

# The Future of the European Union: Scenarios for the Start of the New Legislature

by Ferdinando Nelli Feroci

A few months after the European Parliament elections, and a few weeks before a new European Commission is fully operational, the European Union is facing old and new challenges, both domestic and international.

Internally, the EU will soon be testing these new institutions. In the recently elected European Parliament, nationalist and Eurosceptic political forces are a minority, but pro-European mainstream parties, which have the numbers to control the proceedings of the Parliament, have not been able to consolidate a stable and comfortable majority. The new European Commission has encountered setbacks in the confirmation procedure of three of its members and will therefore fully assume its responsibilities with some delay on 1 December.

The results of the European elections and the political situation in most member states indicate that pro-

European political parties and movements are prevailing. Yet, nationalist parties are still strong, particularly in a few countries. In general, the EU will need to regain the hearts and minds of national public opinions, whose degree of support for the European project has decreased over the last few years. Finally, the Brexit saga will eventually come to a conclusion (ideally with an agreement), leaving both the United Kingdom and the EU weaker than before.

The financial crisis originated in the United States but hit hard in Europe, which was slower to organise a reaction. During that crisis, Europe realised the weaknesses of its economies and the inadequacies of the rules governing its common currency, characterised by stringent and binding rules for monetary policies and inadequate mechanisms to stimulate convergence of national economies.

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Nevertheless, important new measures have been adopted, often in emergency situations, that have partially improved the governance of the euro (for example, new rules to control national deficits and debts, the European Stability Mechanism, a banking union, and a series of interventions by the European Central Bank).

The worst phase of the crisis has passed, but economic growth is still fragile and is not equitably distributed among or within countries. Productivity and competitiveness are also not performing in the same manner in various member states. Differences in income distribution within individual countries are growing.

The EU should agree on a massive programme of both public and private investments in material and immaterial infrastructure and social services. It should stimulate competitiveness and productivity (through common programmes in support of research and innovation) to help Europe compete globally. Euro governance reform should be completed with new rules for fiscal discipline, a common Eurozone and a fully operational banking union.

The growing digitalisation of European economies creates great opportunities, but also pose enormous challenges given its potentially harmful effects on employment and job skills, the functioning of democracies and for the protection of the privacy of citizens. Taxation of web giants, which is ethically and economically justified, should be decided by the EU, possibly in the context of a wider international agreement.

The new European Commission has given prominence to the need for Europe to implement a European Green Deal, and consensus is emerging among member states on this objective. This will require a commitment to urgently address climate change, including more sustainable development, more rapid conversion to green-friendly economic standards and more effective protection of the environment. These objectives will require combined efforts at the member-state and global levels.

In the globalised world, the EU will continue to be confronted with the decline of the liberal multilateral world order. The preservation of the liberal world remains a priority for Europe. A scenario where universally recognised rules and norms, and international institutions that seek to uphold them, are contested and delegitimised will run against the basic interests of the European Union.

The EU will continue to face a difficult and controversial relationship with the United States, traditionally its strongest and most reliable ally. Europe's approach to confronting common challenges is deeply different from the United States', and the series of divergences with the Donald J. Trump administration constitute a serious challenge to transatlantic partnership on policies such as trade, climate change, arms control and disarmament, as well as relations with Iran and Syria.

Europe is confronted on a daily basis with an unpredictable President Trump, who does not consult traditional allies and clearly prefers a transactional approach based on a restricted

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interpretation of the national interest (the America First principle), which is often used as an excuse to denounce previous commitments.

Nevertheless, the United States, with or without Trump, will remain a European strategic partner, even if it is more complex to manage than in the past.

Against this backdrop, the EU will also continue to experience difficult relations with Russia – a country still considered a threat, at least by some European countries, as a consequence of its posture in Eastern Europe, its rearmaments programmes and the growing suspicions of its interference in European domestic politics.

At the same time, Russia remains a necessary interlocutor for the management of regional crises and a necessary partner in tackling global challenges, including non-proliferation of nuclear weapons, international terrorism, climate change and cybersecurity.

The EU has discovered, maybe too late, the reality of its difficult relationship with China, a country soon to become the first global economic power and one that champions managed globalisation and which is still violating many important principles of an orderly globalised world.

China is an important economic partner, but it has yet to deliver on a number of its commitments: more open access to its domestic market, full respect of the rule of law, a level playing field for foreign investment, protection of intellectual property

rights and guarantees on transfers of technologies.

China is not a direct threat to Europe's security, but it is expanding its political influence worldwide through soft-power instruments (such as the Belt and Road Initiative). So far it has been successful in dividing European countries that are interested in Chinese investments but also worried about political control.

The main risk for Europe is being trapped in the middle of the US-China strategic competition and having to choose between the traditional ally and the rising global power.

With regards to its outlying regions, the EU faces tensions and instability in its eastern neighbourhood (in Ukraine in particular, but also as a consequence of a series of frozen conflicts near the borders with Russia). One issue is the unresolved question of the European destiny of the Western Balkans (a region where growing frustrations for the lack of concrete progress toward full integration in the EU could provoke instability and encourage other powers to fill the gap left by an absent EU).

Other concerns include the conflicts and volatilities in the Middle East and North Africa region (from Syria to Libya). Stability, resilience and economic development in the region will continue to be a central objective of the EU in order to manage migratory flows, combat terrorism and Islamic fundamentalism and secure energy supplies, as well as for broad security reasons.

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The European Union will also need to confront global or horizontal challenges. Preserving a free and fair international trade regime will continue to be of central interest for the EU, which will remain committed to its trade liberalisation agenda. However, the EU will have to address growing public concerns for some of the harmful consequences of free trade agreements.

The EU is fully committed to the fight against climate change. In order to achieve a globally credible energy transition and avoid the risks of unfair competition, however, the EU will have to encourage the commitments of other international actors.

Migration in Europe is not a new phenomenon. But in the recent past, the increased pressure of migrants at European borders has in turn increased fears and anxieties in European citizens and fuelled support for nationalist, anti-migrant political parties. The EU's common response to this phenomenon has been weak in terms of internal solidarity, but relatively more effective in dealing with the external dimension of migration, such as coordinating with countries of origin and transit.

The question of migratory flows has been exploited by political forces in search of easy political consensus. Nevertheless, the EU needs to define a more effective common migratory policy based on a few elements: serious control of external borders, an authentic common asylum policy, EU-funded programmes for the repatriation of illegal migrants, EU support for national policies aimed at promoting the

integration of foreigners and a system to manage legal migration based on the principle that new authorised arrivals should correspond to the requirements of the job market.

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