadily increasing for a time, suffered a strong defeat. Also in Austria, where elections will take place in October, the right-wing Eurosceptic party *FPÖ* has lost approval in the polls. This is also the case in the Czech Republic. Here it is difficult to predict whether the current conflict between the country and the EU on refugees will have an impact.

So, in several countries of the EU we see that the rise of anti-liberal parties that reject the EU has not only come to a halt, but that the pro-European parties have gained a new influx of support.

In particular it is encouraging that new pro-European citizens-movements are emerging. For example Pulse to Europe. In many cities people meet on Sundays for Pro-Europe demonstrations. These movements indicate that more and more people realize what is at stake if anti-European parties win political influence and that they support a stable EU that safeguards their values and their way of life.

But this is not the time to relax. The root causes of why people vote or voted for the populist parties must to be tackled: the fear of becoming a loser from globalization, the concerns about migration and the uncertainty caused by global terrorism. I will later come to these challenges.

EU internal conflicts about values

I want to make some remarks about the internal conflict between EU institutions and the governments of Poland and Hungary. Regarding Poland, the conflict is mainly about the independence of the judiciary, which has been undermined by various measures of the *PIS* government. The conflict with Hungary is about freedom of the press, academic freedom, and now also about the work of **NGOs**. Prime Minister Viktor Orbán has openly announced that he will turn the country into an illiberal democracy. And both countries - Poland and Hungary - reject the criticism of EU institutions as interference in their national sovereignty.

However, the EU is not only the single market. It is also a Union of values. The EU Treaty makes this clear in Article 2. For accession to the EU, the candidate countries must therefore establish laws and institutions that guarantee the rule of law, human rights, and a pluralistic and lively democracy. NGOs are part of a lively democracy. This is why the EU supports the work of NGOs with pre-accession aid. Authoritarian regimes are opposed to NGOs that they cannot control. Authoritarian regimes want everything in the hands and control of the state. Controlled, guided democracies are their aim. With a new law, according to which NGOs working with financial support from abroad are registered, Prime Minister Orbán places Hungary in line with Russia, Turkey and China. This is not acceptable in the EU.

The EU needs checks and balances to ensure compliance with its values in the Member States. For this purpose the EU has infringement procedures, the new rule of law procedure, and Article 7 of the EU Treaty which, if necessary, provides for the suspension of voting rights. Apart from the fact, that the application of Article 7 requires unanimity in the Council, I support that the Commission should try again to solve the conflict through dialogue and the mentioned procedures. But I think stronger peer pressure from other Member States is missing. Also the European political parties must take over responsibility to ensure that the values of the EU are respected. The values of liberal democracy are fundamental to the EU. They must be protected against attack.

The economic crisis – is it over?

What about the economic crisis or the Eurozone crisis? Is it over? The answer is: yes and no. Yes, the EU is no longer in crisis mode. But – this is the no – in some member states the economic situation is still very tense and on the European table are several reforms that must be finished.

First a general remark: The record of 60 years of economic integration is very positive. The EU is the biggest single market in the world; it accounts for 22% of global GDP. The EU's share of world exports is more than 15%. The Euro is the world's second most used currency. The level of social protection in Europe is the highest in the world and net inequality (after taxes and transfers) is much lower in the EU than in other regions of the world.

But Europe's economy was hit hard by the global economic crisis. Fortunately we now see continuing recovery from the crisis and overall the economy in the EU is doing well: growth rates are increasing, unemployment is falling and public sector deficits are shrinking. However, some countries are still struggling with worrying economic problems. This is not only a problem for the States concerned, but for the EU as a whole, because the EU is a Union of solidarity and is committed to promoting economic and social cohesion among the Member States. An important indicator is the convergence of income. We saw increasing convergence of average incomes in the years 1994 to 2008. That means that people in poorer regions of the EU increased their income relative to richer regions. But this convergence of income stopped with the global and the European financial and economic crisis. We see now two trends in convergence: while central European member states continue to close their gaps with the richest member states of the EU, some southern European member states, like Italy and Greece, are falling behind. This has to be tackled through a common effort.

What was the response of the EU to the crisis? The EU has significantly expanded its rules on the control of financial markets and the banking sector; it took major steps towards the establishment of a banking union, and the EU has considerably strengthened the EU governance of national economic and financial policies.

The strengthened rule-based coordination of economic and financial policies places new demands on Member States – and also for accession countries - regarding decision-making procedures and institutions. It places new demands on parliaments, on administration, science and civil society. Serbia already participates in multilateral economic dialogue with the Commission and EU Member States to prepare for participation in this multilateral surveillance and EU economic policy coordination. Serbia has, for this purpose, adopted its second economic reform programme.

The new EU rules for economic coordination serve, on the one hand, as a means of Europeanizing national economic governance, but on the other hand – and this is most important – they are steps to increase transparency and efficiency of national decision-making procedures and of administration, and serve to ensure good and transparent governance in the national interest.

Together with the provisions on external and internal control in the use of EU funds, with the legislation on public procurement, the new rules of economic governance are important building blocks to increase transparency and combat corruption in the public sector. Fighting corruption is a fundamental condition to comply with the values of the EU. Corruption undermines sustainable economic development. It is a serious cause of economic inequality in a society and it undermines democracy. Good economic governance in the EU therefore implies that the fight against corruption is a European task and as a task for Member States.

The establishment of a European Prosecutor will be crucial in the fight against fraud concerning funds from the EU budget. As Budget Commissioner responsible also for Anti-Fraud I launched the discussion on this issue some 15 ago. Now the birth of this baby is approaching: 16 Member States have decided to establish Enhanced Cooperation. I hope that the final decision will be taken soon and the European Prosecutor's Office can begin working.

During the Eurozone crisis, new rescue funds were also introduced for euro area member countries that can no longer borrow on the financial market at affordable rates. Similar to the policy of the IMF, the loans from the euro area rescue funds are conditional to the implementation of strong economic adjustment programmes. For EU countries that have not yet adopted the euro, there was already an EU rescue mechanism in place before the crisis. Latvia, Hungary and Romania have used this “Balance of Payment Assistance”, which is guaranteed by the EU budget. For euro area Member States such a financial instrument did not exist before the crisis. However, as the stability of the whole euro area was under pressure by the imminent inability of some Member States to pay their public debt or borrow from the financial markets to finance their public deficit, various rescue mechanisms have been established during the crisis - first bilateral loans to Greece and finally the permanent European Stability Mechanism. This is now a robust fund with a

lending capacity of 500 billion Euros and various financial instruments at hand. It makes the monetary union more crisis-proof.

I want to stress that a proposal for a European rescue fund through which Eurozone Member States take over liabilities for loans to a Member State in financial need would have been a dead duck before the crisis happened. This is one of many examples that the integration process in the EU is often accelerated by crises and it is an excellent example showing that the EU is able to find answers to new challenges.

Now further effort is needed to deepen the economic and monetary union. There are proposals on the table for a euro area financial facility – often referred to as Euro area budget. In my view there are good reasons for a common economic stabilization mechanism for the Euro area. Strengthening the social pillar of the EU is also a very important issue for the future of the EU.

Also stronger efforts to push investment in the whole EU are needed. More investment is needed to make the European economy fit for the future with sustainable and inclusive growth, to provide the people with the best solutions for a climate compatible energy system based on renewable energy, for a modern mobility system in urban as well as in rural areas with the highest ecological standards and at affordable prices, for preparing enterprises and private households for the next phase of digitalization and for an education system that serves the competitiveness of the EU in a global world as well as making our societies more inclusive.

Also, for the economic integration of the Western Balkan States interconnecting infrastructure is crucial in order to strengthen their economic potential. This should be an important aspect for the next Instrument of Pre-Accession Assistance. The EU's financial assistance is an important push for the development of the country. The EU is by far the biggest donor to Serbia and I am sure the EU will stay committed in the future to support the accession process and the democratic and economic development of the region.

External challenges

Now, let me share with you some considerations on the external challenges the EU is facing. I will focus on three: migration; terrorism; new uncertainties for the transatlantic relationship.

Migration

There are so many people fleeing from war, terror, persecution and hunger. The vast majority of them stay in the region of their home-countries, others try to reach European shores. The refugee flow of 2015 made clear that the existing EU rules on migration, asylum, and border control are not sustainable.

As a response the EU has changed some of its rules and institutions. The European Border and Coast Guard Agency got more staff and more means than Frontex, the agency it replaced, had at its disposal. For example, Border and Coast Guard Agency can now send staff to third countries – such as Western Balkans countries – if the third country so wishes. The new Border and Coast Guard Agency is, in my view, only a first step. In the long run the task of external border protection and control should become more and more a common task of the Union, in order to guarantee equal treatment at the borders, fully respecting human rights and guaranteeing the free movement of people and goods without border control inside the EU. Last year's new legislation on the Border and Coast Guard Agency was adopted in record short time, while other important legislation on asylum policy is still pending.

The EU needs more common rules on legal immigration and on common standards for asylum. The Dublin System, according to which the Member State where refugees first enter the EU is responsible for the people, for their assistance and integration, is of course not sustainable when most of the refugees come through Mediterranean route to the EU.

The EU needs another complementary rule for allocating refugees among Member States. This is of course not an easy task, taking into account the differences between the states in national traditions, experiences and own history of escape and displacement, and in the sentiments of the population. In September 2015 the Council decided on a temporary reallocation scheme for about 100,000 people in need of international protection from Italy and Greece to other Member States. To date, only 20,000 have been relocated. The Commission has now launched an infringement procedure against the Czech Republic, Hungary and Poland, because they fully reject the implementation of this law. This is a severe conflict in the EU.

Migration is again and again on the agenda of the European Council, the meeting of the heads of State and Governments of EU Member States. The EU made a lot of commitments to tackle the root causes of migration by providing financial assistance for refugees in third countries - in Turkey, Lebanon, and Jordan, by providing more humanitarian and development aid to African countries – the EU is by far the main donor of development aid in the world – and by using its instruments for conflict resolution. But without an agreement among the Member States on another scheme for the allocation of responsibilities the response of the EU to the migration challenge will be insufficient.

Terrorism

Global terrorism is another challenge that cannot effectively be tackled by a Member State alone. Global terrorism does not stop at national borders. On the contrary. Terrorists use the World Wide Web for propaganda, recruitment, preparing and operating their attacks and they make full use of the free movement without border controls when they are inside the Schengen Area of the EU.

Therefore the fight against terrorism – which is mainly the responsibility of Member States – needs coordination at the EU level and in this regard effective information sharing is key. Some institutions on EU level – like Europol – and information exchange systems – like the Schengen Information System – have been in place for years. However, not all member states and not all actors in the security field were willing or ready to make use of these tools. Since the horrible terrorist attacks in Paris, Nice, London and Berlin – to mention only a few – attitudes have changed.

But a lot of work is still to be done to strengthen cooperation, improve the interoperability of information systems and security institutions and their structures in the Member States. European citizens want and expect more cooperation between Member States and at an EU level in the field of security, because it is about safeguarding the fundamental freedoms that the EU promises to the people, it is about safeguarding the European way of life.

Transatlantic relationship

If we think of all the conflicts in world, the external challenges to the EU are quite enough. But since the new American President Donald Trump came into office, the question of the future of the transatlantic relationship has been added to the agenda of the EU as a further uncertainty.

The uncertainty concerns trade policy. The slogan ‘America first’ is interpreted by the new President as a need for protectionism instead of free trade. The uncertainty concerns defence policy. Even if President Trump has not retraced his wording “NATO is obsolete”, his personal position on the collective defence clause of NATO treaty remains unclear. The uncertainty concerns the agreements and institutions of multilateral global governance. President Trump has announced that the US will withdraw from the Paris Climate Agreement. Is this the first step, to be followed by withdrawal from other multilateral agreements and institutions? Is it about withdrawing the US from global responsibility? Or is it about deconstructing multilateral institutions, which have formed the basis of the world order since the end of the Second World War? And President Trump praised Brexit and predicted that other members will follow the UK in leaving the Union. The US, over the decades, has supported accession to the EU and not withdrawal from the EU. Thus, such statements by the new American President are a full departure from previous US policy, which counted on the EU as a stable pillar of the Western world of liberal democracies and values.

Destabilization of the EU has long been in the political interest of Russia, as weakening NATO and weakening the transatlantic relationship is in the interest of Russia. Russia, like other global political players, as an authoritarian regime, is critical of and even rejects the institutions and values of the liberal West.

What will be the political development in the US? The institutions of liberal democracy are strong in the US and we see in many aspects that the checks and balances in the US

work. The EU will do its best to avoid damaging relations. The EU will remain committed to a good and strong transatlantic relationship.

Nevertheless, we see increasing agreement in European institutions, among the member states and European citizens that the EU should take its fate in its own hands – as, for example, President Juncker and Chancellor Merkel have said. These statements concern not least the future of the Common Security and Defence Policy.

According to Eurobarometer – the EU wide opinion poll – 75 % of respondents are in favour of a common defence and security policy among EU Member States. In June the European Commission launched a paper on the “Future of European Defence”. This paper – which shall push the political and public debate on this issue – offers three scenarios in which the EU could proceed toward to a Security and Defence Union.

First scenario: More cooperation in security and defence. This would mean voluntary ad hoc-, case by case decisions for stronger cooperation. Second scenario: Shared responsibility in security and defence. This would mean that cooperation between Member States would become the norm rather than the exception, for example in defence planning and acquisition of capabilities. Third scenario: Member States would see defence as a common task with deep integration of their defence capabilities.

In all three scenarios the European Security and Defence Policy is not seen as separate or a separation from NATO, but complementary with NATO.

I think scenario one, with more cooperation only on an ad hoc basis, is not a sufficient answer to the challenges or citizens’ expectations, and will not end the current replication of defence expenditure or the lack of interoperability of the Member States’ military equipment. In my view the time is ripe for more ambitious steps.

But we will see how this important issue for the future of the EU is discussed - not just among the governments of the Member States, but in particular in the national parliaments, which are the decision-makers on national defence planning, spending and procurement and military operations. And of course there will be and there should be public discussion because all steps on further European integration need support by the people.

What do all these developments, decisions, and proposals mean for the candidate countries?

Regarding the national elections in EU Member States: their outcome is quite important for the enlargement process. The anti-European, nationalist parties are opposed to enlargement of the EU. Thus it is very good news that they are now losing in the elections.

Regarding Brexit: the UK was always determined to support the European prospects of the Western Balkans. Will this support be lost by Brexit? I can – of course – not speak on behalf of the UK. But Theresa May stressed repeatedly in speeches and in writing, that leaving the EU does not mean the UK is turning its back on Europe. So, why should the UK turn its back to the Balkans? The summit of the Berlin Process, which supports cooperation in the region, takes place this year in July in Trieste. The next year the summit is foreseen to take place in London. I think it is in the interest of the West Balkans that this will happen. Maybe the Berlin Process is a good forum to keep the UK engaged in supporting the European prospects of the Western Balkans.

Regarding the responses of the EU to the different challenges and crises: new legislation or new institutions mean that the *acquis communautaire*, which has to be adopted by the candidate countries before accession, is amended and broadened. But as I elaborated in regard to the issue of strengthened economic governance in the EU as one of the lessons learnt from the Eurozone crisis, particularly the demand to modernize the administration and make it more efficient and transparent, this is already bringing benefits to the people during the process of accession negotiations. This is only one example among many others.

What about the discussions and proposals on the future of European integration? Should the EU be less ambitious? Should it concentrate on the single market? Should it always delay further integration steps until the most hesitating member has decided? Or should there be more flexibility in the sense that Member States, which want to go ahead with a common policy – such as in taxation – can go ahead. The EU Treaty already provides the possibility of – what is called – enhanced cooperation. This is not the concept of a two speed Europe. No, it is a concept that I would call it multi avant-garde. Would the candidate countries be excluded? No, it is in the hands of a candidate country whether it wishes to join an avant-garde group right from the day of accession.

And finally, are the Western Balkans pushed out of the EU agenda by these discussions and decisions on the future of the EU and by the major challenges such as migration or counter-terrorism? No. Precisely these challenges make it clear that EU membership of the Western Balkan States is of mutual interest. But it is not only about these functional arguments. It is also about values. And as an EU fan, I am convinced that belonging to the family, with its values, is to the benefit of the people.