

The European Union at a Crossroads

Introduction

Je me propose de prononcer mon discours en anglais, mais permettez-moi de commencer par quelques remarques en français. Je vous remercie de m'avoir invité à prendre la parole ce soir ici à Luxembourg. Au nom de la Fondation Jean Monnet pour l'Europe, je tiens à remercier nos hôtes et nos partenaires qui ont organisé cet événement, et un mot de remerciements particulier à l'Université du Luxembourg et à l'Institut Pierre Werner.

Pierre Werner a eu une carrière politique extraordinaire et longue. Nos chemins ne se sont jamais croisés personnellement. Cependant, en tant que jeune économiste universitaire enseignant l'économie dans ce qui est aujourd'hui l'Université de Limerick, dans le Midwest irlandais, j'avais accès bien avant Internet à tous les documents clés de la Communauté économique européenne par le biais du Centre de documentation européenne de l'université. C'est là que j'ai rencontré Pierre Werner et Leo Tindemans à travers leur rapport respectif – le rapport Werner de 1970 établissant un plan pour la réalisation progressive de l'UEM, et son analyse ultérieure par Tindemans en 1975. La réalisation de l'union monétaire s'est avérée plus difficile et a pris plus de temps que prévu, mais il ne fait aucun doute que le rapport Delors de 1989 sur l'UEM s'est appuyé sur les bases posées par Pierre Werner.

Encore une fois, je remercie tous ceux qui ont participé à l'organisation de notre événement ici ce soir.

EP elections

In just over three weeks' time in the case of the forthcoming European Parliament elections and in six months' time for the US Presidential elections we are facing perhaps the most consequential elections of recent decades. Political scientists often characterise the European Parliament elections as second order elections. This time, wherever one places them in the political hierarchy, the outcome is likely to be strategically significant, with implications for policy making at European and national levels.

The two main parliamentary political groups – the European People's Party (EPP) and the Progressive Alliance of Socialists and Democrats (S&D) – lost seats and their former combined majority in the last two EP elections. This trend is set to continue, more marginal than dramatic, but reflecting a long-term slow decline in voter support for mainstream parties and a growing level of party political fragmentation at both national and European levels.

The right in Europe – with its focus on nationalism, identity politics, populism, and culture wars – has grown slowly but surely over the past three decades. Where once they were ostracised now they are normalised. A European Council on Foreign Relations (ECFR, ecfr.eu) study published earlier this year predicted what it called a sharp turn right in the upcoming EP elections, suggesting, based on a poll of polls, that anti-elite and populist parties on the right are likely to top the polls in eight member states, Austria, Belgium, Czechia, Hungary, Italy, Netherlands, Poland and Slovakia, and to be second placed in a further nine states, Bulgaria, Estonia, Finland, Germany, Latvia, Portugal, Romania, Spain, and Sweden. Collectively these could constitute up to one in four of future MEPs. Their impact is likely to be felt most in anti-immigrant and anti-Green Deal policy preferences. To maintain a sense of perspective, three in every four deputies in the next EP mandate will not be far right representatives.

The EPP looks set to remain the largest group and is primed therefore to retain the capacity to propose the next Commission President. Their nominee is the outgoing President, Ursula von der Leyen. This will give them a leading agenda setting role but in a more complex, uncertain, and challenging parliamentary environment where the chemistry of consent will be less assured and more diverse and contested. The indications are that the Renew and Greens/European Free Alliance groups will be the biggest losers, with the biggest winners on the right, the radical right in the Identity and Democracy Group (ID), and the European Conservatives and Reformists (ECR). According to the latest poll of polls these two groups, ID and the ECR, are set to grow but by somewhat less than predicted earlier this year. They sit to the right of the EPP.

The EP effectively operates through de facto coalitions even where no formal coalition agreements exist. These are essential since every group in the parliament is and always has been a minority. Gaming the numbers offers a useful but incomplete insight into future power political coalition building. This is likely to be a variable mix depending on the issues to be addressed, all passing through the EPP but needing constant negotiation to accommodate a more diverse and contested political landscape. The 'pivotal MEP' in the next parliament for the first time is likely to be in the EPP group, rather than in the centrist Renew (former Liberal) group.

It should be recalled that winning votes in the European election will not be the same as winning power. In terms of coherence the political forces to the right of the EPP are themselves such a mixed bag that their capacity to coalesce or conflict with each other post-election is at best conjectural. Some like Poland's Law and Justice Party (PiS) are strongly Atlanticist, pro NATO, Russo phobic and pro Ukraine. Others like Hungary's Fidesz are pro-Russian, pro Trump, hostile to supporting Ukraine, and are spoilers inside the Western alliance. Currently Fidesz is affiliated to no group in the European Parliament. After the elections they have two options, to join the ECR Group with Georgia Meloni, or the Identity and Democracy with Marine Le Pen. Under the cover of these foreign

policy issues the far right's real effect will need to be judged by what they are doing domestically as regards policy and national institutions.

The instinct of mainstream pro-European groups, even if diminished, will be to make deals that optimise their influence while minimising the impact of a stronger populist right to the extent they can. For the EPP and the next nominee Commission President seeking to split the right through a policy of rapprochement with some carries the risk of alienating others to its left. It remains to be seen how elusive and demanding building majority EP support will prove to be.

US Presidential Election

November's US presidential election will be a rerun of the 2020 contest between Joe Biden and Donald Trump. A Biden win would be a source of relief for most Europeans but this should not be presumed to be a win for the status quo ex ante. NATO's future would be more assured. But a determined drive to reindustrialise and re-shore US industry, aggressive anti-monopoly policy to curb corporate power different to EU competition policy norms, fighting climate change through industrial policy and not carbon pricing, and pressurising allies, in particular the EU, to join joint actions to confront Chinese mercantilism and its growing technological ambitions will not be painless for Europe. The comfort blanket of US security guarantees for a continent unsettled by the war in Ukraine, assuming it remains in place, will not be cost free in terms of strategic policy choices.

It is important to distinguish what we may wish for and what we may get. The prospect of a Trump presidency is growing. He is leading in polls in most swing states. The Republican party is falling into line and increasingly uniting behind him. Biden is facing an increasingly divided Democratic party over Gaza and the

Middle East. He now is opposed by those who think that he is both too hard and too soft on Israel. The prosecutions against Trump coming so late in the electoral cycle keeps him in the spotlight while energising his base.

Unemployment in the USA is at its lowest in fifty four years, but the electorate seems more focused on persistent inflation. So far Bidenomics is not proving to be a winner with voters. In terms of who is trusted more on the economy Trump leads in the polls. In terms of immigration policy the Trump lead over Biden is even more pronounced. In terms of who is more competent to lead, in particular regarding the issue of age and capacity, there has been sharp shift towards Trump over the past four years. Trump does not like the EU, is volatile on NATO, is a global warming sceptic, a WTO agnostic, and is likely to raise tariffs on imports including from the EU. He admires strong man leaders, counting among them Vladimir Putin, Xi Jinping, and Viktor Orban. His second coming would be more thoroughly prepared and enduringly conservative than his first. Polls are not outcomes and there is nothing inevitable in politics but in political terms it seems like a good time to put our seat belts on.

Westlessness

The United States was and remains the indispensable anchor of the normative West, and as the war in Ukraine confirms, yet again, it still is the arsenal of democracy. What the USA does matters. This year's US Presidential election is likely be the most significant of our lifetimes, not just for the USA but for the idea of the West itself, its values, norms, aspirations, and choices.

In a compelling essay in the Washington Post Robert Kagan, a senior fellow at the Brookings Institution, argued that Donald Trump is running against the system, if he wins he will face the fewest constraints ever on a US President, and that the rights of his perceived enemies will be conditional and not guaranteed.

Kagan's message, his words not mine, is that the United States is drifting towards dictatorship.

Liberal democracy which was on the rise after the collapse of the Berlin Wall in 1989 is now in recession with a growing number of autocracies, dictatorships, and illiberal democracies. Freedom House has reported the 18th consecutive year of democratic decline globally. The West is stressed by political, social and economic cleavages following multiple consecutive crises. Anti-elite, illiberal, anti-system political candidates and philosophies abound. This poses a question as to whether the West in terms of inherited normative standards such as liberal democracy, open markets, and international cooperation is becoming less western, a phenomenon labelled by the Munich Security Conference 2020 as 'Westlessness'.

What is clear is that we have entered a new age of uncertainty. This is at a time of spreading nuclear proliferation with diminished and contested strategic weapons safeguards. The world we live in shares both deep interdependence and deep vulnerability. China joined the WTO in December 2001, became the manufacturer to the world, lifted hundreds of millions of its citizens out of poverty, and through a steady flow of affordable goods lowered inflationary tendencies in the West. Russia became a full member of the WTO in 2012.

The link between open markets, democracy, and international cooperation is a key normative aspect of the liberal world order. Back in 2000 the West's expectation on China was captured by Bill Clinton's final State of the Union address to Congress where in essence he argued that China's admission to the WTO would enrich Americans and help convert China to freedom. Less than two decades later Donald Trump in his inaugural presidential address blamed trade with China for creating 'American carnage.'

Multipolar and Multi-order World

Meanwhile, Xi Jinping was tightening the grip of the Chinese Communist Party behind the Great Firewall of China. The gamble that enhanced access to global markets would democratise China did not pay off. The ground has shifted from economic embrace to geopolitical great power tension and rivalry. The fate of Taiwan could be the ultimate testing ground for the EU. China's "No limits" friendship with an aggressive Russia and its potential Trojan Horse entryism into the EU through Budapest are sources of concern. The fate of multilateralism as we have known it is where the geopolitical stresses and strains currently are most evident. As the 2024 Munich Security Conference (MSC) Report notes: 'cooperation inside the existing order has been crowded out by competition about the order itself.'

The EU is heavily invested in the post war norms and institutions and from the outset its values and interests have been well served by them. The defence, reform, and promotion of effective multilateralism is central to the EU's strategic goals but is set to be more challenging in future than it traditionally has been. An era of multipolarity but with contested multilateralism has arrived. The multipolar world is transforming into a multi-order world which counts among its key influencers the leaders of the BRICS¹ and what more loosely is described as the Global South. They challenge the global West and its post war settlement, its values and institutions. These are not a homogenous bloc.

Different states have different histories, different levels of development, and face different strategic challenges. They are non-West but not all are anti-West, thus adding to the increasingly complex tapestry of forging effective multilateral relations. As the Indian Foreign Minister remarked recently in Munich: "*good*

¹ BRICS is an intergovernmental organisation comprising Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates.

partners provide choices, smart partners make choices,” suggesting a more transactionalist à la carte approach compared to the set menu of the past.

De-risking

Public opinion, politics, and governments in the West today, with the exception of combatting climate change, are more focused on the vulnerabilities than the benefits associated with interdependence than in the early decades of the 21st century. The EU is no exception. Throughout this century EU-China trade has witnessed explosive growth with the net balance of trade decidedly in China's favour. The Covid 19 pandemic and the heightened global demand for personal protective equipment was a lesson for the EU of the risks of high dependency on single-origin supply chains. This has been amplified by the shift away from excessive energy dependency on Russia following Putin's invasion of Ukraine, and a growing appreciation of the need for diverse critical raw material supplies, whether for electric vehicle batteries or semiconductor chips.

Wishing simultaneously to promote free trade and to achieve more self-sufficiency has led to some linguistic and policy dexterity on the part of the European Commission which now promotes 'open strategic autonomy' and 'de-risking.' During the current Commission mandate emphasis on autonomy has been stronger than on openness. Compared to the Juncker Commission, which made the conclusion of an EU-US trade agreement one of its ten priorities, there has been a sense of inertia around the negotiation of new free trade agreements with exceptions of the New Zealand and Chile trade agreements. Deals with more populous trading partners remain elusive. A new EU Foreign Subsidies Regulation entered force in 2023 and already has been used several times against Chinese companies.

Defence Policy

In the light of geopolitical circumstances and US pressure European states are under increasing pressure to spend more on security and defence policy. Of the 32 NATO member states, including Finland and Sweden, 18 are expected to meet the target of 2% of GDP expenditure on defence this year. Putin's imperial ambitions already have resulted in war and undermined any prospect for a cooperative security order with him and Russia for the foreseeable future. The long post-Cold War European peace dividend has run its course. European states need to up their defence expenditure in their own collective security interests and in order to support Ukraine. Collective security and defence inevitably will receive more EU focus in the immediate future, either or both at member state or collectivised EU level, and as more autonomously European or traditional Atlanticist in its orientation.

Immigration and Global Warming

Immigration has become an increasingly sensitive political issue especially with the rise of the right and the attempts by the centre to reclaim lost ground. A new Asylum and Immigration Pact has been agreed after years of negotiation. "Firm but fair" is the new catchphrase, seeking to burden share between member states and enhance border control while respecting EU values, two things not easily reconciled. The EU is progressively aligning the asylum regime with migration management objectives through externalisation, placing readmission and return at the heart of the EU migration policy, and linking external funding to the fulfilment of migration management objectives. Whether this will change the dynamics of migrant flows time will tell. Meanwhile, this remains among the most politically contested policy areas in the EU.

One can add to this a growing right wing pushback against the EU's Green Deal. Short term electoral cycle political preferences may change but the physics of global warming does not change. More greenhouse gas emissions means more insulation in our atmosphere. More insulation means more warming. More warming means more costly extreme weather events.

Enlargement

Enlargement is now back on the EU's strategic agenda after a long period of internal enlargement fatigue. This month marks the 20th anniversary of the big bang enlargement of 2004. My contention is that enlargement is perhaps the EU's most powerful, transformative and successful external policy instrument over the past five decades and more. My own country, Ireland, joined in the first enlargement on 1 January 1973, the poorest state/region of the then European Economic Community. Access to a large market, together with EU solidarity through regional and later cohesion funds in the early decades of membership, raising standards on gender equality and environmental policy, support for the peace process in Northern Ireland, and recognition of the uniquely challenging consequences for Ireland of Brexit, the only EU state sharing a land border with Britain, all combine to yield an especially positive experience and outcome. It was not all plain sailing particularly during the Euro zone crisis, but in net terms it has been powerfully positive.

While I both respect and regret the UK's decision to leave the Union, it proves one thing clearly. The EU is a voluntary Union of free and sovereign peoples, free to join, free to leave. What a powerful contrast to President Putin's neo imperial war of choice against Ukraine, where his myth of Slavic brotherhood is being delivered from the barrels of guns, the blasts of ballistic missiles, and deadly drones on a daily basis.

The accession of Greece, Portugal and Spain helped to underpin their re-emergence as successful democracies post dictatorship in addition to bringing improvements in living standards and the quality of life.

The big bang enlargement of 20 years ago brought spectacular growth to the new member states, especially those of central and eastern Europe, through a surge in investment, trade and EU solidarity. On average their GDP per capita, adjusted for inflation and currency, went from less than half of the EU average to three quarters of a growing EU average over the two decades. Lithuania's GDP per capita trebled in this period. Health has improved, as has education, leading to both quality of life and standard of living progress. Agricultural output across the region has doubled. In short, as with all previous enlargements it has proven to be a win-win outcome for the acceding states and the EU alike. This makes me an enlargement optimist, but not a naive one.

Events in Poland in recent years and persistently in Hungary recall how a slippage from EU standards in respect of rule of law, media freedom, or respect for minority rights reveal an adhesion to the EU as a vehicle for prosperity but an aversion to the EU as a community of shared values. The Prime Minister of Hungary proudly proclaims his to be an illiberal democracy. Whatever margin of interpretation one might have regarding Article 2 of the TEU self-evidently it is not a charter for an illiberal democracy. (*'The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.'*)

This was part of the EU membership deal and is written into all accession treaties and was agreed to by all acceding states. The attitude of keep your values but send your money is not a sustainable basis for mutual respect – something which

should not be lost on current candidate states as they seek to navigate their eventual EU accession. I expect that the Copenhagen Criteria will play a more fundamental role in future negotiations, possibly with accession treaty clauses that offer the EU a more robust capacity to defend rights and values from lapses. The EU is not just a market, and material progress, desirable though it is, is not its only or even its essential *raison d'être*.

That said, on the basis of the enlargement record so far, it has been essentially positive for all involved and should be approached in a positive frame of mind. The candidate states will have to undergo significant transformation, each at their own pace. The EU too has homework to do in terms of its decision making process and budgetary capacity to absorb new member states, and in pre-accession assistance. After candidate state status has been granted and following screening, negotiation frameworks, chapter by chapter opening and closing of negotiations, and eventual accession treaties all require Council unanimity. None of this is straightforward or easy. One hopes that all member states will exhibit respect for the duty of 'sincere cooperation' to assist in carrying out the tasks which flow from the Treaty (Article 4(3) TEU).

Ukraine

At this time of profound and unrelenting stress I believe that Ukraine needs the reassurance of our solidarity and of our openness in due course to embrace its entry into the Union. Ukraine is a case apart in terms of complexity to do with its size, the relative share of agriculture to GDP versus the EU average, and its comparative poverty in terms of GDP per capita, and of course because of the war and its devastating consequences. Negotiations can start. Ukraine already is on a road to integration through its Association Agreement and Deep and Comprehensive Free Trade Agreement with the EU. These could be expanded progressively over time but ultimately a settled territorial outcome and stable peace – in which EU membership can play a role – will be an essential

precondition to accession. The EU needs stability and not chaos on its eastern flank and embracing Ukraine ultimately is in the collective EU's as well as Ukraine's interest.

The stakes are high

The EU and the West in general can seek to influence others. We cannot choose what they do. Upcoming elections offer us our moment of choice. The world has changed. Our Single Market project was launched when Soviet Union still existed. China and India together constituted less than 5% of the global economy. Conversely, today collectively we represent a diminishing share of the global economy. We face a shrinking and ageing population. We are lagging behind the USA, China and others in terms of economic growth rates. Internationally, power politics is back in business. Together we are stronger. Divided we are diminished.

The upcoming mandate of the European Parliament and the European Commission will need a strong and ambitious agenda fit for our times if we are to advance and prosper together. This at a time where the internal differences between those who want more Europe and those who want less are more pronounced than ever. The very idea of the West and open pluralist democracy is being challenged externally by autocracies and internally by populist, nationalist, and identity politics. The stakes are high.

Conclusion

En anticipant l'avenir, je souhaite terminer par un hommage au passé.

Revenant aux années soixante-dix et à l'ère Pierre Werner, et en particulier au rapport MacDougall de 1977 sur le rôle des finances publiques dans l'intégration européenne, où le concept d'un budget pré-fédéral de la CEE plus important a été présenté mais n'a jamais été vraiment développé. Je pense qu'un débat honnête sur la nature et les besoins du financement de l'UE est attendu depuis longtemps.

Rappelant la réponse de Jean Monnet à la question de savoir s'il était optimiste ou pessimiste sur l'avenir de l'Europe, il a répondu : « Je ne suis ni optimiste, ni pessimiste, je suis déterminé. »

Et rappelant les mots et l'esprit de la déclaration Schuman « La paix mondiale, et j'ajoute personnellement la démocratie, ne saurait être sauvegardée sans des efforts créateurs à la mesure des dangers qui la menacent. »

Merci de votre invitation et merci de votre attention.

Pat Cox

Luxembourg

16 May 2024