



THINK GLOBAL – ACT EUROPEAN IV

THINKING STRATEGICALLY ABOUT THE EU'S EXTERNAL ACTION

Synthesis

Directed by Elvire Fabry

Foreword by Pascal Lamy
and António Vitorino

The recommendations of
16 European think tanks

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FOREWORD

*by Pascal Lamy, Honorary President, Notre Europe – Jacques Delors Institute
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Twenty years after the Treaty of Maastricht created the Common Foreign and Security Policy, Europeans face the risk of being marginalised on the international scene. The euphoric period following the fall of the Soviet Union – when it seemed obvious that the world would westernise and that politics would become more democratic and economies more liberal – has ended.

Long-term economic shifts underway since the 2000s – the rise of ever more economically potent and politically assertive powers – have translated into a gradual yet relentless reversal of global relationships of power. 2012 will be remembered as the turning point when the production of the rising economies exceeded that of old industrialised countries. With this shift of economic power – mainly towards Asia and soon towards Africa – European influence and regulatory capacity on the global level are increasingly questioned.

In this time of complex evolutions and shifting tectonic plates, the “Think Global – Act European” project brings together 16 think tanks and over 40 experts to examine the EU’s external action.

The economic crisis has commended EU efforts to concentrate on the internal challenges of recovery and fiscal consolidation. Yet the EU is entering a new phase of its existence in which it is called upon to anticipate the negative spillover of the crisis on the attractiveness of the EU model both at home and abroad. To do so the EU must equip itself with an integrated global strategy introducing more coherence with its internal policies.

Developing a common foreign policy reflecting both European values and interests is an instrument for the much needed legitimisation of the European

project in the eyes of our fellow citizens. The way we view foreign policy is not just the way of having a say in international affairs, but it's also a key element in the internal consolidation of an innovative and inspiring European common project.

At a moment when the forces of discordance amongst Member States intensify, as increased economic competition fosters the renationalisation of European policies, the fourth edition of this report assumes, with more resolve than ever before, the “united in diversity” motto that has been the guiding principle of the project since its inception.

The “Think Global – Act European” report is indeed the product of a process of collective thinking, outlining key recommendations for strengthening and increasing the coherence of the EU’s instruments of external action as well as providing the building blocks for new strategic thinking in the ambit of the EU’s external action.

We are proud to present the product of such a stimulating process of cooperation, which has allowed for the constructive and enlightening confrontation of different viewpoints.

The hope is that this report will provide the impetus for new strategic reflection on the EU’s role as a global power, allowing the EU to achieve a new and open outlook on the evolution of the new trends that are reshaping our current world order. Our wish is that European institutions as well as national diplomacies will grant serious consideration to the relevant and innovative proposals for concrete action put forward by the authors of this valuable report.

10 KEY RECOMMENDATIONS

In the context of increasing global interdependence, the European Union needs to emphasise long term strategic thinking to react to the tectonic changes occurring on the global scene. In order to anticipate the negative spill-over of the economic and financial crisis on the EU's international influence and avoid the progressive marginalisation of Europeans, the EU must equip itself with a more integrated external action strategy, by:

1. Improving the coherence of internal and external EU policies

The benefits of the Single market – as a springboard for the promotion of European common interests abroad – are limited by the slow development of the external dimension of internal policies. In addition, the fragmentation of external policies and the delimitation of tasks between the European Commission (EC) and the European External Action Service (EEAS) stand in the way of a more political mindset, which is a prerequisite for developing a comprehensive forward looking strategy.

To emphasise the external dimension of internal policies in fields where Member States can concur on the long-term strategic interests of the EU, and to improve the consistency between new foreign policies and traditional diplomacy, a more active cooperation between the two institutions is required and could be usefully supported by initiatives amongst which:

- the appointment in the next 2014 Commission of a Commissioner for Enlargement and Neighbourhood that is also deputy to the High Representative for Foreign Affairs and Security Policy;
- the creation of permanent joint task forces allowing for the pooling of expertise, instruments and resources of the EC and the EEAS on specific issues, for instance on mobility.

2. Addressing the fragmentation of economic governance within the EU and its external representation

Member States hope to make up for the lack of EU domestic demand with proactive national trade diplomacy emulating the “geo-economic” strategies of rising economies. This will likely not be sufficient to boost the EU’s economic competitiveness. Beyond the Commission’s mandate for the negotiation of market access, there is little emphasis on trade as a coordinated EU external strategy and competition among Member States undermines their long term interests. The priority for the EU’s long-term economic competitiveness is therefore:

- to knit Europe’s markets closer together by consolidating the Single market, especially in relation to services.

Leveraging EU economic performance abroad also requires strengthening the EU’s voice in global macroeconomic and financial affairs. In particular two initiatives seem promising:

- the creation of a single voice for the eurozone at the IMF;
- the extension of the recently established European Supervisory Authorities (ESAs) as institutional platforms to coordinate and represent European views in global financial regulatory negotiations.

3. Engaging with traditional and new global players – especially with China

Within the current multipolar framework, strategic cooperation between the EU and the US is required to create a global level-playing field promoting western values in global economic governance and addresses the ever more recurrent abuses of state capitalism.

Vis-à-vis new economic powers, and in particular China, the EU will lack assertiveness if relations remain channelled through individual Member States. New initiatives aiming at developing mutually beneficial relationships include:

- transparency on the sovereign debt bonds purchased by China;
- the creation of a system of incentives supporting existing demands for liberalisation and pointing at a “second opening” of the Chinese economy (encouraging Chinese private initiatives in order to strengthen Chinese

private capital; supporting the development of private company ownership, IPOs, intellectual property rights, etc.).

4. Developing a comprehensive strategic approach for sustainable growth and access to strategic resources

Green growth and sustainable development, a pillar of both the EU's internal and external actions, will remain at the forefront of the EU agenda despite the burden of the financial and economic crisis on its Member States' green transition. Highly strategic interests, like quality of life and economic competitiveness, would be threatened if climate change and natural resources depletion were to be unsuccessfully managed. These challenges are not only internal but global in nature, requiring better coordination and coherence between these two dimensions.

For the EU this implies:

- gaining credibility at the global level by strengthening internal instruments, particularly saving emissions trading from irrelevance;
- empowering Europeans via collective rather than unilateral actions, especially in relation to accessing key natural resources such as natural gas;
- developing the external dimension of key internal policies (energy and other raw materials);
- avoiding the trap of a narrow Eurocentric vision when developing renewable energy projects abroad, by conceiving these as mutually beneficial endeavours, for instance in the promotion of low-carbon energy in Mediterranean Partner Countries;
- meeting food security and environmental challenges in European agriculture;
- and systematically looking for more efficient and ecological ways of managing natural resources on both internal and external markets.

5. Supporting legal migration

Beyond the short term challenges induced by rising unemployment, the labour force shortage fuelled by the ageing of the European population calls for a serious debate and further actions regarding a more comprehensive EU migration policy. The following three initiatives would be of particular interest:

- Within the framework of Mobility Partnerships, groups of states, sharing a similar need for (highly) skilled workers and offering similar working, salary and living conditions, could cooperate more closely to put in place attractive and mutually-reinforcing policies for the recruitment of workers with the right profile.
- Internally, the EU should improve existing rules on the admission of migrants and reinforce the possibility for residing migrant workers to move within the EU for employment purposes.
- Enhanced coordination of integration policies is needed to support this process.

6. Moving beyond a “security-driven perspective” on migration and developing a comprehensive approach with other EU policies

A foreign ministers’ approach would allow broadening the debate on migration to social, economic and environmental issues and should be developed by:

- strengthening the role of the European External Action Service.

EU policies which have an impact on migration, such as development and cooperation policies, need to be taken into account to achieve consistency. This implies:

- abandoning the principle of conditionality which makes support for development conditional upon results obtained in migration control (readmission and border control). Cuts in development aid will not help address migration issues.

7. Moving from a defensive attitude towards the neighbourhood to the development of mutual interests

The EU has yet to find an adequate response to competing influences in the neighbourhood (illiberal values, alternative attractive markets...) and to react more promptly to the mismatch between on one hand the EU's long-term policies and institutional slowness and on the other hand the fast-paced changes and urgent demands of its neighbours. Whilst article 8 TEU mandates Europeans to actively engage their vicinity, a more positive outlook on the opportunities that could be seized in a stabilised and integrated neighbourhood implies:

- addressing the decrease in efficiency of the principle of conditionality used in EU policies, by setting political and policy benchmarks with measurable criteria (e.g. very narrowly defined objectives, such as freedom of speech) for a more rigorous allocation, or reduction, of funding;
- support regional stability through innovative incentives more strictly correlated to the pragmatic short-term objectives and interests of the neighbouring countries' civil societies (particularly in trade and mobility) and acknowledging the potential of partners' traditions in promoting pluralism and democracy.

8. Shifting towards a proactive and cooperative engagement with other regional actors like Turkey and Russia

Specific forms of cooperation with Turkey could help achieve shared objectives in the neighbourhood, particularly in the Mediterranean region.

- Whilst assertively engaging Brussels and Ankara in finding a solution to the Cyprus issue, the EU and Turkey should jointly and strategically engage with neighbours - notably the Arab states, appreciative of the Turkish model - in as many regional projects as possible (infrastructure, higher education and research, business development, etc.).
- The feasibility of a progressive opening of the EU-Turkey customs union to other neighbours could be investigated in order to boost intra-regional trade and the economic transformation of the region.

The engagement of Russia is a more daunting task yet there is no alternative.

- The Common Spaces dialogue should be revamped to serve as a forum for constructive exchange between working groups of ministry officials on small-scale projects in their shared neighbourhood.
- But the official track has to be accompanied by a strengthened outreach to civil society (partnerships between municipalities and schools, student exchanges and trilateral projects with East European partners) in order to gain an acute understanding of partner expectations and to support actors that are key for the successful implementation of the EU's goals in the East.

9. Conducting an EU defence policy review

The Common Security and Defence Policy (CSDP) will not become a vehicle for great military power competition; but nor should the EU expect to only have to deal with relatively-small peacekeeping operations. There are a number of potentially important tasks in-between that may require the use of military force, ranging from responding to major humanitarian crises to protecting maritime trade routes.

EU governments should therefore re-state the purpose of CSDP by:

- conducting a “European defence review” outlining the EU's geo-strategic priorities, the threats to European security, and the types of operational scenarios EU governments must prepare for.

10. Grasping the nettle of military capabilities

EU governments need to consider how they intend to maintain and develop military capabilities that give them the agility and autonomy they need to respond to future crises and challenges. If cuts in national budgets and capabilities continue on their current trends, most European armies might eventually become irrelevant. EU governments should therefore:

- look beyond their current “pooling and sharing” efforts towards integrating military capabilities;
- and make more efforts to integrate their procurement needs, which would help further consolidate the European defence industry.

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This selection remains under the responsibility of the rapporteurs.

GENERAL SYNTHESIS

*by Elvire Fabry, Senior Research Fellow,
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1. Time for a strategic rebound

The sovereign debt and banking crisis has drained the energy of European leaders. It is distracting them from the major geo-economic and geo-political trends which are transforming the world. **The European Union's external stakes are largely neglected.**

With the ECB's Outright Monetary Transactions (OMT) programme markets have calmed down. Partial progress has also been made with the decision to create a first pillar of a Banking Union in the euro area. But the crisis is far from resolved with persisting risks of liquidity and banking crises. **Squaring the circle, in order to perform a strategic rebound in a time of austerity and avoid a 2030 scenario of a G8 counting no European State, is particularly difficult.** The crises in the euro area have highlighted major flaws in European economic and political governance. Strong divisions and distrust between Member States reflect profound questioning about the EU's tools to return to growth. While further steps towards integration in the field of EMU remain necessary, policy makers are wary of how these will impact national sovereignty, making them unlikely to embrace these unless there is strong pressure from either civil society or another round of crisis. Yet growing social unrest is accompanied by ever more citizens calling for a re-nationalisation of European policies. Further integration will likely take time. In addition, the intervention fatigue resulting from the internal crisis fuels a rather defensive attitude towards an increasingly turbulent neighbourhood. **There is no evidence that political leaders will find the strength and drive to see beyond internal worries and engage in global strategic thinking.**

Yet existential doubts about the EU's added value in facing external challenges will not help citizens to buy into difficult reforms and further integration; and the relative decrease of EU influence on the global scene is becoming more apparent.

With the rise of new economic powers and the diversification of international players, particularly non-state actors, **centres of decision making are increasingly diverse and competing world-views are materialising**. The emerging powers challenge the liberal order based on Western values and institutions (open markets, social bargains, democracy, multilateral institutions and cooperative security) and what until the crisis was expected to be a progressive Westernisation of the world through globalisation. **Europeans have to prepare to engage in an ever more intense competition over values.**

In addition, this diffusion of power provokes a dilution of international responsibility for global public goods, such as security, environmental sustainability, trade openness, or macroeconomic and financial stability. Economic empowerment is not directly translated into global political or hard power – in spite of dramatic increases in military expenditure in countries like China and India. The priority of rising economies remains that of fostering their growth model – also affected by the crisis – and to conduct internal reform. China, in particular, is using global governance fora for its own self-interested agenda rather than for ensuring the provision of global public goods. This tendency of the new economic powers to perform as free riders at the global level with yet no clear agenda with regards to global order, coupled with the Obama administration's focus on internal concerns, as well as the relative decline of EU influence on the international scene and the weakening of the multilateral system could lead to **a vacuum in global leadership.**

To regain international influence and have a say in the shaping of the new world order, Europeans have **no other alternative than to focus on their shared interests in the changing world and to translate these into a long term strategy.** Defining this strategy implies looking beyond the conventionally defined and widely debated new centres of powers. For instance there is a tendency to underestimate Europe's interests in Africa. By 2030 Africa will count a population of 1.5 billion and represent, together with China

and India, two thirds of the world's young professionals between 19 and 25 years of age. Europeans could better anticipate the benefits that their geographical position and historical links with Africa could offer – notably by realising the potential of this young labour force for tackling the EU's medium term demographic challenge.

Nevertheless any attempt to define a European global ambition would arguably be too rhetorical to provide a useful basis for the elaboration of a comprehensive European external strategy. **A cautious step is instead that of beginning by an accurate assessment of the main challenges derived from new demographic, economic and geopolitical realities.**

The 16 European think tanks involved in this project have therefore opted to conduct this assessment *via* the definition of topical strategic approaches:

- the promotion of EU economic interests abroad,
- a sustainable management of strategic resources,
- a comprehensive migration strategy addressing the EU demographic challenge,
- an innovative neighbourhood policy allowing to regain influence in the region,
- and a more coordinated management of hard security capacities allowing to preserve EU's credibility and influence long term objectives.

These areas of interest underline fields where the external dimension of internal policies should be actively developed in order to reap the benefits of the Single market – an obvious asset for the EU's attractiveness and influence abroad – and where more consistency could be attained between the new foreign policies and traditional diplomacy, were the EEAS to succeed in thoroughly exerting its role, recognised by the Court of justice, of ensuring coherence between all aspects of EU external policies.

2. EU economic governance: leveraging European interests on the global scene

Whilst crisis management has triggered some important governance reforms in the euro area, **there is no alternative to further economic integration** to face both internal and external European challenges.

2.1. Beyond the export contest

The EU has yet to come up with a convincing growth strategy. This firstly requires the accomplishment of internal economic and financial integration and of a coordinated interaction with Europe's major trading partners. Yet the export-oriented policy of some Member States undermines a common EU approach and fails to reap the full benefits of the EU's economic weight, doing little to boost European long run prosperity, productivity and innovation.

- **The implementation of the Single market** – starting with removing remaining barriers to trade in the area of services – remains the main driver to boost internal demand and increase EU competitiveness abroad. Other than being a driver for growth, it could pave the way for a reinforced common external economic strategy and contribute to project European norms globally. (*J. Springford, CER & R. Youngs, Fride*)

2.2. Increasing the efficacy of the EU's external economic representation

Achieving a single European voice in monetary, financial and regulatory affairs has become critical. Yet, the fragmentation of the EU's external representation and its failure to influence the global regulatory agenda are striking.

Strengthened regulatory authority and compliance within the EU, coupled with improved information sharing and coordination among all relevant European actors (public and private), would contribute to institutional compatibility and effective communication of agreed EU positions and increase its bargaining power at the global level.

- **Extending the recently established European Supervisory Authorities as institutional platforms to coordinate and represent European**

views in global financial regulatory negotiations, would constitute a significant improvement. (*F. Chatzistavrou & D. Katsikas, Eliamep & Y. Tirkides, CCEIA*)

In addition, **increasing coordination among Member States for the representation of the euro area within international organisations** requires first and foremost understanding that European Member States are currently overrepresented and that this *status quo* is unlikely to resist indefinitely. The EU should anticipate these evolutions and organise so as to best preserve its power.

- A stepping-stone towards unified external representation would be the **creation of a euro area committee to coordinate voting rights within the IMF**, providing for fewer coalitions and subsequently strengthening the negotiating power of the European bloc. (*D. Schwarzer, SWP & F. Steinberg, Elcano & D. Valiante, CEPS*)

2.3. Engaging with the US and China

Fragmentation not only undermines EU action but also affects relations with traditional and new strategic partners, which are mostly developed through national capitals. Other than the Commission's mandate for the negotiation of market access *vis-à-vis* economics partners, there is little emphasis on trade as a coordinated EU external strategy.

Within the present multipolar setting, more strategic cooperation between the EU and the US is required to create a global level-playing field which promotes Western values in global economic governance and addresses the ever more recurrent abuses of state capitalism (illegal subsidies, forced technology transfers or disrespect of intellectual property rights).

- **A renewed Transatlantic Free Trade Agreement** – removing remaining trade barriers – could increase the EU's GDP by 0.7 per cent per annum and contribute to setting the standard for future trade negotiations with emerging countries.
- More targeted initiatives like the **creation of a Transatlantic Innovation and Research Space and a joint EU-US Research Energy Council**

could help bring new technologies to the market and be a driver of much needed innovation and growth.

- Finally, the EU and the US should engage in **permanent economic dialogue on macroeconomic issues** in order to explore mutual challenges and interdependencies, and strengthen the normative framework for the international economic and monetary system. (*P. Świeboda, demosEUROPA*)

Yet, Europeans also need to find a European way of engaging with the new economic powers in the construction of a new global economic order. China exerts ever-stronger economic and political power and Europeans must realise that they have interests that cannot be satisfied by the enduring pursuit of 27 diverging policies *vis-à-vis* China. No single Member State can successfully compete with China on a bilateral basis. A more proactive strategy is needed, using both multilateral channels and pragmatic EU-China bilateral alliances. The recent more assertive attitude of the EU (on public procurement, reciprocity and anti-dumping issues) must be reinforced to protect European investments in China, whilst simultaneously pursuing constructive cooperation in areas of shared interests (e.g. potential Chinese investments in the EU's neighbourhood). Europeans would benefit from:

- **more coordination on European sovereign debt bonds purchased by China** (introducing transparency between the Member States would ensure that purchases do not affect policy);
- **as well as the creation of a system of incentives supporting existing Chinese internal demands for liberalisation and pointing at a “second opening” of the Chinese economy** (efforts to welcome Chinese private enterprises, strengthening Chinese private capital, supporting the development of company ownership, IPOs, intellectual property rights, etc.). (*A. Kratz & J. Parello-Plesner, ECFR*)

3. EU natural resources: towards sustainable and strategic management

Highly strategic interests, like quality of life and economic competitiveness, would be threatened if climate change and natural resources depletion were to be unsuccessfully managed. Faced with rising powers' increasing consumption of natural resources and ever more assertive resource policies, the EU needs to equip itself with the necessary tools to guarantee its supply of natural resources whilst preserving its sustainability objectives. Yet recent international negotiations have highlighted that in spite of the EU's concrete and commendable efforts, in a time of global economic crisis, the EU's ability to positively influence the international debate on regulation has been drastically reduced. **Sustainable development may well be the field in which external ambition will be most driven by internal achievements.**

3.1. Acting at home

Despite the financial and economic crisis slowing down the green transition of European economies, **the EU has little choice but that of leading by example.**

- In the short-term, it is first of all by **focusing on domestic implementation and showcasing the resulting environmental and economic gains of energy efficiency and waste management**, that the EU will advance the sustainable development cause internationally. (A. Ahtonen & A. Frontini, EPC)

Yet implementation is frustrated by the fact that a key strategic resource, energy, remains of shared competence between the EU and Member States. In the face of threats to EU security and prosperity, driven by increasing EU dependency on energy imports, at the very least **the EU must become more assertive internally by consolidating its common energy market.**

- **The setting of mandatory targets for the Energy Efficiency Directive** would be a step in the right direction. (A. Ahtonen & A. Frontini, EPC)

- The EU must **define an unambiguous regulatory framework and clarify official EU positions on contested issues such as shale gas and genetically modified organisms**, so as to be able to identify a targeted number of efficiently funded research projects on the one hand, and on the other, provide clear future prospects for investors. (*S. Andoura, Notre Europe – Jacques Delors Institute & C. d'Oultremont, Egmont*)
- Where there are striking internal divisions, such as on **Carbon Capture Storage**, the EU would benefit from **being more transparent which would avoid mismanaging expectations both internally and internationally**. (*S. Tindale, CER*)

3.2. Aligning external action with domestic choices

The EU needs to equip itself with a systematic strategic approach to resource management, consistently identifying existing resources and assessing ways to preserve and develop these according to European needs. Coherence between internal choices and EU external action is to be established in those policy areas where Member States can agree on shared European long-term strategic interests.

- One such case would be **incorporating environmental externalities in the prices of agri-food products whilst standing firm in applying the same internal regulation to external operators active in the Single market**, as well as continuing its efforts to promote internal norms on a global scale. (*N. Chambon, Notre Europe – Jacques Delors Institute*)
- In the international context of cut-throat competition, the EU's legal tools are not always the best and sole instruments with which to pursue the EU's interests. The Union must develop a more comprehensive strategy encompassing political, diplomatic, security and economic tools. The creation of a European common market for energy must be complemented externally by a commitment to the **conclusion of unified EU energy partnerships tailored to the diversification of supply and the strengthening of Member States' negotiation power**. (*S. Andoura, Notre Europe – Jacques Delors Institute & C. d'Oultremont, Egmont*)

3.3. Getting out of the Eurocentric vision

For the sake of coherence between its neighbourhood and energy policies, the EU needs to abandon its euro-centric approach which supports European industries and engineering firms whilst too often neglecting the development of its partners. This does not imply a less zealous pursuit of the EU's interests, much to the contrary. It entails the realisation of genuinely mutually-beneficial projects for the EU and its partners – hence ensuring their long-term sustainability.

- **The Mediterranean Solar Plan provides a good example of the need for the EU to foster the creation of a shared area of prosperity and reinforce its projects' development potential**, providing thus for the region's growing energy demands but also creating new economic opportunities for all partners. (*G. Escribano, Elcano*)

Furthermore, the EU needs to distance itself from overly normative and improbable rhetoric, if it is to succeed in having international echo, particularly amongst emerging economic powerhouses which exert ever more influence over the resource debate by expressing the concerns of developing countries. The EU must learn to act as a mediator between opposing factions by **developing more pragmatic short-term measures**.

- With regards to the greening of global markets, **the EU could target transparency and fragmentation in global supply chains, resource nationalisation and the creation of credible incentives for resource efficiency**.
- **To engage with other influential powers, it should support both unilaterally and within international trade fora, the Asia Pacific Economic Cooperation's (APEC) efforts towards increasing trade in environmentally friendly goods, as well as all similar initiatives.** (*A. Ahtonen & A. Frontini, EPC*)

4. EU migration strategy: from zero to positive sum

Movements of people have been deeply transformed over the past years.

In addition to the constant onset of new conflicts forcing people to flee from their country, booming young labour force in economies with low employment capacity, instability of Mediterranean countries experiencing a political transition, economic turmoil in the euro area periphery and attractiveness of rising economies, are all provoking new movements of people and call for better anticipation of European long run needs. Beyond the development of very negative discourses around immigration and integration induced by rising unemployment, **the need to address the labour force shortage of ageing societies threatening the sustainability of the EU social model, calls for a serious debate and further action regarding the establishment of a more comprehensive EU migration policy.** (*H. Martens, EPC*)

4.1. Shifting away from a security-driven perspective

A reset of migration rhetoric in positive terms, reconciling domestic labour force needs, security and development, is imperative. **The EU has to depart from its antagonistic security paradigm, driven by Home affairs diplomacy, and develop a constructive comprehensive approach with other EU policies (development, cooperation policies...).**

- **A foreign ministers' approach relying on an increased role of the European External Action Service (EEAS) in migration issues, would be commendable in order to broaden the debate to social, economic and environmental concerns.** (*S. Carrera & L. Den Hertog & J. Parkin, CEPS*)
- It would also imply **giving up the principle of conditionality in the ambit of development support, whereby support for development is made conditional upon results obtained in migration control** (readmission and border control). (*R. Gropas, Eliamep*)

4.2. Engaging in the global war for talent

If the EU chooses to remain a “fortress Europe”, reluctant to welcome third country nationals, it will experience a backfiring effect when needing to attract low, middle and highly skilled migrants to fill in labour shortages. Support to legal migration by a comprehensive EU policy allowing Member States to compete in the “global war for talent” is urgently required.

- **It could be developed within the framework of Mobility Partnerships**, where groups of Member States, sharing similar needs for (highly) skilled workers and offering similar working, salary and living conditions, could cooperate more closely to put in place attractive and mutually-reinforcing policies for the recruitment of workers with the right profile. (*T. Maroukis & A. Triandafyllidou, Eliamep*)
- To be the most attractive labour market for highly qualified migrants the **EU also needs a more unified labour market** facilitating flexibility in the allocation of workers. It should **improve and develop existing rules on admission of migrants and reinforce the possibility for residing migrant workers to move within the EU for employment purposes**. (*A. Ette & R. Parkes, SWP & A. Sorroza & C. Gonzales Enriquez, Elcano*)
- But this process has to be accompanied by enhanced integration policies fostering social inclusion of migrants. **Further information and discussion on best practices of integration need to be developed between Member States**. (*H. Martens, EPC*)

5. The EU’s neighbourhood as an opportunity

The litmus test for the EU’s credibility at the global level is its capacity to manage successfully a neighbourhood that has become ever more challenging with the perspective of lasting instability following the Arab political transition, the growing regional influence of a more assertive Russian neighbour and the emergence of new actors in the Mediterranean area. Too embedded in a Euro-centric vision and a defensive attitude, the EU has not yet found an adequate response to competing influences in the neighbourhood

(illiberal values, alternative attractive markets on the East...). Unrest in Egypt and Tunisia as well as the Syrian conflict indeed highlight the limits of the fast yet rather formalistic European response to the Arab upraise.

The decreasing appeal of a crisis-ridden EU enjoying lower financial leverage needs to be counterbalanced by profound rethinking of EU strategic relations and priorities beyond the 2011 European Neighbourhood Policy review, allowing to reduce risks of conflict and attracting neighbours to the EU's values and Single market. Instead of fearing to be reduced to a provincial power in the global setup, by focusing on their neighbourhood, Europeans should **view the opportunities that can be seized in a more stabilised and integrated neighbourhood more positively, and prepare a positive agenda to engage the area more decisively.** (*M. Comelli, IAI*)

- **A communication produced by the Commission (possibly jointly with the EEAS) would usefully highlight the mandatory formulation of Article 8 TEU on the engagement of the Union in the neighbourhood, and encourage discussion among institutional actors as to what the EU is to achieve through its neighbourhood competence.**
- **A strengthened and more coherent ENP could be supported by the appointment in the next 2014 Commission of a neighbourhood commissioner that is also a deputy to the High representative for foreign affairs and security policy.** (*C. Hillion, SIEPS*)

5.1. Developing mutual interests beyond conditionality

Pursuing a policy of continuity, the EU has reinforced the principles upon which the ENP has always been based, first amongst which, conditionality. But **the efficacy of the principle of conditionality is ever more problematic**, especially in an era marked by the rise of new donor countries – the so-called new economic powers – with an entirely different approach to conditionality.

- Implementation efforts require **setting political and policy benchmarks with measurable criteria (e.g. very narrowly defined objectives, such as freedom of speech) for a more rigorous allocation or reduction of funding.** (*M. Comelli, IAI; L. Najšlová & V. Řiháčková,*

Europeum & O. Shumylo-Tapiola, Carnegie Europe; H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute)

- Beyond that, concrete short-term objectives are urgently needed to react more promptly to the mismatch between on one hand the EU's long-term policies and institutional slowness and on the other hand the fast-paced changes and urgent demands of its neighbours. The EU needs to **support regional stability through innovative incentives more strictly correlated to the pragmatic objectives and interests of neighbours** (e.g. visa liberalisation, trade agreements, etc.). (*M. Comelli, IAI; L. Najšlová & V. Řiháčková, Europeum & O. Shumylo-Tapiola, Carnegie Europe; H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute)*
- **Deep engagement with civil society via the development of concrete and visible joint policies involving businesses and non-governmental organisations (NGOs)** is mandatory for the EU to understand its partners' expectations and support the voice of actors fostering public interest. In a time of austerity, capitalising on this relatively low-cost yet high value added approach is key for the successful implementation of the EU's goals in the region. (*L. Najšlová & V. Řiháčková, Europeum & O. Shumylo-Tapiola, Carnegie Europe; H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute)*
- In addition, in the Southern neighbourhood, the EU must **prevent the dangerous segmentation of southern civil society by making a bigger effort in engaging with traditional and faith-based parts of civil society**. The EU could apply its civil society concept more flexibly, developing a greater dialogue with Islamic donors and NGOs along with acknowledging the potential of its counterparts' traditions in promoting pluralism and democracy. (*H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute)*

5.2. Developing co-management with other regional actors

To manage threats and establish the neighbourhood as a hub for sustainable economic growth, Europeans must manage their trust capital with their partners. They should develop a more proactive and cooperative engagement with other regional actors, like Russia, Turkey or Qatar, pragmatically combining trade, hard security, migration and development objectives, as well as carrying out joint initiatives with more geographically remote powers such as China. (A. Balcer, *demosEUROPA*; L. Najšlová & V. Řiháčková, *Europeum* & O. Shumylo-Tapiola, *Carnegie Europe*)

- In Turkey, the EU's expertise in civil society engagement can play a substantial role in the consolidation of the country's democratic transition and a stronger Turkish civil society could help reinforce the perception of Turkey as a successful model for the Mediterranean.
- **Europeans should also explore areas where the EU and Turkey have mutual interests** and could develop common projects together with the Arab states (infrastructures, higher education and research, business development, etc.).
- **A progressive opening of the EU-Turkey customs union to other neighbours** could significantly boost intra-regional trade and provide a great example of how the EU could positively impact the region's economic development whilst simultaneously pursuing its own interests. (A. Balcer, *demosEUROPA*; H. Amirah Fernández, *Elcano* & T. Behr, *Notre Europe* – Jacques Delors Institute; M. Comelli, *IAI*)
- In the light of the newly forged customs union between Russia, Belarus and Kazakhstan and its noteworthy potential power of attraction for EU Eastern neighbours, a re-evaluation of EU policies towards the region is also commendable to tackle growing indifference towards EU proposals – and notably towards the Eastern partnership. Yet building trust with Russia is necessary in order to progressively merge EU and Russia's interests in their neighbourhood. **The revamping of the Common Spaces dialogue** (to serve as a forum for constructive exchange between officials and working groups of ministry officials on small-scale projects) **should**

be accompanied by a strengthened outreach to civil society (partnerships between municipalities and schools, student exchanges and tri-lateral projects with East European partners). (*L. Najšlová & V. Řiháčková, Europeum & O. Shumylo-Tapiola, Carnegie Europe*)

6. EU defence: the capabilities and credibility conundrum

Talks on the Common Security and Defence Policy (CSDP) foreseen in the agenda of the December 2013 European Summit, **re-considering the role military instruments should play in the overall toolbox of EU power resources**, could not be more timely.

The economic crisis has impacted national defence budgets, and cuts budgets without coordination across Member States are leading to the expansion of capacity gaps at a time when elsewhere, particularly in the rising economies, the main trend outlines a tremendous increase of defence expenditure. The issue at stake is not simply a loss of credibility but of basic security, as neighbours' instability and the instability of our neighbours' neighbours threaten to produce potential spillover effects on the EU itself. The recent Libyan, Syrian and Malian cases have illustrated the increased willingness of the US to leave Europeans to deal with their own security, whilst underlining the lack of European consensus on the use of robust force. (*D. Keohane, FRIDE; J. Techau, Carnegie Europe*)

6.1. Conducting an EU defence policy review

The possession of a wide diversity of instruments, ranging from civilian tools – diplomatic corps, development and humanitarian projects – to traditional defence activities, has become the hallmark of EU foreign policy and has proven to be effective, for example in the Horn of Africa. Yet the use of defence as a form of statecraft needs to be clarified as there remain a number of potentially important tasks that may require the use of military force, ranging from responding to major humanitarian crises to protecting maritime trade routes.

- **A clear explanation of why Europe needs a military option is imperative and should be conducted via a “European defence review”** outlining the Europeans **geo-strategic priorities** (e.g. focusing on the

neighbourhood vs remaining a security provider in Asia?), **functional shared interests** (e.g. protecting energy supplies, maritime trade routes...), **and existential interests** (e.g. promotion of international law, traditional defence...) as well as the types of operational scenarios EU governments should prepare for. (*N. Witney, ECFR; J. Techau, Carnegie Europe*)

- **EU governments should also develop defence dialogue and military cooperation with strategic partners like India, Russia, Japan and South Korea**, similar to the ones initiated with Brazil and China – respectively in 2012 and 2013 – **to develop more transparency and mutual trust**. (*D. Keohane, FRIDE*)

6.2. Grasping the nettle of military capabilities

Going beyond the limited “pooling and sharing” initiatives – mainly in training and equipment – creates sovereignty issues.

- To address the dilemma between watered-down national sovereignty on the one hand and weak European power on the other, governments should **use the full potential of Permanent structure cooperation offered by the Lisbon Treaty, which means not only cooperation but military integration**. (*R. Kempin, SWP*)
- The latter could have a real impact, despite reductions in defence expenditure, if **beyond the focus on equipment, duplication of production and procurement were also addressed. The leverage produced would be even more important if further developments in common logistics support systems (transports capacities, etc.) and interoperability were pursued**. (*J.-P. Darnis, IAI*)

Negotiations in this field need to be conducted at the level of chiefs of state and governments for they do not only determine the EU’s agility and autonomy to respond to future crises and challenges by combining diplomatic, development and humanitarian resources, but also ultimately deeply impact Member States’ industrial policies, competitiveness and employment.

None of the above can be translated into action **if a more entrepreneurial mindset is not developed** via increased mutual trust and complementarity between Member States, the European Commission and the EEAS. The proposals addressed here by the 16 think tanks therefore pave the way for **a positive agenda of EU external action** allowing for the fostering of trust of both institutional actors as well as citizens, in the EU's capacity to effectively engage with a new global order defined by fast-paced changes and ever more diffuse centres of power and decision making.

PART 1:

EU ECONOMIC GOVERNANCE: LEVERAGING EUROPEAN INTERESTS ON THE GLOBAL SCENE

Rapporteurs:

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SYNTHESIS

1. External and internal challenges

For several years now, the European Union has been facing two simultaneous challenges: the first internal, dealing with the crises in the euro area, and the second, interrelated, external challenge, dealing instead with the declining role of the EU in the world economy. Within Europe, the ongoing sovereign debt crisis has put the euro area under strain. In a low-growth-high-unemployment environment, most Member States are implementing substantial structural reforms and budgetary consolidations. At the same time, the euro zone area is creating a banking union, and has made progress with reforms for fiscal and economic governance, but has yet to move towards a meaningful fiscal and political union, which are necessary conditions for the economic and political sustainability of the euro. **Given the urgency for crisis management and the ongoing need to improve banking, economic and fiscal governance structures, political attention has been mostly concentrated on EU internal developments.** This inward orientation urgently needs to be rebalanced in order to tackle the second, interconnected, challenge the EU

faces: **that of maximising its external influence in a rapidly changing world in which Europe is rapidly losing relative power and influence.**

2. The decline of the EU's economic influence

The rise of new players on the world scene, notably China and other emerging countries, is reflected in the evolution of the institutions of global economic governance. In 2008-2009, the G20 summit took over from the G7/8 as the most important forum for the discussion of global economic and financial developments and potential international coordination efforts. One out of five G20 members is European. In the G8, half of the members were European. Also the EU's presence in the International Monetary Fund (IMF) has been relatively reduced: the European governments had to give up two of their eight seats in the Executive Board. Europe's voice has further been weakened by the fact that several European states have become recipients of IMF aid. **Together, the relative loss of economic weight and the visibly poor performance in terms of growth, debt and banking stability have accelerated the decline of Europe's normative power.** Neither EU countries nor the US are today necessarily considered as 'models' and Western liberal preferences have less weight in shaping the debate on the future organisation of global economic and financial affairs.

One could expect that its weakened role on the global level would have pushed EU Member States closer together in their appearance on the global scene in order to defend joint interests more effectively. For instance, given that the EU is the largest trading block in the world and that trade policy is an area where Europe speaks with a single and powerful voice, one could thus expect an influential role for the EU. **Quite the contrary, the EU is not doing particularly well in handling the external dimension of trade. And the same could be said about economic, financial and monetary issues.**

Moreover, the **fragmentation of its external representation, in particular in macro-economic policy fields, and its troubles influencing the global regulatory agenda and the reform of the international monetary system are striking.** Most problems can be traced back to the unwillingness of some Member States to transfer more power to unified representations in

multilateral institutions or the fragmented ways in which European Member States exercise power when dealing with external partners.

This applies to the EU's attempts to leverage its economic performance abroad and, in particular, to its strategy in dealing with traditional and new partners. New initiatives need to be taken in order to once again move closer to the EU's traditional American partner and promote western values in global economic governance. Europeans also need to find their own way of engaging with the new economic powers in the construction of a new global economic order. The problem is less in itself the rise of new powers like China or India, than it is Europeans' lack of an accurate assessment of new demographic and economic realities at the political level and the absence of a clear understanding of EU interests.

3. Ways ahead

3.1. The EU's trade strategy: crisis-driven competition versus long term EU competitiveness

Member States pursue commercial diplomacy in a way that is increasingly undermining to a common EU approach. Competition between Member States for market access is rising as they desperately seek sources of growth in exports to make up for slow domestic growth, as consumers are weighed down by debt and governments cut spending. This strategy is unlikely to make Europe richer. Besides moving forward with the banking, the fiscal, the economic and the political union, **the EU has to fuel domestic demand by promoting policies that boost consumption and investment in those Member States that are not as harshly hit by the debt crisis. In the long term, Europe has to improve its slow rate of productivity growth. The EU needs new efforts to boost trade among the EU Member States by knitting Europe's markets closer together** and by increasing competition between European firms, especially in services. This is more likely to be successful than current attempts by Member States to try to emulate emerging economies' 'geo-economic' strategies. (*J. Springford, CER & R. Youngs, FRIDE*)

3.2. Engaging with China

With regard to the BRICs, and especially with regard to China, Europe needs to redefine its strategy in order to ensure that both parties benefit from an increasingly close and diversified relationship. So far, **Europe's approach to the BRICs has been fragmented and essentially based on trade and competition policy.** With China, the EU recently became more assertive, notably on public procurement, reciprocity, and anti-dumping issues. China chose to retaliate, slowing down investment in developed countries where China was not welcome. **The EU needs to clearly define European priorities in the strategic partnership, to match Chinese 'core interests'** and consistent demands on the arms embargo, Market Economy status and the One-China policy. Regarding Chinese bond holdings, foreign country purchases of sovereign debt in Europe should be made public so that opacity cannot be employed to enhance political influence. Joint European messages should be delivered at bilateral visits to ensure that sovereign debt purchases do not affect policy. Europeans should moreover create a system of incentives for co-operating with reformers in China. Thus, the EU could leverage already existing insider demands for liberalisation in order to achieve its economic goals. With regard to rising Chinese FDI in Europe, the EU should make a special effort to welcome Chinese private enterprises, which will also strengthen the position of Chinese private capital at home. But it is essential to ensure reciprocity and the protection of European investments in China. Finally, Europe should encourage a 'second opening' of the Chinese economy, one that increases domestic consumption and acts as a new source for global growth. Company ownership and IPOs, intellectual property rights, the financial and service sectors, and public procurement are all areas of pressing interest for Europe in this context. (*J. Parello-Plesner, ECFR & A. Kratz, ECFR*)

Besides China, the EU needs to develop comprehensive strategies to deal with other key emerging powers like India and, particularly with middle powers like Mexico, Brazil, Indonesia, South Africa or – closer to the EU – Turkey: economies that may have an increasing influence in the world over the next decades.

3.3. Reinventing the transatlantic economic partnership

The EU should work towards a major initiative to advance the recently launched transatlantic trade and investment agenda. Eliminating tariffs would make companies from the US and the EU more competitive. Removing existing trade barriers could increase the EU's GDP by 0.7% and the US's GDP by 0.3% per annum and promote common standards, especially in trade in services, that could later be adopted by third parties or included in WTO negotiations. On macroeconomic issues, the EU and the US should engage in a regular strategic economic dialogue in order to explore mutual challenges and interdependencies, and coordinate policies more effectively. Other important areas of dialogue include energy and climate change, within the ambit of which the US shale gas and oil revolution has improved the country's position fundamentally. In the field of climate change, research collaboration on major technologies across the energy mix would be a promising perspective. Creating a Transatlantic Innovation and Research Space and a joint EU-US Research Energy Council would greatly help to bring new technologies to the market. Finally, Europe should seek cooperation with the US in its efforts to strengthen the normative framework for the international economic and monetary system. *(P. Świeboda, DemosEUROPA)*

3.4. A single voice for the euro in monetary, financial, and regulatory affairs

Europe could increase its influence in global macroeconomic issues if it is capable of creating a single voice for the eurozone in global financial and economic affairs in general and in the IMF in particular. Increasing coordination among Member States for the representation of the eurozone within international organisations can be pursued in two ways. The first option would be to simply improve coordination in the use of voting rights currently allocated to eurozone members, which are today split in two individual memberships and six different coalitions. This could be done through the creation of a euro area committee. The second option would be the creation of a single chair for eurozone countries. Membership would need to be officially handled by an institution that has control on budget and fiscal policies, since the voting rights are immediately linked to the effective quota held within the Fund. This institution could be potentially represented by the European Stability

Mechanism, which may increase its importance in the future economic governance set up of the eurozone if it becomes central in the coordination of fiscal policies. An alternative would be a eurozone economic government, if the EU was willing to embark on a major treaty change. This option requires a reform, or at the very least a reinterpretation, of IMF Articles of Agreement, since officially only ‘countries’ can be part of the IMF. The second impediment to such a proposal concerns the re-calculation of the formula. By removing intra-EU flows from the calculation of the quota, the Euro area total quota may fall well below 21%, making the first option more attractive if no major reform of the formula is going to be undertaken in the coming years. However, this option would make more sense (for the benefit of having an integrated framework of external representation) if the IMF was to modify this formula and reduce the weight of eurozone countries that are currently overrepresented. (*D. Valiante, CEPS & D. Schwarzer, SWP & F. Steinberg, Elcano*)

In the field of financial governance, the EU’s current process of internal financial and banking reform should be used to strengthen the EU’s voice. The task is to promote a more unified and cohesive external representation of its positions. However, this potential may not be realised unless its design takes into account the institutional characteristics of global financial governance, which is composed of a variety of organisations often transcending the traditional public-private dichotomy. The EU should build on its own experience from international accounting harmonisation by turning its ad hoc governance initiative with the International Accounting Standards Board into a full-blown strategy in all areas of financial regulation. The generalisation of this strategy consists in extending the recently established European Supervisory Authorities (ESAs) as institutional platforms to coordinate and represent European views in global financial regulatory negotiations. More specifically, in order to strengthen the EU’s regulatory capacity and ensure its institutional compatibility and complementarity with global financial regulatory fora, the newly established ESAs should act as institutional platforms to coordinate and represent European views in global financial regulatory negotiations. Moreover, it should be ensured that the design of the new European banking supervisory authority takes into account both the dimension of the EU’s external representation in global banking regulation as well as the new agency’s relation to the European Banking Authority (EBA), thus avoiding further fragmentation in the European financial regulatory landscape. To complement

the ESAs, appropriate governance structures compatible with the global financial regime are needed. (*F. Chatzistavrou, Eliamep & D. Katsikas, Eliamep & Y. Tirkides, CCEIA*)

A well formulated deepening of integration is the only solution to both internal and external European challenges. The EU needs to solve its internal economic problems (low growth and productivity and incomplete governance of the euro) in order to be able to exercise more influence globally. The internal crisis is an opportunity. The internal changes, required to make the monetary union sustainable and the European economies more competitive, require a higher level of political integration, and further integration in turn could facilitate the construction of a single European voice in foreign economic policy.

PART 2: EU NATURAL RESOURCES: TOWARDS SUSTAINABLE AND STRATEGIC MANAGEMENT

Rapporteurs:

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Nadège Chambon | *Senior Research Fellow, Notre Europe – Jacques Delors Institute*

SYNTHESIS

Sustainable development has been at the forefront of the international agenda for the last decade, a trend that may endure despite the financial and economic crisis hitting EU Member States and slowing down the green transition of their economies. The EU's marked commitment – at least on paper – to its own sustainable development as well as that of the planet has become a pillar of EU discourse worldwide. Nonetheless the EU's internal policies in areas such as biodiversity, efficient use of resources, waste management, food and energy security and climate change, are far from being fully implemented and an external strategy addressing the latter challenges is still under development.

1. Major threats to sustainable development

Growing population and pressure on resources have become a hurdle to development. Faced with the worrying prospect of world population reaching 9 billion by 2050, and the resulting growing demand for food and fuel, the EU is exhorted to actively protect its own interests amidst increasing global competition over resources. Within this context ensuring food security remains a central issue – if this basic need is not satisfied, all other development and environmental aims (increasing investment, employment, productivity, education, pollution and overexploitation) will be compromised.

In this context, natural resources such as energy, biodiversity and other raw materials are being overexploited within and beyond EU borders, leading to scarcity and dependency on external sources. European primary energy resources are being depleted while energy demand is growing, exacerbating thus the EU's energy import dependency – set to continue growing in the near future. Increasing global competition for resources will also engender price volatility, and higher prices for resource supplies, which are bound to fuel uncertainty worldwide. If access to these resources is not managed, this could have serious implications for Europe's competitiveness and well-being at large.

Last but not least, the effects of climate change, if left unchecked, are identified by the EU and its Member States as a key global challenge as well as one of the greatest threats faced by humanity. South Asia, China and more specifically the Sahel and the Mediterranean region could be particularly affected, increasing instability in the EU neighbourhood. Europe and its residents will also suffer various direct consequences, including extreme weather and the spread of tropical diseases.

2. Ways ahead on the external dimension of the EU's approach to natural resources

Highly strategic interests are at stake as European quality of life and economic growth would be threatened if natural resources depletion and climate change are unsuccessfully managed. The competitiveness of the European economy and of its private sector, the cost for the public sector and the purchasing power of citizens are also at stake. These challenges are not only internal but global in nature. Thus, these would benefit from better coordination and coherence between their internal and external dimensions – contributing to defining a clearer and more profound European common strategy.

2.1. Gaining credibility at the global level by acting at home

Before all else, the EU absolutely needs to act at home. Whilst Europe has an obvious interest in cooperating, both internally and externally, on sustainable development goals, the implementation of a sustainable economy within EU

borders remains to be achieved. Particularly in the field of climate change, it is only by strengthening its own climate policy and showcasing the resulting environmental advantages as well as economic gains, that the EU will be able to effectively and coherently advance the climate change cause internationally. Indeed, the recent rounds of negotiations of post-Kyoto international summits on climate change have highlighted that commitment to fighting climate change in the near future is likely to remain based on countries' own internal voluntary engagement. Whilst the EU maintains its role as leading norm setter in the field, emerging countries exert ever more influence over the natural resources debate, an effort which must be matched by Europeans in order to remain relevant.

2.2. Empowering Europeans via collective rather than unilateral actions

When strategic areas of national sovereignty and security of supply are concerned, such as in the field of energy, Member States often prefer to defend their national interest through unilateral external policies. While often EU framework is in place, Member State implementation lags behind due to slow buy-in and a general lack of interest towards cooperation. The issue of food security in poor countries illustrates the potential added value of cooperation between Member States and EU action. Thanks to the work of the Commission, the EU now promotes better coordination and a complementary approach between donors. Joint multiannual programming is based on regional, national and thematic strategies and stresses the importance of implementing coordination not only in Brussels but at field level as well.

2.3. Avoiding the trap of a narrow Eurocentric vision

In the field of sustainable development, the EU needs to complement its top-down approach with bottom-up policies based on concrete projects formulated and designed in cooperation with external partners. The development of sustainable energy in the Southern Mediterranean through EU-Med cooperation is an example of good practice in this respect. The combination of the Mediterranean Solar Plan and the Directive 2009/28 together set a viable institutional framework for cross-border renewable energy flows and catalyses investment to advance specific projects. Nevertheless these efforts will be frustrated if the project's dimension as a potential driver for economic

development in the South is not significantly reinforced, otherwise the project risks assuming the traits of an exclusively EU-centric approach.

2.4. Improving the coherence between internal and external dimensions of EU policies

The European Commission should strengthen cooperation with the EU diplomatic service (EEAS) and together play an active role in better coordinating EU external action. This would be particularly useful to increase efficient capacity building and develop cross-cutting geographic approaches. Securing the access of European firms and citizens to strategic resources requires a more systematic, structured and coherent use of the set of foreign policy instruments (i.e. CFSP, trade, development, enlargement, and neighbourhood policies, etc.). Coherence between internal choices, policies, and EU external actions must be established in policy areas where Member States can concur on the long-term strategic interest possessed by the EU. One such case could be the incorporation of environmental externalities into the price of agri-food products: while the demand for a greener Common Agricultural Policy (CAP) and greener farming practices grows, European farmers and the agri-food industry must remain as competitive as its global counterparts.

2.5. Developing a systematic strategic approach for scarce natural resources

In order to develop a strategic approach for these resource challenges, a few guidelines could be systematically implemented, identifying the existing resources in Europe and assessing ways to preserve and develop these according to European needs. The EU has already identified several strategic resources such as raw materials, soils, water and energy. However, despite the growing global pressure on food demand and growing volatility of prices, paradoxically food security is not being granted the same level of attention – food-trade or the CAP are no longer perceived as necessary for the insurance of food security and reasonable pricing. Strategic thinking on this issue deserves more attention.

3. Ways ahead on specific concerns: energy, food, climate change and eco-efficiency

Without being exhaustive, the following components of the EU's sustainable development strategy need further attention and require coherent approaches at the EU level.

3.1. The external dimension of gas in the EU energy transition

Natural gas, the cleanest of all fossil fuels and a potential alternative to renewables, is expected to play an important role in the European transition towards a low-carbon economy by 2050. The future of EU gas policy has become a major long-term geopolitical, economic, environmental and social concern. Facing these challenges, it is crucial for the EU and its Member States to clarify the internal and external choices as regards its gas strategy.

Above all, Europeans must complete the creation of a competitive, interconnected and well-functioning internal energy market for gas. On the external dimension, the EU needs to remain committed to the process of concluding binding international agreements and energy partnerships with producer and transit countries, as well as with other key international actors for the diversification of its supply. Key projects include the Southern Corridor and the building of additional LNG terminals. The EU should also stand firm in applying its internal regulation to external operators active in the internal market for gas. Additionally, Europeans should define a clear regulatory framework for the development of shale gas so as to clarify future prospects for investors, and taking into account their impact on the environment and climate change. Finally, the EU should ensure that the increasing interest towards gas does not substitute renewable energies in the long term. (*S. Andoura, Notre Europe – Jacques Delors Institute & C. d'Oultremont, Egmont*)

3.2. The promotion of low-carbon energy in Mediterranean Partner Countries: a mutually beneficial endeavour

Thanks to the Mediterranean Solar Plan, renewable energy sources have become a hallmark of both the EU's energy policy and the Union for the Mediterranean. EU regulation on renewable energy (Directive 2009/28)

explicitly envisages green electricity imports from third countries to help the EU meet 3x20 goals. Yet, in order for these projects to create a genuinely shared area of prosperity in the Euro-Mediterranean region, additional accompanying measures are required. Fostering investment, training, gradual delocalisation and technology transfer will allow not only to provide for the region's growing energy demand but also to create new economic opportunities, jobs and wealth.

Meanwhile, in order for Southern partners to reap the expected benefits, a significant upgrading of the institutional and infrastructure levels of Mediterranean partner countries is needed. These must be able to signal their will to provide an attractive ecosystem for investment, training and technology transfers. Such a comprehensive programme would constitute the first occasion in which energy is used as an instrument of development for the Mediterranean. (*G. Escribano, Elcano*)

3.3. Meeting food security and environmental challenges in European agriculture

'Europe feeding the world' is an increasingly questionable objective; Europeans should rather focus their efforts on the use of a wide range of tools to help developing countries ensure their own food security. The CAP and the issue of agri-food trade also need serious strategic rethinking in order to effectively and efficiently meet European interests (food security, ecological concerns).

With regards to food security and the environmental challenges related to agriculture: the EU must be clearer on its scientific and technical choices, particularly on GMOs, in order to concentrate its finance on a small number of clearly identified and efficiently funded research projects for agricultural productivity. Finally, the EU would gain in encouraging small-scale projects and knowledge-based agriculture that take into account the diversity and complexity of agro-systems. (*N. Chambon, Notre Europe – Jacques Delors Institute*)

3.4. Strengthening internal instruments to maintain external influence: saving emissions trading from irrelevance

The key issue related to climate change, needing to be urgently addressed by the EU, is the revision of its Emission Trading Scheme (ETS). The latter requires a combination of measures. On the one hand a sensible way forward would be for substantial allowances to be set aside as soon as possible, preventing carbon prices from collapsing. On the other hand the Commission should simultaneously propose the application of a price floor, a price ceiling and border tax adjustments, providing the market with the long-term certainty needed to attract investment in innovation and infrastructure, at reasonable capital cost.

The three European institutions should agree on the setting aside of allowances. The Commission should propose a Europe-wide price floor of €30 per tonne, and border tax adjustments with revenue returned to the country of origin. The Commission needs to make these proposals as soon as possible, so that the process of making the ETS a credible climate policy is not further delayed. (*S. Tindale, CER*)

3.5. Towards a better management of internal and external markets

The EU must strive for eco-efficiency in its internal market. To do so it must ensure both resource efficiency and eco-innovation. The implementation of existing policies is thus key, the setting of mandatory targets for the Energy Efficiency Directive could be a step forward. Overconsumption and waste management remain an area where the EU can and should do more; recycling for instance possesses the potential for reducing the instability of EU energy supply, in turn mitigating the effects of price volatility on the economy. Furthermore, other than the completion of an EU energy market, the Union needs to concentrate its efforts on the creation of a functioning market for secondary raw materials, which is still missing.

With regards to the external market, EU policies should be targeted at granting green goods and services free access to global markets on fair terms. These policies must address transparency and fragmentation in global supply chains, resource nationalism, multilateral trade liberalisation and the creation

of credible incentives for resource efficiency. To do so the EU must engage with other influential powers, concretely it should support both bilaterally and within international trade fora, the Asia Pacific Economic Cooperation's (APEC) efforts towards increasing trade in environmentally friendly goods, as well as all similar initiatives. (*A. Ahtonen, EPC & A. Frontini, EPC*)

PART 3: EU MIGRATION STRATEGY: FROM ZERO TO POSITIVE SUM

Rapporteur:

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SYNTHESIS

1. Multifaceted challenges

Over the last years, the world has changed in a manner which has had important effects on the movement of people. The economic downturn, the unrest in the Mediterranean region, the rise of emerging countries like Brazil, Russia, India, China, Turkey, Mexico, and Indonesia, all these elements have had an impact on people's migration. While some people are fleeing conflicting countries, such as Syria, others are leaving their country in order to improve their living conditions. These movements should be taken into account against the background of a deep transformation of the EU which is threefold.

Firstly, the EU is facing an unprecedented crisis whose effects on jobs destruction, in particular in southern states, are massive, and will continue to impact Europe's economy for a while. As a consequence, the EU is not a top destination area for migrant workers and EU citizens may wish to migrate towards other countries. **Secondly**, the economic situation has created the conditions for the development of populist and negative discourses about immigration and the integration of migrants in EU societies. **Thirdly**, both phenomena occur at a critical moment for the EU. It is starting to experience a decline in its demography which will modify the EU labour market and social model. Indeed,

demographic shrinking creates workforce shortages and is accompanied with an ageing society creating new needs. This raises the question as to whether migrant workers are needed to take care of elderly people, fill in labour shortages and preserve EU's social model (*H. Martens, EPC*)

To sum up, whereas current difficulties experienced within the Union tend to fuel 'drawback' reactions, various realities portray a very different picture, calling for more complex answers. Indeed, the preservation of the EU's labour market and social system, the duty to protect people fleeing for their lives, the recognition of the opposition between a shrinking and ageing Europe and its expanding, young and unemployed African neighbour, illustrate the level of complexity of the migration puzzle. It is a responsibility of the EU and its Member States to address this issue in order to properly manage movement of persons to, within and outside the EU.

2. Current situation

Policies developed so far are hardly appropriate for addressing forthcoming challenges.

2.1. Problems deriving from a narrow security-driven policy

The EU is 'trapped' in an imbalanced migration policy where 'security-driven' concerns obscure other problematics related to the movement of people. In concrete terms, the action at EU level has primarily been developed in the fields of external border management, visa and irregular migration. While the issue of refugees has been addressed within the framework of the Common European Asylum System, the latter is still not fully completed. Finally, issues related to admission and legal migration policies have been poorly addressed. These imbalances between irregular and legal migration policies are problematic. On the one hand, they are falling short of providing for appropriate answers to current and forthcoming challenges. There is no EU-wide strategy offering intra-EU mobility schemes to reallocate workforce across Member States in line with the asymmetrical effects of the crisis. Nor is there a long term strategy addressing the question of admission schemes within the perspective of

the EU's current demographic shrinking. On the other hand, these imbalances are reflected in external policy with two main consequences.

Firstly, the EU's external action has followed a narrow, restrictive approach with regards to migration. EU action has primarily been based on the conclusion of readmission agreements with third countries. So far, results of such a policy have been average. On the one hand, and according to the European Commission, European Readmission Agreements are not fully implemented by Member States. The latter prefer to rely on bilateral agreements. On the other hand, whereas 13 EU agreements have been signed, the EU is still struggling to conclude agreements with strategic countries such as Turkey, Morocco or Algeria. Moreover, third-countries have been successful in conditioning their commitment to the possibility of being granted counterparts such as EU visa facilitation or visa liberalisation agreements.

Secondly, the 'one-sided' approach has a legal impact on the EU's capacity to enact its external migration policies. More precisely, under EU law, the EU is competent to act in the external dimension in two specific situations; where the Treaty gives a competence or where the EU has adopted rules 'internally', i.e. in order to continue EU's internal action it is entitled to act in the external field. Given the limitative action in the field of legal migration, EU external action is limited as well. This legal obstacle has made the development of EU external policy intricate and somewhat inefficient.

Indeed, and because the EU has not developed any comprehensive legal migration policy, this issue remains in the remit of Member States. Hence, negotiations with third countries, which claim legal migration counterparts with respect to their involvement in security-driven issues, would normally imply the signature of a mixed agreement involving the EU, the Member States and third countries. Mixed agreements take a long time to be ratified and implemented. In order to overcome these difficulties, the external dimension is based on 'Mobility Partnerships'. But these partnerships present two main weaknesses; they are neither legally binding nor comprehensive as Member States are involved on a voluntary basis. In other words, Member States may choose to get involved or not. This does not help to have a unified and coherent approach (*T. Maroukis & A. Triandafyllidou, Eliamep*)

This intricate picture is portrayed in the main document dealing with the external dimension of EU migration policy under the name “Global Approach to Migration and Mobility”, published in 2011 by the European Commission.

2.2. The use of conditionality

The principle of conditionality has regained some extra space in the field, particularly so since the Arab Spring. According to this principle, third countries will receive economic support insofar as they are delivering properly in fields related to readmission and border control. The attempt to put in place this principle was supported by the UK in the early 2000’s but rejected by a strong group of Member States. It has now returned to the table and should in any case be dealt with the highest attention. Indeed, there is a risk that such a principle, where applied, could be extended to development policies, i.e. development aid would in this case be delivered according to results obtained in the field of migration. But, one should keep in mind that cuts in development aid will in no situation help to address migration issues, on the contrary. *(R. Gropas, Eliamep)*

2.3. An unattractive EU

In the immediate aftermath of the Arab Spring, citizens from the southern shores of the Mediterranean Sea saw their newly regained freedom come up against an unfaltering EU external border. The picture of a European continent reluctant to welcome third country nationals may backfire when EU Member States will need to attract low, middle and skilled migrants to boost their economy, satisfy labour, skills shortages and structural needs deriving from demographic decline.

On the other hand, the absence of any comprehensive immigration policy, including common admission policies, and the development of negative discourses about immigration and integration at national level does not make the EU an attractive destination. More than that, the lack of ‘common EU policy’ in this field leads to the worst case scenario where Member States are competing against each other, in particular with respect to the ‘global war for talent’.

3. Which way(s) ahead?

3.1. Moving beyond Home Affairs diplomacy

This implies first of all a shift from a security-driven perspective to a more ‘mobility/admission mode’. ‘Home affairs’ shouldn’t be left alone to lead the process. Put differently, and as argued in the Paper, a foreign ministers’ approach could enable to unlock the debate and broaden it up to social, economic and environmental issues. In this regard, the role of the European External Action Service (EEAS) in the external dimension of migration policies should be further strengthened by increasing the service’s institutional capacities in this portfolio and revisiting the division of responsibilities between the EEAS and Commission departments such as DG Home and DG Development and Cooperation. The EEAS should act as prime interlocutor for the Dialogues vis-à-vis the North African states. (*S. Carrera, J. Den Hertog & L. Parkin, CEPS*)

3.2. Mobility partnerships as transitional tools to support legal migration

Support to legal migration needs to be further developed. This process could be undertaken within the framework of Mobility Partnerships where groups of states, sharing a similar need for (highly) skilled workers and offering similar working, salary and living conditions, could cooperate more closely to put in place attractive and mutually-reinforcing policies for the recruitment of workers with the right profile (*A. Ette & R. Parkes, SWP & C. Gonzalez & A. Sorroza, Elcano*). ‘Sponsor schemes’ could also be included in Mobility Partnerships. Under such schemes, implemented in Italy some years ago, a citizen could ‘sponsor’ a new migrant providing for accommodation, food, insurance until the migrant finds a job (*T. Maroukis & A. Triandafyllidou, Eliamep*). As a general statement, mobility partnerships should be considered as opportunities to develop common and innovative actions. To arrive at the conclusion of a Mobility Partnership, the EU and the North African states should agree on a “Roadmap to Mobility” which would sequence the steps needed from both sides. To ensure an equal partner dialogue, this cannot be a rigid conditionality approach, but rather a way to build mutual trust by offering specific incentives on both sides. Mobility should not be ‘exchanged’ for measures stemming irregular migration flows, but should be used rather to encourage reforms needed for safeguarding human rights, building independent courts

and narrowing socio-economic differences (*R. Gropas, Eliamep*). Finally, mobility partnership should not be used to circumvent a legally binding approach based on the conclusion of international agreements establishing rules regarding legal migration.

3.3. Improving existing legal migration schemes

The modification of existing directives is one path to scrutinise. This covers the Blue Card directive which should be modified as its harmonising capacity is rather low. Indeed, the Directive leaves wide margins of manoeuvre to the Member States when implementing it. As a consequence, the Directive does not create the conditions for an effective harmonisation of labour markets. On the other hand, providing incentives for qualified migrants to stay requires reinforcing the links between the student status and access to the labour market. Despite the existence of a solid Student directive, access to the labour market is left in the hands of discrepant Member States' national policies. Redrafting the Students and Researcher Directives in the light of the need for highly skilled migrants could also complement the Blue Card and increase the inclusiveness and attractiveness of EU's migration policy. (*A. Ette & R. Parkes, SWP & C. Gonzalez & A. Sorroza, Elcano*)

3.4. Reinforcing mobility

Another path is to make mobility more of a reality. While the concept of circular migration remains somewhat vague, the development of circular migration programmes based on financial incentives upon the migrant's return to its country of origin, may be envisaged. Another way would be that of linking temporary immigration schemes with options for status changes. This would significantly increase the attractiveness of the EU as a destination in particular for highly-skilled migrants (*A. Ette & R. Parkes, SWP & C. Gonzalez & A. Sorroza, Elcano*). The improvement of intra-EU mobility within the EU is also one option that deserves to be further developed. Currently, non EU-migrants face significant difficulties to move within the EU for employment purposes. This does not make the EU an attractive destination. Making intra-EU mobility more efficient would require removing legal, administrative and bureaucratic obstacles, providing for the portability of pension rights and social

entitlements, developing information sharing and establishing rules regarding recognition of qualifications.

3.5. Developing a comprehensive approach with other EU policies

Several EU policies can help to properly address migration issues in a more consistent manner, amongst which are, notably, development and cooperation policies. These may more specifically aid in developing anti-corruption initiatives and building well-functioning institutions. Indeed, efforts developed in this regard should help improve investment climate and consequently encourage remittances and diaspora investments. Keeping this in mind, the links between development and migration policies should be exempted from the conditionality logic. Engaging more dynamically in a constructive dialogue on avoiding brain drain in countries of origin remains a crucial point for the attractiveness of mobility policies. Platforms such as the Global Forum for Migration and Development (GFMD) can be useful in identifying innovative actors and best practices. Finally, the impact of EU policies such as trade, agriculture, fisheries and development, on (forced) migration should be further assessed. (*R. Gropas, Eliamep*)

3.6. Improving integration policies

The development of policies aiming at opening legal channels of migration would fail to meet the expected result so far as these are not accompanied by integration policies aiming at fostering social inclusion of migrants into receiving societies. If common approaches are not possible, the existing system whereby EU Member States could learn from each other when it comes to best practices of integration should be further developed. (*H. Martens, EPC*)

It is time to take a broad approach on the external dimension of migration issues. This implies the development of strong, reliable and mutually beneficial relationship between the EU, its Member States and third countries in order to address forthcoming challenges linked to movement of people worldwide.

PART 4: EU NEIGHBOURHOOD: A RENEWED OPPORTUNITY

Rapporteur:

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SYNTHESIS

The policies devised by the European Union to deal with its neighbourhood, and in particular the European Neighbourhood Policy (ENP), have been characterised by a **Euro-centric vision as well as a defensive attitude**. While the Arab Spring should have led EU policy-makers to substantially revise existing policies, the 2011 ENP revision resulted in a rather formalistic exercise, failing to significantly alter the paradigm governing EU action in the region. A strategic overview of the EU's relations with its neighbours instead calls for an authentic paradigm shift making up for the diminishing attractiveness of the EU model in the region and coupled with greater strategic engagement of other powers both within the region and beyond.

1. An ever less appealing EU

As a result of the conjunction between the eurozone crisis and the Arab Spring, the EU's role as a model for candidate countries as well as for its neighbours, is rapidly being eroded. The collapse of the EU as a model for third countries is, possibly, most prominent amongst ENP countries that are not presented with a membership perspective. Viewing and dealing with Eastern and Southern neighbours through the lens of the EU model has so far not brought about significant results: the EU has applied enlargement-lite principles and instruments to its relations with neighbours rather than understanding and

effectively managing the expectations of its partners, most of whom are simply not interested in entering into this kind of a relationship with Brussels.

2. The quest for a new regional paradigm

Pursuing a policy of continuity, **the EU has limited itself to reinforcing the principles upon which the ENP has always been based, first amongst which, conditionality.** However, this mechanism, whilst resulting highly successful when applied to enlargement policy, has only worked to a limited extent in the case of neighbouring countries – with the main exception being Moldova. More so, this tendency has been reinforced as the EU has seen its appeal deteriorate among neighbouring countries. Besides, while the 2011 ENP revision called for a more rigorous implementation of both positive and negative conditionality (clear benchmarks of evaluation for partners' performance are yet to be disclosed), a more general reflection on conditionality points to the mechanism's unsuitability in regulating the EU's relations with its neighbours, and particularly so with respect to the Southern Mediterranean countries affected by the Arab Spring. In principle, conditionality can be best applied to countries that have experienced a regime change, or that are going through an endogenous process of reforms. However, in these same countries the awareness that the political change has been triggered from within and not from outside is likely to generate a negative reaction towards the application of conditionality. On the contrary, where authoritarian regimes continue to have the upper hand, like in Algeria or in the Gulf countries, the EU is either unable or unwilling to use (negative) conditionality. Negative conditionality (less-for-less) can be very useful in order to punish gross human rights violations but is unlikely to be of much benefit in order to incentivise specific reform initiatives, or even prevent a democracy reversal.

3. Strategic engagement of regional and external powers in the EU neighbourhood

The EU is also facing the **emergence or re-emergence of other regional and external powers in its vicinity**, most notably Turkey, Russia, the Gulf States and China. So far, the EU has tended to either attempt to compete with

or neglect the geopolitical impact of these powers in its neighbourhood. It is time for the EU to adopt a more proactive and cooperative strategy in its neighbourhood, aimed at seizing opportunities rather than defending itself from real or perceived threats. In particular, it should develop concrete and visible joint policies engaging not only governments but also businesses and non-governmental organisations (NGOs) in a dialogue with the EU.

The Turkish accession process needs to be revitalised. Yet beyond the current stalemate, it is imperative for the EU to explore areas in the neighbourhood where the EU and Turkey respectively have a comparative advantage, identifying thus opportunities for developing fruitful joint initiatives. The most solid foundation of Turkey's influence in the Arab world is the widespread sympathy it disposes of on the Arab street. A successful modernisation and democratisation (although still in progress), undertaken by a post-Islamist party, has created in the eyes of Arab societies an image of Turkey as a source of inspiration. The EU should turn this trust capital into a complementary tool to support reform in the Arab world. Turkey can also provide a model for modernisation in more than one business sector. In turn, the EU is to take the lead with regard to the involvement of civil society.

Cooperation with Russia is certainly more difficult, as the worldview of the two actors is very different, possessing divergent and even competing ideas regarding how their common neighbourhood should develop. However non-engagement is not an option. Looming problems such as the so-called frozen conflicts in Eastern Europe and the Caucasus may only be tackled through the involvement of all regional actors, amongst which Russia clearly plays a pivotal role. In addition, spaces for the cooperation of civil societies need to be explored. The most important task for the EU is to try to build trust with Russia, potentially by initiating joint small-scale projects in their shared neighbourhood.

4. Policy recommendations

The EU needs a new comprehensive and strategic approach for the ENP that is able to look beyond the short-term constraints imposed by the internal economic crisis and address its increasingly unstable neighbourhood more proactively. Simultaneously creating and reaping mutually beneficial

opportunities must be the guiding principle of a renewed EU strategy in the region as opposed to the mere tackling of security challenges stemming from the area.

Particularly in the Mediterranean, the Arab Spring has been disconnected from issues such as the Middle East peace process, reflecting a missed opportunity for the EU to re-think its approach to this and other regional issues. The potential for spillover is considerable and clinging onto old realities no longer makes sense in the new context. (*H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute*)

The EU should now concentrate on:

4.1. A full use of article 8 TEU

The compulsory and all-encompassing engagement of the Union in its neighbourhood, as foreseen in Article 8 TEU, should become much more prominent in political discourse, notably at the level of the Commission/HR initiatives. The Commission should produce (possibly jointly with the EEAS) a Communication highlighting the mandatory formulation of Article 8 TEU on the ENP, exposing thus the full potential of the article and informing discussion among institutional actors as to what the EU is expected to achieve through its neighbourhood competence. (*C. Hillion, SIEPS*)

4.2. A strengthened coordination and cooperation between the ENP bodies and institutions to ensure coherence

A Commissioner for (Enlargement and) Neighbourhood that is also a deputy to High Representative for Foreign Affairs and Security Policy could be appointed in the next 2014 Commission. He/she would be assisted by the whole network of services in charge of the neighbourhood policy, including the relevant geographical Managing Directorates. (*C. Hillion, SIEPS*)

4.3. A revision of conditionality

The prospect of the EU attempting to “shape” the emerging democracies in the Southern Mediterranean through leverage is inherently problematic and could

backfire if mismanaged. EU public diplomacy needs to become more forceful and direct, especially with countries like Jordan and Morocco which are most likely to listen. The implementation of benchmarks – concrete political and policy issues with measurable criteria the partners have to fulfil in order to become more deeply integrated with the Union – indeed represent one of the weakest achievements of the EU's policy towards the neighbours. Aiming at an effective leverage of mutually agreed principles of transparency, inclusiveness of the policy dialogue and democratic standards, the EU should not hesitate to use freezing of its funding as a stick; particularly in those partner countries lacking resources this strategy has already proved successful in a number of cases. (*L. Najšlová & V. Řiháčková, Europeum & O. Shumylo-Tapiola, Carnegie Europe; H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute*)

4.4. Engaging with civil society

The economically struggling EU needs to concentrate its efforts on involvement with civil society – which is perceived by its partners to be its strongest point – focusing thus on a number of very narrowly defined objectives, notably freedom of speech. Encouraging elected leaders to engage in dialogue with non-state actors is exactly the niche in which the Union can and should do more to amplify the voice of non-state actors acting in the public interest. In its dialogue with partner governments, the EU should emphasise that support comes only for projects for which such groups have been previously consulted. (*H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute; L. Najšlová & V. Řiháčková, Europeum & O. Shumylo-Tapiola, Carnegie Europe*)

4.5. Strategic cooperation with Turkey in the common neighbourhood and particularly in the Mediterranean

The EU should launch specific forms of cooperation with Turkey to achieve shared objectives in their common neighbourhood. While assertively engaging with both Brussels and Ankara to find a solution to the Cyprus problem, the EU and Turkey should strategically, and not only occasionally, converge their policies towards the region, with a special focus accorded to the post-Arab Spring Mediterranean countries (*M. Comelli, IAI; A. Balcer, DemosEUROPA*). The feasibility of a progressive opening of the EU-Turkey customs union to other

neighbours could be investigated. The customs union is more limited than deep and comprehensive access to the EU's Single market, but as in the case of Turkey, it can more promptly play a decisive role in the economic transformation of the region and boost intra-regional trade. (*H. Amirah Fernández, Elcano & T. Behr, Notre Europe – Jacques Delors Institute; A. Balcer, DemosEUROPA*)

4.6. Engaging Russia

The engagement of Russia seems to be a more daunting task yet the EU has no other option. In particular, specific forms of cooperation should also be launched for the resolution of the frozen conflicts in Eastern Europe and the Caucasus. In addition, the Common Spaces dialogue should be revamped to serve as a forum for constructive exchange between officials and working groups of ministry officials from different levels of middle management; yet the official track has to be accompanied by a strengthened outreach to Russian society rather than being uniquely state-centred. The EU-Russia Civil Society Forum was a small step in a good direction, but much more can be done to build confidence and create networks. Partnerships between municipalities and schools, student exchanges and trilateral projects with East European partners perhaps will not be game changers in the short-term, but are a *conditio sine qua non* for the successful implementation of EU's goals in the East. In addition, the newly forged customs union between Russia, Belarus and Kazakhstan and its potential power of attraction should lead the EU to re-evaluate its policies in the region in the light of the apathy of Eastern neighbours towards the EU. (*M. Comelli, IAI; L. Najšlová & V. Řiháčková, Europeum & O. Shumylo-Tapiola, Carnegie Europe*)

PART 5: EU DEFENCE: THE CAPABILITIES AND CREDIBILITY CONUNDRUM

Rapporteur:

Daniel Keohane | *Head of Strategic Affairs, FRIDE*

SYNTHESIS

After a few years of relative neglect, the EU's Common Security and Defence Policy (CSDP) started to show signs of revitalisation during 2012. Between 2003 and 2009, some 23 operations were initiated through CSDP, but only one new mission was organised between 2009 and 2011. This changed during 2012, with three new operations, and at least two more are in the pipeline for deployment during 2013. More importantly, in December 2013 a European Council summit, bringing together EU heads of government, will formally discuss CSDP for the first time since 2008. The prospect of this summit discussion offers a focal point for EU governments to develop their thinking on CSDP during 2013, and to re-consider why the EU needs the military option.

1. What strategic priorities?

Europe's neighbourhood is currently very turbulent: a civil war rages in Syria; Iran's nuclear programme is raising serious tensions; Libya is not yet stabilised; and there are on-going disputes in the Caucasus – amongst many other challenges. Based on recent evidence, the EU cannot be certain that key neighbours such as Algeria, Lebanon or Belarus will pursue stable paths. Besides, instability in the “neighbours of the neighbours” in the Sahel, the Gulf or Central Asia might also affect European security. Added together, the myriad

of current and potential security challenges in Europe's broad neighbourhood makes a heady mix.

In addition, the global strategic environment is changing. The US is re-balancing its military resources, away from Europe towards the Asia-Pacific. This move makes sense from a Washington perspective, but it does imply that Europeans should take much more responsibility for most of their immediate neighbourhood. Considering the American non-responses to the 2006 Lebanese-Israeli and 2008 Georgia-Russia wars, and initial reluctance to intervene in Libya in 2011, Washington would probably be happy to leave most future Eastern and Southern neighbourhood crises to the Europeans (East of Suez is a different matter). The key point for EU defence policy is that Europeans may have to increasingly act alone in the future. (*D. Keohane, FRIDE*)

2. Defence as a form of statecraft

For many years politicians and officials have described the EU's main added value in international security as its ability to bring together a wide range of instruments, from diplomats to development and humanitarian projects to military activities (known as the "comprehensive approach" in EU jargon). However, this has rarely worked well in practice, albeit at least the EU is now increasingly trying to fit CSDP missions into broader regional strategies. For example, EUCAP Nestor – an operation to build maritime capacity around the Horn of Africa – is the third CSDP mission deployed alongside various development projects managed by the European Commission in that region. One challenge for the EU will be to further improve its ability to coordinate all its existing instruments, both in Brussels and in the field.

EU governments should also consider developing defence dialogues and military cooperation with strategic partners. For example, in July 2012 the EU agreed with China to set up a regular dialogue on defence and security, including training exchanges and sharing ideas on crisis management and tackling piracy. The two sides will hold a joint high-level conference during 2013 on security and defence issues. In time these EU-China military exchanges, alongside Chinese bilateral exchanges with EU Member States, might encourage Beijing to become more transparent about its military build-up. The EU

also started a similar defence policy dialogue with Brazil during 2012. These types of military exchanges could be extended to other partners, such as India, Russia, Japan and South Korea. The EU already discusses counter-terrorism, for instance, with India and Russia, and Moscow supplied helicopters to the EU peacekeeping mission in Chad in 2008. (*N. Witney, ECFR*)

3. The use of force

In some ways, the real problem facing European defence policy is that EU governments do not agree on how or when armed force should be used. Roughly, the EU-27 can be split into three groups: activists, defenders and free-riders. Activists are prepared to use force abroad; defenders, partly because of austerity, prefer to focus on territorial defence; while free-riders spend little and do less. NATO's 2011 Libya operation is a case in point: only five EU countries (all from Western Europe) deployed fighter jets to bomb ground targets.

The hope is that the combination of austerity and the shift in US defence policy from Europe to Asia will spur EU governments to work harder at overcoming their differences on the use of force. If the US is busy elsewhere, future Libya-type scenarios in Europe's neighbourhood may require Europeans to deploy robust force without American help. The French military intervention in Mali in early 2013 reflects this emerging strategic trend; and it shows the political differences amongst the EU-27 over the use of force – France intervened alone while a Franco-German-Polish EU “battle group” remained on standby. (*J. Techau, Carnegie Europe*)

4. The capabilities conundrum

Another key area is developing military capabilities. European shortages of adequate numbers of useful military capabilities have been long and widely documented. Despite deep budget cuts in some Member States, the 27 EU governments still spend around €190 billion on defence each year, which is some €40 billion more than the entire annual EU budget. But the European members of NATO struggled to sustain an air war for more than six months in 2011 against Libyan armed forces with a then-yearly budget of around \$2

billion. There is a plethora of plans to improve European military capabilities – through the EU, NATO, regional groupings, tri-laterally and bi-laterally – but only 20 per cent of European defence equipment acquisitions are in collaboration with others. If cuts in national budgets and capabilities continue on their current trends, most European armies will probably become little more than hollowed-out forces with few capabilities to offer in the future.

Europe's lack of useful military resources formed a major part of the inter-governmental discussion of the defence-related provisions of the Lisbon Treaty (which entered into force at the end of 2009) and Permanent Structured Cooperation (PESCO) would make it easier for a subset of EU countries to work together more closely on military matters. Those EU governments which meet a set of capability-based entry criteria can choose to cooperate more closely after securing a majority vote. This clause makes a lot of sense, since military capabilities and ambitions vary widely among EU members. Indeed, to be useful beyond “pooling and sharing”, PESCO implies forms of military integration – not only cooperation – between the participating governments. (*R. Kempin, SWP*)

5. The defence industry

The European “pooling and sharing” debate has sometimes focused too much on equipment goals and not enough on other important aspects such as pooling and sharing production alongside procurement. There is tremendous waste in European defence spending. For instance, there are thirteen producers of aircraft, ten of missiles, nine of military vehicles and eight of ships; by contrast, the US – with double the market size – has twelve producers of aircraft, five of missiles, eight of military vehicles and just four of ships. The result of this national fragmentation is a duplication of development and production and different standards of equipment. This fragmentation also hinders the development of common logistic support systems and diminishes military interoperability.

The EU's comparative advantage in the defence capability area is that it can link military equipment goals and projects to European defence industrial policies. The European Commission already has a role policing the European defence market, which has helped open up national procurement

to Europe-wide competition. It has also made it easier to form cross-border defence companies by removing some barriers to intra-European transfers of military technology. During 2013, a European Commission task force (led by Commissioners Barnier and Tajani) will report on ways the Commission can help strengthen the competitiveness of the European defence industry in a time of severe national budget cuts. For example, although it is legally barred from spending on military projects, the Commission currently spends around €200 million a year on security research and technology, and some of these civilian projects could have useful military applications. (*J.-P. Darnis, IAI*)

7. Defence is too important to be left to the Generals

All the analysts in this collection of essays have essentially called on EU governments to re-state the purpose of CSDP, for example by conducting a “European defence review”, which would outline the EU’s geo-strategic priorities, threats to European security, and the types of operational scenarios EU governments should prepare for. CSDP will not become a vehicle for great power military competition; but nor should the EU expect to be called upon to only deploy relatively-small peacekeeping operations. There is a number of potentially important tasks in-between, ranging from responding to major humanitarian crises to protecting maritime trade routes.

EU governments should consider how they intend to maintain and develop the military capabilities that would give them the agility and autonomy to respond to future crises and challenges. The political task for EU governments, therefore, is to more clearly define how they intend to use their military resources together, and in combination with their considerable diplomatic, development and humanitarian assets. At the European Council summit in December 2013, EU heads-of-government should explain why Europe needs the military option.

THINK GLOBAL – ACT EUROPEAN (TGAE)

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Before the 2013 edition, dedicated to the EU's external action, the first three editions of the report (2008, 2010 and 2011) have focused on the agenda of the successive EU trio presidencies:

- “Think Global – Act European III (TGAE III). The Contribution of 16 European Think Tanks to the Polish, Danish and Cypriot EU Trio Presidency”, Elvire Fabry (dir.), *Notre Europe*, June 2011
- “Think Global – Act European II (TGAE II). The contribution of 14 European Think Tanks to the Spanish, Belgian and Hungarian EU Trio Presidency?”, Elvire Fabry and Gaëtane Ricard-Nihoul (dir.), *Notre Europe*, March 2010
- “Think Global – Act European I (TGAE I). The contribution of 13 European Think Tanks to the French, Czech and Swedish EU Trio Presidency”, Elvire Fabry and Gaëtane Ricard-Nihoul (dir.), *Fondation pour l’innovation politique / Notre Europe*, May 2008

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THINK GLOBAL – ACT EUROPEAN IV

Within the context of reinforced global interdependence, the European Union needs to develop more strategic thinking in order to react to the tectonic changes occurring on the international scene. To anticipate the negative spillover of the euro crisis on the EU's international influence and avoid the progressive marginalisation of Europeans on the global scene, the EU needs to equip itself with an integrated strategy for the European external action.

The fourth edition of the Think Global – Act European (TGAE) project, directed by *Notre Europe – Jacques Delors Institute*, brings together 16 European think tanks, to examine the new challenges faced by the EU's external action and formulate a number of key policy proposals on: the promotion of European economic interest worldwide, a sustainable management of strategic resources, the demographic and migration challenge, neighbourhood policy and defence capacities.

These proposals, from over 40 experts from all over Europe, call for the EU to address its coordination problems and solicit the need for a new paradigm for EU's external action based on a strategic rethinking of the EU's interests, its means, and ultimately its *raison d'être*.



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