The EU's Choice

Perspectives on deepening and differentiation

Tuomas Iso-Markku
Juha Jokela
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Acknowledgements

List of abbreviations

AfD	Alternative for Germany (*Alternative für Deutschland*)
ALDE	Alliance of Liberals and Democrats for Europe
ANEL	the Independent Greeks party
BREXIT	British exit from the EU
CDU	Christian Democratic Union
CEAS	Common European Asylum System
CETA	Comprehensive Economic and Trade Agreement
CJEU	Court of Justice of the European Union
CFSP	Common Foreign and Security Policy
CSDP	Common Security and Defence Policy
CSU	the Christian Social Union (*Christlich-Soziale Union*, Germany)
DCFTA	Deep and Comprehensive Free Trade Area
DF	the Danish People's Party (*Dansk Folkeparti*)
DG HOME	Directorate-General for Migration and Home Affairs
EA	Euro Area
EASO	European Asylum Support Office
EBCG	European Border and Coast Guard
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECON	Committee on Economic and Monetary Affairs
ECR	European Conservatives and Reformists group
ECtHR	European Court of Human Rights
EEA	European Economic Area
EEAS	European External Action Service
EFCA	European Fisheries Control Agency
EFDD	Europe of Freedom and Direct Democracy group
EIB	European Investment Bank
EMSA	European Maritime Safety Agency
EMU	Economic and Monetary Union
ENF	Europe of Nations and Freedom group
ENP	European Neighbourhood Policy

EP	European Parliament
EPP	European People's Party
ESM	European Stability Mechanism
ESS	European Security Strategy
ETIAS	European Travel Information and Authorisation System
EU	European Union
EUAM	European Union Advisory Mission
EUGS	EU Global Strategy
EUNAVFOR MED	European Union Naval Force Mediterranean
EURA	EU Readmission Agreement
EURODAC	European Asylum Dactyloscopy Database
FN	Front National party (France)
FPÖ	the Freedom Party of Austria (*Freiheitliche Partei Österreichs*)
GAMM	Global Approach to Migration and Mobility
GDP	Gross Domestic Product
Grexit	Greek exit from the EU
GUE-NGL	European United Left-Nordic Green Left group
IMF	International Monetary Fund
IOM	International Organisation for Migration
ISIS	the Islamic State of Iraq and Syria
MENA	Middle East and North Africa
MEP	Member of the European Parliament
NATO	North Atlantic Treaty Organization
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
OSCE	Organisation for Security and Co-operation in Europe
OMT	Outright Monetary Transactions
PASOK	the Panhellenic Socialist Movement
PESCO	Permanent Structured Cooperation
PiS	the Law and Justice Party (*Prawo i Sprawiedliwość*, Poland)
PNR	Passenger Name Record
PS	the Finns Party (*Perussuomalaiset*)
PVV	the Freedom Party (*Partij Voor de Vrijheid*, the Netherlands)
RDPP	Regional Development and Protection Programme
S&D	the Socialists and Democrats Group

SD	Sweden Democrats (*Sverigedemokraterna*)
SIS	Schengen Information System
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
Syriza	Coalition of the Radical Left
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
UK	United Kingdom
UKIP	the United Kingdom Independence Party
UN	United Nations
UNHCR	Office of the United Nations High Commissioner for Refugees/The UN Refugee Agency
US	United States
VB	the Flemish Interest party (*Vlaams Belang*)
WMD	Weapon(s) of mass destruction
WTO	World Trade Organization

Introduction

Ever since the global economic and financial crisis hit Europe in late 2008, European public debate has been rife with speculations about the possible collapse of the EU. The accumulation of a number of unprecedented difficulties continued with the rise of populist and Eurosceptic parties in several member states, the outbreak of a geopolitical crisis with Russia in 2014, the migration crisis in 2015, and the UK's decision to leave the Union in 2016. Each subsequent shock placed further strain on the EU's unity, cohesion and complex political and policy-making structures.

Almost a decade later, in 2017, the jury is still out when it comes to the EU's ability to emerge from these crises as a viable political entity and a functioning system of governance. The Union has not performed very well, but it has taken a good number of decisions to cope with each crisis. Furthermore, it has introduced some far-reaching reforms aimed at improving its ability to handle similar challenges in the future. The prevailing view in Europe is that the EU is needed more than ever to address common challenges, and a majority of EU citizens continue to support European integration. At the same time, the most fundamental ongoing process of disintegration, namely the departure of the UK, has so far proceeded in a manner that underscores unity among the remaining member states, currently referred to as the EU27. Calls for greater unity and deeper integration have been accompanied by increased interest in flexible and differentiated integration, in order to accommodate divergent views among these states.

In its White Paper on the Future of the EU, the European Commission presented five possible scenarios for the Union's future development. In addition to the carrying-on scenario, whereby the Union would

continue along its current path, the Union's future could re-centre around the single market, develop towards differentiated integration or towards deepened integration in fewer selected fields and, finally, take the same direction in a large number of fields. The scenarios are meant to support discussion and to help in reaching a Europe-wide consensus about the EU's direction. This White Paper does not include the scenario that gained visibility ten years ago, namely that a group of member states – frustrated by the slow pace of integration – would establish a hard core, which would be institutionally separate from the normal institutional framework. As guardian of the treaties, the Commission is still hopeful that whatever is done, can be done within the current treaty framework.

The history of European integration is characterized by a gradual deepening (and simultaneous widening). Subsequent treaty changes have advanced two types of deepening: institutional and policy deepening.[1] When it comes to the first type, the powers of EU institutions have been strengthened with the aim of improving the efficiency and legitimacy of policy-making. Secondly, the Union's policy agenda has gradually deepened, extending into new areas previously unaddressed at the EU level. The Maastricht Treaty signed in February 1992 was a particularly important leap forward on both accounts. It increased the powers of the European Parliament, strengthened qualified majority voting in the Council, and granted more power to the Court of Justice, to name just some of the most significant institutional changes. At the same time, it extended the EU policy agenda in a number of areas including the Economic and Monetary Union, foreign and security policy, and justice and home affairs.

These changes enlivened the debate between federalist and intergovernmentalist visions of European integration, the former seeing integration as progressing towards a federal state, whereas the latter stressed the intergovernmental nature of the EU's political system in spite of the strengthening of common institutions.[2] Maastricht was followed by a number of further treaty changes, most recently the Lisbon Treaty, signed in December 2007, after some member states had rejected a more ambitious Constitutional Treaty.[3] The Lisbon Treaty further strengthened the role of common institutions and scope of EU policies, hence continuing the two types of deepening. However, it

1   Nugent 1995, 76.
2   Moravcsik 2001.
3   Piris 2010.

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did not significantly change the nature of the EU's political system. According to some scholars, EU policy-making evolved as a form of new intergovernmentalism: national governments were increasingly engaged in pursuing collective solutions to shared policy problems through the EU, but they were reluctant to actually delegate new powers to supranational institutions.[4] Reforms in the areas of economic governance and common foreign and security policy, both analysed in this report, serve to highlight the continued processes of deepening.

In parallel with deepening, differentiation among member states has increased. Not everyone has been ready to go along with the new integration steps. Again, the Maastricht Treaty was an important milestone, incorporating permanent opt-outs for Denmark and the UK. This gave rise to debates about multi-speed and multi-tier integration, the former stressing the possibility of member states moving forward at a different pace, but towards a shared goal, whereas the latter envisaged a more permanent differentiation among the member states.[5] Institutionalized forms of differentiation, such as the possibility of 'permanent structured cooperation' in the field of defence, were developed further in subsequent treaty changes. Multi-speed integration, involving increased differentiation, is widely seen as the most likely future scenario among the alternatives presented in the above-mentioned Commission White Paper.

In the context of the crises of recent years, and particularly as a result of the Brexit process, there has also been increasing debate about the possibility of disintegration. This is still a rather novel development: despite occasional setbacks and periods of stagnation in the history of European integration, most integration theories have long disregarded the possibility of disintegration.[6] However, recent years have seen increasing efforts to capture this phenomenon.[7] Consequently, it has been argued that European integration should not be understood as a process that only knows one direction.[8] Instead, integration can progress or regress. However, regression, namely disintegration, should not be equated with the dissolution of the EU or the end of the 'European project'. Such a scenario only represents one extreme of the (dis)integration process, with the idea

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4   Bickerton et al. 2015.
5   Jokela 2014.
6   Scheller & Eppler 2014.
7   See e. g. Eppler & Scheller 2013; Webber 2014; Vollaard 2014; Anders, Eppler & Tuntschew 2016.
8   Anders, Eppler & Tuntschew 2016.

of a 'completion' of the integration process forming the other extreme.[9] Moreover, disintegration is not simply 'integration in reverse'.[10] Thus, disintegration can lead to very different results compared to non-integration.[11]

It is also important to note that European integration is a multidimensional process, encompassing a political, an economic and a social dimension.[12] Political (dis)integration can be measured, for example, by '(1) the range of common or joint policies adopted and implemented in the EU; (2) the number of EU member states; and/or (3) the formal (i.e. treaty-based) and actual capacity of EU institutions to make and implement decisions if necessary against the will of individual members'.[13] In order to measure economic and social (dis)integration, indicators such as the convergence/divergence of EU economies and the strength of an EU identity are used.[14] Although developments in all the different dimensions of European integration stand in relation to each other, this does not mean that the integration process would advance in the same direction across, or even within, these dimensions.[15] In other words, integration and disintegration can take place simultaneously.

This report aims to map key developments shaping the EU, as it has navigated through the storms of recent years. It focuses on three major policy fields: the common economic space, common territory and common security. Before that, it analyses the EU's common political space, namely the role of the EU in the member states' politics, party systems and public opinion. The abovementioned crises have deeply affected this, as well as each of the policy fields studied. They have also highlighted the importance of the EU, and its failures and successes vis-à-vis the wellbeing and security of the member states and their citizens.

In each of the three policy fields, the report tackles two main questions. First, it seeks to outline the main trends that have posed major new challenges for the EU. Second, it examines the EU's responses to these trends: the positions, decisions and policies adopted by the EU and its member states with a view to managing and resolving the crises. The report shows that the EU's responses

9   Ibid., 205.
10   Vollaard 2014, 2–3.
11   Anders, Eppler & Tuntschew 2016, 205.
12   Ibid., 206–208.
13   Webber 2014, 342.
14   Anders, Eppler & Tuntschew 2016, 208–2011.
15   Ibid., 211.

to the various upheavals indicate simultaneous trends of deepening integration, differentiation and disintegration. It analyses the drivers, processes and implications of further integration on the one hand, and differentiation and disintegration on the other.

The first chapter by Tuomas Iso-Markku and Juha Jokela examines political trends at the national and EU levels, and the interaction between these two levels in the common political space. It highlights three major, interrelated trends: the increased politicization of EU issues; the rise of different kinds of Euroscepticism and populism; and the emergence of new dividing lines and centrifugal forces, most notably highlighted by the Brexit process. The analysis shows that the scope and implications of these developments have varied across Europe. The politicization has been pursued mostly by Eurosceptic political forces. Both the Eurozone crisis and the migration crisis have further contributed to the salience of EU issues in European politics and to the rise of Eurosceptic and populist political forces of different shapes and colours. The domestic pressures, in turn, have pushed many member state governments to adopt tougher negotiation positions in Brussels. Taken together, these dynamics have increased the uncertainty and unpredictability in EU-related decision-making. However, they have not yet translated into a dramatic turn in the nature or direction of integration. The EU has responded to these political trends with an attempt to formulate a new positive narrative highlighting shared priorities and the benefits of integration. Finally, the EU's response to the UK's decision to leave the Union has focused on maintaining unity among the EU27 and on preventing further disintegration.

The second chapter by Teija Tiilikainen, Markku Lehmus and Vesa Vihriälä analyses the common economic space, which has been heavily affected by the economic and financial crisis that started in 2008. The first part of the chapter examines the macroeconomic performance of the EU since 2008. It highlights the structural weaknesses and financial vulnerabilities that explain the specific nature of the Eurozone crisis and the EU's relatively weak recovery after the crisis. The authors argue that Brexit will not have a major short-term economic impact on the EU27, whereas it is too early to speculate on the longer-term impact. The second part of the chapter explores the reforms of the EMU undertaken in response to the crisis. It argues that the measures taken to increase financial stability in the EU are limited and far from optimal from the point of view of democratic accountability, whereas further reforms towards a 'True Economic and Monetary Union' are difficult due to political polarization among member states. Even so, the reform

process continues and it has already increased institutionalized differentiation between the Eurozone countries and the rest of the EU.

In the third chapter, Leonhard den Hertog and Eeva Innola tackle what is arguably the most divisive area, namely migration to Europe in 2015–2016. The chapter first maps the major routes that brought a record number of asylum seekers to Europe in 2015. It highlights the uneven distribution of these people among member states, and the diversity of national responses adopted. The EU's inability to manage the flow and reach common positions has undermined the Schengen agreement, which enables the free movement of people, and the Dublin system, which regulates asylum-seeking processes in the common territory. The second part of the chapter analyses in more detail the EU's attempts to respond to the crisis by strengthening external border control, expanding its external migration policy and reforming the Common European Asylum System. It highlights deep political divisions among member states over issues such as the relocation of asylum seekers. Furthermore, the analysis exposes the serious challenges posed by the EU's and member states' measures, with respect to human rights, the EU's fundamental values and also the long-term interests of the EU, being heavily dependent on cooperation with third countries in its attempts to manage the migration flows.

The fourth chapter by Kristi Raik, Tuomas Iso-Markku and Teemu Tammikko addresses yet another area of unforeseen challenges that has tested the EU's unity and resolve – common security. It starts with a brief overview of major trends in the EU's security environment since the 1990s, which places the negative changes in recent years in a broader context. Although differences between national perspectives remain, the analysis shows that growing external threats have increased convergence among member states' and citizens' positions in this area. The top two concerns in recent years have been terrorism and violent jihadism, which has grown due to prolonged violent conflicts in the South, and Russia's belligerence, which has been most evident in Ukraine, but which has also posed a threat to the EU and the European security order. These concerns have pushed the EU to renew its efforts to strengthen its security through common actions and policies. The second part of the chapter examines such efforts in three key issues: deepening defence cooperation, counter-terrorism policies, and countering Russia's aggression. In conclusion, the authors highlight security as a unifying factor and point to further potential to deepen cooperation in this field, also in light of the Brexit process.

The concluding chapter sums up the political trends of polarization and fragmentation, and the EU's responses in terms of deepening and differentiation. It highlights changes in major political dividing lines in Europe, where globalization and European integration have become increasingly contested by political forces promoting protectionism and nationalism. The EU's steps towards deeper integration in the three areas addressed in the report – the economic crisis, migration crisis and deteriorating security environment – are discussed and compared from the viewpoint of the EU's unity. The report suggests that, in order to manage the dividing lines between member states, the new trends of deepening need to be accompanied by more differentiated integration. The EMU case, however, clearly shows the limits of such a differentiation, stemming from the Union's institutional and normative framework.

In conclusion, the report points out that the deepest dividing lines within the EU are currently those cutting across European societies and distilling opposition against globalization and European integration into successful political platforms both on the left and on the right. The increasing politicization of the EU places constraints on the national governments and the work being done to reform the EU to meet the challenges of a changing global environment.

1

1. Common political space

Tuomas Iso–Markku & Juha Jokela

This chapter analyses the political setting within which the different EU policies discussed in this report, and the integration process as a whole, are being shaped. The task is far from easy, as the EU's 'common political space' encompasses various levels of political decision-making as well as the complex patterns of interaction within and across the different levels. The chapter at hand will focus on the two most important levels, namely the national level and the EU level, as well as on the constant interplay between them. The national level is composed of the political arenas of the EU's member states with their country-specific electoral rules, political landscapes, political systems and political cultures, whereas the EU level consists of the EU's political institutions, above all the European Council, the Council of the European Union, the European Commission and the European Parliament. The interaction between the two levels takes a number of different forms, ranging from national elections – which determine the representatives of the member states in the intergovernmental bodies of the EU – to the repercussions that EU-level decisions can have on national politics.

The first part of this chapter will highlight several closely interrelated trends that currently affect both the national and the EU level. The first is the increasing, albeit uneven, politicisation of EU issues. This politicisation is closely linked to the second trend, the rise of Euroscepticism and populism. Taken together, these trends have decisively contributed to the emergence of new dividing lines

and centrifugal forces within the EU, culminating in the Brexit vote in June 2016. While the chapter argues that all of these trends are central to understanding the current state of European integration, it also stresses the underlying nuances, and cautions about drawing too straightforward conclusions.

The second part of the chapter looks at how the EU (that is, both the member states and the EU institutions) has sought to respond to and manage these different trends. In response to the higher levels of politicisation and Euroscepticism, there seems to be a renewed effort on the part of member state governments, EU institutions and pro-integration parties to address EU citizens and their concerns and to highlight the benefits that citizens can derive from EU integration. The search for a new, positive EU narrative has been a central objective of the so-called Bratislava process, which has paved the way for a broader debate about the future of the EU. It is also clearly hoped that this process will help in overcoming the dividing lines between the EU member states by identifying political priorities that they can all agree on. However, other means of circumventing the dividing lines will also be employed, with the possibility of differentiated integration high on the political agenda. Finally, a significant element in the EU's response is the management of the Brexit process, which the Union will try to conduct in such a way as to minimise inflicting damage on itself.

1.2
RECENT TRENDS IN THE EU'S COMMON POLITICAL SPACE

The punctual politicisation of European integration

Several recent developments indicate that EU issues and the European integration process as a whole have become an important source of political conflict. Concurrently, the importance of EU issues on national political agendas seems to have increased. The process that led the United Kingdom to organise a referendum on its EU membership – and the victory of the 'Leave' side in that referendum – is a recent and dramatic expression of this trend. However, a more detailed analysis is necessary to understand the scale and nature of the phenomenon and its implications for the EU as a polity.

In the scholarly literature, the conflicts and controversies related to European integration – and their potential implications for national and EU politics – are dealt with under the heading of 'politicisation'. Essentially, the politicisation of European integration is understood

to encompass three different dimensions.[1] The first is the salience or visibility of issues related to the European Union in different political arenas, most notably in national politics and the national public spheres. The second dimension is the extent to which opinions on EU issues are polarised within these political arenas. The third is the range of actors and audiences that participate in monitoring EU issues within the different political arenas. The higher the levels measured in the three different dimensions, the higher the level of politicisation of European integration.

In general terms, it has been argued that up until the late 1980s European integration operated in a climate of 'permissive consensus'.[2] This means that the integration process was hardly politicised, with most citizens being indifferent towards the process and/or providing it with latent support. This is argued to have changed in the 1990s. The Maastricht Treaty led to heated political debates in some member states and was narrowly rejected in a referendum in Denmark in 1992. Moreover, support for the EU among citizens declined significantly. According to Eurobarometer data, the percentage of citizens who considered their country's membership of the EU to be a good thing fell from 71 per cent in 1991 to 46 per cent in 1997.[3] The post-Maastricht years are therefore often seen as the beginning of an era of 'constraining dissensus'.[4] Since then, citizens have allegedly been more vocal about their views on integration and ready to challenge its direction, as exemplified by the 'no' votes in the national referendums on euro membership (Denmark 2000, Sweden 2003), the Nice Treaty (Ireland 2001), the Constitutional Treaty (France 2005, the Netherlands 2005) and the Lisbon Treaty (Ireland 2008).[5] In the post-Maastricht era, European integration is also argued to have become more visible in the domestic party-political competition.[6]

However, more detailed empirical studies show that the politicisation of European integration has not followed any easily generalisable path.[7] Instead, these studies suggest that the politicisation of European integration has been 'punctual' or 'intermittent', reaching

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1 de Wilde, Leupold & Schmidtke 2016, 4; Grande & Hutter 2016, 8–10.
2 Hooghe & Marks 2009.
3 Debomy 2012, 6.
4 Hooghe & Marks 2009.
5 Usherwood & Startin 2013, 8–10.
6 Usherwood & Startin 2013; Taggart & Szczerbiak 2013.
7 Hutter, Grande & Kriesi 2016.

high levels at specific moments in the process.[8] This is also true of the public opinion on European integration. After a marked decline between 1991 and 1997, the level of support for the EU has varied, with several ups and downs along the way.[9] However, the high-water mark of 1991 has not been reached again.[10]

Moments of higher politicisation of European integration are mostly related to 'constitutive issues', above all to the relationship of an individual country to the integration process (national debates about accession to the EU or the introduction of the euro), EU enlargement and proposed changes to the institutional and legal framework of the EU.[11] In contrast to 'constitutive issues', issues related to individual EU policies seldom trigger high levels of politicisation.[12]

While moments of high politicisation can be identified throughout the history of the integration process,[13] their density has been higher in the post-Maastricht era.[14] Apart from the variation in the level of politicisation of European integration over time, there has also been considerable variation between different European states.[15] This has to do with the fact that different European states have contemplated their relationship to the European integration process at different points in time. However, there are also other country-specific factors, including the position of the national parties on integration matters.

This points to an important aspect of the politicisation process. It has to be driven by political actors that are capable and willing to put EU issues on the political agenda.[16] In the national political arenas, three different actor constellations have been shown to lead to higher levels of politicisation. First, a conflict over EU affairs between government and opposition parties; second, the emergence of a radical challenger to the existing EU policy consensus (mostly in the form of a Eurosceptic party); and third, an integration-related controversy within a governing party or coalition.[17] There is strong evidence that

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8   Kriesi 2016, 33–34; de Wilde, Leupold & Schmidtke 2016.
9   Debomy 2012, 4–7.
10   Debomy 2016, 13–14.
11   Hutter, Braun & Kerscher 2016; Wilde, Leupold & Schmidtke 2016, 11.
12   Hutter, Braun & Kerscher 2016, 154–155.
13   Kriesi 2016, 34.
14   De Wilde, Leupold & Schmidtke, 2016, 5.
15   De Wilde, Leupold & Schmidtke 2016; Hutter, Grande & Kriesi 2016; Kriesi 2016.
16   Hooghe & Marks, 2009; Kriesi 2016, 32.
17   Grande & Kriesi 2016, 285–286.

politicisation processes are driven primarily by those actors that are critical of the EU as a whole or of specific EU policies.[18]

Despite the higher density of instances of politicisation since the 1990s, the overall level of politicisation of EU affairs has been moderate at best.[19] The role of EU issues in national parliamentary elections, for example, has been very limited.[20] It is also important to note that although Eurosceptic actors have often driven the politicisation of European integration, the impact of politicisation on the direction of the integration process has not been clear-cut. In other words, highly politicised decisions have not necessarily led to regression in European integration. However, at the same time, politicisation has increased the uncertainty and unpredictability of decisions related to the European integration process.[21]

The EU's crises as a catalyst for increasing, but uneven politicisation

The recent accumulation of crises within the EU has created the impression that the Union has now entered a whole new era in terms of politicisation. After the Eurozone crisis first flared up, EU issues featured prominently in national election campaigns, especially in the countries that were most directly affected by the crisis, that is, in Greece, Ireland, Portugal, Spain and Cyprus. At the same time, the bailout packages for the crisis-ridden Eurozone members became central election topics also in the so-called creditor countries, such as Finland and the Netherlands. Moreover, issues related to Eurozone governance were discussed in a number of national parliaments across the EU. Overall, the Eurozone crisis thus contributed to the emergence of a European public sphere of sorts, with parallel debates in different countries about the same issues and increased public interest in the developments in other EU member states.[22]

The Eurozone crisis also led to a quick fall in the level of support for the EU. In 2007, 58 per cent of Eurobarometer respondents described their country's membership of the EU as a good thing, but in 2010 this number had dropped to 49.[23] At the same time, EU citizens' image of the Union worsened (the share of citizens with a positive image dropped from 52 per cent in spring 2007 to 30 per cent in autumn 2012) and

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18   See Kriesi 2016, 32.
19   Grande & Kriesi 2016, 281.
20   Kriesi 2016, 34–35.
21   Grande & Kriesi 2016, 295.
22   Kriesi & Grande 2016, 273.
23   Debomy 2016, 14.

their trust in the EU declined (the share of citizens who said they trusted the EU fell from 50 per cent in spring 2008 to 31 per cent in spring 2012).[24] In this political climate, Eurosceptic parties of different shades found fertile ground for their ideas, gaining popularity in several member states (see below).

Although the Eurozone crisis resulted in a clear increase in the visibility of EU issues and a notable drop in the level of support for the EU, empirical studies suggest that the degree of politicisation varied considerably between the different member states.[25] First, the crisis did not affect all EU member states, being primarily a crisis of the Eurozone members. Second, while the crisis led to significant political developments in several southern European states (most notably Greece and Spain), it did not turn into a central issue in all the Eurozone member states. Third, depending on the country, the range of actors participating in the debates surrounding the crisis differed considerably. In many member states, the process was firmly in the hands of the government and never turned into a phenomenon of 'mass politics'.[26] This also limited the scope of polarisation in many member states. Finally, there has been significant variation in terms of politicisation in the different phases of the crisis. For example, EU issues played hardly any role in the German parliamentary elections in 2013[27] or in the Finnish parliamentary elections in 2015, even though the Eurozone crisis had previously been a highly salient topic in both countries.

Variation is also a notable element in the development of public opinion on the EU. Despite the overall decline in support for the EU because of the Eurozone crisis, this trend did not apply to the member states evenly. Eurobarometer data shows that between 2009 and 2010, the percentage of citizens considering EU membership as a good thing declined most markedly in Greece and Cyprus, but significant declines were also recorded in countries such as Slovenia, Germany, Estonia, Slovakia, Portugal, Romania and the Czech Republic.[28] At the same time, there were five member states in which the proportion of citizens with a positive view of their country's membership increased, albeit only slightly. Despite the negative trend in many member states, in 2010 there was only one member state in which a plurality of citizens

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24 Ibid. 15–16
25 Kriesi & Grande 2016, 273–274.
26 Ibid.
27 Behr & Iso-Markku 2013, 3–4.
28 European Commission 2010, 132–133.

had a negative view of the country's membership: the UK.[29] After 2012, the most prominent indicators measuring the citizens' opinion of the EU have shown a gradual, although uncertain, recovery.[30]

Going beyond country-specific differences, it has been argued that there are clear differences between the regions of Europe in the way in which European integration has become politicised. In Southern Europe, higher levels of politicisation have clearly been a response to the Eurozone crisis, the economic plight and the ensuing austerity policies. Moreover, they are related to a general decrease in the level of satisfaction with democracy both at the national and at the European level.[31] These conditions have favoured radical left-wing parties, whose Euroscepticism is mainly based on a socio-economic logic. In North-Western and Northern Europe, by contrast, the politicisation of European integration is seen as a manifestation of a more general and longer-term conflict between 'universalism' and 'particularism', or between 'integration' and 'demarcation'.[32] This conflict involves a broad array of issues associated with globalisation, such as cultural and economic liberalism, cultural heterogeneity (migration) and political integration.[33] In North-Western and Northern Europe, the parties of the populist radical right have been the clearest beneficiaries of this conflict, mobilising voters by stressing the allegedly negative consequences of cultural heterogeneity and European integration. Finally, in the central and eastern part of Europe, politicisation of European issues is related to a brand of defensive nationalism that is characteristic of many states in this region. This defensive nationalism puts particular emphasis on questions related to the position of the member states in the integration process as well as on cultural issues.[34] It therefore bears many similarities to the agenda of Europe's populist radical right.

To date, only limited research exists on the effects of the refugee crisis on the politicisation of European integration.[35] However, because of the crisis, citizens across the EU – and particularly in North-Western and Central-Eastern Europe – now perceive 'immigration' as a major issue for the EU.[36] In Northern and North-Western Europe, this has

29 Ibid.
30 Debomy 2016, 34–35.
31 Kriesi 2016, 39–44.
32 Ibid., 40.
33 Kriesi et al. 2012.
34 Kriesi 2016, 43–44.
35 See de Wilde, Leupold & Schmidtke 2016, 15–16.
36 Debomy 2016, 44–48.

helped the parties of the populist radical right to galvanise opposition to the EU, as they have been able to build a strong association between European integration, the alleged loss of control of national borders and migration. [37] In Eastern Europe, the refugee crisis has strengthened the defensive nationalist sentiment, most clearly expressed in the opposition of several Central and Eastern European member states to the European Council decision on mandatory refugee quotas.

The EU referendum in the UK – and its result – can also serve as catalyst for politicisation. Most notably, several Eurosceptic actors from different member states are now demanding a similar in/out referendum in their home countries, thereby trying to push the question of their countries' membership back onto the political agenda. At the same time, the EU's day-to-day business – concrete decisions and EU policy measures – is still politicised to a much lower degree. [38]

The many faces of Euroscepticism

As noted above, the last five to ten years – and particularly the period following the onset of the Eurozone crisis – have seen the rise of Euroscepticism in different parts of Europe. In the European Parliament elections of 2014, Eurosceptic parties fared particularly well in France, the United Kingdom and Denmark, with the Front National (FN) of France, the United Kingdom Independence Party (UKIP) and the Danish People's Party (Dansk Folkeparti, DF) finishing first in their respective member states. Overall, the vote share of Eurosceptic parties grew markedly. Different estimates put the number of Eurosceptic members of European Parliament between 174 and 212, representing 23 to 28 per cent of the total of 751 MEPs, up from 16 per cent in the previous Parliament. [39] At the national level, polls show that Eurosceptic parties currently compete for the position of the biggest party for example in Austria and Italy. In the Dutch general election in March 2017, the Freedom Party (Partij Voor de Vrijheid, PVV) of Geert Wilders increased its vote share to 13.1 per cent and finished second, but the result was largely interpreted as a setback for Europe's populist and Eurosceptic radical right, as the PVV had long topped the polls. Both the presidential election in Austria in 2016 and the presidential election in France in 2017 saw a Eurosceptic candidate advance to the

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37 See Kriesi 2016, 43–44.
38 de Wilde, Leupold & Schmidtke 2016, 10.
39 von Ondarza 2016, 2; Treib 2014, 1542–1543.

second round. However, Norbert Hofer (Austria) and Marine Le Pen (France) were both defeated in the run-off.

Although various Eurosceptic parties have recently been successful in national and/or European elections, it is important to note that Euroscepticism takes very different forms, reflecting the different historical trajectories and ideological orientations of the Eurosceptic parties.[40] Thus, while there has been a clear increase in the support for Eurosceptic parties across the EU, this in itself does not say much about the possible ramifications of this trend for the EU. Moreover, not all of the Eurosceptic parties are simultaneously on their way up, meaning that the rise of Euroscepticism is far from a straightforward process.[41]

Due to its different manifestations, a number of definitions and categorisations for Euroscepticism have been developed in the scholarly literature. One of the most influential ones distinguishes between two types of Euroscepticism, 'soft' and 'hard'.[42] 'Hard' Euroscepticism represents principled opposition to the EU and the European integration process, most clearly expressed in demands for the withdrawal of one's own member state from the EU or for the dissolution of the Union as a whole. 'Soft' Euroscepticism, by contrast, refers to qualified opposition to the EU, resulting from concerns related to one or more areas of EU policy or the sense that 'national interests' are not in accord with the current state/direction of the integration process. However, placing a party or a politician in one of these categories might not be as easy as it seems.

Hence, other definitions try to depict a broader palette of attitudes towards the European integration process. One helpful typology differentiates between six categories of EU alignment: maximalist, reformist, gradualist, minimalist, revisionist and rejectionist.[43] While maximalist, reformist and gradualist all support advancing the integration process, they have different preferences with regard to the speed and scope of that process. Maximalist wants to go as far and as fast as possible, whereas gradualist favours a slow and piecemeal approach. Reformist is ready to support further integration, but only if previously identified deficiencies are remedied. Minimalist, by contrast, accepts the status quo, but does not want to go further, whereas revisionist would like to return to an earlier stage in the integration process.

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40 See e. g. Meijers 2017; Bertoncini & Koenig 2016.
41 Brack 2015, 11.
42 Taggart & Szczerbiak 2002.
43 Flood & Usherwood 2005.

Finally, rejectionist opposes the whole process and participation in it. These different categorisations serve to underline that neither Euroscepticism nor pro-Europeanism are clear-cut phenomena.

Euroscepticism draws on several sources, which are emphasised to varying degrees by the actors representing the different shades of Euroscepticism. These sources include concerns related to the EU's democratic and political legitimacy, the perceived loss of national sovereignty, the EU's general economic orientation, financial transfers between member states, austerity policies, free movement and migration as well as the role of national identities.[44] The importance of the individual sources of Euroscepticism is related to ideological and country-specific issues, but also mirrors the regional differences with regard to the way in which European integration has become politicised (see above). Thus, concerns related to national identity, free movement, migration and, to a lesser extent, financial transfers between the member states fuel Euroscepticism in Europe's North-Western region, whereas national sovereignty and national identity are the main sources of Euroscepticism in Central and Eastern Europe. In the South, Euroscepticism thrives above all on concerns related to austerity and the EU's general economic orientation.[45]

Populist parties as standard-bearers for Eurosceptic attitudes

In the national party political landscapes, there are four primary types of Eurosceptic parties: far-right parties (including populist radical right parties and extreme right parties); single-issue parties specifically dedicated to opposing European integration; mainstream centre-right parties with Eurosceptic leanings; and 'old' and 'new' left-wing parties.[46] There are marked differences not only between, but also within these different groups in terms of the nature of their Euroscepticism.[47] On the other hand, the parties within the different groups mostly emphasise similar concerns with regard to the European integration process.

The most visible group of Eurosceptics comprises far-right parties and, more specifically, populist radical right parties. These include Marine Le Pen's FN, Geert Wilders' PVV, Denmark's DF, the Austrian Freedom Party (Freiheitliche Partei Österreichs, FPÖ), Italy's Northern League

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44 Bertoncini & Koenig 2016
45 See Kriesi 2016, 41–44.
46 Usherwood & Startin 2013.
47 Almeida 2012.

(Lega Nord), Alternative for Germany (Alternative für Deutschland, AfD), Sweden Democrats (Sverigedemokraterna, SD) and the Flemish Interest (Vlaams Belang, VB). The parties of the populist radical right draw their Euroscepticism from different sources, often presenting the EU as a bureaucratic and anti-democratic project of the elites that undermines national sovereignty and national identities.[48] The emphasis on national sovereignty and national identity reflects the populist radical right's 'nativist' core ideology, according to which homogeneous nation states should form the basic units of political order.[49]

Despite the commonalities in the rhetoric and core positions of the populist radical right parties, their Euroscepticism ranges from 'soft' to 'hard', encompassing everything from minimalism and revisionism to rejectionism. The differences are often related to country-specific factors and the individual parties' position in the national government–opposition dynamics. It is also important to note that the attitudes of the individual populist radical right parties towards the EU are not necessarily fixed[50] and there may be variation within the individual parties. Moreover, they often couch their positions on the EU/Europe in ambiguous language.[51] Most recently, some of the differences have been diluted by the fact that several populist radical right parties have expressed support for the idea of organising national referendums on EU membership or Eurozone membership, which does not necessarily mean that they directly advocate a withdrawal of their respective countries from the EU.[52]

While the archetypical populist radical right parties come from North(-Western) European countries, populist radical right parties can be found in Central and Eastern Europe as well, with Bulgaria's Attack (Ataka), the Slovak National Party (Slovenská národná strana, SNS) and Hungary's Jobbik frequently defined as such.[53] The group of far right Eurosceptic parties also includes extreme right[54] parties, such as Golden Dawn from Greece and the National Democratic Party of Germany,

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48 See e.g. Rooduijn 2015, 4–5.
49 Mudde 2007.
50 See e. g. Meijers 2017.
51 Lähdesmäki 2015.
52 See Bertoncini and Koenig 2016.
53 Pirro 2015; Pytlas 2016
54 According to Mudde, '[t]he main distinction between 'extreme' and 'radical' has to do with acceptance of the basic tenets of democracy—that is, popular sovereignty and majority rule. While extremism rejects democracy altogether, radicalism accepts democracy but rejects *liberal* democracy—that is, pluralism and minority rights'. Mudde 2014, 98.

both of which are represented in the European Parliament. Extreme right parties are generally closer to the 'hard' end of the Eurosceptic spectrum, fully rejecting the idea of European integration.[55] However, they are less visible than the populist radical right, mostly operating at the margins of the national party systems.

The second group of Eurosceptic parties consists of single-issue parties that have been specifically established to oppose the European integration process. These parties tend to represent the 'hard' end of the Eurosceptic spectrum, advocating the withdrawal or non-membership of the country they represent. They can use a wide variety of arguments to justify their views. However, the political and electoral impact of these parties has been limited, being mostly confined to EP elections.[56] The most well-known of the single-issue anti-EU parties is undoubtedly UKIP. However, UKIP's categorisation as a single-issue party can be questioned, as the party has clearly moved towards the populist radical right, flanking its Euroscepticism with anti-immigration slogans.[57] Although UKIP has established itself as a considerable electoral force in EP elections, at the national level it has been hindered by the UK's majoritarian electoral system. Nevertheless, the challenge posed by UKIP helped to empower the Eurosceptic elements within the British Conservative Party, therefore being one factor behind David Cameron's decision to launch the renegotiation process that culminated in the Brexit vote. At the European level, UKIP has been the driving force behind the staunchly Eurosceptic, but notoriously disunited Europe of Freedom and Direct Democracy group (EFDD).[58] However, the future of UKIP after the British EU exit is open. It is clear that the party will no longer be present in the European Parliament, thereby losing an important channel of visibility and influence.

The third group of Eurosceptic parties consists of established centre-right parties, many of which have adopted Eurosceptic positions as a response to critical public opinion on the issue or the strengthening of a Eurosceptic challenger.[59] These parties can mostly be found at the 'soft' end of the Eurosceptic spectrum, and their concerns regarding European integration are often somewhat similar to those of the populist radical right parties. The most prominent mainstream party with Eurosceptic leanings is the above-mentioned British Conservative

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55 See Bertoncini & Koenig 2016, 13.
56 Usherwood & Startin, 2013.
57 See e.g. Usherwood 2016.
58 von Ondarza 2016, 1–3.
59 Usherwood & Startin 2013, 6.

Party. At the European level, the Conservative Party was originally part of the European People's Party–European Democrats group, but left due to the group's explicitly pro-EU outlook. After the European Parliament elections of 2009, the Conservatives founded a new political group with a 'soft' Eurosceptic attitude. At the national level, the Conservative Party initiated the process that led to the UK EU referendum in June 2016. The process was seen as David Cameron's attempt to come to grips with the 'hardline' Eurosceptics within his party. However, the plan misfired, with Eurosceptics now occupying important positions in the party hierarchy and preparing the UK's withdrawal from the EU. The Christian Social Union (Christlich-Soziale Union, CSU), the Bavarian sister party of Germany's Christian Democratic Party, is another example of a mainstream centre-right with Eurosceptic leanings, often campaigning with 'soft' Eurosceptic positions.

Many mainstream conservative parties from Central and Eastern Europe can also be included in this category. The most prominent of these parties are Fidesz from Hungary and the Law and Justice Party (Prawo i Sprawiedliwość, PiS) from Poland, both of which have strong populist leanings.[60] In terms of Euroscepticism, these parties are closer to the 'soft' end,[61] being aware of the importance of the EU for their respective member states. Their main concern in EU policy is to strengthen the position of the member states in the integration process, which is why they generally move somewhere between minimalist and revisionist positions towards the integration process. Moreover, like the parties of the radical right, both Fidesz and PiS emphasise cultural issues.[62]

The fourth and final group of Eurosceptic parties comprises left-wing parties, whose Euroscepticism is primarily based on a socio-economic logic. Many 'old' and 'new' left-wing parties – from the direct successors of European communist parties to the mostly populist new left – see the European Union in its current forms as an expression of economic liberalism, free market policies and private interests, all of which they view critically.[63] Since the beginning of the Eurozone crisis, many left-wing parties have specifically targeted the austerity measures introduced in the crisis countries and across the EU. The crisis has also galvanised their criticism of the EU's democratic

60 For a detailed analysis of their position in the Hungarian and Polish party systems,
    see Pytlas 2016.
61 See Taggart & Szczerbiak 2013.
62 Kriesi 2016, 43–44.
63 Meijers 2017, 6.

legitimacy and political decision-making, especially in the context of the Eurozone bailouts and the conditions attached to them. At the same time, many of the new populist left-wing parties are not opposed to the idea of European integration as such, although their views of the current EU are very critical.[64] Their Euroscepticism is therefore often closer to the 'soft' end of the Eurosceptic spectrum and can even take the form of pro-European 'reformism', even though their demands might require radical changes to existing EU structures and policies.

One prominent Eurosceptic party that does not neatly fit either the definition of a left-wing Eurosceptic party or a populist radical right party is Italy's Five Star Movement. The party itself claims to be beyond left and right, although many of its positions are close to those of left-wing or green parties.[65] In its attitude towards the EU, the Five Star Movement combines 'soft' and 'hard' Euroscepticism, vociferously criticising the EU and campaigning for a referendum on Italian euro membership, but not fully rejecting the idea of European integration.[66] Another Eurosceptic party that defies simple categorisation is the Finns Party. Initially established as the successor of an agrarian and centrist populist party, the party has gradually adopted some positions comparable to those of the populist radical right parties.[67] On the other hand, the party has also been ready to make compromises in order to gain government power, joining a centre-right-led government in 2015. With the Finns Party's long-serving leader, Timo Soini, stepping down in June 2017, the party's future orientation is currently being debated.[68]

As the overview above shows, Euroscepticism is often closely associated with populism, both on the left and on the right. However, populism and Euroscepticism are not synonymous. Instead, populism – according to a widely used definition – is a political ideology that sees society as being divided into two homogeneous and antagonistic blocks, the 'pure people' and the 'corrupt elite', and argues that politics should express the general will of the 'people'[69]. Populists are thus not Eurosceptic by definition. At the same time, European integration provides a fitting target for populists, as it can easily be depicted as an elite-driven project that has moved political decision-making too far

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64   von Ondarza 2016, 2.
65   Mosca 2014.
66   Heinen 2015, 9.
67   Jungar 2016, pp. 113–143.
68   Burtsov 2017.
69   Mudde 2004, 543.

away from the 'people'.[70] Consequently, populist parties are currently the standard–bearers for Eurosceptic attitudes. However, as argued above, the nature of the Euroscepticism of the different populist parties varies widely, meaning that they do not represent a unified force for change within the EU. Moreover, differences between the member states in terms of electoral rules, party systems, and political cultures mean that the electoral successes of Eurosceptic parties translate into very different degrees of political influence.

70   See Bertoncini & Koenig 2016, 4.

Member state	Party	EP 2014	Last nat. election result (year)
Austria	Freedom Party	19.7	20.5 (2013)
Belgium	New Flemish Alliance	16.8	20.3 (2014)
Cyprus	Progressive Party of Working People	27.0	25.7 (2016)
Czech Republic	Communist Party of Bohemia and Moravia	11.0	14.9 (2013)
Denmark	Danish People's Party	26.6	21.1 (2015)
	People's Movement Against the EU	8.1	–
Finland	Finns Party	12.9	17.6 (2015)
France	Front National	24.9	13.6 (2012)
Germany	The Left	7.4	8.6 (2013)
	Alternative for Germany	7.1	4.7 (2013)*
Greece	Syriza	26.6	35.5 (2015)
	Golden Dawn	9.4	7.0 (2015)
Hungary	Jobbik	14.7	20.2 (2014)
	Fidesz	51.5	44.9 (2014)
Ireland	Sinn Féin	19.5	13.8 (2016)
Italy	Five Star Movement	21.2	25.6 (2013)
Latvia	National Alliance	14.3	16.6 (2014)
	Union of Greens and Farmers	8.3	19.5 (2014)
Lithuania	Order and Justice	14.3	5.3 (2016)
Netherlands	Party for Freedom	13.3	13 (2017)
	Socialist Party	9.6	9.1 (2017)
Poland	Law and Justice Party	31.8	37.6 (2015)
	Kukiz'15	–	8.8 (2015)
Portugal	Communist Party/Democratic Unitarian Coalition	13.7	8.3 (2015)
	Left Bloc	4.9	10.2 (2015)
Slovakia	Ordinary People and Independent Personalities	7.5	11.0 (2016)
	Freedom and Solidarity	6.7	12.1 (2016)
	Slovak National Party	3.6	8.6 (2016)
	People's Party Our Slovakia	1.7	8.0 (2016)
Spain	(Unidos) Podemos	8.0	21.2 (2016)
Sweden	Sweden Democrats	9.7	12.9 (2014)
United Kingdom	United Kingdom Independent Party	26.8	12.6 (2015)
	Conservative Party	23.3	36.9 (2015)

Table 1:
List of major Eurosceptic parties, with at least 8 per cent of the national vote in the 2014
European Parliament elections and/or the last national elections.
Own compilation.
Sources: Bertoncini and Koenig 2016; Treib 2014; Parties and Elections in Europe;
European Parliament: Results of the 2014 European elections.

Type of Euroscepticism	Orientation	Participation in current national government
hard	populist radical right, far right	no
soft	separatist	yes
soft	radical left	no
soft	radical left	no
hard/soft	populist radical right	no, but supporting role
hard	single–issue	–
soft	populist	yes
hard	populist radical right, far right	no
soft	radical left	no
soft/hard	populist radical right	no
soft	radical left	leading party
hard	extreme right	no
hard	far right, extreme right	no
soft	national conservative	absolute majority
soft	radical left	no
hard/soft	populist	no
soft	national conservative	yes
soft	agrarian, conservative	leading party
hard/soft	national conservative	no
hard	populist radical right	no
soft	radical left	no
soft	national conservative	absolute majority
soft	populist	no
hard	radical left	no, but supporting role
soft	radical left	no, but supporting role
soft	conservative	no
soft	liberal	no
hard/soft	far right	yes
hard/soft	far right, extreme right	no
soft	radical left	no
hard	radical right	no
hard	single–issue, populist radical right	no
soft/hard	conservative	absolute majority

*In regional elections in 2016 and 2017, Alternative for Germany has won between 5.9 and 24.3 per cent of the votes.

The widely varying influence of populist parties on national politics

The national level continues to represent the main channel of influence for populist parties.[71] In several EU member states, the established parties have reacted to the rise of the populist challengers by trying to keep them at the margins of the political landscape. This 'cordon sanitaire' approach has been adopted, amongst others, in Germany and Sweden. Both countries have a multi-party system, which has recently been affected by the rapid rise of a populist radical right party: the AfD in Germany and the Sweden Democrats in Sweden. The exclusion of the populist parties has left them without formal power. However, in Germany, this has required the established parties to form new kinds of government coalitions at the regional level, leading to complicated coalition negotiations and compromises.[72] At the national level, the likely entry of the AfD into the Bundestag in the 2017 election could force Germany's two biggest parties, the Christian Democrats and the Social Democrats, to form yet another 'grand coalition'. In Sweden, the exclusion of the Sweden Democrats and the simultaneous maintenance of a party structure based on the existence of separate left-wing and right-wing blocks led to the emergence of a minority government under the lead of the Social Democratic Party.

Although the 'cordon sanitaire' approach means that populist parties are given no direct say in the decision-making process, there are serious doubts about the effectiveness of this strategy.[73] Instead of fending off the populist challenge, it can actually contribute to the medium or long-term success of populist parties by creating weak or dysfunctional government coalitions, by leading to a sense of a lack of alternatives among voters, and by allowing the populists to present themselves as victims of the established parties.[74] In Sweden, the Sweden Democrats have been able to continue their growth in their isolated position, leading the centre-right Moderates to signal their readiness to end the 'cordon sanitaire'.[75]

Another argument against the isolation approach is that populist parties can influence policies from the opposition, too: when facing a strong populist contender, mainstream parties are often tempted to adopt elements of the populists' agenda in order to improve their own electoral chances. Many mainstream centre-right parties in particular

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71 Kietz & von Ondarza 2014; Heinen 2015.
72 Mudde 2016.
73 See e.g. Downs 2002.
74 See e.g. Grabbe & Lehne 2016.
75 Orange 2017.

– but also some mainstream centre-left parties – have moved closer to populist radical right parties in terms of immigration issues and EU policy in order to regain lost voters or attract new ones (see the section above on Euroscepticism). Thus, in Finland, the rapid rise of the Eurosceptic and populist Finns Party partly compelled both the centre-left Social Democrats and the centre-right National Coalition Party to adopt a tough position with regard to rescue loans to struggling Eurozone countries before and after the 2011 national parliamentary election.[76] In the UK, the challenge posed by UKIP was one of the reasons for former Prime Minister David Cameron to campaign with the idea of renegotiating his country's EU membership and subjecting it to an in/out referendum.[77] And in Germany, the Bavarian CSU, fearful of the AfD, has pressured Chancellor Angela Merkel's Christian Democratic Union to harden its refugee policy. Finally, in the Dutch elections of March 2017, Prime Minister Mark Rutte challenged the PVV by resorting to tougher rhetoric on immigration.[78]

As an alternative to the 'cordon sanitaire' approach, some countries have sought to involve the populist challengers in the decision-making process, either partially or fully. In Denmark, the Danish People's Party, a Eurosceptic populist radical right party, lent its support to a conservative-liberal minority government between 2001 and 2011 in exchange for concessions in the policy areas of key interest to the party, particularly immigration. A similar arrangement was reached after the June 2015 Danish parliamentary election, with the Danish People's Party again staying formally outside the government, but supporting it.[79] In the Netherlands, the PVV of Geert Wilders had a comparable role between 2010 and 2012, working as the support party of Mark Rutte's centre-right government coalition. In this way, the populist political agenda gets transferred to the EU level even if the populist parties themselves have no representatives in the European Council or the Council.

In Finland, a more inclusive approach has been adopted. The populist Finns Party was included in the three-party government coalition after securing the second-most seats in the Finnish Parliament in the 2015 election. However, entering the government required some concessions on the part of the Finns Party, particularly in terms of

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76 Jokela & Korhonen 2012.
77 Lynch & Whitaker 2014
78 O'Leary 2017.
79 Christiansen 2016.

EU policy. As a result, the Finnish government's EU policy is largely pro-European in nature, but also characterised by the underlying tensions between the government parties.[80] The entry into government has proved detrimental for the popularity of the Finns Party, with the party's support falling from 17.7 per cent on Election Day to approximately 10 per cent in the polls in spring 2017. In government, the Finns Party has had to bear responsibility for the government's austerity measures and to agree to a further bailout for Greece, both of which might explain its declining support. On the other hand, the Finns Party has claimed a central role in tightening up Finland's asylum and refugee policy and has vocally opposed the Commission's scheme on mandatory quotas for refugee relocation.[81]

A recent study suggests that even though government participation forces populist parties – and particularly populist radical right parties – to make compromises while in office, this 'mainstreaming' is mostly temporary in nature. When back in opposition, these parties are likely to continue on a radical course.[82] This might also be the case for the Finns Party. The party's loss of support – combined with a leadership competition within the party – certainly create strong incentives for the party to sharpen its profile, with EU policy and migration policy two of the most obvious topics. Indeed, one of the two main contenders competing for the post of party leader has signalled support for the idea of a referendum on Finnish EU membership, whereas the other would like to strengthen the party's anti-immigration stance.

There are also some member states in which a populist party has gained a leading role. In Greece, the populist left-wing party Syriza became the biggest party in the January 2015 election with a platform criticising the conditions of the Eurozone loan packages. After the elections, Syriza formed a government coalition together with another anti-austerity party, the nationalist and populist Independent Greeks (ANEL). The Syriza-led government quickly ended up on a collision course with other Eurozone members. The conflict was further heightened when the government decided to hold a referendum on the conditions of the Greek bailout. However, in the end, Greece's difficult financial situation forced the government to accept similar conditions, triggering a split within the Syriza party and snap elections in which the government was able to defend its majority.

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80 Iso-Markku 2016 a., 69–70.
81 Ibid.
82 Akkerman, de Lange & Rooduijn, 2016.

A different example is provided by Hungary's Fidesz and Poland's PiS. These two national-conservative parties govern alone in their respective countries after gaining the majority of seats in their national parliaments – Fidesz in 2010 and PiS in 2015. Both have sought to strengthen their power further by attempting to bring large parts of the state apparatus under their control.[83] In the Polish case, this provoked the European Commission to launch an inquiry into the state of the rule of law in Poland. At the EU level, Hungary and Poland have clashed with other EU member states and EU institutions on several occasions. Hungary was one of the most vocal opponents of the EU's refugee relocation scheme, although it failed to overturn the plan. The Hungarian government has also stressed that it will vote against any measures directed against the Polish government.[84] The Polish government recently caused a stir by trying – unsuccessfully – to block the re-election of the European Council President, Donald Tusk. However, despite their strong Eurosceptic rhetoric, neither Fidesz nor PiS have questioned their respective country's membership of the EU.

In sum, the ability of the populist parties to influence national politics and EU politics varies from member state to member state, and is not directly determined by their position within or outside the national government coalition. Instead, they can use both positions to promote their agenda. On the other hand, much depends on the way the other parties react to the populist parties' demands and agenda. Finally, even when occupying a leading position in government, populist parties may find it difficult to push through their demands at the EU level, where their influence largely depends on their ability to garner support from other member states.

The limited influence of populist parties at the European level

Apart from the various national channels through which the different populist parties influence EU politics, populist parties also have a significant representation in the European Parliament. However, their influence on decision-making in the EP has been very limited to date. The first reason for this is that decision-making in the EP is largely dominated by its two biggest groups, the centre-right European People's Party (EPP) and the centre-left Socialists and Democrats (S&D), as well as broader coalitions built around them. For the first half of the EP's current term (2014–2019), the EP's major groups

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83 Buckley & Foy 2016.
84 Cienski & de la Baume 2016.

cooperated even more closely than before in order to marginalise the populist and Eurosceptic forces within the EP, thus basically opting for a 'cordon sanitaire' approach. Notably, the most radical Eurosceptic groups were left without any Committee chairmanships. [85] Although the semi-formal 'grand coalition' between the EPP and the S&D broke down in late 2016 because of strife over the election of the President of the EP, the pro-European groups are likely to continue their cooperation on a more informal basis.

The second reason for the lack of influence of the populist parties in the EP is the fact that they are scattered among several different and mutually competing political groups, reflecting the differences between them in terms of party political orientation and level of Euroscepticism. Some populist parties sit in the moderately Eurosceptic group of European Conservatives and Reformists (ECR) led by the British Conservative Party, the rest in one of the two more radical groups, the UKIP-led Europe of Freedom and Direct Democracy (EFDD) and the FN-led Europe of Nations and Freedom (ENF). While the ECR sometimes aligns itself with the major centre-right parties, the other two groups are very seldom on the winning side. The major left-wing populist parties, by contrast, are part of the European United Left–Nordic Green Left (GUE-NGL) group. This group is occasionally able to form a winning coalition together with the centre-left Socialist and Democrats (S&D), the Greens–European Free Alliance and the Alliance of Liberals and Democrats for Europe (ALDE) group. [86]

Overall, the Eurosceptic and populist forces in the EU paint a very heterogeneous picture. Not only do they vary widely in terms of their ideological affiliation, level of Euroscepticism and central policy objectives, they also have very different positions in the national political arenas and their possibilities to exert influence differ widely. Due to the differences between them, it is hard to make any general statements about the potential impact of populist parties on European integration, or predictions about their future prospects. However, it is clear that a number of populist parties will continue to play an important role in their respective member states, whether inside or outside national governments. Furthermore, populist parties can also impact the national political dynamics more broadly, contributing to the restructuring and fragmentation of national political landscapes

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85   Iso-Markku 2016 b.
86   Ibid.

and shaping coalition dynamics.[87] Such developments have already taken place in a number of member states, including Greece, Spain and the Netherlands. Some argue that this fragmentation can become a vicious circle, producing weak or unstable government coalitions and thereby further strengthening the populist challengers (see the section above on the 'cordon sanitaire' approach).[88] Finally, the rise of populist and Eurosceptic parties has already significantly affected decision-making in the EU, as explained below.

Centrifugal forces, dividing lines and disintegration scenarios

The increasing politicisation of EU issues – and the capacity of Eurosceptic and/or populist parties to both drive that development and capitalise on it in electoral terms – has had a crucial impact on how the individual member state governments (with or without populist participation) approach EU decision-making. Due to domestic challenges, several member state governments have been keen to display their capacity to defend 'national interests' and attain core 'national objectives' in the Council and the European Council, especially if the issue in question has been politicised in their home state.[89] As the EU's political system relies heavily on the readiness of member state governments to reach compromises on central issues, the governments' perceived need to 'play tough' in EU decision-making is an important, although not entirely new, phenomenon. Member state governments' self-imposed or external constraints have been most visible in the case of the Eurozone crisis and the refugee crisis (see also sections 3.1 and 2.2).

The intergovernmental wrangling within the EU has contributed to the emergence of new dividing lines between the EU member states, and strengthened pre-existing ones.[90] The euro crisis pitted 'debtors' and 'creditors' against one another, also giving rise to broader conflict between the 'north' and the 'south', or the supporters of fiscal austerity and the advocates of fiscal flexibility. In the context of the refugee crisis, there has been a clear conflict line between those demanding solidarity and 'burden-sharing' between the member states (above all Germany and Sweden) and those that do not want to participate in common solutions, and that stress the voluntary participation of the member

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87 Friedman 2017.
88 Mudde 2017.
89 Alonso & Teruel 2014.
90 See e.g. Jokela 2013.

states (most notably Hungary and Slovakia). These dividing lines may not be fixed or insurmountable, but they have already undermined the level of mutual solidarity within the EU. Furthermore, it is possible that they will lead to the establishment of more fixed constellations, thereby extending to other policy areas.

Taken together, the rise of Euroscepticism and the political controversies both within and between member states have strengthened centrifugal forces in the EU, provoking much debate about the possibility of disintegration. The ongoing Brexit process has further fuelled this debate. While the departure of one of the largest member states of the EU is a novel and dramatic turn in the history of the EU, the possibility of at least partial disintegration has been recognised for some time already. Different disintegration scenarios discussed in recent years include the exit of Greece from the single currency (Grexit), system-level failures related to the euro and the Schengen system, EU referendums/exits triggered by the success of Eurosceptic parties, and the possible secession of a region that is part of an EU member state.

As described above, the escalation of the Greek crisis after Syriza's victory in 2015 led to the suspension of the Greek rescue package, resulting in a situation in which Greece was effectively defaulting. If the last-minute negotiations within the Euro Summit had failed, the country was seen as having no other alternative than de facto leaving the euro, at least temporarily. This option was also supported by some member states.[91] The recognition of the possibility of a Greek euro exit marked a major change compared to earlier developments. Previously, the member states and EU institutions had worked hard to underline the integrity of the euro area and the permanent character of euro membership. This is also the view of the EU Treaties, as there are no provisions stipulating a procedure for leaving the euro. Against this backdrop, it was noted that leaving the euro might actually entail leaving the EU by invoking Article 50 of the Treaty on European Union (TEU).[92] However, the events during summer 2015 suggest that other options – such as a temporary departure – could have been considered if the negotiations with Greece had not led to an agreement.

The Greek drama also resonates with another type of disintegration scenario discussed in recent years. This second scenario refers to system-level failures, resulting in at least the partial dismantling of

91 Karnitschnig 2015.
92 Dempsey 2012.

key achievements of EU integration. Policy-makers and observers have suggested that the euro was on the brink of collapse in the autumn of 2011[93] and again in the summer of 2012. If the Eurozone member states and the European Central Bank (ECB) had failed to agree on a set of measures to reinforce the single currency, it could have precipitated the system's undoing (see also Chapter 2.1). Similarly, the functioning of the Schengen system was seen to be under serious threat in 2015 and early 2016 when Europe faced the largest migration and refugee movements since the Second World War. The failure to first receive and register and then resettle people arriving to the Schengen area led to an unprecedented, and largely unmanaged, flow of unregistered people within the common territory (see Chapter 3.1). This, on the other hand, provoked a partial re-introduction of border formalities between several EU member states. Although the Schengen system does allow for the re-introduction of temporary border controls, some of these temporary measures have become more permanent.

Yet another disintegration scenario is closely linked to the rise of populist and Eurosceptic parties in general, and the Brexit vote in particular. Especially in the run-up to the UK's EU referendum, there was discussion about the possibility of a 'domino effect', implying that a British 'no' to EU membership would play into the hands of hard-line Eurosceptics in other member states, thereby potentially triggering further referendums and/or 'exits'.[94] This also raised the question of whether the EU would be able to cope with the withdrawal of further member states. This question gained renewed urgency in the context of the French presidential election, with the popular FN leader, Marine Le Pen, openly campaigning with the promise of a 'Frexit' referendum, and left-wing candidate Jean-Luc Mélenchon also toying with such an idea. Due to France's size and influence – and the importance of the French-German partnership – the victory of a Eurosceptic candidate in the French election was regarded as potentially fateful for the EU.[95] In a similar vein, the possibility of the Five Star Movement gaining government power in Italy is considered as a potential threat to the integrity of the euro area, as the party has announced it would organise a referendum on Italy's euro membership.[96] However, many analysts have been quick to point out that a victory by a Eurosceptic candidate

93 See e.g. *The Economist* 2011.
94 See e.g. Zalc 2016.
95 Goodwin 2017.
96 Euractiv 2017.

or party in a single election would in itself not suffice to push a country out of the EU or the euro. In many member states, simply organising an EU/euro referendum would require overcoming significant political and/or legal hurdles.[97]

Finally, disintegration has also been discussed in relation to the political processes in which some of the regions within individual EU member states are seeking more autonomy or even full independence, thereby leaving the EU. Greenland provides a historic precedent in this respect. After gaining more autonomy within the Kingdom of Denmark in the late 1970s, Greenland decided to leave the European Community in 1985 largely due to a dispute concerning fishing rights. Although Greenland's departure was seen as a setback for European integration, it did not legally constitute a withdrawal, as Greenland was not a member state of the EC/EU, but was, and remains, part of an EU member state.[98] Thus, Greenland's exit from the EC took place in the form of a reduction of the territorial jurisdiction of the Treaties through a Treaty change ratified by all member states.

Currently, the European regions most actively pushing for more autonomy and independence within their respective member states – such as Catalonia in Spain and Scotland in the UK – do so while explicitly expressing their desire to stay in the EU. However, legal and political challenges might make it difficult for them to remain EU members in the event of a secession, thereby triggering a disintegration process. The general assumption, underlined by the European Commission, is that if a region within an EU member state becomes independent, it will become a third country to the EU and will have to apply for EU membership through the normal, and often lengthy, accession procedure.[99]

The EU membership aspirations of Catalonia, whose current government is striving for independence from Spain, are disadvantaged by Spain's disapproval of the independence process. If Catalonia declares independence without having the approval of Madrid, it might be politically difficult to launch a rapid accession process. However, many Catalonian independence campaigners argue that Catalonia's independence would be without precedence, and that pragmatism would prevail given the current disintegrationist pressures in the EU

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97 See e.g. Jarry & Callus 2016; Albertazzi 2017.

98 Correspondingly, some EU member states' overseas territories enjoy a special status within or outside the EU, and these are subject to review in case their status within their state changes.

99 Chamon & Van der Loo 2014

and the economic interests of the Union.[100] The Scottish independence referendum in 2014 is often seen in a different light, as it was approved by the UK government. Consequently, the Scottish aspirations for EU membership were at the time regarded as somewhat more realistic, although several challenges were also identified. During the Scottish referendum campaign, the European Commission signalled that there would be no fast track for membership and normal accession procedures would apply.

Although the 2014 independence referendum resulted in a victory for the 'no' side, Scotland is now pushing for another independence referendum, arguing that Scottish people should have the right to vote again on independence once the terms of the UK withdrawal from the EU are known. The Scottish Parliament has already approved the proposal, but British Prime Minister Theresa May has argued that the timing of the referendum is not appropriate.[101] Even if the UK's looming exit from the EU opens up a new perspective for Scottish EU membership, legal and political challenges still prevail. In short, allowing the rapid accession of a newly independent state to the EU could encourage new secessionist movements within the EU, thereby leading to further disintegration.

Overall, the above-mentioned trends – ranging from the politicisation of the EU and the rise of Euroscepticism and populism to the emergence of new dividing lines and centrifugal forces – have had a considerable impact on the EU. Moreover, the implications of these trends for EU decision-making might increase in the coming years, depending on developments at both the national level and the EU level. On the other hand, the consequences for the EU might not be as straightforward as some of the discussions in recent years have suggested. Furthermore, the EU has sought to actively respond to, and manage, the different trends.

100 Mut 2015.
101 *The Guardian* 2017.

Addressing EU citizens and formulating a new narrative

The rise of Eurosceptic parties in general and the Brexit vote in particular have both been interpreted as signs of citizens' diminishing trust in the EU. This has strengthened the view within the EU that the citizens and their concerns have to be addressed more directly in order to win back their trust and maintain their support.[102] At the same time, there is a strong sense in the EU institutions and the member states that the EU needs to develop a new, positive narrative for itself. Instead of the crises of recent years – and the EU's difficulties in responding to them – the Union should become associated with positive developments and new opportunities.

Shortly after the Brexit vote, the member state governments launched the so-called Bratislava process, which was meant to serve as a re-start of sorts for the EU, discussing its challenges, identifying the key priorities for mastering them and stressing the unity of the EU. The Bratislava declaration, approved by the heads of state or government of the EU-27 at their unofficial summit in the Slovak capital on 16 September 2016, was very much about the EU citizens.[103] Most notably, the political agenda outlined at the summit built on the perceived concerns of the citizens, stating that matters related to migration, terrorism and economic and social insecurity must be the EU's key priorities, as Eurobarometer data indicates that they are the ones Europeans are most concerned about.[104] Moreover, the Bratislava declaration underlined the importance of good, clear and honest communication – among member states, with EU institutions and, most of all, with citizens.

However, overall, the Bratislava declaration did not promote any major new reforms, as most member state governments perceived the post-Brexit political environment as not being conducive to any further deepening of the integration process. Instead, the focus of the Bratislava process was clearly on the effective implementation of the steps that had already been agreed to address the EU's multiple crises, including the Eurozone crisis, the refugee crisis and the worsening external security environment. The rather cautious approach adopted

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102 See e.g. Drachenberg, Anghel & McGlynn 2017.
103 The Bratislava Declaration 2016.
104 Drachenberg, Anghel & McGlynn 2017, 8.

in Bratislava can also be explained by the elections taking place in several member states – including France and Germany – in the course of 2017. However, despite the initial cautiousness, the Bratislava process turned out to be the first stage of a broader reflection process about the future of the EU. This reflection process has been flanked by proposals coming from different EU capitals, but also from the European Commission, which presented a White Paper on the future of Europe in March 2017 (see the next section).

The most recent 'waypoint' in the EU's search for a new sense of purpose were the celebrations of the 60th anniversary of the Treaty of Rome. In Rome, the member states adopted a declaration that in many ways crystallises the central elements of the EU's response to the recent political trends. In the Rome Declaration, the member states emphasised that '[t]ogether, we are determined to address the challenges of a rapidly changing world and to offer to our citizens both security and new opportunities'.[105] The Rome Declaration also set a general objective for the EU, stating that in ten years' time the goal is to have a Union 'that is safe and secure, prosperous, competitive, sustainable and socially responsible, and with the will and capacity of playing a key role in the world and shaping globalisation'.[106] While the objectives of the EU in the different priority areas are very general in nature, the Union does create a certain level of expectations with its declarations. As a result, the EU's success will in the coming years be measured above all in its output in the four priority areas.

At the member state level, there have also been notable efforts to counter the rise of Euroscepticism and challenge the increasingly prominent Eurosceptic political actors. As a result, the politicisation of European integration has recently taken on new forms. While this politicisation has primarily been linked to opposition to the EU or individual EU policies, there are now several examples of explicitly pro-European politicisation, with individual politicians and political parties putting EU issues at the centre of their political campaigns in a conscious attempt to mobilise those sections of the electorate that associate the European integration process with positive attributes. This was visible, among other things, in the victorious campaign of Austrian president Alexander Van der Bellen, who profited from fears that his rival Norbert Hofer of the Freedom Party might call a

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105 The Rome Declaration 2017.
106 Ibid.

referendum on Austria's EU membership.[107] Similarly, in the French presidential elections, Emmanuel Macron consciously profiled himself as a pro-European candidate. Interestingly, recent years have also seen some pro-European civic activism. After the Brexit vote, pro-EU demonstrators took to the streets in the UK on several occasions. In Romania, the massive anti-corruption and anti-government protests in early 2017 also utilised pro-EU imagery. Thus, the politicisation of European integration does not necessarily have to be driven by Eurosceptics and express 'dissensus'.

Overcoming dividing lines through differentiation

Apart from trying to address EU citizens more directly and establishing a new narrative for the integration process, the EU member states and institutions have responded to the Brexit vote and the recent political trends by putting strong emphasis on the unity of the EU. Both the Bratislava declaration and the Rome declaration highlighted the determination of the member states to face current and future challenges together. Indeed, in the post-Brexit environment, unity seems to have become one of the central goals of the EU. The formulation of key political priorities was also clearly expected to increase the sense of unity within the EU, helping the EU27 to come up with shared objectives.

However, despite the public pledges of unity, there is a sense that they alone will not suffice in overcoming the divisions between the member states and in resolving the disputes of recent years. Indeed, the process preceding the Bratislava summit revealed some significant differences in terms of how the member states see the future of the EU.[108] Hence, in parallel with the documents that underline the shared determination of the member states, there have also been statements suggesting that other ways to overcome the different political divisions might be necessary. In the area of security and defence, in the immediate aftermath of the Brexit vote, France and Germany suggested the introduction of permanent structured cooperation, that is, the creation of a core group that progresses in the integration process faster than the rest. The idea was also included in the Council conclusions regarding the implementation of the EU Global Strategy (see Chapter 4.2). However, although initially limited to the area of security and defence, the idea of integration at multiple speeds has

107 Jenny 2016.
108 Marhold 2016.

also gained prominence and traction in the broader debate concerning the future of the EU. After a summit meeting in Malta in February 2017, German Chancellor Angela Merkel openly endorsed the idea of an EU of different speeds.[109] At the same time, the governments of Belgium, Luxembourg and the Netherlands issued a joint statement, backing the idea of 'different paths of integration and enhanced cooperation'.[110]

The European Commission's White Paper on the future of Europe further fanned the flames. In an untraditional move, the Commission published a paper in which it outlines five possible scenarios for the EU: concentrating on the reforms agreed at the Bratislava summit and not going beyond that; re-centring the integration process around the Single Market; allowing willing member states to do more in specific policy areas; working together more and faster, but in fewer policy areas; and finally, deepening integration in all policy areas together.[111] The Commission underlined that the scenarios were neither exhaustive nor mutually exclusive. Moreover, each of them was presented together with a list of benefits and drawbacks. Nevertheless, it was seen that the Commission was trying to push the member states to position themselves in the debate. Moreover, there was widespread consensus that the scenario of allowing those that want to do more to proceed is the most likely one under the current political conditions.

While the EU's largest member states, including Germany, France, Italy and Spain, seem increasingly interested in the idea of multi-speed integration, the first notable opponents have also emerged, with Poland, led by the Eurosceptic PiS government, as the most vocal. Ahead of the Rome celebrations, the Polish government threatened to leave the Rome Declaration unsigned if its demands – including a commitment to unity instead of multi-speed integration – were not taken into account. However, in practice, the government had already agreed to the text, which addressed many of its key concerns. Consequently, the formulation of the Rome Declaration is very moderate. Nevertheless, it clearly leaves the door open for multi-speed integration, stating that 'we will act together, at different paces and intensity where necessary, while moving in the same direction, as we have done in the past, in line with the Treaties and keeping the door open to those who want to join later'.[112]

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109 Müller 2017.
110 Prime Minister of Belgium 2017.
111 'White Paper on the Future of Europe. Reflections and scenarios for the EU27 by 2025' 2017.
112 The Rome Declaration 2017.

Thus far, the concrete implications of the current interest in multi-speed integration are unclear, although the High Representative is expected to deliver a proposal for how to move to permanent structured cooperation in the area of security and defence. Perhaps the most far-reaching form of multi-speed integration is the deepening integration between the Eurozone members (see Chapter 2.2). It is possible that similar proposals will follow in other policy areas. Paradoxically, the idea of overcoming the disarray among member states by accepting an EU of different speeds seems to have become a source of political conflict within the EU. There is thus a risk that it will strengthen some of the political divisions in the Union. On the other hand, the emergence of a strong majority within the EU in support of the idea could also serve to exert political pressure on those member states that are more hesitant. At this point, it remains to be seen whether, and to what extent, the idea of multi-speed Europe will contribute to the politicisation of European integration at the domestic level.

Coping with Brexit

A third crucial element in the EU's response to the existing and potential centrifugal forces is the management of the Brexit process. As argued above, the UK government's promise to deliver Brexit following the June 2016 EU referendum is an exceptional event in the history of the EU and sets a precedent for the process of a single member state leaving the EU. Hence, the Brexit process has broader importance for the future of European integration. It has to be noted that many aspects of the UK's exit are still to be negotiated and clarified. However, the developments since the in/out referendum was announced by the UK government shed some light on the process.

The announcement of an EU referendum represented an integral part of a broader attempt by the UK to renegotiate its EU relationship and forge EU reforms. While the potential risk of disintegration was taken seriously by the EU and its member states from the very beginning, the renegotiation process and its outcome suggest that advancing unilateral demands can be challenging even for one of the EU's largest member states. The UK's leverage was weakened by the fact that the outcome of the referendum was deemed uncertain, even in the event that the EU had been prepared to accept UK demands to restrict the freedom of movement of people unreservedly, for instance. Compromising some of the EU's key principles, and still being faced with a UK exit, could have been the worst-case scenario for the EU. In such a case, the EU would have had to deal simultaneously with

the withdrawal of a key member state and the erosion of some of its fundamental principles.

An important principle was established right after the UK referendum when the EU member states decided that there would be no new negotiations with the UK before the invocation of Article 50. This way, the EU member states closed the door on any further renegotiations with the UK, and the country was left with two options: either to pursue withdrawal by invoking Article 50, or not.

The significance of these developments as a precedent should not be overestimated, but they do elucidate how the EU managed disintegration in this particular case. Importantly, the departure of one of the largest member states was accepted, albeit not welcomed. This development disproved some of the arguments made during the referendum campaign in the UK, which suggested that a leave outcome could have eventually opened up a possibility to launch a new renegotiation and reform process, in which UK demands could have been advanced from a stronger negotiation position. The rationale for this argument was based on the assumption that the EU would do everything to avoid disintegration. There are some examples of the EU accommodating specific national demands in the context of EU Treaty reforms due to difficulties in the ratification process.

In the case of Brexit, the EU's flexibility remained untested, as there was no clear indication that the UK government would have been willing to explore this possibility. On the contrary, Prime Minister David Cameron's successor, Theresa May, promised to deliver Brexit. Notably, the EU also pushed the UK to move on swiftly with the invocation of Article 50 in its immediate responses to the referendum outcome. The UK case has shown that the timeframe for invoking Article 50 is in the hands of the member state wishing to do so. Given the magnitude of such a decision, the timetable set by the UK government was mostly seen as acceptable to the EU and its member states, with the invocation taking place eight months after the referendum. During this time, preparations were carried out on the EU side as well. In the absence of formal negotiations, informal exchanges between the UK government and the EU and its member states took place to weigh positions and consider procedural questions. The most significant driver of the relatively fast invocation was the need to establish stability (in particular for investors, businesses and citizens) by clarifying the UK aspirations and options.

The inclusion of Article 50 in the Treaty on European Union in 2009 is often argued to result from the UK demands in the Convention for

the Future of Europe 2001–2003. However, it reflected a broader legal and political discussion related to the topic of withdrawal from the EU.[113] Some legal experts and constitutional courts saw the right to withdraw from the EU as a necessary principle in order to respect state sovereignty. The application of customary international law and, in particular, Article 62 of the Vienna Convention on the Law of the Treaties provide for withdrawal from international treaties, including the EU Treaties. Other experts highlighted negotiated and jointly agreed termination of membership. Yet another viewpoint refuted the possibility of withdrawal and questioned the application of international law to fill the gaps in the EU Treaties, as the EU had established an autonomous legal order with its own rules. In this respect, it was underlined that the European Union was created as a permanent organisation in the Maastricht Treaty in 1992, and hence the possibility of voluntary withdrawal should be excluded.

The controversy underpinning the legality of voluntary withdrawal empowered arguments suggesting clarification of this matter. Yet the decision to spell out a withdrawal procedure largely reflected a political aspiration. The comments on the draft provision of the Article note that 'the existence of a provision to that effect is an important political signal to anyone inclined to argue that the Union is a rigid entity which it is impossible to leave'.[114] The personalities engaged in drafting the Article, and interviewed after the UK referendum, seem to agree, however, that Article 50 was included in the Treaties to spell out a principle, yet not to be invoked in practice.[115]

Relatedly, the terms of withdrawal as stipulated in the Treaty have been seen as rather general, and disadvantageous for the member state wishing to leave. In this regard, the two-year time limit to reach a withdrawal agreement, which can only be extended by a unanimous decision of the European Council, is imperative. The rights and obligations of a member state will be terminated automatically 24 months after invocation of Article 50, if an extension is not agreed. While an agreement on an orderly exit is in the interests of both sides, no agreement is generally seen as more harmful for a member state leaving the EU. The larger the member state is, the more weight it bears in the negotiations. Yet even in the case of the largest member states,

113 Poptcheva 2016, 2–3.
114 The European Convention 2003, Comments on Article I–59; see also Poptcheva 2016, 3.
115 Amato 2016; Kerr 2016.

no agreement would likely damage the member state in question more than the remaining EU.

Article 50 of the TEU

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.

2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.

3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.

4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it.
   A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union.

5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.

As the first ever withdrawal negotiations have now been launched, some general principles have also been established for the process.

Multi-track negotiations with some points of legal and political controversy

Article 50 requires that arrangements must be set out for withdrawal, taking account of the framework for the future relationship between the EU and the member state in question. Thus the question of parallel negotiations on (i) the withdrawal and (ii) the future relationship with the EU has emerged. The process thus far confirms separate tracks for the negotiations, however. In terms of sequence, the EU has aimed to prioritise the withdrawal negotiations, while the UK would like to proceed with the negotiations simultaneously.

The reasoning behind the EU's position relates to the available timeframe, as well as political and legal considerations. As the UK is striving for a clean exit and a novel type of future relationship with the EU, it was deemed politically and legally unfeasible to conclude this within the two years. Hence a second negotiation track with the EU is envisaged to commence after sufficient clarity has emerged on the terms of the UK exit. From a legal perspective, it is possible to argue that the UK's withdrawal should even be enforced before the EU can engage in official negotiations with the UK on its future EU relationship, yet the extraordinary character of the withdrawal has arguably opened up the political and legal space for flexibility. Nevertheless, the timeframe for the new EU-UK relationship negotiations is expected to be notably longer than two years. Thus a third negotiation track aimed at setting up transitional arrangements, which would expire when the new relationship comes into force, is likely to take precedence.

The outcomes of the envisaged negotiation tracks are also likely to be implemented differently and – importantly – the final decision-making processes will differ. The withdrawal agreement is concluded by the Council, yet it needs to obtain the approval of the European Parliament. Significantly, the Council decides on the matter with a so-called 'super qualified majority',[116] without the participation of the member state in question. Unlike the accession of a member state, withdrawal does not require ratification by the member states. However, any new arrangement with the EU and the withdrawing

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116 The required majority is defined as at least 72% of the members of the Council, comprising at least 65% of the population of the member states (both excluding the withdrawing member state).

member state is likely to take the form of a so-called mixed agreement (i.e. having elements that are within the competence of the member states), and hence requires ratification by all the remaining EU member states. On the EU side, the treaties remain valid for the rest of the member states and any necessary amendments (i.e. defining the EU's territory and the composition of the EU institutions, for instance) need to be made through the normal procedures laid out in Article 48 TEU.

Notably, full rights and obligations apply to the withdrawing member state and the EU until withdrawal is in force (de jure). Yet political considerations might affect the UK and its representatives' possibilities to influence the EU decision-making (de facto). The UK's exit poses the question of whether it is politically acceptable for the remaining member states to allow the UK to shape new EU legislation, for instance, as it might not be applicable to the UK.

The need to manage the withdrawal could also continue after it has taken place. Depending on the outcome of the withdrawal agreement, the acquired rights of the EU citizens, as well as the rights of investors and businesses (or any other 'legal persons') might lead to political and legal controversies. It is noteworthy that unlike accession treaties, the withdrawal agreement is not EU primary law, and it can therefore be subject to judicial review by the Court of Justice of the EU. Consequently, the domestic courts of member states could be entitled to refer questions regarding the withdrawal agreement to the Court of Justice of the EU for a preliminary ruling.

Different opinions have been expressed on the question of whether the withdrawing member state can revoke its notification and suspend the withdrawal procedure after the agreement has been negotiated. Experts tend to emphasise that this could be problematic from the legal point of view.[117] Article 50 does not provide for revocation, or suspension. On the contrary, it establishes that the process ends with the withdrawal even without agreement after two years if the timeframe is not extended by agreement. Should the UK decide to review its decision to leave the EU, opposition to such a move by the remaining member states has been seen as unfeasible, yet not entirely impossible to envisage.

After the notification, the European Council (without the participation of the withdrawing member state) has determined guidelines for the negotiations, which have translated into a more detailed negotiation mandate by the Council. The European

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117   Duff 2017.

Commission has been provided a central role in the negotiations, yet its role was not completely clear from the outset. The EU Treaties merely stipulate that it would make recommendations to the Council to open negotiations. However, and as a general rule, the Commission negotiates agreements with third countries. As the UK's future relationship with the EU is likely to take the form of a free trade and political association agreement, the Commission will assume the lead in these negotiations. Moreover, the Commission's technical expertise is in great demand in the withdrawal negotiations as well, and the Council has formally nominated the Commission as the EU negotiator in Brexit negotiations.

A difficult negotiation agenda and an unclear future for EU-UK relations

It is currently envisaged by the Commission and the Council that there will be eight key areas to negotiate. Priority will be given to the UK's financial settlement with the EU, the rights of EU citizens in the UK, and vice versa, and the future of the UK's borders with the EU. While the negotiations have been described as reverse accession negotiations, this order of priority speaks for a modified structure.

At the time of writing, the financial settlement between the UK and the EU is deemed to be one of the first matters to be negotiated. The Commission has made public its estimation of a €60 billion Brexit bill for the UK. This covers EU budget commitments, which should still be paid after withdrawal, pension promises to EU officials, and other liabilities that would require payments in certain circumstances. Even if disputes are likely to emerge, political agreement might prevail, as it is hard to predict the outcome of legal proceedings to settle the financial matters. [118]

Brexit has led to lively discussion on the future relationship between the EU and its withdrawing member state. The form of this agreement is critical for the economic and political implications of the UK exit, and thus for shedding light on the EU's tools for managing disintegration. A soft exit has largely been understood to signal the withdrawing member state's aspiration to stay in the EU's single market through membership of the European Economic Area, for instance. A hard exit, on the other hand, has come to mean disentanglement from the single market as well, and future trade relations based on a free trade agreement or, in the hardest case, on WTO rules. New

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118 For a detailed outline and analysis, see Barker 2016.

types of partnership arrangements have also been proposed to enable compromises and a softer exit.

Against this backdrop, many member state leaders have called for a degree of flexibility, and have underlined the political will to work for the continuation of deep and strong relations between the UK and the EU. They have, however, suggested that reaping the benefits of integration requires the acceptance of associated responsibilities and costs (economic and political). Accordingly, it has been suggested that it is critical for the EU to prevent 'cherry-picking', as it could encourage other member states to seek special arrangements within or outside the EU, and hence lead to further disintegration. In this context, the pros and cons of a punitive response have also been discussed. Relatedly, it has been noted that the UK cannot avoid the negative consequences of the withdrawal even in a constructive environment.

Thus far, it seems that clarifying the type of post-membership relationship that the UK aspires to will ultimately remain a national matter. Against this backdrop, the 12 key objectives laid out in January 2017 by Prime Minister May signal a hard rather than a soft Brexit.[119] That is, the UK does not aspire to attach itself to the EU through existing arrangements, leaving the UK 'half-in and half-out' and, most notably, with 'membership' of the EU's single markets. Moreover, the UK is also considering reviewing its membership of the EU's Customs Union.

The most notable question framing the options for the future relationship has been the UK's 'membership' of the EU's single market. This has been envisaged through membership of the European Economic Area (EEA) or through bilateral treaties, as in the case of Switzerland. These arrangements have been seen as politically unfeasible, however, in the post-referendum environment in the UK. Due to the UK's reservations, a novel type of partnership has also been proposed by analysts. This so-called Continental Partnership, crafted in the policy paper by the Bruegel think tank, attempted to lay the foundations for a discussion that could result in a compromise between the assumed UK objectives and the EU's principles. The paper sought to enable some restrictions on the freedom of movement and an institutionalised means of allowing some influence vis-à-vis the EU single market regulations without EU membership. This model attracted some interest among the EU27, but Prime Minister May's speech at the Conservative Party Conference in October 2016 was seen to close the door on the softer Brexit options.

119 May 2017.

At present, the UK-EU future relationship is envisaged to take the form of a free trade and political association agreement, while the 'new generation' of these agreements, such as CETA with Canada and DCFTAs with Ukraine and Georgia, have been mentioned as existing exemplars on which to build. The EU has noted that these arrangements are less favourable for the UK, and are likely to include some politically difficult features given the declared UK objectives. These include, for instance, mechanisms needed to avoid regulatory divergence (or dumping), which could harm the EU single market.[120] Finally, in the event of no agreement between the EU and the UK, the WTO rules will govern the trade relations between the two. The UK's relationship wtih the EU in the field of foreign, security and defence policies also remains an open question. The UK government has signalled that it wishes to retain a close relationship with the EU on defence after Brexit. This could include participation in EU operations. Brexit does not have direct implications for the UK participation in NATO or the OSCE. In terms of combating organized crime and terrorism, the UK participation in European intelligence sharing and police cooperation is likely to feature in discussions of the EU-UK future relations.

Against this backdrop, the EU's ability to manage the negative consequences of disintegration caused by the withdrawal of a member state is still an open question. The available and potentially novel arrangements allowing a softer Brexit may prove to be politically unfeasible options for the UK. While this development is likely to be context- specific – insomuch as another withdrawing member state could choose differently – the nature of the national debate on the country's EU membership is likely to shape the options available for any government. Moreover, the EU's ability to demonstrate flexibility and avoid the disruption of trade and other economic ties currently remains untested. The approaching negotiations with the UK will shed some light on this. The developments so far suggest that EU's is primarily interested in its own future and endurance of the integration process. It has been reluctant to compromise its key principles, and underlined that the UK cannot achieve same benefits outside the EU as it has inside. At this stage of the UK's withdrawal process, the EU-27 has also showed unity in the preparations for the negotiations.

120 Barnier 2017.

The EU's 'common political space' has been shaped by several interrelated trends, including the increasing politicisation of EU affairs and the rise of Euroscepticism and populism. These trends are crucial in understanding the way in which the European integration process has unfolded in recent years. However, their ramifications for the EU are complex. First, while the politicisation of EU issues has increased the unpredictability of EU politics, its consequences for EU integration are not uniform. Second, both Euroscepticism and populism come in many shapes. In other words, Eurosceptic and/or populist parties do not represent a unified force for change within the EU. Moreover, their capacity to influence decision-making at the national and at the European level depends on a number of factors, meaning that their influence is felt very unevenly across the EU.

On the other hand, both the politicisation of EU affairs and the rise of Euroscepticism and populism have already had a notable impact on EU decision-making. They have contributed to the restructuring of national political landscapes and the emergence of dividing lines between the member states. Furthermore, they have strengthened centrifugal forces within the EU, culminating in the Brexit process. This has fuelled increasing speculation about the possibility of disintegration. Thus far, the EU has been able to avoid most of the disintegration scenarios discussed in recent years. At the same time, the Brexit process represents the most significant case of disintegration in the history of the European integration process, thereby having considerable importance for the EU as a whole.

Importantly, the EU has actively sought to respond to and manage the different trends in the 'common political space'. First, in the context of the Bratislava process, the EU – both the member states and the EU institutions – has put significant emphasis on EU citizens and their concerns. The EU's key priorities, as outlined in the Declarations of Bratislava and Rome, are meant to directly respond to the most pressing concerns of its citizens. While the EU's objectives in all key areas have been defined in very general terms, the Union does raise expectations, against which its success will be measured. The formulation of clear priorities is also meant to help the EU overcome the divisions that have recently hampered EU decision-making. However, there are also proposals to accept some level of differentiation in the integration process in order for the EU to become more effective. While the details

remain unclear, the debate about the possibility of a multi-speed EU
– and the emerging majority in favour of it – has already created some
tensions within the EU, but also put political pressure on the more
hesitant member states.

A final aspect of the EU's response to the recent political trends is
its management of the Brexit process. At this point, it is still too early
to evaluate the EU's ability to cope with the withdrawal of a large
member state. However, the process to date suggests that the EU is
not willing to compromise its key principles. Furthermore, the EU
has thus far been able to maintain its unity vis-à-vis the UK. Overall,
the EU's approach to the Brexit negotiations suggests that there is
a clear objective to minimise the potential damage to itself, such as
the proposed 'domino effect' scenario. To date, both the EU and the
UK have been able to manage the negative political and economic
implications of the Brexit vote in the short run. However, the longer-
term implications of this process are still largely unknown.

2

2. Common economy

Markku Lehmus, Teija Tiilikainen and Vesa Vihriälä[1]

INTRODUCTION

The global financial crisis that hit Europe in 2008/2009 has, together with the economic downturn that ensued, formed one of the major reasons for the intensified polarization taking place in European politics. The crisis brought to the fore significant differences in competitiveness and debt sustainability between the EU members, and ignited a pioneering debate about the level and character of solidarity built into the EMU. The need to create significant rescue packages for crisis-affected states at very short notice increased distrust and political divides between the EU members. These dividing lines were extended deep into European societies as the question of the EU's – or the Eurozone's – financial assistance became heavily politicized both in the debtor and lender countries. In the former, the firm conditionality of the rescue packages evoked criticism against the Union's austerity policy, and the role of the Troika – representing the European Commission, European Central Bank and International Monetary Fund – assigned to supervise compliance with the conditions set for assistance. In the latter, the legitimacy of the rescue packages was questioned as they demanded considerable contributions from the Eurozone members and were seen to challenge the treaty-based rule on no bailout.

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1   Markku Lehmus and Vesa Vihriälä are the authors of subchapter 2.2 and Teija Tiilikainen the author of subchapters 2.3. and 2.4.

Political instability and discontinuities in governmental politics were obvious consequences of the economic and financial crisis in many EU countries. In Greece, the long-standing governmental coalition between the centre-right New Democracy and socialist PASOK party was replaced by the overwhelming domination of the Syriza party on the radical left, which gained 36% of the votes in the parliamentary elections of 2015. In most EU countries, the crisis strengthened populist and/or extremist parties, with the largest victories being gained by the Five Star Movement in Italy (26% support in the parliamentary elections of 2013); the Freedom Party in the Netherlands (15% support in the parliamentary elections of 2010) and the Finns' Party in Finland (19% support in the parliamentary elections of 2011).[2] Even if the sharpest confrontations among the member states were overcome when the more permanent crisis-prevention mechanisms requiring contributions from the Eurozone members had become established, the dividing lines remained at the societal level many years after the most heated stages of the crisis.

The first part of this chapter analyses the macroeconomic development in the EU since the beginning of the economic and financial crisis, with the aim of identifying the root causes behind the problems and outlining the particular vulnerabilities of the Eurozone. It will then peer into the future with the risks of potential new instabilities in mind. The second part will study the policies adopted by the EU and Eurozone countries thus far from the point of view of their integrative or divisive consequences. Finally, the future directions of the EMU will be addressed.

2.2
MACROECONOMIC TRENDS IN THE EU

Markku Lehmus & Vesa Vihriälä

The economic performance of the European Union, and the euro area in particular, has been disappointing since 2008. Weak recovery is not, however, an exclusively European problem. GDP and employment growth have been weaker in all developed countries in the aftermath of the global financial crisis of 2008/2009 than has typically been the case post-recession. Given the major drop in GDP triggered by the crisis across the developed world, and the growth rates that have

2   See Chapter 1 (Common political space) in this report.

remained subdued ever since, all major economic areas have fallen significantly below the pre-crisis growth trend.

Figure 1:
GDP per capita 1995–2015, index 1995 = 100
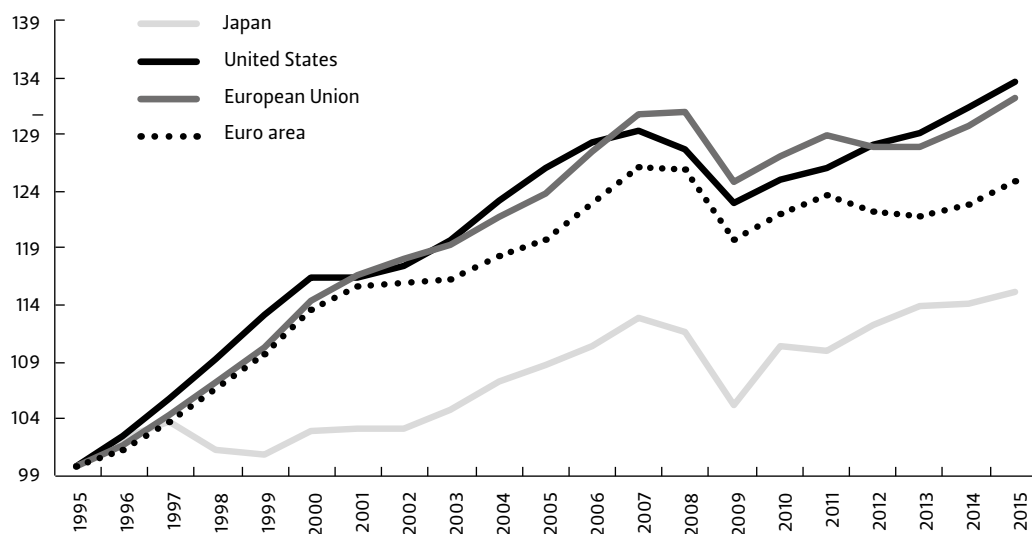
This observation points to generic reasons for the slow growth. Indeed, there are two broad explanations for the growth slowdown. First, all financial crises, particularly those that involve many countries at the same time, tend to be protracted and followed by a slow recovery. An obvious reason for this is that financial crises are typically associated with the high indebtedness of both the private and public sectors. Reducing debt levels – deleveraging – takes time, during which spending must be curtailed. This implies limited room for demand growth. As the financial crisis was global in nature and profound, it is understandable that the recovery would be much slower than usual.

However, the exceptional duration of the slow growth period suggests an alternative or complementary explanation, the so-called secular stagnation hypothesis. Although this explanation comes in many forms, its key feature is that the economy has drifted into a low-growth equilibrium out of which it cannot endogenously recover. Demand remains weak because of excessive saving. Only significantly negative real interest rates would equate saving and investment, and such real rates cannot be reached because the nominal rates cannot decline (at least not much) below zero. This situation may in turn have

emerged because of secular – long-term – changes on the supply side of the economy and/or because of a major negative demand shock. Both aspects have some credibility. Productivity growth in the frontier economies declined even before the global crisis and many economists predict weak productivity growth going forward.[3] As population growth has also declined, the profitability of investment will decline likewise. Similarly, a period of long-lasting sub-standard growth erodes labour force competencies and feeds general pessimism.

The GDP growth per capita in the European Union (EU28) has actually matched that of the US very well and has thus been much faster than in Japan, for example. So in this sense the economic recovery in the EU is no worse than that of the US. In the euro area, growth has nevertheless remained significantly weaker in the aftermath of the global crisis.

In the labour market, the picture is broadly the same, although with some interesting nuances. The employment rate – the proportion of the employed in the working age population – declined more in the US than in Europe, but started to recover earlier. However, since 2010, there has been little difference between EU28 and US employment rate increases, while the euro area has continued to lag behind (Figure 2a). The difference is much sharper in the unemployment rate. In the US, the rate increased rapidly at first but has declined substantially since 2011, almost reaching the pre-crisis level, while in the EU and particularly in the euro area the unemployment rate started to decline late and still remains very high (Figure 2b). It seems that the rather drastic discrepancy in the unemployment rates between the US and Europe reflects in part the different way non-employment is manifested rather than merely the degree of labour market slack. In the US, those unable to find jobs withdraw more frequently from the labour market while in Europe they are mostly registered as unemployed, presumably reflecting the more generous and long-lasting financial assistance for the unemployed. Still, relatively speaking, fewer people are employed in Europe than in the US.

3   Gordon (2016) is a prominent proponent of this pessimistic view. However, other economists argue that the productivity slowdown is just a temporary phase before a new acceleration, when the benefits from new applications of digital technology materialize, see e.g. Brynjolfsson & McAfee 2014.
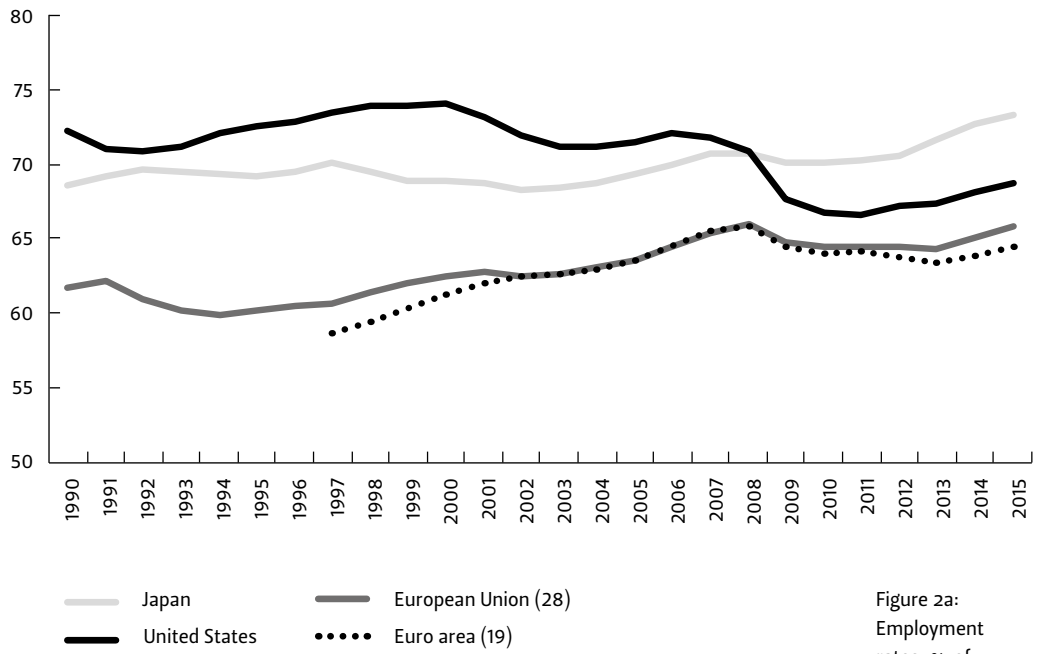
80
75
70
65
60
55
50

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

——— Japan   ——— European Union (28)

——— United States   •••• Euro area (19)

Figure 2a:
Employment
rates, % of
working age
population.

14
12
10
8
6
4
2
0

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

——— Japan   ——— European Union (28)

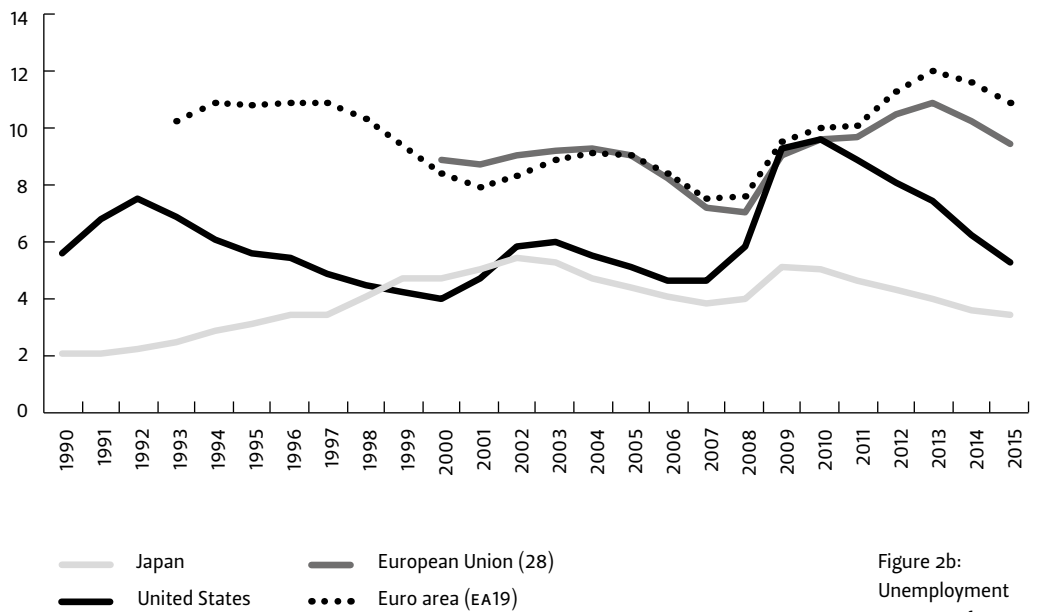——— United States   •••• Euro area (EA19)

Figure 2b:
Unemployment
rates, % of
labour force.

The EU economy has been growing at 1.5 to 2 per cent since 2014, and is forecast to grow by 1.5 per cent or slightly more in 2017 and 2018. This is faster than the growth of potential GDP, implying that the output gap will diminish. Nevertheless, there is still some way to go to close the gap, and particularly so for the euro area.

Performance very uneven across countries

Prior to the global crisis, the EU economy posted high growth figures on average, and growth was also clearly stronger in the countries that had been lagging behind in terms of output per capita. There was thus significant convergence of per capita income levels. In particular, the new member states in Central and Eastern Europe had been rapidly catching up with the rest, although from a very low level in some cases. But convergence was also visible within the euro area, where countries like Ireland, Spain, and Greece grew strongly.

The global crisis revealed that, unfortunately, a substantial part of the convergence was unsustainable. Spending on consumption and investment was financed largely by debt in many countries, investments were not very efficient at increasing productive capacity, while structural impediments for growth in the goods market, labour market, the financial sector, and the public sector were not addressed. Productivity growth lagged behind, cost competitiveness weakened, current accounts went deeply into the red, and financial positions became vulnerable for many companies, households, financial intermediaries, and eventually for the public sector.

The global crisis exposed these vulnerabilities, and many countries both in the euro area and among the new member states suffered exceptionally deep recessions. At least for a subset of EU countries, convergence has turned into divergence.
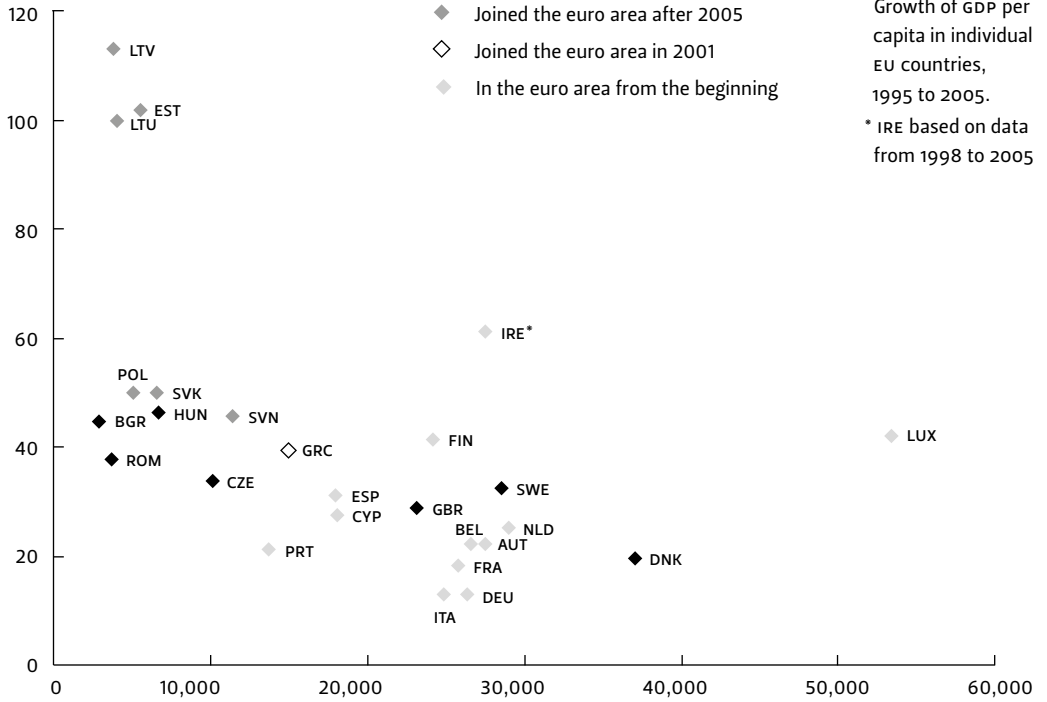
Figure 3a

Growth of GDP per capita 1995–2005, %

◆ Non–euro area country throughout
◆ Joined the euro area after 2005
◇ Joined the euro area in 2001
◇ In the euro area from the beginning

Figure 3a:
Growth of GDP per capita in individual EU countries, 1995 to 2005.
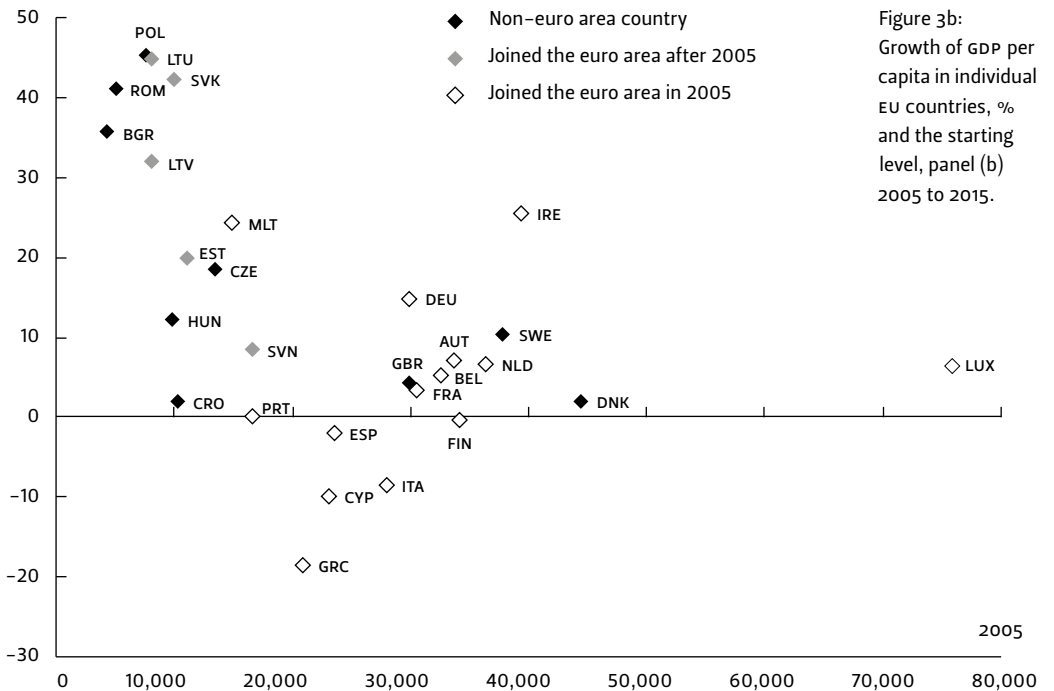
* IRE based on data from 1998 to 2005

120

100

80

60

40

20

0

LTV
EST
LTU
IRE*
POL SVK
BGR HUN SVN
ROM
CZE GRC FIN LUX
ESP SWE
CYP GBR
BEL NLD
PRT AUT
FRA
DEU
ITA
DNK

0   10,000   20,000   30,000   40,000   50,000   60,000

Figure 3b

Growth of GDP per capita 2005–2015, %

◆ Non–euro area country
◆ Joined the euro area after 2005
◇ Joined the euro area in 2005

Figure 3b:
Growth of GDP per capita in individual EU countries, % and the starting level, panel (b) 2005 to 2015.

50

40

30

20

10

0

-10

-20

-30

POL
LTU
ROM SVK
BGR
LTV
MLT
EST IRE
CZE
DEU
HUN SWE
SVN AUT NLD
GBR BEL
CRO PRT FRA
ESP
FIN
CYP ITA
GRC
LUX

2005

0   10,000   20,000   30,000   40,000   50,000   60,000   70,000   80,000

This development is illustrated in Figure 3, which relates the 10-year growth rate of the purchasing-power-adjusted GDP per capita to the initial level among EU28 countries, separately for two time periods, 1995–2005 (panel a) and 2005–2015 (panel b). In panel (a) one can observe a clear negative correlation between the initial per capita GDP figures and the subsequent growth rate. The three Baltics at least doubled their GDP per capita over 10 years, while countries such as Germany, Italy and France had a GDP per capita growth below 20%. This convergence pattern also holds true for the same period among the euro area countries (marked by red diamonds), although less strongly.

The growth pattern over the subsequent ten years, 2005–2015, is very different. It is still possible to observe convergence among the poorer half of the countries. Most of the "new" member states (Poland, Lithuania, Slovakia, Romania, Bulgaria and Latvia) continued to grow fast compared to all other countries, and particularly relative to countries such as Greece, Cyprus, Italy and Spain. However, among the "old" member states there is now a divergent pattern. In the Mediterranean countries, GDP per capita declined in this 10-year period, while it increased modestly in the more Northern countries.

Convergence/divergence is not formally linked to being a member of the euro area in this second period. There are euro area countries in both the converging club and in the diverging club. However, among the former, euro membership is as a rule rather new, while among the old euro area countries (with the exception of Malta) there is a clear divergence pattern. This pattern can be seen in the positive correlation between the initial GDP per capita level and GDP growth rate among the old euro area countries over the period 2005–2015. This can be explained by the euro crisis in the aftermath of the financial crisis, which hit the southern euro area countries the hardest. The most severe case was – and is – the sovereign debt crisis faced by Greece, whose debt level seems to have become a persistent problem for euro area policymakers.

At the same time, there are also significant and persistent differences in unemployment and employment rates among EU countries. The Spanish unemployment rate peaked above 26 per cent in 2013 and, despite improving soon after that, still remains elevated. Reflecting prolonged difficulties, the Greek unemployment rate remains consistently above 20 per cent. On the other hand, the German unemployment rate peaked at 11.2 in 2005 and is currently only 4.6 per cent. These differences can mostly be linked to divergences in growth performances and the functioning of labour market institutions and

social security systems. The first factor – the difference in GDP growth rate – explains the widening disparities in unemployment rates in recent years as countries have recovered from the financial crisis at a different pace. The latter factor – especially the quality and flexibility of the labour market institutions – explains the more persistent part of the differences. This obviously explains the differences between, for instance, the Spanish and British unemployment rates that have prevailed for the last 25 years, comprising both the boom and recession years.

Although pro-cyclical, differences in European employment rates seem very persistent and may consequently be derived from structural factors. In this regard, Germany is a significant exception. It has elevated itself from an average performer to a country with an employment rate well over 70%. Sweden ranks the highest in terms of employment rate, whereas the South European countries can be found at the other end of the spectrum.

Imbalances have diminished but vulnerabilities remain

In the run-up to the crisis, many countries had developed significant current account deficits. When the financial crisis hit, the availability of external financing weakened and its cost increased. The capacity of the domestic banking sectors to provide financing weakened, while plummeting economic activity reduced tax revenues. In some cases the public sector provided extensive financial support for the banks, which increased public debt significantly (Ireland being the most extreme example). Rapidly increasing public debt raised questions about the sustainability of public finances, and the availability and cost of financing the public sector became a major issue for a number of countries, most notably Greece.

The end result was the "euro crisis", whereby the governments of Greece, Ireland and Portugal were able to continue to serve their public debt and finance deficits only thanks to the support of other member states (and the IMF). In addition to bailout loans, Greece negotiated a 50% "haircut" on debt owed to private banks. Spain, to a limited degree to support the banking sector, and Cyprus also had to resort to financial assistance. Italy felt the market pressures quite severely during 2011–2012, too.
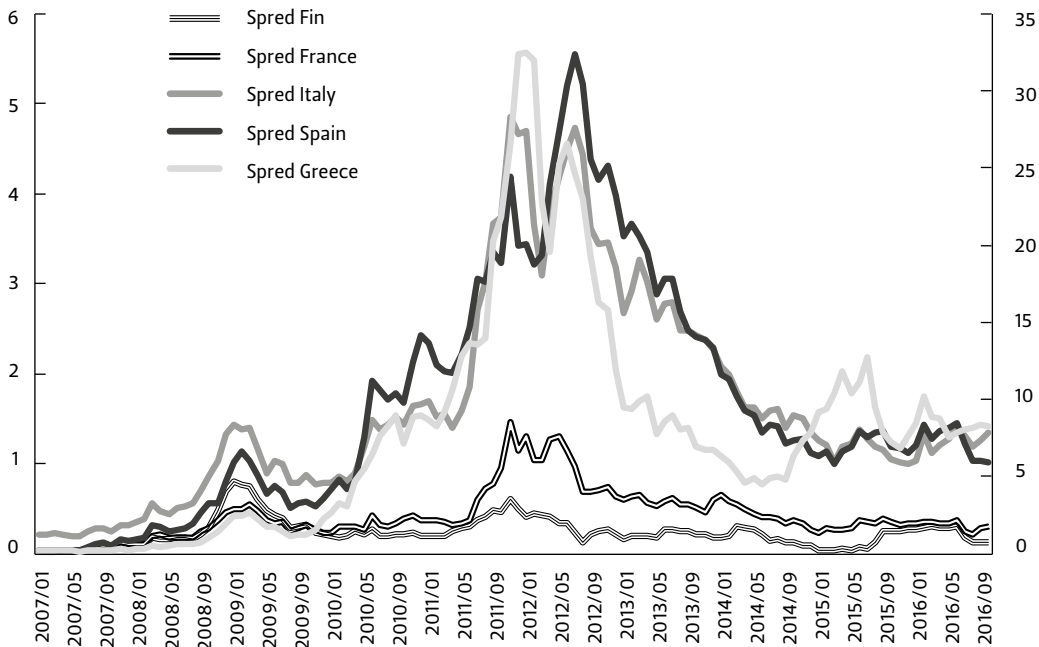
Figure 4
The spreads between 10-years government bonds in selected European countries vis-à-vis Germany (Greece on the secondary=right axis, other countries on the primary axis), pp-points.

The spreads of the government bond rates soared during the most turbulent phases of the euro crisis. At its worst, the spread between Germany's and Greece's 10-year government bonds was more than 30 percentage points. The spread between the Spanish and Italian government bonds, when compared to the German rates, peaked at 5 percentage points at the same time. This development was also reflected in the private credit markets, leading to increases in borrowing costs for South European firms and households.

The countries hardest hit by the euro crisis had to adjust quite radically in response to market pressures and the requirements of the financial assistance programmes. Private sectors slashed expenditure, as did public sectors. Weaker domestic demand led to a fairly rapid reduction in imports and improvement in the current accounts. Wage moderation and in some cases outright wage cuts and rationalization measures have also improved cost competitiveness. This has boosted exports and domestic production, which competes with imports. A significant weakening of the euro relative to other major currencies has furthermore benefited net exports from the euro area in general. As a result, those countries that had large current account deficits prior to the crisis have seen substantial rebalancing. On the other hand, Germany's current account surplus has increased to a very

THE EU'S CHOICE

high level, while the Netherlands and Sweden have had continuously large surpluses. As a whole, the EU and particularly the euro area have turned into surplus areas vis-à-vis the rest of the world.

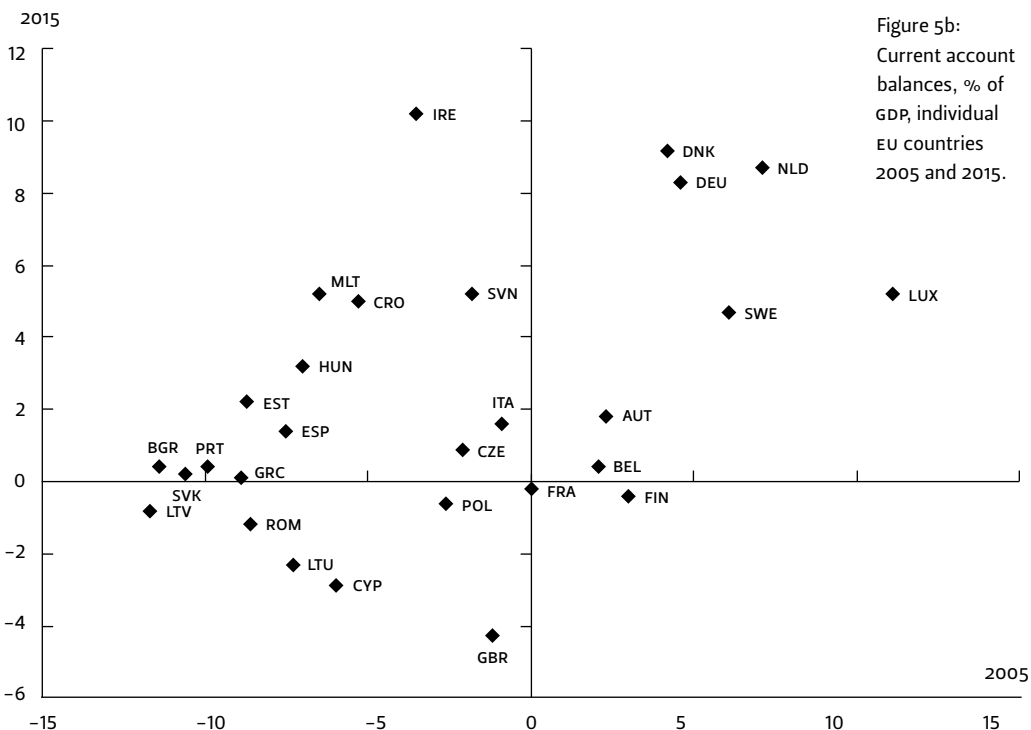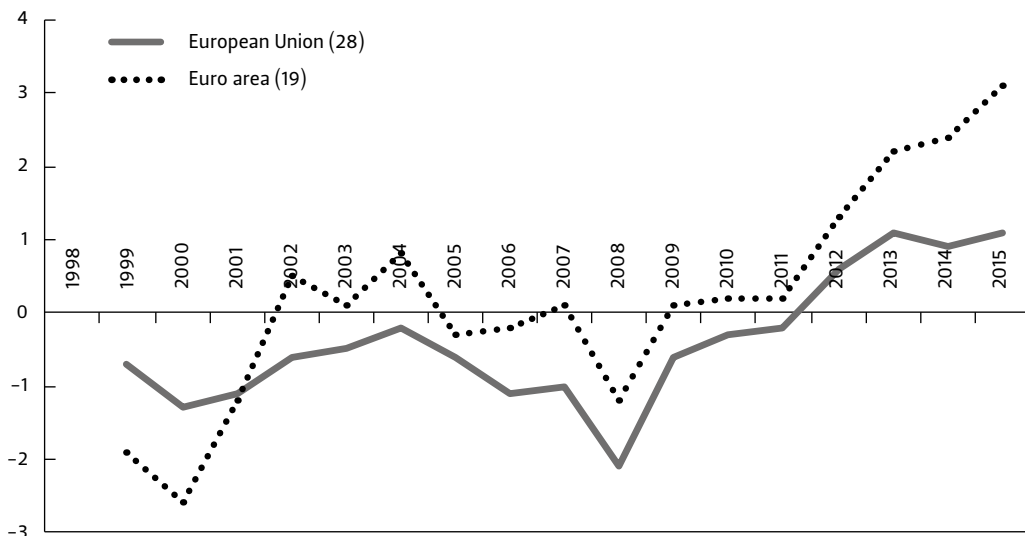Figure 5a: Current account balances, % of GDP: EU and EA.


Figure 5b: Current account balances, % of GDP, individual EU countries 2005 and 2015.

Public sector deficits have also declined in recent years, thanks to expenditure cuts, tax increases and, more recently, the pick-up in activity and thus tax revenues. Further, the decline in interest rates has reduced interest expenditures. As a consequence, the level of public debt relative to GDP has stabilized and started to decline for the EU and even the euro area as a whole. These developments together with the very determined action by the ECB to support liquidity for the banks as well as for the sovereigns, and the creation of financial stability mechanisms have reduced the spreads of sovereign bond yields substantially.[4]

Nevertheless, debt levels relative to GDP remain elevated in many countries. Moreover, while the debt levels may no longer be increasing, they are unlikely to decline significantly in the near future, given the relatively low growth and subdued inflation. This poses an obvious risk, as interest rates will have to start to normalize at some point.

Figure 6a:
Public debt, % of
GDP, EU and EA.
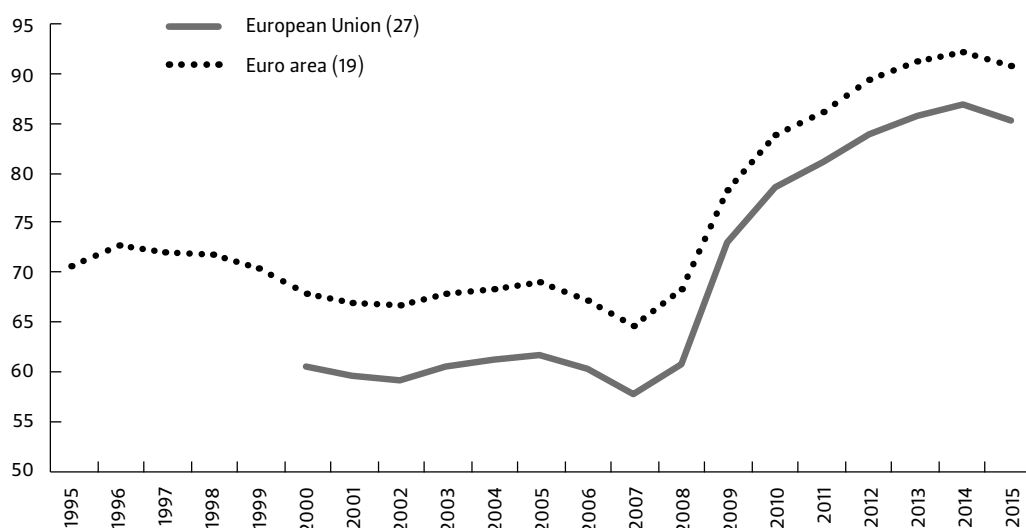
4   The ECB has played a key role in restoring confidence in member states' capacity to service their debts through the so-called Outright Monetary Transactions (OTM) programme. This programme promises that the ECB will buy, on certain conditions and in unlimited amounts, the debts of those member states that are subject to unfounded speculations about the break-up of the monetary union. The spreads of several vulnerable member states declined substantially in 2012 thanks to this promise, even if the programme has never been activated.
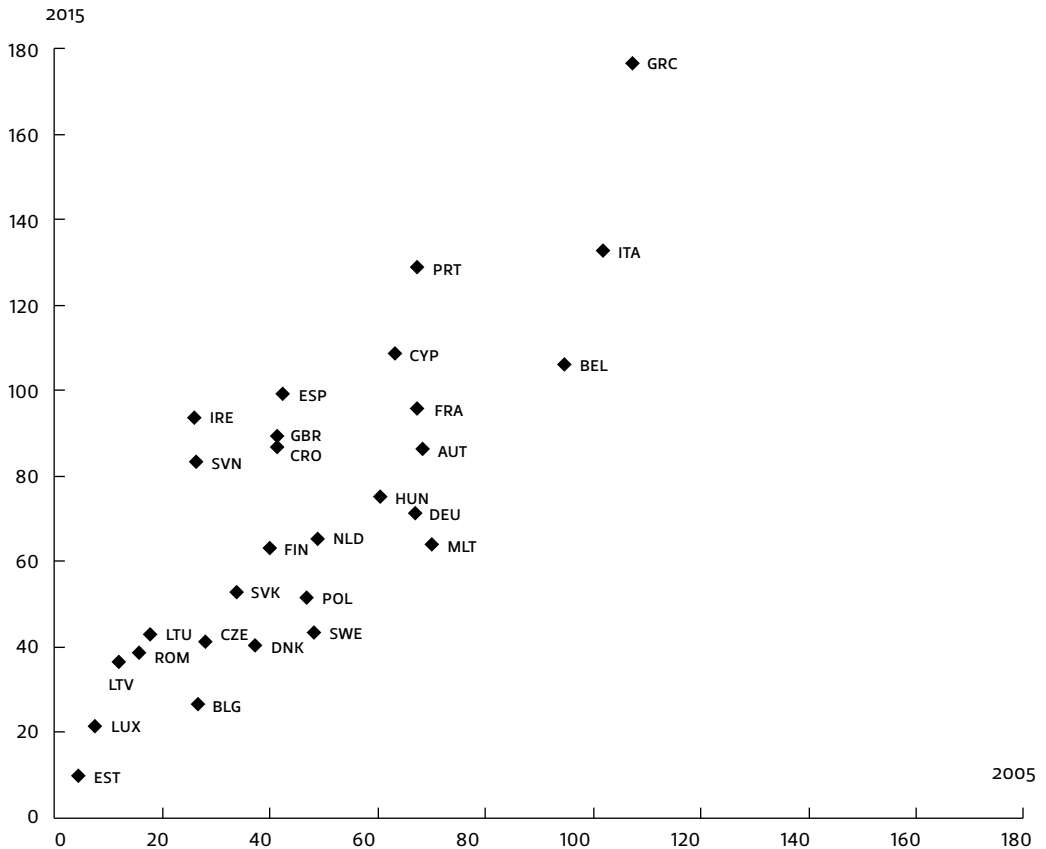
2015

180 — ◆ GRC

160 —

140 — ◆ ITA

120 — ◆ PRT

100 — ◆ CYP ◆ BEL
◆ ESP ◆ FRA
◆ IRE ◆ GBR ◆ AUT
◆ SVN CRO

80 — ◆ HUN
◆ DEU
◆ FIN ◆ NLD ◆ MLT

60 —
◆ SVK
◆ POL

40 — ◆ LTU ◆ CZE ◆ SWE
◆ ROM ◆ DNK
LTV

◆ BLG
20 — ◆ LUX

◆ EST 2005

0 —
0   20   40   60   80   100   120   140   160   180

Prior to the crisis, household indebtedness as a percentage of net disposable income increased in many European countries, reflecting improved credit conditions, attributed to historically low real interest rates and credit market liberalization policies, coupled with booming housing markets amid good overall economic performance.[5] The financial crisis, followed by distress in the housing markets, arrested and turned this trend. As a result, household debt levels decreased significantly in many countries. However, there are exceptions to this rule such as Sweden and, to some extent, Finland, where household debt levels have continued to increase even after the financial crisis.

In addition to the increase in household debt, there was also a surge in the business sector indebtedness in some countries, Spain being a prime example between 2005 and 2010. However, the business sector
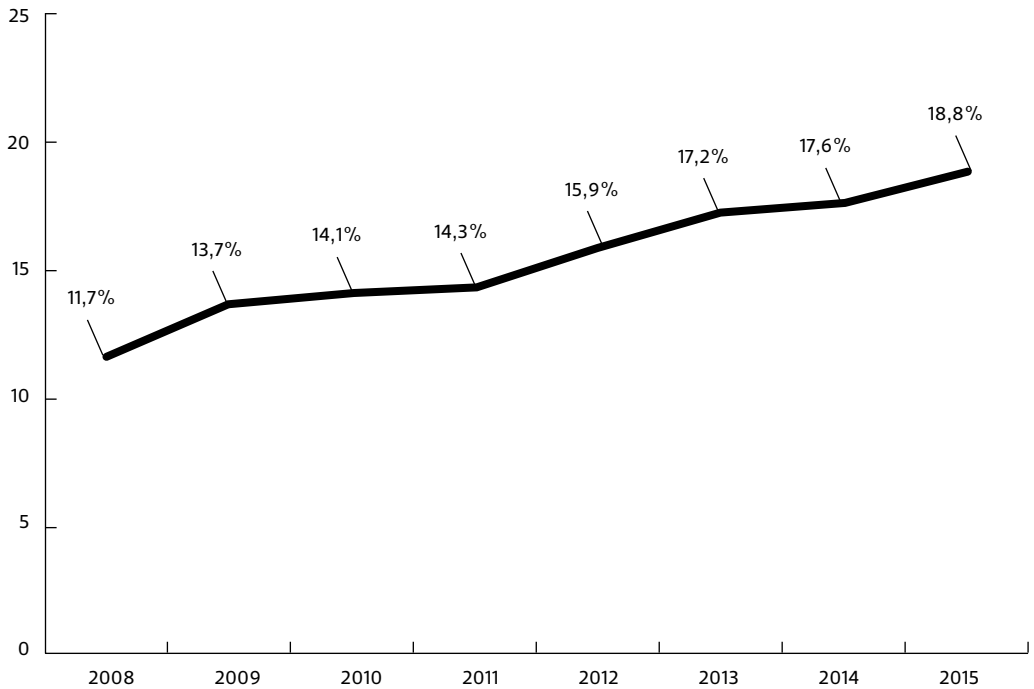
5   Germany seems to be an exception to the trend.

debt levels seem to have remained relatively stable in most European countries in recent decades. This implies that household debt has been the main driver of private sector indebtedness in Europe.

As a result of the lending booms, banks and many other financial institutions entered the crisis with vulnerable investment and funding positions. Many banks incurred heavy credit losses and some of them suffered acute liquidity shortages as investors in short-term debt and depositors started to withdraw their funds. The need to sustain the stability of the financial system led to extensive bank bailouts by the governments in a number of countries, with many banks duly being taken over by the governments and restructured heavily.

Another response to the crisis was a significant tightening of the regulations and supervision applied to banks and many other financial market actors. A particularly important development has been the steps taken towards banking union by setting up the Single Supervisory Mechanism (SSM) attached to the ECB, as well as the Single Resolution Mechanism (SRM). The SSM has undertaken the overall responsibility for banking supervision in the euro area and in those non-euro-area countries that have joined the banking union. Similarly, the SRM has responsibility for handling problem banks in banking union member countries.

The solvency and liquidity problems as well as tighter regulations have led to a deleveraging process in the financial system. While this has been necessary to improve capital adequacy, it has also weakened the availability of credit for the business sector in the hardest hit countries. Banks have increased their capital base both through equity issuance and through retained earnings. Capital adequacy ratios have increased significantly as a result (Figure 6), although there are still vulnerable banks in the EU.

25

20   18,8%

                                                          17,2%   17,6%
                                             15,9%
                     14,1%   14,3%
15   13,7%
   11,7%

10

5

0
   2008   2009   2010   2011   2012   2013   2014   2015

Longer-term growth prospect a cause for concern

The near-term outlook for the European economy is positive. Both
the EU Commission and private forecasters expect that euro area
GDP growth will remain robust in 2017–2019. Both euro area and EU
economies are expected to grow by 1.5 to 1.8 per cent per year over this
time span. This implies that the euro area unemployment rate, which
has remained elevated compared to many other OECD economies, will
continue to decrease gradually from 10 per cent in 2016 to less than
9 per cent in 2019. Nevertheless, the benign short-term outlook does
not mean that some stubborn long-term challenges have disappeared.

Productivity has grown significantly more slowly in the EU over the
past 20 years than in the US, contributing to a widening GDP per capita
gap. There is, however, substantial variation among the member states
in this regard. Northern European countries, particularly Sweden,
and also Finland until recently, have displayed rapid productivity
growth, while growth in Southern countries has mostly been weak.
A particularly worrying case is Italy, where GDP per hour worked has
remained flat since 2000.

Part of the recent weakness relates to the economic crisis. In
basically all developed countries productivity dropped in the midst

Figure 7:
Capital adequacy,
% of EU banks
(median).

of the crisis and has been slow to recover. Nevertheless, there are interesting variations in the recent productivity performance of the EU countries. For example, previously strong performers such as Finland and the UK have displayed very weak productivity growth since the crisis. On the other hand, in Spain, where productivity grew very slowly between 1995 and 2005, growth has been relatively good since the crisis.

While the reasons for the weak global productivity growth over the past decade are not fully understood, research points to some rather obvious factors conducive to good productivity growth in general. These include the competence of the labour force, an efficiently functioning labour market that reallocates labour swiftly from low productivity activities to higher productivity activities, public support for innovation activities, competition, political and legal institutions that protect against expropriation of the benefits of innovation, trust between people, and so forth. Some of these factors are deeply intertwined with the institutions of the societies and thus slow to change.

It is obvious that the famous Lisbon strategy to make Europe a leading innovative economy failed. Much has to change in Europe for it to catch up with the global productivity frontier. The fact that some of the European economies have been able to make significant transformations in this direction suggests that overcoming growth handicaps is not impossible in Europe. The problem is that progress has remained weak in many countries to date.

While productivity is the key to long-term growth, high employment is important for economic success in other ways, both in the short and long term. Many social ills relate to unemployment and exclusion from the labour market, and the sustainability of public finances depends very much on how large a fraction of the population is gainfully employed. Unfortunately, employment rates have remained low in many EU countries, with Germany, Sweden and the UK being notable exceptions. These trends are particularly worrisome when combined with the fact that the growth of the working age population in Europe is forecast to remain weak or even negative in some countries for the next few decades.

At least part of the positive development in employment rates in countries such as Germany and Sweden can be explained by labour market reforms that have improved incentives to supply labour. The German labour market reforms in particular (known as the "Harz reforms") led to significant changes in prevailing institutions and the

social security system. Even though the precise effects of these reforms remain a disputed issue, it is quite safe to assume that they have succeeded in increasing the labour supply and potential output. Yet in many European countries there is still much room for improvement in this area, namely when it comes to increasing employment rates and potential output via labour market reforms. This concerns the Southern European countries in particular, but also countries such as France and Finland. Spain and Italy have recently succeeded in implementing some important labour market reforms, whose effects will potentially start to take effect in the coming years.

Brexit a major new challenge, even if short-term impacts appear modest

As discussed in the previous chapter, Brexit marks a tectonic shift in EU integration. The continuous process of expanding membership and deepening integration among the member states has clearly halted and turned into a partial disintegration. Whatever the precise post–Brexit arrangements between the UK and the remaining 27 member states are going to be like, the current EU28 will be less integrated as a result. The UK accounts for almost 20% of EU28 economic activity and has been a central part of the EU28 financial system that binds different member states together through financial contracts and transactions.

This loss of economic integration will – other things being equal – have a negative impact on the European economy. However, the extent and duration of the effects are very uncertain and will depend on the nature of the future arrangements between the UK and the rest of the current EU. The effects will also depend on how the rest of the EU reacts internally to Brexit, that is, whether it will lead to further disintegration or more integration, and to a stronger emphasis on economic reforms to increase the economies' productivity and resilience, or perhaps to a greater emphasis on protecting existing jobs, and a potential reduction in immigration from outside the EU. Too little is known about these two aspects to forecast GDP responses, for example, with any degree of precision.[6]

The analyses conducted mostly prior to the Brexit vote have come up with a wide range of GDP impacts for the UK, typically ranging

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6   Baldwin (2016) includes several early analyses of the likely consequences of Brexit. Wyplosz (2016) provides an account of the positions that various EU27 countries are likely to take in Brexit negotiations, while Lahti and Vihriälä (2016) discuss some of the possible changes in the EU and their likely economic implications from a Finnish perspective.

from a one to eight per cent reduction in the medium and long term. For example, the OECD estimated that the UK GDP would be 5% lower in 2020 than the non-Brexit baseline in the case of a "hard" Brexit based on a WTO trading arrangement between the UK and the EU27. In another example, Ebell and Warren (2016) estimated that by 2030, the UK GDP would be between 1.5 per cent and 3.7 per cent lower than the baseline.

The impact on the rest of the EU has been estimated as being much smaller. The OECD estimated that the GDP of the EU27 would decline by 0.9% relative to the non-Brexit baseline by 2020. Ebell and Warren's results indicate even lower figures for this decline.

The data that have accumulated since the Brexit vote do not indicate any major short-term impacts on activity either within the UK or outside of it. Growth has continued more or less as predicted prior to the vote. Stock prices have even increased both in the UK and the rest of the EU. A notable exception to this quite modest or even benign response is the depreciation of the pound, which had weakened by more than 15% in effective terms by the end of 2016. This is indicative of a significant dip in confidence in the British economy.

Hence, it would appear that Brexit has not led to any major short-term weakening of either the UK economy or the economies of the remaining EU. This should not, however, be taken as a suggestion that the medium or long-term effects would be negligible, particularly for the UK.

THE CONSOLIDATION OF THE EMU AS A REACTION TO ECONOMIC PROBLEMS

Teija Tiilikainen

The economic and financial crisis prompted the adoption of major corrective measures within the EMU, which from the early years of the crisis has constituted one of the key fields for deepening integration. The agenda for these corrective measures has been divided into economic policy, financial policy, fiscal policy and, finally, the one related to the governance and democratic accountability of the EMU. While this reform agenda, or a specific part of it, played a key role in most European Council meetings between 2012 and 2015 – with decisions being promptly implemented by the Union's legislative machinery – the pace of reforms has subsequently become more sluggish. Along with the economic recovery, consensus on the further need for, or form of, reforms has weakened. The key question now is whether the EMU, with all the reforms and completions carried out during the past few years, is resilient enough to cope with possible future crises.

This subchapter addresses the recent and upcoming reforms in the EMU from the point of view of the trends of deepening and differentiation in the EU. First, it analyses how the reforms adopted thus far have affected the initial division of powers between the EU and its member states and the Union's unity both in political and institutional terms, and how stable it can currently be considered to be. It then studies the types of dividing lines that issues related to the EMU created among the member states and within European societies at large. The permanence of these divides will be assessed in this context.

The second and third subsections deal with the directions of forthcoming changes – or the existing pressure of change – and their influence on the main pillars of the EMU. In order to gauge the integrative or disintegrative impact of ongoing or future amendments, their linkages to adjacent policy fields and possible spill-over effects, as well as the way they influence the Eurozone's normative and institutional role within the EU, will be studied.

The impact of adopted reforms

The economic and financial crisis of 2008–09 clearly highlighted the divergences concerning the EU members' economic competitiveness and debt sustainability. It also made visible the dependencies existing between financial institutions and sovereigns and the risks these

implied for public economies and taxpayers. The key reform agenda launched in the autumn of 2012 aimed to address these problems with short- and long-term measures.[7]

When it comes to the short-term measures, the reform agenda was dominated by the thinking of Germany and the Northern EU members, according to which firmer rules on budgetary policies and more stringent control over compliance with them provided a solution to the acute crisis. New stability mechanisms were seen to be needed for extreme financial crises – and to break the direct link existing between sovereigns and financial institutions – but they were not supposed to challenge the general rule of no bailout. The European Stability Mechanism (ESM), established in 2012 as a permanent solution to replace the initial ac hoc rescue packages and temporary mechanisms used, was clearly based on this thinking. It is meant to be used to provide assistance to Eurozone countries only in crises that threaten the financial stability of the Eurozone as a whole.

Many southern European member states held a different view on the common policy, however, which also came to the fore in several blueprints published in the framework of the EU institutions on the development of the EMU. The discourse on the 'true' economic and monetary union signalled that a more comprehensive change to the character of the EMU was required, particularly when it came to the mechanisms of mutual solidarity it comprised. It was argued that a monetary union could not survive without being a political and fiscal union as well.[8] A slightly different divide was created between the supporters of austerity and structural reforms and those in favour of fiscal and monetary expansion as the key instruments of a crisis policy. Due to the different expectations that existed on the common policy, public debate became tense in many European countries as criticism of the 'German-led austerity camp' grew stronger in Southern Europe, while the latter was criticized for its poor economic policy in the North.

7   See 'Communication from the Commission; A blueprint for a deep and genuine economic and monetary union' 2012; Towards a Genuine Economic and Monetary Union (EC, the President, various versions of the document have been introduced to the EC); Final Report of the Future of Europe Group 17.9.2012; Towards a Genuine Economic and Monetary Union, EP resolution P7.TA 0430/20.11.2012; France and Germany – Together for a stronger Europe of Stability and Growth, 30.5.2013.

8   De Ville & Bergvens 2015.

In this way, the question of the *character* of the common economic and financial policy of the Eurozone countries, with the possible fiscal instruments linked to it, became a key dividing issue in the EU's politics. The more long-term solutions adopted thus represent a compromise between the more cautious reform approach of the North and the comprehensive agenda of the South. Another major divide emerged with respect to the UK, which was concerned about the implications of the Eurozone's measures for the single market, and the UK's role in it, and which prevented, for instance, the incorporation of the so-called Fiscal Compact, establishing the rule on balanced budgets, into the EU treaties.[9]

When it comes to the EU's powers, the crisis measures implied a strengthening of the Union's powers in economic and fiscal policies, particularly for the Eurozone countries. This mainly took place without changing the treaty-based division of competences according to which monetary policy is an exclusive competence of the EU, whereas the Union only has a coordinating function with respect to the member states' economic policies.[10] The corrective measures adopted included tighter budgetary constraints for the Eurozone countries and enhanced capacities for the EU institutions to supervise and correct member states' budgetary policies. Following the same logic, the macroeconomic imbalances procedure – which aimed to identify and correct imbalances – was extended to new issues and complemented with a reinforced supervision mechanism.

The measures adopted to strengthen financial stability in the EU de facto increased mutual responsibility and solidarity between the Eurozone countries, even if this took place outside its institutional framework in the form of the European Stability Mechanism (ESM) and the Single Resolution Fund, established as a part of the resolution mechanism of the Banking Union. The bond-buying programme launched by the European Central Bank (ECB) in 2012 was another key instrument in support of financial stability. Once established,

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9   The Fiscal Compact refers to the Treaty on Stability, Coordination and Governance in the EMU, which was finally signed as a separate treaty among all the EU countries with the exception of the UK and the Czech Republic as the UK had prevented its content from becoming a part of the EU treaties (in the European Council meeting of December 2011).

10 The only treaty change took place with respect to the ESM, which required a legal basis in the treaties. For this purpose, Art. 136 was added to the TFEU by using the simplified revision procedure (TEU, Art. 48.6.) according to which the European Council can by unanimity amend certain parts of the TFEU. The amendments will be approved in accordance with the constitutional requirements of the member states.

the use of these stability instruments didn't evoke corresponding political upheaval, as the initial ad hoc rescue packages had done in many Eurozone members. However, the depth of the Greek problems makes it a very particular case as the continuous need for new loan programmes from the ESM (third programme in 2015) keeps it firmly on the European agenda on the one hand and, on the other, polarizes the Greek domestic debate about the appropriateness of the conditions of the loan programmes.

The establishment of specific fiscal instruments for the EU or Eurozone was, as mentioned above, a key bone of contention during the crisis years to the extent that most of the numerous proposals made by the Commission, groups of member states or within the European Council did not materialize. The range of fiscal instruments proposed varies from automatic stabilization instruments (e.g. European unemployment insurance) or emergency funding to a convergence and competitiveness instrument to facilitate structural reforms and, finally, a full-fledged budget for the Eurozone.[11] When it comes to the funding of these instruments, the proposals made include various models depending on the size of the instrument. Member states' contributions, direct taxes and different types of Eurobonds are among the funding options proposed.

Apart from challenging the EU's political unity, the crisis years also affected its *institutional* unity by introducing a clear differentiation of policies with respect to the Eurozone and the rest of the EU. Most of the measures adopted were mainly targeted at the Eurozone, which led to differentiation in terms of norms and liabilities but also in terms of institutions and decision-making, as further institutionalization of the Eurozone seemed to be required for reasons of political credibility and democratic accountability. The Euro summits were institutionalized under a permanent presidency and provided their own rules of procedure. In addition, Eurogroup practices were consolidated at the ministerial level, and preparations launched concerning improved democratic control and more unified external representation. This development evoked concerns, particularly among those EU members lacking a membership perspective in the common currency, such as the UK and Sweden, as they saw their own influence being threatened by the de facto strengthening of the Eurozone.

In terms of legal and institutional coherence and clarity, the reformed EMU emerging out of the crisis is far from optimal and,

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11   See e.g. 'A fiscal capacity for the euro area?' 2016; Fabbrini 2016, 152–179.

in many respects, represents an interim solution waiting for a political opportunity to be finalized. On the other hand, in political terms, any major steps towards a 'True Economic and Monetary Union' have become more difficult due to the polarization of public opinion on the EU and the intensified controversiality of any new mechanisms of solidarity and shared responsibility, particularly in the Northern member states, including Germany.

The EMU as a challenge to the EU's unity: immediate reforms planned

The EMU's potential to function as a driver of deepening integration as well as fragmentation is still obvious after the immediate crisis years. First, there is a broad European consensus on the appropriateness of many of the crisis measures, such as the ESM and the Banking Union. Different opinions, on the other hand, prevail over the extent to which the reforms conducted thus far are sufficient, and the additional steps that should be taken to ensure the vitality of the EMU. The old dividing lines between fiscal discipline and the role of market forces, on the one hand, and stronger political governance bolstered with fiscal instruments, on the other, are still very much valid. The ongoing difficulties in Greece notwithstanding, the successful experiences of cooperation serve an important political function within the current EU. In the aftermath of Brexit, the positive dynamism around the EMU functions as a vital sign of European integration. The way in which future steps taken with regard to the EMU will affect the EU's political and institutional unity depends on the length of these steps and on the general trends concerning EU opinion in the member states.

The Franco-German axis is a critical driver behind any major reforms being carried out and the topic has been kept on their common agenda ever since the pace of reforms has decelerated. Irrespective of the different approaches of these two countries towards the EU's economic policy, they have succeeded in agreeing on a joint agenda comprising items related to the institutional consolidation of the Eurozone, as well as the introduction of fiscal capacity. Both France and Germany face their own domestic criticism of the EMU project. France is particularly divided on the EMU issue, which came clearly to the fore during the second round of the presidential elections of 2017. Marine Le Pen, one of the runners-up in the second round of the presidential elections in 2017, blamed the currency union for the loss of France's sovereignty and the strengthening of globalization, whilst her rival and the elected president, Emmanuel Macron is willing to deepen the EMU institutionally and with new fiscal means.

The pro-EMU constellation is much more solid in Germany, where the leading parties have similar views on the currency union and are more challenged with respect to their positions on immigration than on the EMU. The most significant difference between the approaches of France and Germany towards the deepening of the EMU stems from the basic character of their economic policies, whereby France, in general, doesn't support the German tradition of ordoliberalism.

Seeing as neither country has shown any great appetite for a major overhaul of the EU treaties, the proposals haven't evoked any larger political controversies. The position of the German government is decisive when it comes to a broader consensus on the issue: thus far, its reluctance with respect to more far-reaching solidarity mechanisms has made it easier for countries vulnerable to firm domestic polarization over this issue, such as Austria, the Netherlands and Finland, to accept the reforms. The consensus between France and Germany emerging out of elections of 2017 is highly significant concerning their mutual dynamic on the development of the EMU.

When it comes to the development of the EMU's structures, there seems to be some automaticity in the processes, meaning that a number of incremental amendments will see the light of day during the next few years, assuming that no major upheavals occur in European politics. The general background to the amendments is contained in the key planning documents, which schedule a new stage in the EMU's development to be initiated in July 2017, with major political and institutional reforms planned.[12] The Commission's Discussion Paper on the EMU, due to be published in June 2017, will most likely include an implementation plan for the major reforms, including legislative initiatives.

Most of the additional steps that are planned would affect the current normative and institutional structure of the EMU, which, on the one hand, is far from ideal from both a functional and a democratic point of view. But, on the other hand, the possibilities to enhance its normative clarity or democratic accountability without strengthening its institutional differentiation and, consequently, weakening the EU's unity, are very limited. The aforementioned automaticity implies that many parts of the Eurozone's normative structures – initially established outside the ordinary normative and institutional framework of the EU – call for a reconsideration of their own position within a few years.

12   Completing Europe's Economic and Monetary Union 2015; The European Commission; Completing the Economic and Monetary Union 2016.

When it comes to the financial stability institutions, the three pillars of the Banking Union rely on different arrangements institutionally and in relation to their legal base. The Single Supervisory Mechanism (SSM) is a separate part of the ECP, whereas the political arm of the Banking Union, the Single Resolution Board as a part of the Single Resolution Mechanism (SRM), takes the form of an EU agency. Both the SSM and SRM, however, include a provision according to which their institutional position will be reconsidered during 2018. Such a reconsideration will most likely tie them more closely to the ordinary institutional system of the EU. The Banking Union also lacks a coherent legal base in the EU treaties which, when corrected to correspond to the existing situation, will imply a de jure extension of the Union's competence. The Banking Union – and its incorporation into the institutional framework – will contribute to the differentiation of the Eurozone as participation in it is obligatory for members of the common currency, but optional for non-members.

The ESM is another structure outside the ordinary institutional framework whose relocation to the institutional structure is on the political agenda.[13] It is currently an international funding institution functioning under public international law and governed by the Eurozone members. Unlike participation in international treaties in general, participation in the ESM is mandatory for these countries. Its new role would formalize its character as a fiscal instrument of the Eurozone, albeit tied to a very particular purpose, and as such it will be discussed later in this chapter.

A further normative component that will be moved to the treaty framework is the so-called Fiscal Compact, namely the Treaty on Stability, Coordination and Governance, which due to the UK's opposition had to be concluded as an international agreement between the Eurozone countries in 2012. It complements the tightened budgetary rules by enforcing the Eurozone members to legislate on the 'golden rule', namely on the need to respect a balanced budget every fiscal year. The incorporation of the fiscal compact into the treaties – as already confirmed in the document itself (within five years from its entry into force) – furthermore stresses the Eurozone's normative distinctiveness.[14]

The incorporation of the aforementioned structures into the institutional framework will enhance the Eurogroup's institutional role and will also presuppose the right to take formal decisions on behalf

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13   Completing the Economic and Monetary Union 2015.

14   The European Commission, Complementing the Economic and Monetary Union, 2016.

of its members. Thus far, this competence has belonged to the Council only. The process of unifying the Eurogroup's external representation is another process with a similar requirement. As a first step, representation of the Eurogroup in the IMF by its President, effective by 2025, has been proposed by the Commission and is currently in process within the other EU institutions.[15] This is seen to demand a further coordination of their policies for the IMF, and necessary adjustments to the IMF governance.

When it comes to the other EMU reforms planned to take place during the next few years (and with less automaticity compared to the aforementioned ones), issues aimed at enhancing the democratic accountability of the EMU might form a well-justified agenda. The improved parliamentary control of the Eurogroup has been on the agenda since the beginning of the economic and financial crisis and, along with its further institutionalization, the pressure to move on with proposals still pending is likely to increase. A partial response to these demands will take place as the role of the European Parliament is strengthened along with the currently external parts of the institutional system (SRM, ESM) entering the institutional framework. In this way, they will also come under the EP's scrutiny.

Further institutionalization of the Eurozone, however, would accelerate a corresponding differentiation within the EP's structures. The establishment of a separate sub-committee for the Eurozone within the EP's ECON committee has been promoted by the committee itself, and is also included in the Five Presidents' Report and supported by France and Germany.[16] The idea has evoked controversies thus far, as it has been seen to challenge the institutional unity of the EP and MEPs' equal rights, to which end the EP has duly expressed a critical view.[17] Key issues to be resolved in order to diminish opposition include questions about whether membership of the sub-committee could be open to all MEPs, irrespective of whether they represent a Eurozone member state, and the rights and institutional position of the sub-committee within the EP.[18]

A specific form of parliamentary mechanism known as inter-parliamentary cooperation between the EP and national parliaments has been activated in the EMU's context to respond to the challenges of parliamentary accountability of the EMU. A dialogue between the EP

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15   Council Conclusions June 2016; The Economic and Social Committee ECO 392/2016.

16   Strong Europe, June 2016.

17   EP Resolution of 12 December 2013 on constitutional problems of a multi-tier governance in the EU.

18   Van den Bogaert & Borger 2017, p. 212.

and the national parliaments takes place within the European Semester, which also includes strengthened contacts between the parliaments and the Commission.[19] This inter-parliamentary dialogue can also take place between responsible committees of the parliaments, as is currently the practice within several policy fields. An institutionalization of this inter-parliamentary meeting – including concrete powers given to it – has been included on the more long-term agenda for the EMU's development, but is likely to give rise to many problems before it can materialize.[20] The forms of parliamentary control of the EMU are, however, interlinked with the general institutionalization of the Eurozone and the deeper this goes, the more the pressure towards institutionalized forms of parliamentary control grows.

Another short-term institutional plan with linkages to the aforementioned projects on the institutionalization of the Eurozone and its parliamentary accountability deals with the establishment of a Eurozone treasury. In institutional terms, this reform would first of all centralize the decision-making on the Eurozone's joint funds within one authority. This would also be the natural location of the ESM when brought into the institutional structures. The new treasury would be in charge of the common fiscal capacity, which means that it would be democratically accountable for the management of the common funds. Different opinions seem to prevail on the institutional location of the treasury; while the EU institutions have indicated that it could be placed within the Commission, France and Germany at least have envisioned the Council as a more suitable framework.

The future reforms of the EMU analysed thus far can all be perceived as small-scale incremental changes which can be carried out – with the exception of the establishment of a Eurozone treasury – without major treaty amendments. As small steps, most of them are unlikely to lead to any major political controversies in the member states. Taken together, however, they imply a major leap in terms of the further institutionalization of the Eurozone, with implications for the EU's unity.

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19 An inter-parliamentary meeting established between these two in the framework of the European Semester and the Fiscal Compact. The role of the meeting is to exchange information on best practices concerning macroeconomic developments and the implementation of the fiscal compact.

20 The institutionalization of the inter-parliamentary cooperation is included, for example, in the Franco-German proposal (Strong Europe, June 2016), which states that (in the longer term) this 'common chamber' should have full authority on any matters regarding fiscal and macroeconomic oversight.

The EMU as a challenge to the EU's unity: more far-reaching reforms

The political documents include many principled and far-reaching ideas for the amendment of the EMU to be launched during the 'second stage', namely in the summer of 2017. Many of these revolve around the fiscal capacity of the Eurozone and its forms and funding. Obviously, if these ideas are carried out, they will have further consequences for the institutional set-up and democratic control of the Eurozone.

The debate about possible forms of fiscal capacity has continued since the earlier proposals, that is, the convergence and competitiveness instrument proposed in 2012, failed. The more pragmatic options for the immediate future now include – apart from the incorporation of the ESM into the treaties as a crisis fund (European Monetary Fund) – the utilization of the European Fund for Strategic Investments to cover the specific needs of the Eurozone when it comes to enhancing financial stability.

The Eurozone members continue to be divided on whether more far-reaching steps should be taken at this stage towards a joint fiscal capacity. The next step proposed by the Five Presidents' Report, for instance, is an automatic macroeconomic stabilization function, which would improve the cushioning of large macroeconomic shocks and make the EMU more resilient. According to the report, this stabilization function should be developed within the EU and be consistent with the coordination of economic policies. The idea that the stabilization mechanism could take the form of an unemployment scheme has been discussed for a longer period and is supported by many Eurozone countries. When it comes to the funding of such a fiscal capacity, France and Germany have proposed that a special Eurozone budget be established. The possible location of such a budget is linked to the question of the institutional set-up of a possible Eurozone treasury. The EU institutions start from the assumption that such a budget should take the form of specific individual resources in the context of the EU's general budget and, consequently, normal institutional framework.

Irrespective of the institutional solutions adopted, the establishment of a fiscal capacity represents a new level of differentiation, as it significantly increases the level of solidarity mechanisms among the members of the common currency by adding a fiscal element to them.[21] To balance this burden-sharing, it has been proposed that the current macroeconomic imbalances procedure would be given a

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21 Some analyses envision a fiscal capacity, parts of which could involve the EU as a whole and not just the Eurozone; see Demertzis & Wolff, 2016.

more binding character by making it a part of EU legislation.[22] In this way, the EU would acquire much stronger instruments to steer the member states' macroeconomic policies, and the current procedure of policy coordination would take the more streamlined form of shared competence.

The economic and financial crisis seems to have given the EMU a firm push away from the initial delicate balance of power between the EU and its member states. Gradually, the consensus has been strengthened in support of a stronger role being given to the EU in economic and fiscal policies, a change of mode in which the EU institutions have also played an important role. For the time being, it is hard to anticipate where the red line exists for the more reluctant member states, but difficulties are naturally linked to the budgetary implications of the reforms. Obviously, different political sensitivities will come into play for different Eurozone members, particularly in the North of Europe, depending on their domestic situations and the stage of the electoral cycle. Definite constraints are currently placed on the process by the normative framework and, in particular, by difficulties in carrying out treaty changes. As most of the innovative instruments for repairing the EMU without changing the treaties have now been utilized, any major amendment from now on may be very difficult to enforce by exceptional means. The risks related to a treaty change as such constitute a discouraging factor.

2.4
CONCLUSION

The near-term outlook for the European economy is positive. Several forecasters expect a robust annual GDP growth of 1.5–1.8 per cent. The Eurozone unemployment rate is also expected to continue decreasing. Nonetheless, this positive short-term outlook does not mean that stubborn long-term challenges such as low productivity growth have disappeared. Moreover, the debt levels relative to GDP remain high in many Eurozone countries, irrespective of the political measures taken to curb public sector deficits. Major differences exist between the Eurozone members when it comes to the structure of their labour markets, for instance.

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22   Completing Europe's Economic and Monetary Union 2015.

The EMU reform, which began as an incremental process in the context of the economic and financial crisis, without treaty changes for the most part, is about to reach its limits as an informal non-institutionalized part of the EU. Even with the planned short-term reforms – most of which have a degree of automaticity when it comes to their implementation – the currency union takes the form of institutionalized differentiation. This occurs as the current differentiation of norms between Eurozone countries and the rest of the EU is increasingly complemented with differentiation in terms of liabilities and mutual solidarity. The Eurogroup's position as a more formal decision-making body, including tighter parliamentary scrutiny, is interlinked with this development. Serious questions dealing with the EU's normative and institutional unity therefore need to be addressed before all the plans currently on the table in this context can be carried out.

With the member state most concerned about the widening gap between the Eurozone and the rest of the EU exiting the Union, there are still members whose perspective on full membership of the currency union is such that they will be opposing the consequences of this development.

Irrespective of the concerns about differentiation, in political terms the additional planned steps are unlikely to cause upheaval on the scale that Europe underwent during the crisis years. Even if the question of the character of a True Economic and Monetary Union is far from settled, the terms of this debate have thus far become well-known all over the EU, which paves the way for a more consensual approach. The old dividing lines exist, but the incremental reform strategy has softened attitudes in those countries most critical of the direction of the reforms. Once again, the need for new resources will be the decisive issue, which might aggravate opinions, particularly when entering the political agenda in the run-up to national elections.

3

3. Common territory

Leonhard den Hertog and Eeva Innola[1]

3.1
INTRODUCTION

Common territory is a central element of European integration. Free movement within this territory, whether it concerns people, goods, capital or services, is a basic aspiration and principle of the European Union's single market. Territorial integration is meant to "ensure that borders are not barriers",[2] and in relation to people and goods this is largely realized by the Schengen Agreement, which allows people (and goods) to move without being subject to internal border controls. The abolishment of internal borders has simultaneously meant reinforcing the external Schengen borders. This has made it increasingly difficult throughout the last two decades for irregular migrants or travellers without valid travel documents to enter the common territory.[3]

In 2015, however, the European migration crisis or European refugee[4] crisis, as it is commonly called, marked a dramatic challenge for the functioning of the Schengen area. It brought an unprecedented number of people seeking international protection to Europe in a relatively short

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1   Leonhard den Hertog is the author of subchapters 3.3 and 3.4 and Eeva Innola is the author of subchapters 3.1 and 3.2.
2   'European territorial cooperation, Building bridges between people' 2011; see also 'Back to Schengen – A Roadmap' 2016.
3   The Schengen area consists of 22 out of 26 EU member states plus four countries of the European Free Trade Association. Non–EU countries are Norway, Switzerland and Iceland.
4   A note on the terminology used: In this context the author chose to use the term migration crisis, as opposed to refugee crisis, to refer to all the people on the move towards Europe and within Europe, as not all of them have undertaken the legal process of claiming asylum as yet.

period of time. At the same time, it overwhelmed both the established system of receiving irregular migrants and the processing of asylum applications. Its consequences have affected the common territory and raised nationalistic voices opposing the free and unrestricted movement of people within the Schengen area. The situation has resulted in the introduction of temporary border controls in some countries, thus affecting all aspects of free movement that the Schengen agreement provides. Even though the topic of common territory or Schengen is much wider, the free movement of people in the context of migration to Europe is currently its most politicized dimension. Hence, this chapter leaves to one side, for example, the movement of EU citizens within the Union, which has also caused some tensions.

The migration crisis has provoked political tensions both at the level of EU institutions and at the member state level. At the EU level, the attempts to address the crisis through joint burden-sharing have caused major controversies. At the domestic level, the member states have had to adjust and innovate responses in record time to manage the flow of people in need of help. At the same time, the growth of anti-migration resentment is affecting public debates. The national responses have ranged from an open-door policy to building fences, both of which have led to disarray among member states. The formulation of a common EU response has proved to be highly challenging in a divergent political atmosphere. For this reason, it has even be said that resolving the migration crisis and its ramifications constitutes the most serious test of the European Union's unity. The refugee situation has fuelled nationalistic anti-EU discourses in many member states, and this has been channelled into growing support for populist or far-right political parties (on populism see Chapter 1.1).

This chapter will focus on the EU's common territory through the recent migration phenomenon. It will address migratory trends vis-à-vis the EU in general and selected member states in particular, as well as discuss ways of managing those trends both nationally and at the EU level. Section 3.2 provides a basic overview of recent migration trends and discusses national responses to the crisis, including the issue of relocation. Section 3.3 will then analyze the European response in more detail. It will look into the EU's attempts at governing migration towards Europe post-2014, focusing in particular on external border control, external migration policy and the reform of the EU's Common European Asylum System (CEAS).

MIGRATION TO THE EU

Eeva Innola

The migration crisis in itself is part of much larger and more complicated developments, but even on a European scale, the numbers are significant: Over 1.3 million people fled to Europe and over a million people registered as first-time asylum seekers in the EU[5] during 2015. That amounts to 16,000 asylum applications per week during the second half of 2015. Over 5,000 people died while trying to cross the Mediterranean in 2016,[6] and these are just a few of the statistics pertaining to this period.

Even though the pace of migration slowed down towards the end of 2016, thousands of people still try to cross the Mediterranean every month in ways and conditions that are often both unsafe and inhumane. The front-line member states that are most heavily affected are struggling to cope with their duties to secure the external Schengen borders and apply the EU's Dublin regulation – let alone provide decent conditions for the asylum seekers. In addition, the transit countries and destinations, namely those countries receiving most of the asylum applications, are under stress. The asymmetrical nature of the situation creates political and territorial divisions among the member states on how to respond. Simultaneously, as the common EU response has been ineffective and slow, tougher national responses have occurred. These trends continue to pose a challenge to European policymaking and to the EU's unity.

The situation and the underlying root causes behind the migration crisis are far from simple; they cover a multitude of issues and policy areas making the management of refugee-related migration a complicated issue. This section attempts to provide an overview of the situation. First, it will describe the streams of migration from the main entry routes to the destination countries, addressing some examples of national responses along the routes. The section will also briefly discuss issues that have caused controversy and even disintegrative tendencies, such as Schengen's internal border problematics, and the EU's relocation and resettlement schemes.

5   Eurostat 2016.

6   IOM 2017.

Overview of migration trends: routes and figures

The number of people seeking asylum in Europe has increased steadily during the last decade. (see Figure 1). The Arab Spring from 2011 onwards caused a visible spike in asylum statistics, but in 2015 the figures more than doubled. The European migration crisis had begun. This recent mass migration has occurred due to years of war and instability in Syria and Iraq in particular, but also elsewhere in the Middle East and in parts of Africa. It should be noted, however, that a majority of the displaced have remained in the vicinity of their home countries. For example, over 4.5 million Syrian refugees reside in Turkey, Lebanon and Jordan,[7] and over 800,000 displaced Somali refugees reside in the Horn of Africa region.[8] Yet over a million people have attempted the journey to Europe.
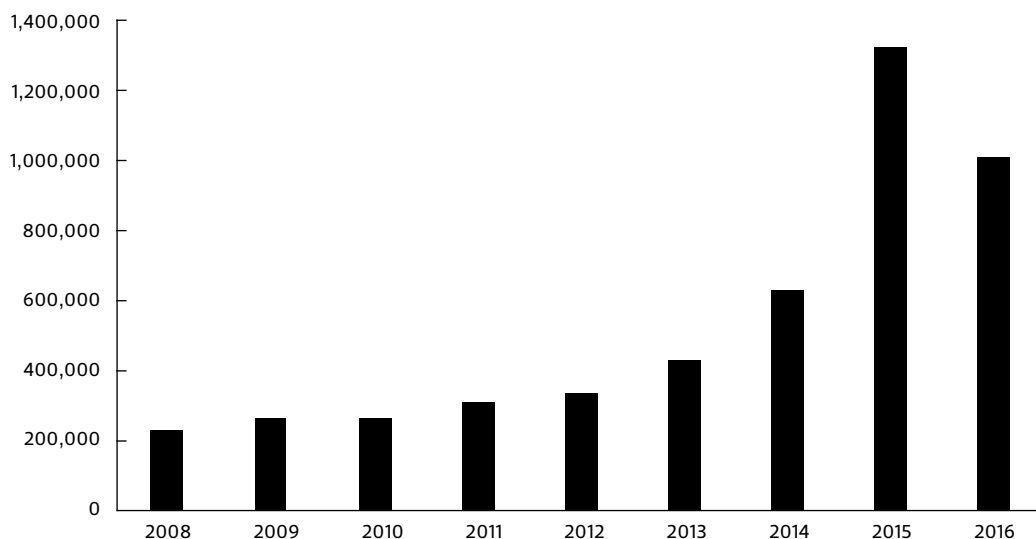
Figure 1:
Number of asylum and first-time asylum applicants in the EU 28.
Source: Eurostat[9]

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7   UNHCR 2017b.
8   UNHCR 2017a.
9   Eurostat 2017.

According to Frontex, seven different routes can generally be identified as those most commonly used in irregular border crossings to the EU.[10] In this section, the focus is on three of the main routes used during the migration crisis, namely the Eastern Mediterranean, Western Balkan and Central Mediterranean routes.

The Eastern Mediterranean route is the sea route from Turkey to Greece. The majority of migrants during the crisis entered the EU through the Aegean Islands. The number of border crossings along the Eastern Mediterranean route grew exponentially in 2015 compared to previous years (see Figure 2), making this route the main gateway to the EU and the Schengen area (i.e. Greece). The ascending trend peaked during the autumn months of 2015 and continued to be high through early 2016. The EU–Turkey resettlement agreement concluded in March 2016 combined with tightening border control en route slowed down the migratory flows through this route during and after spring 2016.

The Western Balkan route was highly frequented even before the current crisis, and has been used regularly since 2012 when Schengen visa restrictions were eased in the Balkan countries.[11] Following a similar pattern to the situation in Greece, border crossings peaked in 2015 (see Figure 2). The second largest number of irregular border crossings to the EU area was registered along the Western Balkan route, mainly from Serbia or Croatia to Hungary. People who entered the EU area through Greece continued over land through the Balkans towards Western Europe, attempting a re-entry to the EU through Hungary. This exerted heavy pressure at the Hungarian border as unprecedented numbers of incomers crowded the route. The situation led to a severe response by Hungarian officials, and the route was blocked by a fence at the Serbian border in September 2015. The fencing duly shifted flows towards Croatia.
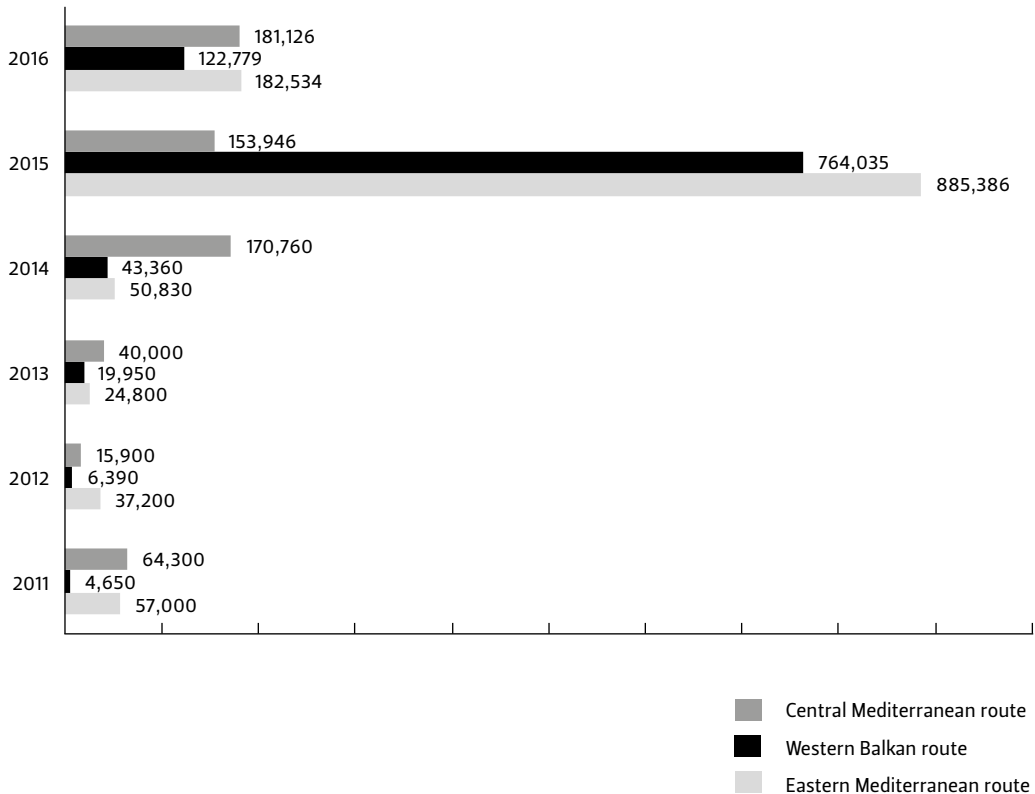
10   Frontex 2016.
11   Frontex 2017.

Bar chart showing numbers of detected irregular border crossings by route and year:

Year	Central Mediterranean route	Western Balkan route	Eastern Mediterranean route
2016	181,126	122,779	182,534
2015	153,946	764,035	885,386
2014	170,760	43,360	50,830
2013	40,000	19,950	24,800
2012	15,900	6,390	37,200
2011	64,300	4,650	57,000

Legend:
- Central Mediterranean route
- Western Balkan route
- Eastern Mediterranean route

Figure 2: Numbers of detected irregular border crossings at the external border of the EU on the Eastern Mediterranean, Western Balkan and Central Mediterranean routes during 2009–2016. Frontex notes that *the same person may attempt border-crossings several times.* Source: Frontex

National responses along the Western Balkan route generally became more stringent during 2016. Putting up fences and tightening the border control along the route made passage more difficult, resulting in Macedonia blocking the Greek border to refugees other than those from Syria or Iraq in March 2016, and leaving thousands of migrants stranded in Greece. This development fuelled unrest and the looming humanitarian crisis in Greece[12] as the Greek system was already under considerable strain.

The Central Mediterranean route is the sea passage from Libya to the Italian island of Lampedusa or, in some cases, to Malta or Sicily. Libya is a major gathering point for migrants from all over Africa and the Middle East area seeking a way to get to Europe. Since Gaddafi's death, Libya has lacked central authority, which has driven illegal activities profiting from mass migration. For years, Italy was the top spot for irregular migration in the EU, having the largest number of arrivals throughout the last decade. It was not until 2015 that Greece took first place in the statistics.

12   Neville et al. 2016.

There has not been as clear a peak in migration to Italy as there was to Greece in 2015 (see Figure 2). The number of migrants entering Italy increased steadily in the aftermath of the Arab Spring in 2011. The past three years, 2014–2016, have witnessed very high but rather stable numbers of arrivals by sea. However, unlike in the Eastern Mediterranean, the volumes along the Central Mediterranean route are currently increasing relatively fast. During 2016, the number of border crossings was 30,000 higher than in 2015, and 60,000 more compared to the Western Balkan route during the same period in 2016. The Central Mediterranean route differs from the other two routes discussed above in terms of countries of origin of the migrants. Libya is a gathering point primarily for migrants from African countries. The top nationalities of migrants entering Italy have been Nigerians, Eritreans and Guineans, whereas on the other two routes the main groups are Syrians, Iraqis and Afghans.[13] This also means that push factors behind the migration of African migrants are not necessarily related to fleeing war but fleeing poverty, which might not provide grounds for international protection and asylum in Europe.

The ascending migration trend along the Central Mediterranean route is worrisome because the sea route is longer, more unsafe and risky for the unseaworthy boats often used. The death tolls in the Mediterranean Sea have been high and on the rise throughout 2016. A recent serious incident was the discovery of the bodies of 87 African migrants on the Libyan shore[14] in February 2017.

The majority of people seeking asylum in the EU do not stay in the country through which they entered Europe. According to Eurostat asylum statistics, Germany has been, by far, the main destination for asylum seekers (see Figure 3). German officials received over a million asylum applications in 2015–2016. Hungary, Sweden and Italy came next with approximately 200,000 applications in 2015–2016. It should be noted, however, that these numbers (Figure 3) are not presented in relative terms. For example, Sweden's per capita share is remarkable. In fact, some of the member states have actually had relatively small numbers of asylum applicants and have experienced no significant impact as a result of the migrant crisis. Indeed, the impact is very unevenly distributed territorially.

13   Frontex Migratory route map 2017.
14   For example, BBC 'Dozens of migrants drown off Libya', *BBC News* 21.2.2017.
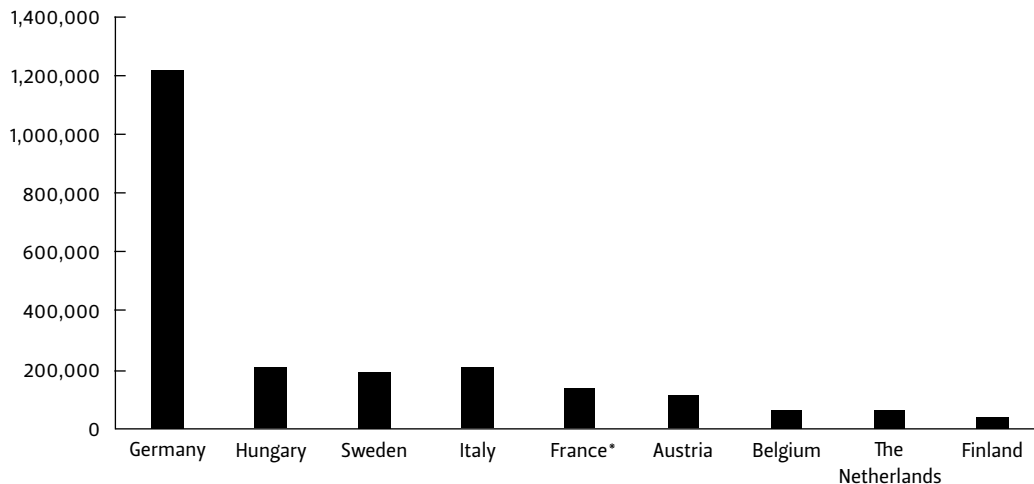15   Eurostat 2017.

Figure 3:
Asylum applica-
tions by member
state 2015–2016.
Source Eurostat.[15]

*The French data
is from the years
2014–2015.

Controversies over Schengen, resettlement and relocation

Certain policies created by the EU to manage migration or to regulate the movement of people have resulted in controversy and disputes between member states. For instance, the Dublin regulation is an EU law that determines the general principle that the first EU member state through which an asylum seeker enters the EU will be responsible for processing the asylum application. During the migration crisis, the front states have not been able to fulfil the Dublin regulation. Moreover, the Schengen area's passport-free inner borders enable un-registered migrants to move across borders once they have entered the Schengen area. These two features combined with the asylum seeker's unwillingness to stay in the front state are some of the factors behind the migratory movements across Europe.

This has resulted in some countries experiencing streams of migration, for transit purposes or for permanent asylum. As a reaction to this, several countries have responded by re-introducing border controls.[16] Although temporary border controls are in most cases established in accordance with the Schengen rules, this is still at odds with the Schengen Agreement's basic idea of free movement to some extent. Eurosceptic and/or nationalistic voices have criticized Schengen in the past, but in the current context of migration the anti-Schengen discourse has intensified. Critics have accused the

16   Six countries have temporarily reintroduced border controls (at the time of writing):
      Austria, Denmark, France, Germany, Norway and Sweden

borderless Schengen of being an open gate not only for refugees but also for terrorists.

The Schengen countries can temporarily re-impose border checks at internal borders for national security reasons, as has been done, for instance, in relation to the terrorist attacks in France. However, according to the Schengen rules, the border control should remain temporary. During the course of the migration crisis, this rule has been stretched: in May 2016, a European Council decision was made and renewed several times thereafter, allowing five member states (Austria, Germany, Denmark, Sweden, and Norway) to prolong internal border controls for three months at a time, due to deficiencies in the external border management. A Council decision from January 2017 prolonged the border control period once again, but also ordered all temporary border controls to stop by the end of May 2017.[17] The Council decision emphasized the exceptional nature of the temporary border control in the Schengen rules.

The division over the Schengen rules among the member states has given rise to claims that Schengen is in crisis or even that the Schengen era in its current form is over.[18] The EU's response to this is to see to it that Schengen is restored to normal in a concerted manner.[19] This is seen as highly important and beneficial for the EU as a whole. Yet even Schengen proponents are unanimous in underlining that the only way to protect the ideals and preserve the functioning of Schengen is to better protect its external borders.[20] However, the inherent problem is that the EU is divided on how to do that (see more on external border management in section 3.3).

Some diverging national responses hinder and undermine a plausible EU-wide response. The Vienna Declaration is one such example. Austria met together with nine Balkan countries in February 2016, resulting in the Vienna Declaration, in which the participating countries decided to impose restrictions at borders to regulate migration. Austria was actually doing this despite the Schengen rules or common EU response.[21] Austrian Interior Minister Wolfgang Sobotka summarized the discontent towards the EU's migration management in an interview from early 2017: "As long as the European Union is not in a position to protect its external borders, Austria will rely on national

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17   European Commission 2016, Back to Schengen, Press release.
18   Neville 2016.
19   'Back to Schengen – A Roadmap' 2016.
20   Tassinari 2016.
21   *The Economist Intelligence Unit* 2016.

measures".[22] The Austrian action and the Vienna Declaration came in for a great deal of criticism from other EU partners, who argued that such unilateral initiatives fed disintegrative sentiments in the EU and had ramifications for Greece.[23]

The five countries conducting temporary border control legitimize their actions on security grounds; they have to be able to know who is entering their country. In the Austrian case, it is likely that Austrian officials will continue the border control as the country is receiving asylum seekers through two fronts: those transiting the Balkan route and Hungary, and those arriving from Italy. As the level of irregular migration through the Central Mediterranean route to Italy is still rising (see Figure 2), it is unlikely that the migrant flow from Italy will decrease. This will continue to give rise to un-documented migrants transiting and residing in the EU area, and will also keep attention focused on the issue of internal Schengen borders.

Despite divisions and controversies, the EU is working towards establishing a common response. A large part of this work consists of relocation and resettlement schemes, which have been a major cause of controversy in and of themselves. Relocation is aimed at sharing the asymmetrical burden with the front states, whereas resettlement is directed towards asylum seekers outside the EU area.

An emergency relocation scheme based on Commission proposals was adopted in September 2015 despite a major division among the member states. The first decision was to relocate 160,000 refugees from Greece and Italy elsewhere in the EU within two years. Due to political disagreement over the relocation, this has progressed slowly. Over a year later, in December 2016, only 8,162 people had been relocated since its launch: 1,950 people from Italy and 6,212 from Greece.[24] The figures are lagging behind, as the Commission's target was to relocate 6,000 refugees monthly.

The Council also adopted a resettlement scheme in July 2015.[25] The EU-Turkey agreement from March 2016 is a form of resettlement, aiming at a "one-for-one" resettlement from Turkey to Greece for every Syrian refugee returned from Greece. The actual implementation of the deal has also proved to be rather slow, as only 1,187 migrants

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22 *Politico* 2017a.
23 *The Economist Intelligence Unit* 2016.
24 'Relocation and Resettlement – State of play' 2016.
25 'Commission Recommendation on a European resettlement scheme' 2015.

were sent back to Turkey from Greece by December 2016,[26] and 2,761 resettled in the EU from Turkey. A total of 13,887 refugees had been resettled under the EU resettlement schemes by December 2016.[27] In general, the implementation of both the relocation and resettlement plans became politicized and hence progressed slowly in relation to the rapidly growing number of asylum seekers. (For more on the resettlement framework and the EU's external migration policy, see section 3.3).

Examples of national responses towards migration

Migration has been on the EU agenda for years, but the division between the member states has been particularly pronounced during the past two years. As highlighted before, the differing responses and conflicting interests derive partly from the asymmetrical impact of migration. From this perspective, the member states can be roughly divided into four different groups: the frontline states, the transit countries, the destination countries, and countries with no significant burden. Shaping a common policy, let alone creating consensus at the EU level, has proved to be very challenging. Divided approaches to migration have raised concerns about the direction of the Common European Asylum System known as the CEAS (see section 3.3 for more on the CEAS reform).

The most controversial responses have been in respect of relocation. Those countries already accepting large numbers of asylum seekers, like Germany and Sweden, are strong supporters of relocation. While many countries, especially the Visegrad countries, have opposed it, some, such as Poland, do support burden-sharing but not through mandatory quotas. Romania, Hungary, Slovakia and the Czech Republic have been fiercely against relocation. Poland finally voted to support the relocation scheme but the rest of the Visegrad countries voted against it. Their opposition was overruled in the Council vote and the controversial plan was adopted without consensus. Now member states are obligated to take in asylum seekers under EU law, but the lack of consensus may feed the existing resentment towards the EU migration policy. Reluctant countries have also purposefully slowed down their own domestic processes in implementing the legally binding quotas.[28]

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26 'Fourth Report on the Progress made in the implementation of the EU–Turkey Statement' 2016.

27 'Relocation and Resettlement – State of play' 2016.

28 *Politico* 2015, 'EU forces through refugee deal', 23 September 2015

Some states like Germany, Sweden and Finland have responded to migration in a more open and humanitarian way, but even these countries have tightened their policies. The popular destination countries are endeavouring to make themselves less attractive to asylum seekers, but through more moderate measures.[29] They have amended their national immigration policies accordingly, and such measures applied in Denmark and Finland, for instance, include making family reunions more difficult for migrants. Below is a snapshot of the general response from selected countries.

Germany has been the main destination for mass migration during the crisis. Given its wealthy and economically stable position and initial open-door policy, Germany became the number one destination of choice for asylum seekers (see also Figure 3). To this end, Germany has seen over one million immigrants enter the country over the past two years. In 2015, Germany received over 440,000 asylum applications from first-time applicants seeking international protection.[30] The number doubled compared to 2014 and was the highest in the EU. Added to this, the overall number of migrants arriving in Germany is even higher. Germans think that the country is receiving a disproportionate number of asylum seekers and is therefore shouldering a bigger burden than other EU countries.

At the onset of the crisis, Chancellor Angela Merkel adopted an open stance on migration, conveying the message that it was Germany's duty to help those in need. As the number of incoming migrants did not decrease, German officials started to claim that Germany's migration policy was unsustainable. Merkel's *Wir schaffen das* mentality became increasingly contested, both in Germany and in the EU. As the number of incomers grew to unmanageable levels, the migration debate in Germany became heated and polarized. Opponents of Merkel's migration policy framed the issue as a national security concern and criticized the policy for its poor management and lack of organization.[31] The policy had to be revised under domestic pressure, as a result. In September 2015, Germany reintroduced border control at the Austrian border to manage the situation. According to German Interior Minister Thomas de Maiziere, the decision was necessary for security reasons.[32]

29 Tammikko 2017.
30 Eurostat 2016.
31 Tassinari2016.
32 For example, *Reuters* 2015, 'Germany re-imposes border controls to slow migrant arrival', 14 September 2015

THE EU'S CHOICE

For Merkel, the growing discontent came at a price: the Chancellor's Christian Democratic Union (CDU) party has lost support due to the migration situation as national elections are approaching. A poll conducted in October 2016 showed that support for the CDU had fallen to an all-time low, as it dropped below 30 per cent for the first time.[33] Merkel's policy was also criticized by other EU member states. The German leader was even accused of causing the whole crisis, as the open-door policy was seen as a motivator for migration to Europe. In addition, the migration situation probably played a role in the CDU losing in the Berlin State election in September 2016, a defeat for which Merkel accepted responsibility. Merkel ended up admitting that the open-door policy had been too hasty, but she stopped short at referring to it as a mistake. The only concession she made was agreeing that Germany had not been well enough prepared.[34] In effect, the politicization of the migrant situation has benefitted populist and nationalistic groups in Germany; for example, the far-right AfD party (Alternative für Deutschland) gained in popularity and has become an established political party[35] (for more on populism, see Chapter 1.1). AfD support peaked at 15% in late 2016, but has dropped remarkably since then, and was down to 9% in May 2017.[36]

Despite the tightening migration policy, Germany has been, and remains, a strong proponent of a common European response. Merkel has claimed that the solution to the migration crisis has to be a European one. The Chancellor is, and has been, one of the key figures in formulating an EU-wide approach.

Hungary has been one of the main transit countries during the migration crisis. The country's prime minister, Viktor Orbán, has become well known for his hardline policy towards refugees, the infamous symbol of this being the barbed wire fence at the Serbian border. It should be noted, however, that during 2015 nearly 800,000 migration-related entries into Hungary were registered (see Figure 2). Despite being a transit country for the most part, Hungary was nonetheless overwhelmed.

Orbán's policy, despite being criticized abroad, has nevertheless gained support for his party, the Fidesz. This is in line with the populist

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33 See e.g. INSA Meinungstrend 2016.

34 *The Guardian* 2016, 'Angela Merkel admits mistakes over asylum seekers after disastrous election', 19 September 2016.

35 Ibid.

36 The percentages of those in support are according to INSA polls, and available at http://insa-meinungstrend.de/de/sonntagsfrage.php.

trend visible Europe-wide in which populist leaders seek national popularity by contesting and criticizing the EU's migration policy (for more on populism, see Chapter 1). Yet Orbán has taken the action to a different level. For instance, he approved government-funded anti-refugee campaigns to influence public opinion, and the government organized a controversial referendum on the EU's relocation quotas (for more on similar referendums, see Chapter 1.1). Hungary's strategy has also been to deter refugees from staying in Hungary permanently. This includes preventing refugees from obtaining asylum but also minimizing integration efforts for those who have acquired legal status. Any help in social matters has mostly been dependent on NGO activity. Many EU politicians have criticized Hungary's official line, and the country has been accused of violating EU values through its actions.[37] Hungary voted to reject the mandatory EU relocation quotas but, in the end, the referendum turnout was less than 50 per cent and the result was invalidated. Orbán continued to act against the European relocation scheme by trying to make constitutional amendments – a plan that was also rejected.

Hungary declared a crisis situation "caused by the mass migration" in September 2016 and the government has repeatedly prolonged it since then.[38] At the time of writing, it is to remain effective until September 2017 due to the increased migratory flows through Italy and potential terrorists among the migrants, the Hungarian officials claim. The crisis situation enables the government to continue to take heavier measures in managing the migration and to deploy forces at the external borders.

Sweden is one of the main destination countries for asylum seekers, not least because it is a Nordic welfare state known for its humanitarian approach towards refugees. It has always received or taken in a relatively large number of refugees in proportion to its size compared to other European countries. The generous asylum policies have been a pull factor for Sweden. In 2015, 163,000 asylum seekers were registered as arriving, half of them within just a few months in autumn 2015. The migration figures also overwhelmed the Swedish system, and bottlenecks were rife in the public services and processing procedures. A change of course vis-à-vis asylum policies proved to be inevitable. It was realized that the open-door attitude would not solve the problem in the face of a lack of resources as basic as accommodation for asylum seekers. As a result, Sweden re-implemented internal border control at

37 *Politico* 2016, 'Hungary's 'zero refugee' strategy', 20 September 2016.
38 Government of Hungary 2017.

the Danish border in late 2015 to diminish the flow. In November 2015 Swedish Prime Minister Stefan Löfven announced that other measures would be taken in order to "create a respite" for the overwhelmed refugee reception and strained public services.[39] If such a respite were to succeed, it would demand both a dramatic decrease in incoming people and a reduction in granting residence permits. To this end, Sweden became stricter over granting asylum, changing its rather generous asylum regime in accordance with the EU's minimum level. Nonetheless, Prime Minister Löfven pointed out the temporary nature of these decisions, and the fact that the legislative changes were designed to be in force for three years.[40] The Swedish government stressed the need for a common EU response to the situation and more equal burden-sharing among member states. Sweden has also been advocating a reform of the Dublin Regulation and the creation of a new EU relocation scheme.

Critics of the Swedish migration policy declared its failure even before the current crisis. The issues besetting immigration had existed for years, and the volume of arriving migrants only exacerbated previous problems regarding insufficient integration and growing unrest among the immigrant population. As in many other European countries, the migrant crisis has been one of the reasons behind the growing support for populist and nationalistic political parties and movements. In this sense, the Sweden Democrats party has benefitted the most from the public discontent towards asylum policies in Sweden. The public response has become more hostile towards the situation of late, and the negativity has escalated into attacks against refugees and refugee centres on several occasions. The critics would have it that the situation points to a failure of EU policy as well.

A significant number of unregistered migrants still reside in Greece and Italy and elsewhere in Europe. The secondary movements of these groups within Europe are yet to be known. A newly emerging group is that of paperless immigrants, whose asylum application has been rejected. They have been expelled for deportation but some remain in hiding. The Stockholm terrorist attack in April 2017 brought this discussion to the fore both in Sweden and in other EU countries, as the suspect was an individual who had been denied asylum.

The situation remains unstable and unpredictable. The underlying reasons that force people to flee their homes still exist. Despite the

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39   Government of Sweden 2015.
40   Ibid.

currently descending trend in European migration figures since they peaked in 2015 and 2016, the potential for migration in Europe's neighbouring areas remains high. This development will continue to exert pressure on decision-makers to provide a common EU response. In light of this situation and the factors outlined above, the next section will discuss the EU's current attempts to manage migration.

3.3
EU MIGRATION POLICY IN TIMES OF 'CRISIS'

Leonhard den Hertog

During the past two years, the EU has been struggling to get to grips with the so-called 'refugee crisis'[41] in Europe and beyond. This process has been characterized by new proposals constituting a deepening of integration, such as establishing a European Border and Coast Guard (EBCG), as well as by potential disintegration, for example over the implementation and future of the Common European Asylum System (CEAS). The mistrust and shifting of responsibilities between the member states, and between the members and the Commission, has precluded the effectiveness of some of the responses, such as the relocation scheme. As a consequence, the EU has increasingly turned to cooperation with third countries to 'manage' migration and the refugee flows, thereby often mobilizing EU and member state funding.

This section poses the question of whether the EU reforms in the fields of borders, asylum and external relations address the deficiencies evident throughout the 'refugee crisis'. It will thus put into context the different EU attempts at 'governing' migration towards Europe post-2014, focusing in particular on three main areas of EU legal, political, budgetary and operational activity: 1) external border control and the establishment of the European Border and Coast Guard (EBCG), 2) the expanding field of external migration policy and 3) the reform of the Common European Asylum System (CEAS).

The starting point for much of what is discussed in this section is the European Agenda on Migration that was proposed by the

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41 This section uses the term 'refugee crisis' as many of the individuals who entered Greece through Turkey in 2015 and 2016 would appear prima facie to fall within the refugee definition of the 1951 Geneva Refugee Convention. Asylum recognition rates from various EU member states also support that assumption. Inverted commas are used to convey the reservation that this concerned a situation that needn't have evolved into such a crisis atmosphere if adequate and common policy responses had been forthcoming.

Commission in May 2015.[42] Whereas expectations that this agenda would change the EU's policy priorities in this field were low at the outset, the interplay between external events and policy priorities has given the Agenda significance. It includes proposals relating to much more than migration policy per se, also including proposals on asylum, refugee, and development policy, and relating to the role of EU Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) actors. In effect, it laid the groundwork for follow-up proposals, such as on the relocation of those in need of international protection from Greece and Italy. It also opened up fundamental discussions over the kind of solidarity Europe needs in the CEAS in the future, the possibility of an EBCG, and the intersections between migration and external relations policies.

Politically, it is important to understand the authors of the European Agenda on Migration, namely that it is increasingly driven forward by the Commission at Cabinet level. This concerns in particular Commission President Jean-Claude Juncker, Vice-President Frans Timmermans and High Representative Federica Mogherini. Quite surprisingly perhaps, the role of the Directorate-General Migration and Home Affairs in the Commission was more limited, especially when comparing it to previous strategies such as the Global Approach to Migration and Mobility (GAMM) that the EU adopted in 2011.[43] This may explain why some of the ideas presented in the European Agenda on Migration were presented as 'new', but when looked at in more detail actually appear to be existing ideas that have been around for a while.

In the following three sections on the EBCG, the EU external migration policy, and the reform of the CEAS, the legal proposals and political controversies alluded to in this introduction are fleshed out further, followed by cross-cutting findings drawn together in the conclusions. Hence, the sub-chapter aims to look beyond the policy discourse to gain an understanding of the political dynamics and struggles behind the different proposals and aims to assess what is really 'new' in them.

42 'A European Agenda on Migration' 2015.
43 'The Global Approach to Migration and Mobility' 2011.

External border control: the establishment of the European Border and Coast Guard

One of the most striking developments in the EU's migration policy in times of 'crisis' has been the quick adoption of the new Regulation establishing the European Border and Coast Guard in 2016, under the impetus of the Dutch Presidency of the Council. The speed with which the legislative procedure advanced clearly underlined the political priority given to external border control. As explained below, however, the EBCG does not systematically bring the external border control systems up to standard with the Schengen Borders Code[44] across all member states. Rather, its logics are primarily those of emergency-driven and 'crisis' interventions, with situations such as the one at the Greek external border clearly at the back of one's mind. Moreover, the new Regulation does not establish a fully-fledged EBCG as its name would suggest. Rather, it incrementally builds on and further develops the mixed intergovernmental-supranational logics inherent in Frontex, the EU Border Agency since 2005.[45]

The political context of blame-shifting and sovereignty concerns

The May 2015 European Agenda on Migration did mention the "possibility of moving towards a European Coast Guard",[46] and the idea of a common European border service is certainly not new.[47] The Commission had already asked for an external feasibility study on this in 2014.[48] The 'refugee crisis' provided a political window of opportunity to move this forward, leading to Commission proposals in December 2015 for the establishment of the EBCG. Rather than a radical break with the past, the EBCG presents a 'Frontex+'. This is in line with a gradual widening of Frontex powers through amendments in 2007 and 2011, and the stipulation of rules covering its sea surveillance, including rules on Search and Rescue (SAR), in 2014.[49] The main competences of the Agency included the coordination and financing of joint (return) operations, including Rapid Border Intervention Teams,

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44 European Parliament and Council, Regulation No 610/2013, Schengen Borders Code.

45 This means that this EU Agency functions in a field of increasingly supranational competences at the EU level, but is subject to member states' control of the Agency through its Management Board and in its dependence on member states for operational activities.

46 'A European Agenda on Migration' 2015, 17.

47 Neal 2009; Carrera 2010.

48 Unisys 2014.

49 For more background, see: Rijpma 2016; Carrera et al. 2017.

the collection, exchange and analysis of information for 'risk analysis', the promotion of research and development, and the cooperation with third country authorities.

The Commission EBCG proposals also have to be understood against the backdrop of the Frontex joint operations in the Mediterranean,[50] and its involvement in the "hotspots" constituted by the registration sites in Italy and Greece, established in the course of 2015.[51] These elements framed the nature of the discussions around the EBCG, specifically where a perceived lack of national capabilities and commitments was perceived as the major obstacle to effective EU external border control. Moreover, the long-standing zero-sum logics of internal free movement requiring reinforced external borders were strengthened, as the re-introduction of internal border controls by several member states prompted discourse about the 'collapse' of the Schengen Area if the external borders were not protected. It is this political background of blame-shifting, with Greece at the epicentre, and panicking Interior Ministries and the Commission's DG Migration and Home Affairs that shaped many of the EBCG proposals.

This sub-section focuses on the EBCG Regulation,[52] adopted in July 2016 and formally operational since October 2016. As elaborated in the remainder of this sub-section, it should be noted that the Council managed to amend the Commission proposal on several points, amounting to a weakening of the Agency's autonomy and of the role of the Commission.

The new EBCG Regulation establishes a *dual structure* for an EBCG Agency – also retaining the name Frontex – on the one hand, and the member states' authorities, on the other, which together bear the "shared responsibility" for the integrated border management at the external borders.[53] The Regulation does not establish a direct EU command structure over the external borders insomuch as the "Member States shall retain primary responsibility for the management of their sections of the external borders".[54]

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50 Carrera & den Hertog 2015.

51 Carrera & den Hertog 2016.

52 European Parliament and Council, Regulation 2016/1624, EBCG Regulation.

53 Ibid, Arts. 3(1) and 5.

54 Ibid, Art. 5(1).

The main innovations of the European Border and Coast Guard

The main innovations of the EBCG are 1) the reinforced operational capabilities of the Agency, 2) its supervisory role, 3) an emergency mechanism including a 'right to intervene' in member states, 4) a stronger role in expulsions and readmission, and 5) the inclusion of coast guard actors.

First, in terms of operational capacities, the Agency will have at its disposal a "standing corps" of 1,500 border guards and other relevant staff for a "rapid reaction pool", drawn from fixed contributions by member states.[55] This aims to respond to a recurrently identified shortcoming: the insufficient availability of national border guards for the Agency's operations. Although the national contributions are formulated in terms of obligations ("shall"), some exceptions remain for the member states such as "an exceptional situation substantially affecting the discharge of national tasks".[56] Moreover, the EBCG Regulation leaves intact the principle that the national border guards are not placed under direct Agency instruction, but rather under the host member state.[57] Thus, although reinforcing commitments, these elements underline that the Agency does remain dependent on member states for operational resources.

Second, the Agency is now tasked with carrying out "vulnerability assessments" of member states, focusing on the availability of "the technical equipment, systems, capabilities, resources, infrastructure, adequately skilled and trained staff of Member States necessary for border control".[58] This assessment is clearly inspired by the 'refugee crisis' logics, as it refers specifically to capacities to "deal with the potential arrival of large numbers of persons".[59] Although overlapping with the existing Schengen Evaluation Mechanism, the "vulnerability mechanism" focuses primarily on resources and thereby risks omitting an assessment of the member states' compliance with international and European law, in particular with the Schengen Borders Code. Moreover, the shortcomings laid bare during the 'refugee crisis' relate not only to border control capacities, but especially to the inability of some member states to offer human rights and CEAS-compliant asylum systems.[60] The newly proposed EU Agency for Asylum should thus

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55   Ibid, Annex 1 Regulation, Art. 20 (5).

56   Ibid, Art. 20(8).

57   Ibid, Art. 21(1).

58   Ibid, Art. 13(2).

59   Ibid, Art. 13(4, second para.).

60   Carrera & den Hertog 2016.

be involved closely to monitor and assess this compliance.[61] If more individuals are to be detected and apprehended through border control activities, but cannot be transferred to up-to-standard reception and asylum systems, then the EU risks exacerbating the already grave deficiencies in national asylum systems.

Third, the Agency has been endowed with the so-called 'right to intervene', although not labelled as such officially. Essentially, this foresees a situation where a member state is unwilling or unable to implement recommended measures following a "vulnerability assessment", or where it is not doing enough to address "specific and disproportionate challenges at the external borders".[62] It is clear that this option has the case of Greece in mind, framing the political discussions around these proposals. Compared to the Commission proposal, the role of the Council in activating this 'right to intervene' has been strengthened, despite opposition by the European Parliament to weaken the Commission's decision-making power. This highlights that, despite the commitment in the member states' political discourse to a quick adoption of the EBCG, struggles over national sovereignty dominate its set-up. The Agency would be tasked by a Council decision (i.e. not by the Commission) with undertaking a number of activities in the member state concerned. The role of that member state is still crucial, however, as it will need to agree to an operational plan.[63] As an ultimate consequence, if that member state refuses to cooperate, the Commission can trigger a procedure under the SBC that reintroduces controls at that member state's internal borders.[64] This would effectively exclude such a member state from the Schengen Area, following the political blame-shifting logics alluded to above.

Fourth, the Agency's powers on expulsions and readmission have been strengthened, in line with a cross-cutting priority on these activities in the EU's responses to the 'refugee crisis', as described in this section. The Agency is foreseen to have an enlarged role in organizing and financing joint return operations, with dedicated pools of national forced-return monitors, escorts and specialists, together

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61 This has been proposed for the EU Agency for Asylum: Art. 13, 'Proposal for a Regulation of the European Parliament and of the Council on the EU Agency for Asylum and Repealing Regulation'.

62 European Parliament and Council, Regulation 2016/1624, EBCG Regulation Art. 19(1)

63 Ibid., Art. 19(5).

64 Ibid., Art. 19(10), and European Parliament and Council, Regulation No 610/2013, Schengen Borders Code, Art. 29.

constituting "European return intervention teams".[65] Reinforced assistance mechanisms are envisaged for member states not meeting their "obligation to return third-country nationals who are the subject of return decisions".[66] Again, this underlines the recurrent political blame-shifting logics between member states and EU institutions, wherein some member states are seen to not do enough in the field of return.

Fifth, with the establishment of the EBCG, the field of actors that the Agency coordinates has expanded to include *coast guard* actors. Although in practice this already happens in some joint operations, it makes explicit the fact that the EBCG Agency is now the central EU actor in coordinating various European maritime actors. As the range of coast guard 'functions' is much broader than border control,[67] the Agency acquires an important role in engaging with the European Maritime Safety Agency (EMSA) and the European Fisheries Control Agency (EFCA) at the EU level, as well as with national coast guard authorities. When it comes to maritime surveillance, the further integration of coast guard information collected for the purpose of, for example, pollution, shipping or fishing monitoring can be increasingly used by the Agency for border control purposes.

Lastly, it should be noted that the Agency's budget has been increased considerably, and has more than doubled since 2015, reaching €302 million in 2017.[68] As a cross-cutting development, it should also be mentioned that the need for the Agency's compliance with fundamental rights has been made more explicit at several points in the new Regulation, especially invoking the principle of *non-refoulement* and foreseeing a complaint mechanism at the Agency.[69] This is especially relevant considering that the Agency will also have enlarged powers to cooperate directly with or on the territory of third countries, where European human rights law may not apply. Certainly, a key question remaining for the Agency is how the renewed stimulus given to border controls and returns will be implemented in a fundamental rights compliant manner.

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65 European Parliament and Council, Regulation 2016/1624, EBCG Regulation, Arts. 29–32.

66 Ibid., Art. 33(2).

67 See the assumed 11 functions of coast guards: http://www.ecgff.eu/mission-tasks.

68 See the Agency budget for 2017: http://frontex.europa.eu/assets/About_Frontex/ Governance_documents/Budget/Budget_2017.pdf.

69 European Parliament and Council, Regulation 2016/1624, EBCG Regulation, Art. 72. The principle of *non-refoulement* stipulates that states cannot return individuals to a country where they have a reason to fear persecution. The principle derives from Art. 33(1) of the 1951 Geneva Refugee Convention and has also been codified in a large number of international and EU law instruments.

External migration policy

One of the key elements of the EU policy responses to the 'refugee crisis' has been the intensified cooperation with third countries on borders, asylum and readmission. The EU has reinforced efforts to limit the arrival of migrants and refugees. Moreover, following a 'migratory route logic', the EU has attempted to further engage countries of origin and transit in sub-Saharan Africa and the Middle East.

This has led to a multiplication of initiatives towards third countries, with the aim of securing cooperation with the EU's priorities in these fields. This approach became particularly visible in the so-called EU-Turkey 'deal', actually being a "Statement" in the form of a press release.[70] This step was and remains controversial, with international organizations and civil society organizations criticizing the deal, up to the point of rejecting EU funding for their projects.[71]

Following on from this watershed moment, the Commission and the European External Action Service (EEAS) have been further developing a new approach to the EU's external migration policy, known as the "Partnership Framework".[72] This framework applies in the first instance particularly to Jordan and Lebanon as well as to sub-Saharan African countries through "Compacts", but has broader implications for the EU policy priorities. The approach towards African countries also built upon the EU-Africa Valetta Summit that took place in November 2015, where fierce political negotiations took place on readmission policy. The emerging policy framework was highly prioritized by the member states, as reflected in several (European) Council conclusions in particular.[73] This framework is claimed to be a new 'model' of cooperation with third countries, even though it carries many elements that have been tried – and failed – in the past, with further unresolved questions over their legitimacy, legality and effectiveness. For instance, the EU-Moroccan cooperation, specifically channelled through cooperation with the Spanish authorities, was cited in EU-level policy debates as an example, but poses several such unresolved questions over its human rights implications and effectiveness.[74] In October 2016, the EU also concluded the EU-Afghanistan "Way Forward on

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70   See EU-Turkey Statement 2016. See also: Carrera, den Hertog & Stefan 2017.

71   This decision has been taken by Doctors without Borders, see: https://www.msf.org.uk/article/msf-no-longer-take-funds-eu-member-states-and-institutions.

72   'Communication on Establishing a New Partnership Framework with Third Countries under the European Agenda on Migration' 2016.

73   See e.g. 'European Council meeting Conclusions' 2016.

74   Carrera et al. 2016.

Migration" (not formally constituting an agreement), as a sign of yet another type of outside Treaty-based cooperation with a third country. At an "Informal Summit" in Malta in February 2017, the European Council also attempted to forge an agreement with the UN-backed Libyan "Government of National Accord", including through bilateral Italian–Libyan relations.[75]

There is, however, a risk in meshing together the different initiatives as it would not do justice to the context-specific and political characteristics of these countries. For example, the fact that Turkey has the status of an EU accession country, and particularly seeing that visa liberalization is on the table, changes the dynamics. The geographical proximity of Turkey to the EU is incomparable with the situation of countries foreseen for the conclusion of "Compacts", such as Ethiopia. As with Morocco, the assumed transit nature of a third country brings questions of border control between the EU and a third country strongly to the fore.

The 'times of crisis' have allowed for politically and institutionally entrenched positions to be challenged and upset at EU and national levels. Paradoxically, several ideas that have been around for a long while in Brussels and national capitals seem to have made their way back to the top of the political agenda, rather than presenting completely 'new' ideas.

In particular, using conditionality to 'leverage' third countries has been a recurrent policy concept, but its implementation has never worked effectively. It appears that the earlier political and institutional resistance to using EU development and humanitarian funding directly or indirectly for EU migration management has been broken by arguments of 'comprehensive' and 'coherent' approaches in which borders and readmission concerns dominate. However, this is much more difficult to obtain in implementation, as underlying tensions about the use of funding persist (see below) and good relations with third countries do not seem to allow for direct 'conditionality' or 'leverage' logics.[76]

The explicit policy objective of limiting or even completely stopping refugee access to the EU (outside resettlement channels) has gained traction and has become an accepted dogma in many political debates in the EU. Relatedly, we are witnessing the use of humanitarian

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75 'Malta Declaration by the members of the European Council on the external aspects of migration: addressing the Central Mediterranean route' 2017.

76 For a similar argument concerning Morocco, see: El Qadim 2015.

discourses concerning deaths in the Mediterranean to justify security approaches such as anti-smuggling policies, constituting a narrowing of access to asylum in Europe.

Where is the Global Approach?

Taken together, these new initiatives and priorities call into question the EU's commitment to its overarching policy framework for its external migration policy: the Global Approach to Migration and Mobility (GAMM).[77] The GAMM was adopted in 2011 with the aim of bringing a 'balanced' approach to EU cooperation with third countries on migration. It includes four pillars, claimed to address both EU and third country priorities in a comprehensive manner: irregular migration, migration and development, international protection, and legal migration. Although it remains politically unclear whether the GAMM is effectively still the EU's overarching policy framework for external migration policy, the recent approaches can also be understood as a re-interpretation and radicalization of the GAMM logics.

Several ideas, such as the 'more-for-more' approach in relations with third countries already forming part of the GAMM logics and the responses, have developed after the Arab Spring migration flows.[78] As alluded to in the introduction, the political actors driving the GAMM forward, in particular Commission DG Migration and Home Affairs, have been less directly involved in drafting some of the proposals following on from the European Agenda on Migration since 2015. This may explain why some of the ideas that had proved to be extremely difficult to implement in practice over the years, such as an effective form of 'conditionality' or 'more-for-more' in the cooperation with third countries, have been presented nonetheless as 'new' priorities in the crisis-driven policy-making context. The Netherlands' presidency of the Council has pushed hard for the adoption of the more-for-more approach in EU external migration policy, specifically as it applies to returns, as it has also prioritized this in its bilateral relations on migration.

As mentioned above, when it comes to irregular migration, the recent approaches expand the already existing priorities given to cooperation on border control and readmission priorities. This has been evident in the EU-Turkey statement, in which the EU's priorities of

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77 'The Global Approach to Migration and Mobility' 2011.
78 'Communication – A Dialogue for Migration, Mobility and Security with the Southern Mediterranean Countries' 2011.

stemming refugee flows and stepping up cooperation on expulsion and readmission were key. In the new Partnership Framework, the EU–Turkey deal is presented as including "elements that can inspire cooperation with other key third countries and point to the key levers to be activated".[79] The Partnership Framework states that the central priorities of the Compacts will be to "save lives in the Mediterranean Sea", "increase the rate of returns" and "enable migrants and refugees to stay close to home and avoid taking dangerous journeys".[80] More clearly, the foreseen role of third countries amounts to "effectively preventing irregular migration and readmitting irregular migrants".[81] It should, however, be stressed that expulsion and readmission practices are complex, with challenges posed by the identity determination of individuals, their human rights, and tense political, diplomatic and consular relations.[82] In addition, where the EU requires the readmission of non-nationals allegedly having transited through a third country, the challenges become even more complex and present serious diplomatic and political stumbling blocks. This is evident in the EU–Morocco negotiations on an EU Readmission Agreement (EURA), which includes such a 'third country national clause', being one of the main factors explaining the failure to conclude the agreement.[83] The same can be said about the current deadlock in EU-Turkey relations on the EURA and the visa liberalization process, showing that the 'third country national clause' is a major stumbling block. Unprecedented attention has furthermore been paid to anti-smuggling policies, including through operational responses in the Mediterranean such as the EU military CSDP mission EU NAVFORMED 'Sophia'. In the first phase, this operation conducts surveillance and assessment, and in phases 2 and 3 to seek and destroy boats that are believed to be used for human smuggling and trafficking.[84]

On migration and development, the policy discourse has been reinterpreted to shift from *migration for development* approaches towards *development against migration* approaches. This links to the idea of stimulating socio-economic development to address the

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79 'Communication on Establishing a New Partnership Framework with Third Countries under the European Agenda on Migration' 2016.

80 Ibid, p. 6.

81 Ibid, p. 6.

82 Carrera 2016.

83 den Hertog 2016a.

84 For more detail, see: Carrera et al. 2017, 31.

'root causes' of migration.[85] The literature has highlighted that this represents a far from linear relationship, with migration being an integral part of developmental processes instead.[86] Linked to this we have also seen the increased use of EU development funding, either as leverage in negotiation processes (e.g. the launch of the Africa Trust Fund to accompany the EU–Africa Valetta Summit conclusions) or as directly used for migration management projects (e.g. the 'Better Migration Management' project funded in East Africa by the EU).[87] In practical terms, in bilateral EU negotiations with third countries, there nonetheless appears to be no evidence to date of direct negative conditionality being implemented, meaning for example that EU funding has been stopped or reduced because of a lack of cooperation on readmission. This would confirm a long-standing difficulty in taking those concepts beyond the level of political rhetoric. In several member states, there has been internal disagreement and opposition to using development money for migration priorities. In Germany, for example, the German minister for development cooperation has objected to development budgets being used for leverage on migration.[88]

On international protection, the current EU policy approaches stress third country capacity for reception and refugee status determination, often accompanied by humanitarian discourses about preventing perilous journeys and 'reception in the region'. The Commission has financed so-called 'Regional Development and Protection Programmes' (RDPPs) in several third countries and across regions. These programmes aim to increase the capacity of third countries for refugee protection, both from a humanitarian as well as a development perspective. There is also the returning proposal made by individual member states for 'offshore' asylum applications, meaning that asylum applications would have to be made in countries of origin or transit. These proposals were already made by the Tony Blair government in 2003 and were recently made by the Austrian government.[89] Proposals of this kind have never been seriously taken forward by the Council,

85 See e.g.: 'The European Union Emergency Trust Fund for Stability and Addressing the Root Causes of Irregular Migration and Displaced Persons in Africa – Strategic Orientation Document' 2015.

86 de Haas 2007.

87 den Hertog 2016b.

88 The Maghreb Times 2017, 'Dispute over German development aid for North Africa', 23 January 2017

89 Nielsen 2017.

let alone put into practice, as they are fraught with legal, practical and ethical challenges.[90]

As an integral part of the external relations of asylum, the European Agenda on Migration has prioritized an enlarged resettlement target for the EU, as well as stressed the need for the increased use of humanitarian visas, both of which require member states' commitments. For many years, the Commission has tried to increase member state activity on resettlement, such as through the EU Joint Resettlement Programme, essentially providing financial incentives for the member states. Thus far, resettlement numbers are lagging behind those foreseen in the European Agenda on Migration.[91] On humanitarian visas, a recent Court of Justice of the EU judgement has indicated that member states are not under any obligation under EU law to issue them, as the area is covered solely by national law.[92] This means that activity in this area remains highly subject to the political commitment of the member states.

In terms of legal migration channels beyond pathways to *asylum*, the EU has not (yet) developed a comprehensive legal migration policy. The EU policy framework on legal migration is fragmented into separate EU legislative acts that cover different categories of third country nationals.[93] On highly qualified workers, the Commission proposed a reform of the Blue Card Directive in June 2016, as the current Directive had failed to meet its objectives – to make the EU attractive in the 'global race for talent', mostly due to uneven use across member states.[94]

This reveals a major weakness in the EU external policy on legal migration: it can legislate on "the conditions of entry and residence" but this does not alter the fact that member states actually grant residence and work permits, or a single permit as foreseen by the EU

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90   Carrera & Guild 2017.

91   The latest figures presented by the Commission show that of the 22,504 places pledged, the member states (plus Switzerland and Norway) have now resettled 11,852 individuals. A part of those resettlements (2,217 individuals) are carried out under the EU–Turkey '1:1 mechanism'. 'Communication – Seventh Report on Relocation and Resettlement' 2016, Annex III.

92   Court of Justice of the EU 2017.

93   It is beyond the scope of this chapter to explore all of these categories, but see: Eisele 2014.

94   See: 'Proposal for a Directive of the European Parliament and of the Council on the Conditions of Entry and Residence of Third Country Nationals for the Purposes of Highly–Skilled Employment' 2016.

Single Permit Directive.[95] This implies that the Commission cannot credibly offer concrete mobility numbers to third countries in negotiations. As shown under the EU-Morocco Mobility Partnership and the EU-Turkey statement, the mobility on offer is visa facilitation or visa liberalization respectively, both limited to 90-day Schengen visas. This is certainly not without value, but for a more balanced partnership with third countries, addressing the lack of mobility on offer would go a long way towards addressing their concerns.

Shifting modalities of external migration policy-making

In the cooperation with third countries developed during the 'refugee crisis', there are two further cross-cutting dynamics of importance: 1) the increased use of EU funding in external migration politics and 2) the increased use of non-legally binding texts and the rise of decision-making outside the ordinary Treaty-based institutional framework.

First, there is an enhanced role for using funding as an 'incentive' for third countries to cooperate with the EU. EU funding emerged as one of the main elements under the so-called "more-for-more" approach.[96] This funding often comes from EU development funds, such as in the case of the Africa Trust Fund, which is primarily funded by the European Development Fund.[97] As far as the EU-Turkey statement is concerned, the Facility for Refugees in Turkey was set up drawing mostly on the EU's Humanitarian Aid and Neighbourhood Instrument's funding.[98] This not only entails redirection and hence re-prioritization of EU funding to 'back up' third country cooperation on migration, it also requires the setting up of new political and institutional structures to manage such funding. This concerns, for example, the Operational Committees set up for the different geographical 'windows' of the Africa Trust Fund, signifying an enhanced role for member states that hold the majority in these Committees and that have managed to obtain a privileged role in the implementation of projects.[99]

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95 The competence of the EU in this field is clearly circumscribed by Article 79(5) TFEU, where it is stated that the EU immigration policy "shall not affect the right of Member States to determine volumes of admission of third country nationals coming from third countries to their territory in order to seek work, whether employed or self-employed." See also: 'Directive 2011/98/EU; García Andrade 2013.

96 'Conclusions on the Future of the Return Policy' 2015

97 den Hertog 2016b.

98 Ibid.

99 Ibid.

There are several risks associated with the emergency-led funding approach, calling for continued monitoring. One important point is the compatibility of migration management projects funded by EU development funds with the EU's competence on development cooperation, namely unequivocally prescribing as its "primary objective the reduction and, in the long term, the eradication of poverty".[100] Although 'poverty reduction' is a wide concept, there are limitations on the migration management and security sector support activities it can accommodate.[101] Another point is that of financial accountability, a point previously raised by the European Court of Auditors on EU external migration projects. The question is how the quickly established and spent funds – partly outside regular processes such as programming and *ex ante* impact assessments – will perform in terms of 'value for money' and 'EU added value'.[102] A point of attention should be whether the externalization of migration and asylum policy through funding will create a financial liability for the EU. More EU funding can be demanded by third countries with direct or indirect threats of migratory flows. This is far from an imaginary dynamic, as we have seen for example with the EU-Turkey negotiations, and with Libya under Gaddafi vis-à-vis Italy.

Second, in terms of the kind of instruments used by the EU and its member states during the 'refugee crisis', we can see an increased use of non-binding texts, with the cross-cutting characteristic of decision-making outside the Treaty-based institutional framework. This implies that even though EU competences and decision-making procedures are foreseen in the Treaties, they are not followed. For example, the EU-Turkey deal was formally called a "statement" with the idea of it not being legally binding under international law. It does, however, have clear legal effects, for example for asylum seekers in Turkey and Greece. A key implication of this avoidance of international legal agreements is the exclusion of the European Parliament, which should have been otherwise involved in the process of concluding international agreements.[103] In a recent Order, the General Court of the Court of Justice of the EU on the EU-Turkey Statement has found that the EU-Turkey Statement is not concluded by the European

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100 Article 208(1) in TFEU, second paragraph.

101 The current process on the reformulation of the European Consensus on Development is relevant here; see the Commission Communication on this: 'Communication – Proposal for a new European Consensus on Development, Our World, our Dignity, our Future' 2016.

102 European Court of Auditors 2016a.

103 See Article 218 TFEU.

Council, but only by the member states in an "international summit" with Turkey.[104] This implies that the main EU policy response to the 'refugee crisis' – the EU-Turkey Statement for which the EU institutions have consistently claimed success – escapes EU judicial review. This illustrates the transparency and accountability challenges of EU decision-making outside the Treaties.[105]

A similar logic also applies to the new EU funds set up for cooperation with third countries on migration, which the Parliament considers to be partly outside the EU budgetary authority.[106] Non-binding declarations are also on the rise in third country cooperation on expulsion and readmission. Whereas the EU has long stressed the importance of concluding binding EU Readmission Agreements, there is now increasing preference for informal arrangements.[107] This has been put into practice with the EU-Afghanistan "Way Forward" on migration, constituting a non-legally binding statement with the aim of increasing expulsion and readmission. It produces operational expulsion activities with profound implications for the fundamental rights of individuals,[108] as well as excluding a role for the European Parliament.

We thus see the role of the European Council being heightened considerably in the external relations of migration, such as in the EU-Turkey, EU-Libya and EU-Africa Valetta summits. It signifies an increase in intergovernmental decision-making in this field, challenging the institutional balance provided for in the Treaties. More fundamentally, however, the political choice for decision-making outside the Treaty-based institutional framework that emerges in this field presents a challenge to the accountability of EU governance.

The reform of the CEAS

As Section 3.2 has described, one of the major political controversies during the 'refugee crisis' has been that of the relocation mechanism, leading to deep cleavages between different groups of member states. This relates to discussions over the allocation of responsibility for

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104 General Court 2017.

105 See also: Carrera, den Hertog &Stefan 2017.

106 European Parliament 2016, Resolution ROJ L 298/1. The Parliament finds that the Trust Funds and the facility lack "the necessary accountability and democratic process prescribed by the Community method, and intends therefore to closely monitor the setting up of the funds and facility and their implementation; underlines that the above actions are a clear infringement of Parliament's rights as an arm of the budgetary authority".

107 'Communication on Establishing a New Partnership Framework with Third Countries under the European Agenda on Migration' 2016.

108 German regions have stopped returns to Afghanistan as a result; see e.g. Mützel 2017.

asylum applications among member states, a matter that is regulated in the EU by the Dublin III Regulation.[109] Even though the initial Commission proposals adding up to 160,000 asylum applicants to be relocated from Greece and Italy did not formally constitute an amendment of the Dublin III Regulation, it deviated from its logics. The role of the four Visegrad countries (Hungary, Poland, Slovakia and the Czech Republic) has been crucial in fomenting political controversies around these proposals. It should, however, be acknowledged that although the mandatory nature of commitments they would have to undertake unites these four countries, there is considerable diversity in implementation. The Hungarian case stands out as its government has been most repressive when it comes to attempts to close borders and deter asylum seekers, including through the systemic use of detention and push backs to neighbouring countries such as Serbia. Hungary and Slovakia have also challenged the relocation measures of 2015 before the CJEU. In this case, the Council's position is supported by Germany, France, Sweden, Luxembourg, Belgium, Italy, Greece and the European Commission.[110] However, non-Visegrad countries, such as Romania and Austria, have also resisted the relocation measures, and Austria obtained a temporary exemption from the scheme, which it would like to see extended.[111]

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109 European Parliament and Council, Regulation No 604/2013, Dublin III Regulation.
110 See: https://euobserver.com/migration/137857.
111 See: https://euobserver.com/migration/137411.

The long-standing deficiencies of the CEAS

It had already become clear before the 'refugee crisis' that the CEAS is not functioning properly.[112] This was evident due to the fact that Dublin transfers to Greece were halted following ECtHR and CJEU judgements, as a result of serious deficiencies in the Greek asylum system.[113] Discrepancies persist between member states' transposition and implementation of central CEAS elements, such as the Reception Conditions Directive, the Asylum Procedures Directive and the Qualification Directive. Recognition rates and reception conditions across member states vary widely.[114] It was *inter alia* for these reasons that a revision of the CEAS Directives and Regulations had already taken place recently, constituting the so-called 'second phase' of the CEAS after the completed EU legislative processes in 2013. Taking into account the two-year transposition period for EU Directives, this meant that some key elements of the second phase CEAS only took effect in 2015, namely when the 'refugee crisis' was already in the making. The 'refugee crisis' then laid bare all too clearly the non-functioning of the CEAS, and the lack of solidarity between member states, a key EU value in this field as prescribed by Article 80 TFEU.

The recent Commission proposals for CEAS reform and a return to the Dublin rules

In the European Agenda on Migration, the Commission announced a further reform of the CEAS. In April 2016 the Commission issued a Communication setting out some broad lines and scenarios for the CEAS,[115] followed up in May and July 2016 with legislative proposals

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112 The CEAS consists of five elements: the Dublin Regulation, the EURODAC Regulation, the Reception Conditions Directive, the Asylum Procedures Directive and the Qualification Directive; see for an overview: https://ec.europa.eu/home-affairs/sites/homeaffairs/files/e-library/docs/ceas-fact-sheets/ceas_factsheet_en.pdf.

113 European Court of Human Rights 2011; Court of Justice of the EU 2011.

114 Wagner et al. 2016.

115 'Communication – Towards a reform of the Common European Asylum System and enhancing legal avenues to Europe' 2016.

aiming to reform the CEAS, of which the Dublin III Regulation constitutes the major controversy.[116]

These proposals are now subject to the Ordinary Legislative Procedure between the Council and Parliament. The information contained in this section thus reflects only an intermediary state of affairs as regards the CEAS.

First, all the CEAS legislative acts will take the form of EU Regulations (except for the Reception Conditions Directive), as opposed to the current situation whereby some of its elements take the form of EU Directives. This change aims to achieve more harmonization as Regulations do not require transposition into national law by the member states. The day-to-day implementation is still to be carried out by the member states, however. Although the role of the European Asylum Support Office (EASO) is also proposed to be strengthened into a European Union Agency for Asylum, it would not assume direct responsibility for asylum applications.[117]

This section only focuses on the main controversy: the reform of the Dublin III Regulation. In the Commission proposals, the existing

116 The specific proposals are: Commission, Proposal for a Regulation of the European Parliament and of the Council establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person (recast) (Dublin Regulation recast proposal), COM(2016) 270 final, May 2016, Brussels; Commission, Proposal for a Regulation of the European Parliament and of the Council on the establishment of 'Eurodac' for the comparison of fingerprints for the effective application of [Regulation (EU) No 604/2013 establishing the criteria and mechanisms for determining the Member State responsible for examining an application for international protection lodged in one of the Member States by a third-country national or a stateless person], for identifying an illegally staying third-country national or stateless person and on requests for the comparison with Eurodac data by Member States' law enforcement authorities and Europol for law enforcement purposes (recast), COM(2016) 272 final, May 2016, Brussels; Commission, Proposal for a Regulation of the European Parliament and of the Council, establishing a common procedure for international protection in the Union and repealing Directive 2013/32/EU, COM(2016) 467 final, July 2016, Brussels; Commission, Proposal for a Regulation of the European Parliament and of the Council on standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection, for a uniform status for refugees or for persons eligible for subsidiary protection and for the content of the protection granted and amending Council Directive 2003/109/EC of 25 November 2003 concerning the status of third-country nationals who are long-term residents, COM(2016) 466 final, July 2016, Brussels; Commission, Proposal for a Directive of the European Parliament and of the Council laying down standards for the reception of applicants for international protection (recast), COM(2016) 465 final, July 2016, Brussels.

117 'Proposal for a Regulation of the European Parliament and of the Council on the European Union Agency for Asylum and repealing Regulation' 2010.

system of allocation of responsibility continues. Again, this signals a not so 'new' approach to these matters, as the existing approach to allocating responsibility for asylum applications in the EU remains unaltered. The current Regulation foresees that the member state of first entry assumes responsibility for an asylum application, although it already contains other possible grounds such as family ties.[118] Even though the situation before and during the 'refugee crisis' has shown that the Dublin logics encounter clear practical and legal limits, the Commission has proposed turning back to the functioning of the Dublin system, including Dublin transfers to Greece.[119] Even though the Dublin 'net transfers' are close to zero, that is, the Dublin transfers do not significantly redistribute asylum applications in the EU, and the overall cost of organizing them is around €1 billion, the Commission proposals keep the core Dublin logics alive.[120] Clearly, this is also along the lines of a political willingness to do so by most of the member states.

Actors such as the UNHCR and many scholars have proposed taking into account the preferences of asylum applicants, through a preference-matching mechanism, for example.[121] In the Commission proposals, this idea is not taken up. The Commission proposes, however, to add a "corrective allocation mechanism" that would enter into force in cases where member states face "disproportionate pressure". This will be based on a "reference key" that determines the percentage of applications for which a given member state should take responsibility, based on population size and total GDP. If 150% of the reference key were reached, the "corrective allocation mechanism" would be activated. Member states would be able to temporarily opt out of the mechanism, but would be required to make a "solidarity contribution" of €250,000 per application that another member state would then process. As the current state of affairs stands, the Council has serious reservations about these proposals and will most likely not survive the negotiation process.[122] The Parliament's rapporteur on the file has, however, indicated that EU funds should be cut for member states unwilling to cooperate on relocation.[123]

This underlines the political deadlock currently characterizing the discussions on these proposals, with clear political cleavages between

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118   Arts. 16 and 17, Dublin III Regulation, op. cit.
119   'Recommendation to Greece' 2016.
120   Dublin Regulation recast proposal, op. cit.
121   Ibid., p. 13. See also: Guild et al. 2015.
122   See e.g. European Council 2016, Doc 14708/16, p. 3.
123   See: https://euobserver.com/news/137128.

member states and between the EU institutions and the member states. In light of Article 80 TFEU that mentions 'the principle of solidarity and fair sharing of responsibility', there are different political concepts of such solidarity, such as those of 'effective' or 'flexible' solidarity, as driven forward by the Slovak Council presidency. The current discussions under the Maltese presidency still focus on the question of mandatory versus voluntary commitments, as well as forms of financial solidarity between member states. The mandatory commitments are certainly a red line for the Visegrad countries, although also for some other member states such as Austria. A mixed model could emerge that would combine both mandatory and voluntary commitments.

A further set of changes is aimed at speeding up and tightening up the procedures around Dublin transfers. The Commission also proposed slightly extending the definition of family members, thus opening more possibilities to use this criterion for determining the member state responsible. It seems that several member states are concerned by this extension.[124] This underlines that the current political development is going in the direction of limiting existing rights, rather than extending them, as also shown in the 'race to the bottom' in national asylum systems across several member states. A cross-cutting priority is to oblige member states to apply accelerated examination procedures, linked to a further expansion and use of the concepts of 'safe country of origin', 'first country of asylum' and 'safe third country'.[125] The legal certainty of international protection statuses in the EU will also be limited, as the Commission foresees the introduction of "systematic and regular status reviews".[126]

3.4
CONCLUSION

The sections above provide a snapshot of the state of affairs in three key EU policy areas of major relevance in the context of the EU's policy responses to the 'refugee crisis': border control, external relations and asylum.

These cross-cutting conclusions highlight that 1) the EU policy priorities are impacted by a re-emergence of existing rather than truly

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124 Ibid., p. 4.
125 Commission, Arts. 44, 45 and 47, Common Procedure Regulation proposal, op. cit.
126 Commission, Arts. 11 and 17, Qualification Regulation proposal, op. cit.

new policy options, although partly through new decision-making modalities, 2) these areas are all marked by deep political struggles beyond public discourses about convergences and divergences between different member states and EU institutions, and 3) the advocated policy priority given to external migration policy is not a sustainable way forward for EU policy-making in this field.

First, the 'refugee crisis' has clearly impacted the policy priorities of the EU, with the 2015 European Agenda on Migration serving as the starting point for many key legal, policy and operational developments. A closer look at these developments reveals, however, that we do not see a fundamentally new approach emerging. Rather, as a cross-cutting point throughout the three sections, we can discern a return to ideas that have dominated these fields for a long time, such as some type of European border guard service, the use of 'conditionality' or 'more-for-more' in relations with third countries, and the first country of entry principle under Dublin. The 'refugee crisis' policy-making has allowed such priorities to come to the fore more forcefully than before, even if their actual implementation has proved to be problematic. Despite this, we have seen the emergence of new modalities of decision-making, such as the increasing use of 'policy-making through funding' by the Commission and the member states. The role of the European Council has also been strengthened, and we have witnessed the emergence of more 'outside-Treaty' decision-making. This points to the fact that even where legal instruments and competences are available, the EU institutions and member states have preferred to cooperate with third countries through non-binding instruments, such as the EU-Turkey 'Statement'. This effectively diminishes the opportunities for parliamentary and judicial scrutiny of key EU policies.

Second, the political divergences of opinion between the member states on the CEAS reform, and in particular on Dublin and relocation, contrast with the convergence of opinion between them *in the public discourse* over external migration policy and external border control. The European Council conclusions of 15 December 2016 are illustrative in this regard, showing enthusiasm for the renewed external relations on migration but only briefly mentioning the CEAS reform.[127] It is clear that fragmentation between member states is most visible and acute in the field of EU asylum law and policy, where the future of the Common European Asylum System is quite uncertain. Another illustration of the contrast between decision-making in these different domains

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127 'European Council meeting Conclusions' 2016.

is the speed with which the EBCG Regulation has been adopted, versus the current legislative deadlock over the CEAS. This can be understood against the background of highly politicized decision-making on the relocation scheme for Greece and Italy, as well as its lack of implementation. These proposals and political struggles have provoked fundamental questions over the kind of solidarity Europe needs in the area of asylum.[128]

However, beyond the public politicization over the convergences and divergences between member states and EU institutions, fundamentally this field remains one of deep political struggles driven by national sovereignty concerns, across all three areas discussed. As mentioned, fierce political disagreements persist over the Commission proposals for relocation and the reform of the CEAS, with resistance by the Visegrad member states in particular. For the EBCG and external migration policy proposals, there has perhaps been less *overt* politicization between EU institutions and member states, but underlying political struggles are rife. Although the EBCG has been widely endorsed politically, the extent of the Agency's powers has been the subject of fierce negotiations, in particular concerning the power of the Commission regarding the 'right to intervene' and the possible sanctions for 'uncooperative' member states. This should be understood against the background of blame-shifting between EU institutions and between member states – certainly in the case of Greece and to a lesser extent Italy – and the continuous threatening with regard to the reintroduction of internal border controls.

In the case of external migration policy, where most convergence in public discourse between EU institutions and member states can be witnessed, there are underlying political and institutional tensions. These tensions come to the forefront in the funding context in particular, where the use of development and humanitarian aid funding for migration policy is contested. The strong political priority in external migration policy given to increasing the number of expulsions to third countries is a cross-cutting characteristic in the EU policy discourse. In implementing this political priority, however, there are struggles between the EU level and member states' bilateral return policies and readmission agreements, and serious practical and legal challenges around the identification of individuals, the related consular politics, and the human rights of individuals to be expelled.

128 Nielsen 2016.

Third, whereas the EU and its member states openly disagree over the future of the CEAS, particularly over the Dublin III Regulation, the 'solution' publicly advocated appears to be to shift EU migration, border and asylum policies outward to third countries. This is particularly evident in the EU–Turkey Statement and its claimed success by EU institutions and member states.

There are, however, long-term challenges arising from this approach, especially with regard to the legality, legitimacy and, ultimately, the (financial) sustainability of the course on which the EU has embarked. Whereas the EU has been advocating international protection, including through organizations such as the UNCHR around the globe, this discourse is now increasingly difficult for the EU to uphold credibly. Moreover, the approach of stepping up border control and outsourcing reception and international protection does pose questions as to the EU's commitment to its fundamental values. Especially in the absence of scaled-up and effectively implemented initiatives on resettlement and humanitarian visas, the right to asylum as stipulated in Article 18 of the Charter of Fundamental Rights of the EU becomes increasingly illusory.

Moreover, the predominance of migration policy priorities permeating EU external relation priorities, including to the detriment of other policy priorities related to development, for example, may hamper the EU's long-term interests. Using development and humanitarian aid funding or trade policies as 'leverage' to obtain cooperation on migration may ultimately not be in the EU's interests of a forward-looking external policy in which developmental and humanitarian needs are addressed on their own merits. As highlighted above, the approach also creates a 'financial liability' for the EU, especially where it is clear that the European public policy goal has become stopping entry into Europe, for which dependence on third countries is evident. From the perspective of financial accountability, also to EU citizens as tax payers, it is difficult to justify that allocating such sums of EU funding to this priority is the most sensible and efficient way to address the global migration and asylum challenges.

Ultimately, the external migration policy will hit its limits when third countries actively decide to obstruct or threaten the EU with migratory flows. This is a scenario for which the EU should be prepared by having in place functioning border, legal migration and asylum systems compliant with EU and international law. For a forward-looking and balanced approach, the EU should thus face the reality of global migration and the increasing global refugee population,

and accept that stopping entry into Europe is neither a realistic nor a smart policy objective. It is important that the EU remains accessible for migrants and asylum seekers, especially by opening up legal pathways to asylum as well as devising a more comprehensive legal migration policy. This would ultimately require the EU to escape the 'crisis' logics, understand the manageability of this common challenge, and start focusing on its long-term legitimacy.

4

4. Common security

Kristi Raik, Tuomas Iso-Markku & Teemu Tammikko[1]

4.1
INTRODUCTION

In recent years, a number of external and internal shocks have induced the EU to strengthen its contribution to European security and defence. From the annexation of Crimea and the rise of ISIS in 2014 to the Brexit vote and Donald Trump's victory in the US presidential elections two years later, various unexpected challenges have prompted calls for Europe to take more responsibility for its security. Member states largely share the understanding that unity is needed in order to address the manifold threats and risks to their security. However, they have different threat perceptions, security and defence policy solutions and strategic cultures. The emergence of new threats from both the Eastern and Southern neighbourhoods in recent years has underscored the need for unity, but also the differences when it comes to priorities, national interests and foreign policy identities.

The first section below aims to map out major trends in the EU's security environment since the 1990s and place the negative changes in recent years in a broader context. It will also briefly examine the expectations of EU citizens and member states in the field of security, looking at key similarities and differences. The two top concerns that emerge from this analysis are (unsurprisingly) the threat of terrorism and violent jihadism, which has grown due to prolonged violent conflicts in the South, and Russia's belligerence, which has been most evident in Ukraine but is also targeted against the EU and the European security order.

The second section will address the EU's efforts to strengthen its security through common actions and policies, focusing on three key issues. Firstly, it will explore how deepening defence cooperation seeks to strengthen European military and civilian capabilities, which are necessary for both defending the EU and addressing external crises. This will be followed by a brief analysis of the EU's response to two more specific security challenges: terrorism and Russia's aggression against Ukraine. In conclusion, it is argued that there is a great need and potential to strengthen the EU's contribution to European security, but the Union is facing a dilemma over the wish to maintain unity, on the one hand, and the willingness of some member states to engage in much deeper defence cooperation, on the other.

THE EU AND ITS CHANGING SECURITY ENVIRONMENT

From expansion to self-protection

The end of the Cold War marked a sudden improvement in European security. It opened up space for the EU to move beyond its traditional EU-internal security function, namely to ensure peace among member states, and to engage in shaping the broader European security environment. The 1990's optimism over Europe's re-unification was overshadowed by the wars and atrocities in the former Yugoslavia, which served as an important motivator for the EU to develop its crisis management capabilities. At the same time, the success of the post-communist transition to democracy, the rule of law and a functioning market economy in Central and Eastern Europe was far from guaranteed, and the early signs of its failure in parts of the former Soviet Union, including Russia, can be pinpointed now with the benefit of hindsight. Yet it was a time of optimism and progress in Europe, as reflected in the EU's agenda of deepening and enlargement, built on European norms and values as a largely unquestioned ideal. The launch of the Eastern enlargement process, Common Foreign and Security Policy (1993) and Common Security and Defence Policy (1999) had a strongly value-oriented and idealistic flavour. The EU's agenda was driven by a belief in the supremacy and attractiveness of its own model.

A core precondition of the new European security agenda was external: the existence of a relatively, and perhaps uniquely, favourable global context. The 1990s was a decade devoid of major challenges to the Western US-led hegemony and the liberal political

and economic model. The reunification of Europe was a major strategic goal shared by the EU and the US.

Since the optimism of the 1990s and early 2000s, the EU has been surrounded by a gradually deteriorating security environment, while building up its own security and defence policy in an effort to address the growing concerns. The major trends over the last quarter of a century have moved the EU from expansion to introversion, from exporting security to importing insecurity, from transforming the neighbourhood and even the world to protecting oneself, and from idealism to pragmatism. In the face of external events often evolving along undesired paths, the EU has had to scale down its belief in its own ability to shape developments in its neighbourhood and beyond. The shift towards pragmatism and self-protection has entailed adaptation to the revival of the relevance of military power.

The terror attack of 9/11 marked the start of a more difficult era globally and regionally. The unilateralism and militarism of the US 'war on terror' created tensions in the transatlantic relationship. In 2003, a sharp division emerged in Europe between those countries that joined the US-led coalition for the invasion of Iraq, including the UK, Spain and Central and Eastern European countries, and a group opposing the Iraq war, led by Germany and France.

Partly motivated by these tensions, in the European Security Strategy (ESS) of 2003 the EU attempted its first comprehensive assessment of the security environment and the necessary collective policy responses. The ESS aimed to create unity, often an important function of strategies.[2] It succeeded in establishing consensus on five key threats: terrorism, proliferation of WMD, regional conflicts, state failure and organized crime. It did not tackle some of the more difficult and sensitive issues such as relations with Russia, which were relatively good at the time, although it was already apparent that the development in Russia was not moving in the direction of the liberal reforms desired by the EU.[3] As the ESS deemed military aggression against any member state 'improbable', the CSDP focused on crisis management in nearby regions.

In spite of gathering storm clouds, during the first half of the 2000s the EU was at the peak of its transformative agenda in its neighbouring countries.[4] The big bang enlargement was accomplished, representing

2   Stolberg 2012.
3   See e.g. Way 2005.
4   Börzel & Risse 2009.

a major strategic achievement that spread democracy, security and prosperity across the continent. The European Neighbourhood Policy (ENP), launched in 2004, tried to adopt largely the same approach towards neighbouring countries in the east and south – but without offering them membership.[5] The transformation agenda was at the same time the EU's indirect approach to security in nearby regions (including Russia): in a liberal spirit, political and economic reforms and ties were expected to increase security on both sides of the EU border.

Military threats and territorial defence were regarded by many as something that belonged to the past, but not the future of Europe. The total military expenditure of EU member states declined from 1.81% to 1.40% of GDP during 2005–2015. At the same time, Russia increased its military spending from 3.3% to 5.4% of GDP between 2008 and 2015 (Figure 1). In absolute terms, from 2005 to 2015, Russia increased its defence spending by 110% and China by 170%, while the EU decreased its spending by 12% and the US by 2%.[6]

The US remained the key actor in European defence and globally superior in terms of military power. However, it was common among the EU elites to regard the EU approach as unique and better in comparison with that of the US, and to see the US not just as an ally, but also as a competitor.[7] The ESS reflected the EU's specific approach to security, characterized as comprehensive and cooperative, highlighting the importance of non-military aspects of security, dialogue, multilateralism and a less state-centric approach in comparison to the Cold War era.[8] The EU approach placed relatively minor emphasis on military aspects of security and underlined the need to address the root causes of conflicts, including socio-economic development, respect for human rights, and sustainable climate and energy policies. It also called for, but in practice was not good at, bringing together different areas of EU external policy from trade and development to crisis management. Furthermore, the EU stressed dialogue and partnership as a means of preventing and addressing conflicts. In principle, these ideas are still pursued today, as the EU claims to be a 'global security provider', but they are overshadowed by heightened concerns about the EU's own security, a more conflictual and 'contested' global environment, and the revival of power politics.[9]
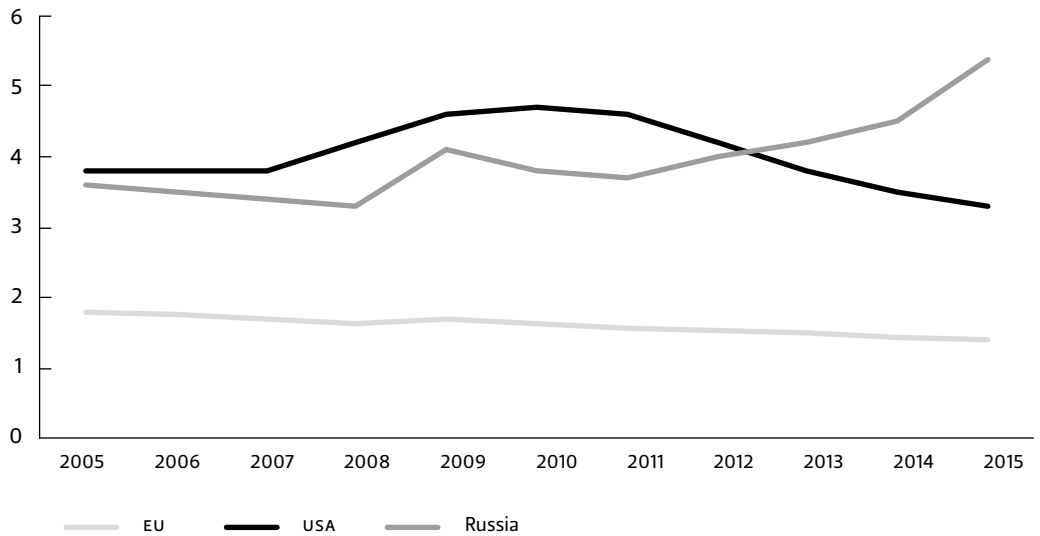
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5   Kelly 2006.
6   Data from the European Commission.
7   Smith 2011.
8   Biscop 2004.
9   European Union Global Strategy 2016.

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015

—— EU   —— USA   —— Russia

Indeed, the 2010s ushered in a markedly more difficult period for the EU internally, regionally and globally. The internal crises (as described in the preceding chapters) overshadowed and strained the EU's ability to address external instability. Security problems in both the eastern and southern neighbourhoods transformed into immediate threats to the EU's own security.

The Arab Spring, initially greeted by many liberals in Europe as an aspiration towards freedom and democracy, soon turned into turmoil and new conflicts, notably the civil wars in Syria and Libya. As of today, Tunisia remains the only brighter spot, working on piecemeal reforms, among countries embraced by the revolutionary wave.[10] Violent jihadism and extremism have spread in the Arab world and attracted new followers also in Europe.

In the East, the Russo-Georgian war of 2008 turned out to be a prelude to a broader aggressive response by Russia to the extension of the EU's influence in the common neighbourhood. The annexation of Crimea (2014) was an unprecedented violation of the OSCE- and UN-based European security order. Together with the Russian-orchestrated war in eastern Ukraine, it showed Russia's readiness to use force in order to restore its control in the post-Soviet space. Russia has also increasingly directed its new anti-Western agenda against the EU. By 2017, concern about hybrid threats such as cyberattacks and

10 Cammack et al. 2017.

disinformation campaigns originating from Moscow and other actors topped the security agenda of many EU member states. For instance, the Dutch security service notes the use of 'Cold War methods like exerting covert political influence' by Russia and the increase of cyberattacks aimed at influencing elections;[11] Germany's domestic intelligence agency has spoken out about Russia's cyberattacks against the German parliament and other political actors;[12] and the French defence minister has expressed concern about foreign cyberattacks aimed at manipulating the French elections.[13]

The regional challenges are interwoven with increased uncertainty about the global order. The idea of a liberal, norms-based order has a central place in the EU's vision of European and international security. The challenges posed by the relative decline of the West and gradual movement towards a multipolar, multi-order, poly-centric or interpolar world order have been discussed in Europe for many years.[14] The contours and implications of an emerging multipolarity of the European order, with Russia and possibly Turkey challenging the current setting, have also been debated.[15] In 2014, the annexation of Crimea and subsequent war in eastern parts of Ukraine brought new urgency and materiality to these discussions. The election of Donald Trump as president of the US added to these concerns new uncertainty about the US commitment to European security and to international norms and institutions.

Member states' and citizens' expectations: Some convergence of concerns

While Europe's security environment has been deteriorating, public support for a common EU foreign, security and defence policy has remained steadily high (above 60%) throughout the past quarter of a century.[16] This is an oft-cited legitimization for calls for a stronger EU role and deeper integration in this field. Yet the impressive levels of support belie considerable differences with regard to what exactly the EU is expected to do, and how.

When it comes to threat perceptions, there are well-known and persistent differences between the priorities of Eastern and Southern

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11   Netherlands Ministry of the Interior and Kingdom Relations 2017.

12   *Deutsche Welle* 2016.

13   *Politico* 2017b.

14   For example, Renard & Biscop 2016; Flockhart 2016; Grevi 2009.

15   For example, Bechev et al. 2010.

16   'Effects of the Economic and Financial Crisis on European Public Opinion' 2013.

member states. Conflicts in the Southern neighbourhood that generate an increase in violent extremism and terrorism top the agenda, especially in the South where terror attacks threaten to undermine the lifestyle and values of open society. The increased assertiveness and aggressiveness of Russia worries the Eastern member states above all, notably the Baltic states and Poland, whose top security policy priority is to deter and be prepared to defend against an existential military threat from the East. The leadership of Germany has been crucial in generating consensus on Russia and Ukraine, while France has been a key actor in shaping EU policies towards the Southern neighbourhood and Africa.

Hence, geography matters and makes the differences quite unavoidable, but not necessarily insurmountable; they necessitate constant balancing, compromise and efforts to generate solidarity. Concrete expressions of solidarity include the participation of a wide range of member states in EU operations,[17] and the EU's ability to reach and maintain – for almost three years now and defying many predictions – consensus on strong sanctions against Russia in response to its actions in Ukraine. On the other hand, solidarity has been undermined by the failure of most member states to fulfil their agreed commitments in distributing the burden of asylum seekers in the migration crisis.[18] Likewise, the experience of the Eurozone crisis has weakened public support and attachment to the EU in the Southern member states.[19] Security is not isolated from other policy areas.

In recent years, a degree of convergence of threat perceptions can be observed across Europe. The threat of terrorism has become a widely shared major concern. ISIS in particular was seen as a very serious threat by as many as 70% of Europeans in 2015.[20] Concern about Islamic extremism increased sharply between 2011 and 2015.[21] The most significant shift occurred in Poland where, differently from Western and Southern European countries, Islamic extremism was not a major concern in the 2000s.[22] In 2016, however, the Polish opinion was on a par with the European average, with 73% of Poles seeing

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17 For example, 20 or more member states have contributed to the CSDP operations in Mali and off the Somali coast (Operation Atalanta) in the South, and Georgia and Ukraine in the East. See more details in Tardy 2015.

18 See Chapter 3.

19 See Chapter 2.

20 Pew Research Center, 14 July 2015, p. 5. See also European Commission 2015, p. 6.

21 Pew Research Center, 16 July 2015, p. 4.

22 Pew Research Center, 14 July 2005, p. 18.

ISIS as a top threat to their country.[23] Thus, perceptions also changed in countries where no major terrorist attacks had occurred, such as Poland. The shift can be explained by the attacks in Paris and Brussels in 2015–2016 as well as the rhetoric of populist radical right parties, which portrayed the simultaneous arrival of a large number of refugees as a source of terrorism.[24] At the same time, however, there is still a gap between Poland and Southern and Eastern parts of Europe when it comes to public perceptions of Russia: in 2016, Poland was the only country among larger EU member states where a strong majority (71%) of the population viewed Russia as a major threat.[25]

Coming back to official positions, member states agree on the need to strengthen the EU's role, but there is a kaleidoscope of views on how to do this. The departure of the UK, which has been both a key military power in the EU and the staunchest opponent of deeper cooperation in the field of the CFSP and CSDP, has created new dynamics, described in more detail in the next section.[26] France and Germany have taken the lead in pushing for deeper cooperation, especially in the field of defence.[27] There are significant differences, however, between their strategic cultures and visions of EU defence policy. While France wants stronger intergovernmental cooperation and the possibility to project military power through the EU, Germany speaks about a 'defence union', but is much more reluctant to actually use military force.[28]

At the same time, Brexit has brought to the fore other sceptical countries that could previously hide behind the UK: for different reasons, Poland and some of the militarily non-allied countries in particular have been reluctant to move towards deeper defence cooperation. Perhaps it is conducive to the EU's coherence that there are no firm groupings and no regional blocs when it comes to readiness to deepen common security and defence policy. None of these groups have a unified position: the Nordic, Mediterranean, Visegrad or militarily non-allied member states. If closer integration is pursued by a smaller group of countries via 'permanent structured cooperation'

23 Pew Research Center, 13 June 2016, p. 13.
24 See Chapter 1 on populist parties and Chapter 3 on migration.
25 In all the other countries covered by this survey the corresponding figure was below 40%. The Baltic states and Finland were not included in the study. See Pew Research Center, 13 June 2016, p. 18.
26 *Reuters*, 13 July 2016; Keohane 2017.
27 *Financial Times*, 12 September 2016.
28 Keohane 2016.

(see more below), a possible 'core group' may well be broad, including countries from all geographical groupings.

Be it countering terrorism or bolstering defence capability, the EU's contribution is generally seen as complementary to national and/or NATO efforts when it comes to military defence. The EU's institutional framework for common foreign and security policy has been gradually strengthened, but national control over core issues of security and defence remains important for member states.[29] The traditional notion of national sovereignty, albeit illusionary in many respects, imposes limits on the possibilities to strengthen the EU's single voice and common action in global affairs. Brexit will, however, make a difference as to how far foreign and security policy cooperation in the EU can go. Possible future treaty change may therefore involve further steps towards stronger EU institutions and more streamlined common decision-making in this field.

Changing forms of terrorism

The stark increase in public concern about the threat of terrorism calls for a closer look at trends in this field. The change in threat perceptions cannot be fully explained by the actual increase in terrorist activities and incidents, which has been rather limited. Rather, new forms of terrorism have emerged that pose a new kind of threat to the liberal societal order and its core values. Statistically, terrorism in Europe was in a steady decline until 2013, but since then there has been some increase in the level of terrorist activities.[30] The main reason for the increase is a peak in separatist action in Northern Ireland. There are, however, signs that the overall trends are changing regarding the ideology and motivation behind terrorist action. In particular, violent jihadism and, on the other hand, right-wing terrorism motivated by anti-immigration and anti-Islam sentiments seem to be on the rise, whereas the 'old' but still most common form of terrorism motivated by separatism is fading away.

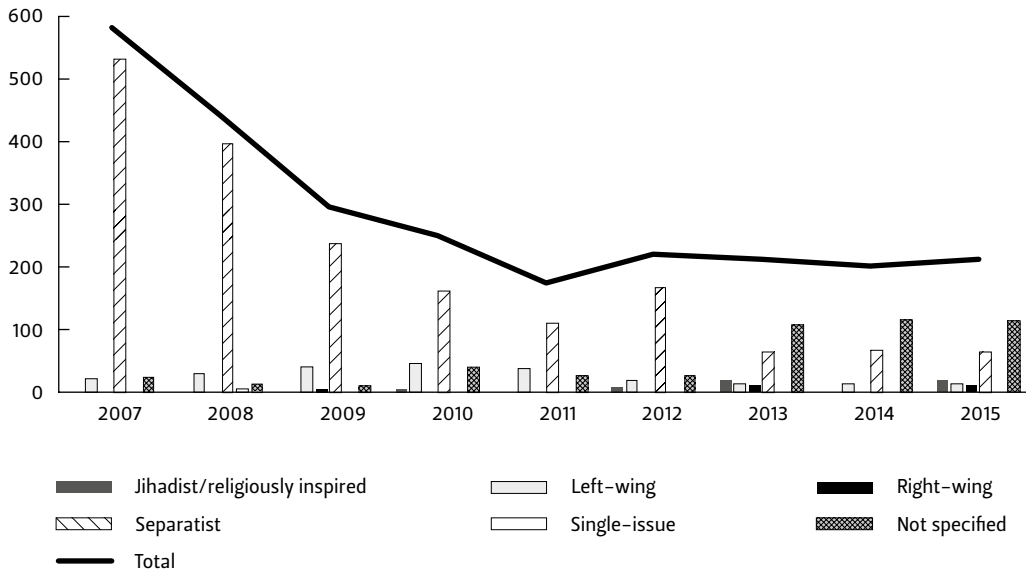29 Balfour et al. 2015.
30 Europol 2016.

Figure 2:
Number of
failed, foiled
and completed
terrorist attacks
in the EU per
affiliation.
Source: Europol

One can differentiate between three major forms of terrorism in today's Europe. First, by the number of terrorist incidents, the most common motivation behind terrorism is ethno-nationalism and separatism. This type of terrorism is located mainly in Spain, France and Northern Ireland. However, the violent separatist trend is subsiding in both quantitative and qualitative terms. Since the main proponents of violence in those areas have already committed themselves to peace processes, there are reasons to expect that separatist violence is slowly disappearing from Europe. However, terrorism can rise sporadically in relation to some ethnicity-related incidents.

There has been a slow generational change in the separatist movements since the 1990s, which is making them appear more like radical nationalist groups with racist and exclusive characteristics, like neo-Nazis for example, rather than movements aiming solely for independence. This trend is likely to continue.

In the European neighbourhood, there are signs of growing ethno-nationalism insomuch as the Kurdish separatists have been increasingly active, but thus far there is no evidence that any of the groups would be interested in committing attacks against the EU, its citizens or interests. This may change, depending on the developments in Turkey and European stances towards the Kurdish issue.

The second increasing form of terrorism is violent jihadism. For a long time, it seemed that violent jihadism was not gaining a strong

foothold in Europe and most of the activism related to it concerned repercussions of conflicts outside of Europe. However, since the start of the civil war in Syria in 2011 and its expansion to Iraq, violent jihadism and its globalist variations have gained new momentum. In particular, the terrorist group Islamic State (IS) and its success in establishing a new 'state' in Syria and Iraq inspired new generations to see violent jihadism as a form of rebellion against the national and international orders. Since the beginning of the war, over 30,000 men and women from over 100 countries[31] have travelled to take part in the Syrian civil war. Roughly 4,000 to 5,000 of them are of European origin. The number of volunteers peaked in 2015, but since then the flow has started to dwindle.[32]

Since several European states are playing a role in Syria and Iraq, either directly in warfare, or indirectly by supporting some of the stakeholders in the conflict, IS regards Europe as its enemy. The terrorist organization has continually tried to inspire European jihadist networks to take action against Europe. In 2015 there was an attack in Paris, which was quickly followed by one in Brussels. Furthermore, several allegedly jihadist-inspired solo terrorist actions have taken place, such as those in Nice and Berlin in 2016. Furthermore, tensions have also been rising between different ethnic groupings amongst the Muslim population due to the Syrian civil war and the rise of IS. Hence, the likelihood of violent clashes between the groups has increased.

Due to the fighting in Iraq and Syria, it is likely that IS will lose most, if not all, of its territory. Consequently, the organization has threatened that it will bring warfare to Europe.[33] It is reasonable to expect that this is partially true. Previous experiences of foreign fighters indicate that roughly one out of nine[34] are willing to continue some form of radical activism after their arrival back home, but by 2015 the rate of returning foreign fighters from Syria and Iraq committing terrorism in Europe was only one out of 360.[35] The reasons for a significantly lower rate so far are the large number of volunteers compared to previous conflicts and the dynamics of the Syrian civil war, which have kept most of the volunteers fighting in Syria or Iraq. As already stated, this is likely to change. Those individuals that want to keep on fighting must search for another location to continue a jihadi insurgency. Most likely they will

31 The Soufan Group 2015.
32 Europol 2016, pp. 26–27.
33 International Centre for the Study of Radicalisation and Political Violence 2016.
34 Hegghammer 2013, p. 10.
35 Hegghammer & Nesser 2015.

move into some other area in the MENA region or Central Asia. In any case, those who return to Europe have to be placed under enhanced surveillance, since they have the combat experience and know-how to execute highly lethal operations, should they wish to do so. However, the threat of jihadism is not only related to foreign fighters. The rise and success of IS has inspired a new generation of domestic jihadists in Europe. Merging with the returning foreign fighters, they have dangerous networks, experience, and the will to operate against Europe as well.

Thirdly, the rise in *anti-migration* and *anti-Islam* sentiments has led to an increase in right-wing terrorism. The main reason for this is the surge in the number of refugees from Syria and Iraq in 2015, when Germany alone received roughly one million migrants (see Chapter 3). Not everyone has welcomed this decision to accept migrants. While the political opposition to migration is channelled for the most part into conventional politics and populist movements such as Pegida for example, there has also been a significant rise in hate crimes.[36] Thus far, this has not been regarded as terrorism, except in a few cases. In Poland, the number of offences against Muslims and Muslim institutions doubled from 2014 to 2015. Similarly, the attacks in Germany in 2015 against premises used to house refugees quadrupled to 800 compared to the previous year.[37] Whereas many of the attacks are merely vandalism, there have also been several arson attacks, which can have serious consequences. This indicates that right-wing violent extremism is becoming more organized, and the violence more intense and lethal. Despite this, the rise in right-wing violent extremism is not reflected in the Europol data, since few member states regard this violent action as terrorism.

36   Europol 2016, pp. 41–42.
37   Ibid.

HOW DOES THE EU ADDRESS CURRENT CHALLENGES TO EUROPEAN SECURITY?

From crisis management to defence cooperation

As noted above, the EU's security and defence policy concentrated almost exclusively on external crisis management during the 2000s. Against this background, the last five years have seen the Union expand its security and defence agenda considerably. This development started in the early 2010s: the economic crisis and the disappointing results of several Western-led military interventions made many EU member states increasingly reluctant to engage in crisis management operations and, when they did so, the EU's Common Security and Defence Policy (CSDP) was seldom their instrument of choice.[38] At the same time, austerity-driven cuts in European defence expenditure (see above) raised broader concerns about the state of European defence and emerging gaps in European military capabilities.[39] Taken together, these developments gave impetus to the need to look at new ways in which the EU could contribute to European security and defence.

The European Council of December 2013 – and the lengthy preparations preceding it – represented the first attempt to address the EU's security and defence policy from a broader perspective.[40] The agenda of the European Council was divided into three parts: increasing the effectiveness, visibility and impact of the CSDP; enhancing the development of capabilities; and strengthening the defence industry.[41] The proposed objectives included developing a more systematic approach towards European defence cooperation, investing more in defence-related research and creating an open and integrated European defence market. Although these aims were more ambitious than the decisions that followed, the European Council of December 2013 did have a major impact on the direction of the EU's security and defence policy, marking a gradual move towards a more comprehensive view of European defence and the EU's role in it.[42] The process also helped to establish the European Commission as a central player in the defence field, notably in matters related to the defence industry, market and research.

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38 See Koenig 2012, 1; von Ondarza & Overhaus 2014, 1–2.
39 Major & Mölling 2013, 13–14.
40 Tiilikainen 2016, 3.
41 European Council, Conclusions 2013, pp. 1–10.
42 Tiilikainen, op. cit.

During the last three years, developments in the EU's security and defence policy have been largely driven by the security challenges emerging from outside the EU, as well as by the different pressures facing the EU internally. The conflicts in Ukraine, Syria and Libya have clearly demonstrated that the EU continues to be insufficiently equipped to prevent or deal with military crises even in its immediate neighbourhood.[43] While the problems of the EU as a foreign and security policy actor extend far beyond the CSDP, it is noteworthy that the role of the CSDP in responding to the different crises has been limited to an advisory mission for civilian security-sector reform in Ukraine and a naval operation to combat human trafficking in the Mediterranean.[44]

On the other hand, the crises in different parts of the neighbourhood – and the EU's difficulties in addressing them – currently serve as a catalyst for strengthening the EU's security and defence policy.[45] They have added credence to the argument that the EU needs to complement its soft power instruments by developing its military edge. Moreover, they have strengthened the view that the EU has to do more in order to protect its citizens from the instability around it.[46]

A stronger EU in security and defence policy terms is also seen as a central response to the EU's internal challenges. With prominent political actors and part of the European electorate questioning the purpose and utility of EU integration, the EU's ability to provide security for its citizens has recently been emphasized as one of the Union's central functions, and is hoped to provide the EU with some much-needed political legitimacy. This line of reasoning has gained further prominence after the Brexit vote.[47] In order for the EU to recover from this serious political setback, both the member states and the EU institutions want to demonstrate the unity and vitality of the EU. Deepening integration in security and defence matters is regarded as one way to do this.

All of the above-mentioned views are prominent in the EU's Global Strategy, prepared by a small team around High Representative Federica Mogherini and published in June 2016. The implementation of the strategy now forms the focal point of the EU's security and defence policy. The implementation process was set in motion in November 2016 when High Representative Mogherini presented her

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43 Blockmans & Faleg, 2015, 8–9.
44 Raik, Helwig & Iso-Markku 2015, 5.
45 See e.g. Barnier 2015; 'European Defence Union' 2016.
46 European Union 2016.
47 See Ayrault & Steinmeier 2016.

own implementation plan.[48] The member states used Mogherini's plan as the basis for drafting a list of implementation proposals, which were adopted by the Foreign Affairs Council on 14 November 2016.[49] The implementation process is complemented by the activities of the European Commission, which unveiled its own Defence Action Plan on 30 November 2016.[50]

Overall, the ideas currently on the table build strongly on the agenda that was set by the European Council of December 2013, adopting a broad view on how the EU can contribute to European defence. As the EU will lose its most significant military power due to Brexit, closer cooperation among the remaining member states becomes all the more necessary in order to reduce fragmentation and put the existing resources to more effective use. However, the problems that have complicated the development of the EU's security and defence policy from the start have not disappeared. Although the Brexit process has removed some obstacles, the differences between the member states in terms of foreign policy priorities, threat perceptions, fundamental security policy solutions, attitudes towards EU integration and strategic cultures still have a crucial influence on the way in which the EU's role in this policy area will unfold.[51] The recent modest measures taken to strengthen the planning and conduct of EU operations serve as a case in point – showing the possibility of new steps, on the one hand, but pointing to the remaining limitations, on the other.

Protecting the EU and its citizens

The Global Strategy and the subsequent implementation document list three core tasks for the EU: responding to external conflicts and crises; building the capacities of partners; and protecting the Union and its citizens. The task of protecting the EU and its citizens is formally a new addition to the EU's security and defence policy remit and indicative of the kind of change that the EU's role in this area is undergoing.

However, the definition of protecting the Union remains both abstract and contested. There is broad consensus in the EU that, at least for the foreseeable future, the Union will not aim to take over NATO's task of territorial defence. The Baltic and Central European member

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48 High Representative 2016.
49 Council of the European Union 2016.
50 European Defence Action Plan, 2016.
51 See Iso–Markku & Helwig 2016.

states in particular, as well as the UK, traditionally argue that any move by the EU towards collective or territorial defence would undermine NATO and could weaken the US commitment to European security. At the same time, some of the EU's militarily non-allied countries, especially Ireland and Austria, fear that extending the remit of the EU's security and defence policy to 'defence proper' would question the fundament of their defence policy solution. The non-allied member states do not, however, share the same position: while Sweden has also been sceptical towards deeper defence cooperation, Finland has been an active proponent of new steps in this field.

As a result, the recent EU documents define protecting the EU and its citizens in a way that is not far from what the EU already does. First, the EU's activities in crisis management and capacity-building, the 'traditional' sphere of the CSDP, contribute to the stability of Europe's neighbourhood and thus indirectly to the protection of the EU and its citizens. CSDP operations and missions can also serve to guarantee stable access to global commons, as exemplified by the EU's long-running anti-piracy operation off the coast of Somalia.

Secondly, protecting the EU and its citizens can refer to EU activities 'along the nexus of internal and external security',[52] most likely together with actors such as the EU's new coast and border guard. While this is still a rather new field of engagement, the Sophia maritime operation in the Mediterranean already provides a practical example.[53] The main task of this military CSDP operation is to combat people-smuggling in the Mediterranean and thereby contribute to the management of the EU's external borders.

The third way in which the member states agree that the EU could contribute to protecting Europe is by countering hybrid threats. According to the EU's own definition, hybrid threats represent a 'mixture of coercive and subversive activity, conventional and unconventional methods (i.e. diplomatic, military, economic, technological), which can be used in a coordinated manner by state or non-state actors to achieve specific objectives while remaining below the threshold of formally declared warfare'.[54] A number of EU policies contribute to important aspects of resilience, including energy, cyber, border and maritime security, thus being relevant for countering

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52 'Council conclusions on implementing the EU Global Strategy in the area of Security and Defence' 2016, p. 5.
53 Tardy 2016.
54 'Joint framework on countering hybrid threats' 2016.

hybrid threats. However, linking these policies together from the viewpoint of hybrid security and resilience remains a challenge. As a first step towards improving the situational awareness and analysis of hybrid threats, a small 'hybrid fusion cell' was established within the EU Intelligence Analysis Centre of the EEAS in 2015. Furthermore, a 'European Centre of Excellence for Countering Hybrid Threats' has just been established in Helsinki. The Centre represents a joint effort by several EU and/or NATO member states and aims to support both organizations as well as national authorities, which still bear the main responsibility for responding to hybrid threats.[55]

One of the most contentious questions related to protecting the EU is the issue of mutual solidarity and responsibility between the member states. It is clear that the EU's solidarity clause (222 TFEU) and mutual assistance clause (42.7 TEU) represent central instruments in this regard. However, the exact meaning of the EU's mutual assistance clause in particular remains somewhat unclear. In the context of the implementation of the EUGS, HR Mogherini suggested that the EU could explore how CSDP operations could contribute to mutual defence under Article 42.7,[56] but the Foreign Affairs Council of November 2016 watered down this proposal in its own implementation plan.

At the same time, the French government's request to activate Article 42.7 after the terrorist attacks in Paris in November 2015 serves as an important precedent and will have an impact on how Article 42.7 is seen in the future. At the moment, Article 42.7 foresees action by the member states only, meaning that the exact form of assistance is to be agreed bilaterally between the country in need and each of its EU partners. In view of the future of the EU's security and defence policy, it would be useful to define whether and how existing CSDP instruments can be used in the context of Article 42.7. Moreover, there is scope for improving the EU's readiness to implement the Article. This could involve defining a role for the EU institutions in the implementation process or the creation of other joint structures.[57]

55 The signatory states were Finland, Sweden, the UK, Latvia, Lithuania, Poland, France, Germany and the US.
56 High Representative 2016, 16.
57 See Tiilikainen 2015.

Advancing practical defence cooperation

Although not explicitly mentioned as such, one of the principal contributions of the EU to protecting itself and its citizens in security and military terms could be its role in creating incentives and structures for practical defence cooperation between the member states. The importance of defence cooperation is highlighted throughout the EU Global Strategy, which points out that no member state alone can acquire and maintain the kind of military capabilities that would allow the EU to act autonomously if need be. Defence cooperation must therefore 'become the norm'.[58] Importantly, the EU's contribution to strengthening European military capabilities does not imply competition with NATO. On the contrary, it can strengthen both organizations and make Europe a more relevant partner in the transatlantic relationship.[59] According to the Global Strategy, the EU 'will step up its contribution to Europe's collective security, working closely with its partners, beginning with NATO'.[60]

Among the most important proposals to encourage defence cooperation in the EU framework is the idea to create a permanent mechanism to coordinate the procurement and capability development plans of the member states. In November 2016, the Foreign Affairs Council invited HR Mogherini to present proposals for a 'Member States-driven Co-ordinated Annual Review on Defence' in spring 2017. The review mechanism should increase and systematize the exchange of information between the member states, thereby helping them to identify joint needs and possible redundancies, as well as to initiate collaborative projects. The biggest drawback of the plan is that member states want to ensure full ownership of the new mechanism and stress that it should work on a voluntary basis. This means that the mechanism is likely to suffer from many of the same shortcomings as previous attempts to deepen defence cooperation.[61]

Apart from the planned review mechanism, there are also several other mechanisms within the EU for identifying capability priorities and translating them into collaborative capability development projects, such as the so-called Capability Development Plan. An enduring challenge for the EU will be to better coordinate the defence cooperation efforts in the EU framework with those that the member

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58 European Union Global Strategy 2016, 11.
59 Iso-Markku & Helwig 2016, 3.
60 European Union Global Strategy 2016, 9.
61 See Bakker, Drent & Zandee 2016, 2.

states undertake in other formats, including bilateral partnerships (for example the German-Dutch, German-Polish, Belgian-Dutch, Franco-British and Finnish-Swedish defence cooperation), sub-regional groupings (including Nordic Defence Cooperation and the Visegrád group) and NATO.[62] Ideally, the different forms of cooperation would complement each other, and extend to larger groups, but currently there is no mechanism for ensuring this.[63]

The EU's activities to foster defence cooperation are underpinned by the European Commission's attempts to create an open, integrated and effective European defence market and an integrated and competitive European defence industry. This is the area dealt with in the European Commission's Defence Action Plan. With regard to the defence market, the main emphasis continues to be on the effective application of the Commission's Defence Package, originally adopted back in 2007. The defence package encompasses two separate directives. The first of these aims at opening procurement processes at the national level to competition from other member states, whereas the second seeks to facilitate intra-EU transfers of defence-related products. However, the process of opening and integrating the European defence market will continue to be difficult, as the member states favour national suppliers whenever possible.[64]

To support the development of the European defence industry more directly, the Commission's Defence Action Plan proposes the setting up of a European Defence Fund. The Defence Fund would consist of two separate elements. The first of these, the so-called 'research window', would fund collaborative research projects on innovative defence technologies, thereby helping the European defence industry to keep pace with technological developments, and fostering practical defence cooperation within the EU. This idea was originally unveiled ahead of the December 2013 European Council. Its test phase – under the name of Preparatory Action on Defence Research – is set to be launched in the course of 2017 with a budget of EUR 90 million until 2019.

According to the Commission's new proposals, the Preparatory Action should make way for a full-scale defence research programme with an estimated budget of EUR 500 million per year. The sum is notable, as it would make the EU the fourth largest investor in defence

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62   von Voss et al. 2013, 12.
63   See Drent, Zandee & Maas 2015, 30.
64   Masson et al. 2015, 6.

research in the Union after the UK, France and Germany.[65] However, the next multiannual financial framework and the details of the research programme are likely to be subject to intense negotiations between the member states, and between the European Parliament and the Council.

The second element of the Defence Fund, a financial tool to help the member states set up joint capability development projects, is a new proposal. According to the Commission, the 'capability window' of the Defence Fund should be able to mobilize EUR 5 billion per year to be used for the development and procurement of jointly agreed capabilities in strategic priority areas.[66] However, the budget would come from the contributions of the member states, meaning that the success of the fund crucially depends on the member states' commitment. Overall, the Commission's proposals have the potential to influence the dynamics of European defence cooperation, but many central questions remain unanswered.

Responding to external crises

Although the EU's defence agenda has broadened remarkably, responding to external crises and conflicts continues to form one of the key tasks of the EU in the area of security and defence. The ongoing crises in the neighbourhood underscore the need to develop the EU's crisis management instruments. To this end, the Foreign Affairs Council of November 2016 agreed on the kind of missions and operations that the EU should be able to conduct.[67] The list specifically mentions high security risk operations in the regions surrounding the EU as well as air and special operations. In theory, such missions and operations have been part of the CSDP oeuvre since the very beginning. However, in practice, the EU has not been able or willing to undertake such operations.

While the formulations in the EUGS and the ensuing implementation documents hint at growing military ambition, there are few concrete suggestions about how the EU could overcome the challenges that have so far stopped the Union from playing a bigger role in responding to external crises and conflicts. These relate to a number of issues, such as a lack of political will and mutual trust, diverging strategic priorities,

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65   Cooper 2017.
66   European Defence Action Plan 2016, 8–11.
67   'Council conclusions on implementing the EU Global Strategy in the area of Security and Defence' 2016, 15–16.

different strategic cultures, and concrete questions related to the funding and planning of operations as well as missing capabilities.

Of these, the EUGS and the implementation plan mainly touch upon funding, planning and capability issues. In terms of planning, one of the more ambitious proposals put forward in recent years has been the idea of establishing a permanent EU headquarters for the planning and implementation of CSDP missions and operations. The decision to establish an EU Military Planning and Conduct Capability unit was taken at the Foreign Affairs Council in March 2017. However, since many EU member states see a risk of duplicating existing NATO structures, the unit is not called a 'headquarters' and its mandate is limited to non-executive military missions, such as training missions.

As for funding issues, ideas are afoot to expand the joint financing of military operations, but some member states remain opposed to the idea and the topic will be subject to political wrangling. Finally, with regard to filling the existing capability gaps, the EU has prioritized several major projects, including remotely piloted aircraft systems; satellite communication; intelligence, surveillance and reconnaissance; strategic enablers; and capabilities to respond to hybrid threats. Some of these projects have progressed, whereas others remain largely on paper.[68]

As for the capacity-building of partners, this has been a core CSDP activity since the early 2010s and is likely to remain very important, not least because it is less costly both financially and politically than other kinds of crisis management operations. It also fits well with the EU's new emphasis on strengthening the 'resilience' of its partners. Hence, the EU is adjusting its support for the partner countries with a view to improving their capacity to counter hybrid threats. This means, for example, paying more attention to strategic communication, and cyber and border security.

Permanent Structured Cooperation

One of the most significant dynamics in the context of the implementation of the EUGS is the growing interest in forming an avant-garde group that could advance faster and further in its defence cooperation than the rest of the member states. The fact that this has become a pertinent issue of late hints at the persistent differences between the member states and the growing frustration of some member states with not being able to go beyond the lowest common

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68 See Drent, Zandee & Maas 2015, 27–29.

denominator.[69] In practice, the forming of a core group could take place under the auspices of Permanent Structured Cooperation (PESCO), an instrument introduced by the Lisbon Treaty that is specifically designed to deepen defence cooperation within a smaller group of member states.

In the Council conclusions of November 2016, the member states agreed to explore the potential of 'inclusive Permanent Structured Cooperation' and invited HR Mogherini to present possible elements and options for this cooperation as soon as possible, potentially as early as summer 2017.[70] At this point, the form and focus of this cooperation as well as the composition of the group are not known. It could possibly consist of a general commitment to engage in deeper security and defence policy cooperation, and of specific projects that would be open to willing member states.[71] While some see PESCO primarily as a vehicle for improving the EU's external crisis management capacity, the prevailing view is that it is at least as important to use PESCO for the development of the national capabilities of the member states, thus contributing to the protection and defence of Europe.

The fact that the Council conclusions refer to an 'inclusive' PESCO reveals the delicacy of this topic. Many member states fear that the formation of a core group would mean that they would lose their ability to influence the direction of the EU's security and defence policy. Moreover, in an EU whose unity has already been under strain because of several external and internal crises, the forming of a closed core group would be an unwelcome sign. At the same time, the idea of a multi-speed Europe seems increasingly en vogue in other areas of EU policy as well. In this sense, PESCO could work as a test case, or even a model, within the EU.

Countering terrorism

While recent terror attacks in several European cities have made people increasingly worried about the threat of terrorism (see above), the EU has gradually strengthened its role in countering this threat. The main focus of European counter-terrorism policies in recent years has been on the foreign fighter issue and on preventing travel to the conflict zone in Syria and Iraq to support the terrorist cause. In addition to that, common measures have been adopted regarding

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69 Bakker, Drent & Zandee 2016, 2–3.
70 Council of the European Union 2016, 5.
71 Bakker, Drent & Zandee 2016, 4.

the financing of terrorism, enhanced information sharing between relevant authorities and member states in all fields of counterterrorism, and trafficking firearms inside the borderless area of the Schengen Treaty. In the EU foreign policy, this has been seen in a common Syria strategy and in building cooperation with relevant third countries in the MENA region, especially regarding the foreign fighter issue and information sharing.

Most of the common measures are directed towards violent jihadism and listed terrorist organizations. Right-wing political violence, anti-migration or anti-Islam violent extremism are not regarded as threats that require a common EU stance, and hence countering them falls under the responsibility of the member states.

Prevention and control of travelling for a terrorist cause

Since the foreign fighter issue is regarded as one of the most significant threats related to terrorism in Europe, several measures have been taken to prevent travelling for a terrorist cause. Many EU member states already adopted their own measures some years ago, ranging from criminalization to focused social policies, social media campaigns and countering terrorist propaganda. Common EU measures take time, but they establish a proper framework for the cooperation in information gathering and sharing.

Amongst the most significant achievements of the EU in the past few years was the approval of the Passenger Name Record (PNR) directive (2016/681) in April 2016. The decision facilitates the use of passenger data for the prevention, detection, investigation and prosecution of terrorist offences. It obliges airlines to hand EU countries the passenger data that they gather on those passengers who enter or depart from the EU. At the same time, control over the travel flows has been enhanced at the external borders of the Schengen area. A European Travel Information and Authorisation System (ETIAS) has been established to strengthen security checks and information gathering on all visa-free non-EU citizens. This has been a common way for criminals, including terrorists, to enter the EU. ETIAS will contribute to the more efficient management of the EU's external borders. In addition to this, the European border institution FRONTEX is enhancing its capabilities to control the movement of refugees and migrants without a visa at the physical borders of the main entrance routes, currently from Libya to Italy in particular. The option to control those migrants already in Libya by establishing special refugee and migrant camps is under political debate.

A central tool for controlling travel is the Schengen Information System (SIS), which has been updated to SIS II during 2017. SIS II is the system whereby national security officials like the Police, Border Guard and Custom Officials, and the European institutions Europol and Eurojust can feed in information on wanted criminals, terrorists, and so forth, and receive information and alerts when necessary. This system is crucial for sharing information on the movements of known terrorists and potentially dangerous individuals. For example, one of the Paris 2015 terrorist attack perpetrators managed to slip across the French border because Belgian authorities had failed to fully register his details in SIS. As of April 2017, all travellers crossing the external border of the EU, including Schengen citizens, will be checked in the SIS II database.

Whereas all the control measures related to travel and migration are welcome enhancements to the border system of the Schengen area, they also have side effects that have to be tackled in some way. First of all, there are still hundreds of thousands of individuals, asylum seekers and migrants, who are willing to enter Europe even if they lack the legal means to do so. Second, a massive number of asylum-application rejections are increasing the number of undocumented people inside the Schengen area. Hence, migrants both at the doors of the EU and those who have already gained entrance are increasingly at the mercy of organized crime, which increases human trafficking, child abuse, recruitment to terrorism, and several other issues.

When it comes to the foreign fighter issue, it is reasonable to expect that better information sharing on known foreign fighters is making their return harder. This is naturally the point of all the measures, but it also means that many of those foreign fighters who would be willing to give up the fight have no other option than to continue. Furthermore, it pushes the returning foreign fighters more towards illegal entrance routes and falsified travel documents, and hence they increasingly attempt to mingle with the refugee flows. This might lead to further securitization of the refugee issue and narrow down the possibilities of those most in need to receive aid and gain asylum.

Financing terrorism

In February 2016, the Council adopted an action plan (COM(2016) 50/2) to strengthen the fight against the financing of terrorists. Several enhancement areas were identified in the plan. Chief amongst them were tackling illegal sources of financing, avoiding the use of virtual currencies for terrorist financing, improving access to information

through financial intelligence units, measures concerning prepaid cards and measures against illicit cash movements, but there were also several amendments to existing practices. The aim is to build on the existing EU rules, while updating the common policy and practices in an effort to enhance the role of common institutions in financial intelligence and cooperation between the members states and third countries.

These measures are important particularly when it comes to preventing organized terrorism from gaining a foothold in Europe, and in dealing with the financial flows from Europe to conflict zones, but they also have an impact on travel to conflict areas, since the way in which such travel is financed is under special scrutiny.

Trafficking firearms

Due to the fact that many recent terrorist attacks have been committed by using firearms rather than bombs, there has been increased interest in limiting the legal access to firearms and in controlling the flows of illegal arms within Europe. Their main entrance route to Europe is through the Balkans, but criminals have also been able to reactivate weapons that have previously been deactivated.

In June 2016 the EU Council agreed its position on proposals for a directive on the control of the acquisition and possession of weapons. Negotiations with the European Parliament will be started in the near future. The revised directive aims to address weaknesses in the existing legislation on firearms and to set out minimum rules for the member states. The amendments focus on improved control of the traffic in firearms, enhanced traceability, measures on the deactivation, reactivation or conversion of firearms, stricter rules on the acquisition of the most dangerous weapons, and improving information sharing between EU member states.

The proposals have been criticized because they will complicate the legal acquisition and use of firearms, especially for hunters and collectors, whereas terrorists rarely pursue legal weapons for their attacks. Furthermore, as was seen in both Nice and Berlin in 2016, terrorists can use means other than firearms or bombs to execute lethal attacks. However, if the proposals are implemented, it will become more difficult to acquire weapons for illegal use as well. To date, there have been notable differences in the standards on deactivating weapons meant for collectors. In some member states, the process has been simple, making it rather easy to reactivate the weapon, whereas in other member states reactivation would call for a highly skilled gunsmith.

In any case, there is a vast number of weapons moving in the near neighbourhood of the EU, and hence tackling the issue of firearms also requires foreign policy efforts towards disarmament, especially in the MENA region, but also in the Eastern neighbourhood due to the Ukraine conflict. A prerequisite for this is the settlement of the existing conflicts.

Countering Russia's aggression against Ukraine

As noted above, the annexation of Crimea was an unprecedented violation of the European security order. Followed by the war in Eastern parts of Ukraine, these events brought power politics back to European security in a manner that took the EU by surprise. The EU was quick to condemn the illegal annexation of territory and 'deliberate destabilization' of Ukraine by the Russian Federation,[72] and somewhat slower in developing a response consisting of three main elements: sanctions against Russia, support for the diplomatic settlement process, and support for domestic reforms in Ukraine. Apart from these three elements constituting the EU's direct response to the Ukraine conflict, Russia's belligerence served to boost efforts to enhance the common security and defence policy, as described above. Relations with Russia and Ukraine have been divisive issues among member states for many years,[73] and it was not easy to reach a common position, especially on the sanctions. However, the EU has succeeded in maintaining a fragile unity in this sensitive area.

The EU Global Strategy defines Russia as a 'key strategic challenge'.[74] Russia is by no means the only challenge to the liberal world order, but it is the only major actor actively and aggressively seeking to revise the European security order. Its dissatisfaction with the current order was expressed well before the Ukraine crisis, notably in President Putin's Munich speech of 2007, and in President Medvedev's proposal for a new European security treaty tabled in 2008.[75] For years, Russia has aimed to strengthen its position as a major power, motivated by a vision of a multipolar world order.[76]

The broad implications of the Ukraine conflict have pushed the EU to take a common stance. When tensions flared in Ukraine in 2014, it was evident from early on that the conflict was about much more

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72 European Council, Conclusions, 2014.

73 David et al. 2013.

74 European Union Global Strategy 2016, 33.

75 Lo 2009.

76 Makarychev 2016.

than Ukraine; it was a clash of two largely incompatible visions of the European and, more broadly, the international security order.[77] The case of Ukraine is the most dramatic example of Russia's efforts to impose its vision of Eurasian integration on a number of neighbouring countries, using a range of instruments including military force, economic pressure and extensive propaganda. In Ukraine, Russia violated the core principles of the UN Charter and the OSCE Helsinki Final Act, including sovereignty and the territorial integrity of states, the inviolability of borders, and the peaceful settlement of disputes. This inspired several Western commentators to declare the end of the post-Cold War or even the post-WWII order.[78]

Others have argued that 'laws are not annulled if somebody violates them', but their viability depends on whether the violations have consequences.[79] The Western, including the EU, response to the violations in Ukraine succeeded in taking a principled position in defence of the existing order. At the same time, however, Western actors have failed to bring an end to the violations and restore the territorial integrity of Ukraine (and Georgia and Moldova). The ongoing conflicts in the EU's Eastern neighbourhood have cast a shadow over the European security order at large.

Sanctions against Russia

Sanctions, or restrictive measures, have been the hardest element of the EU's response to the Ukraine conflict. They have sent a clear message about the EU not accepting Russia's actions. The importance of the norms of territorial integrity and national self-determination has been a key issue in generating member states' support for the sanctions.[80]

The EU's initial response to the annexation of Crimea was a set of diplomatic measures such as the cancellation of EU-Russia and G7 summits, and the suspension of EU-Russia talks on visa liberalization and a new agreement. As a next step, the EU imposed asset freezes and travel restrictions against 21 individuals for their responsibility for actions against Ukraine. This was still a rather limited and largely symbolic measure. Many member states wished to avoid confrontation with Russia, a major power and trade partner, for political and economic reasons. Some argued for diplomatic measures only, trying to depict

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77   See e.g. Allison 2016.
78   See e.g. Carnegie Europe 2015.
79   Iloniemi 2015.
80   Sjursen & Rosén 2017.

sanctions as an alternative to diplomacy, and hence counterproductive. Several member states – but actually not the ones most affected – were reluctant to put economic restrictions in place because they were concerned about the economic costs of sanctions for the EU itself.[81]

It took the downing of passenger aircraft MH17 on 17 July 2014, a tragedy in which 298 people lost their lives, including 210 citizens of EU member states, for the EU to significantly upgrade the level of pressure. This event exposed the broad-ranging implications of the conflict, and the danger of events spiralling out of control. The conflict acquired a new dimension, activating the EU's 'obligations to protect and ensure the security of its citizens'.[82] Even the strongest opponents of sanctions among the member states could no longer oppose the need to put additional pressure on Russia.[83] Hence, on 1 August 2014, the EU decided on a set of economic sanctions targeting four areas: (1) capital markets (restrictions on the issuance of and trade in certain 'bonds, equity or similar financial instruments'), (2) the defence sector (arms embargo), (3) dual-use goods (embargo on dual-use goods and technology), and (4) the oil industry (embargo on certain technologies related to deep water, Arctic and shale oil). Another critical juncture for the EU measures was the more extensive incursion of the Russian military into Ukraine in late August 2014,[84] which led to further deepening of the sanctions in September.

Since then, the EU has repeatedly reviewed, strengthened and extended the sanctions, adding new persons and entities to the list of targets. Since March 2015, the lifting of sanctions has been conditional upon the implementation of the Minsk agreements on settlement of the conflict (see more below). As of April 2017, asset freezes and travel restrictions against 150 persons and 37 entities remain in force until 15 September 2017; restrictions on economic relations with Crimea until 23 June 2017; and economic sanctions against Russia until 31 July 2017.

Thus far, the situation on the ground has given no reason to ease the sanctions. The fighting has continued with low intensity. The 'People's Republics' of Donetsk and Luhansk (covering less than 5% of Ukraine's total territory) have been orchestrated and supplied by Russia.

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81 The Baltic states, Poland and Finland were the most strongly affected by the negative economic impact of EU sanctions and especially the Russian counter-sanctions, but these countries have supported the EU sanctions. See European Parliament 2015, 'Economic impact on the EU of sanctions over Ukraine conflict'.

82 European Council, Statement 2014.

83 Raik et al. 2014.

84 Office of the United Nations High Commissioner for Human Rights 2014.

The international community, including the OSCE monitoring mission, have had only very limited access to the Russian-controlled territories and adjacent parts of the Ukrainian-Russian border.

All decisions on EU sanctions require unanimous agreement by the member states. The sanctions are in force for a period of time (often 6 or 12 months) specified in the relevant decisions, unless member states decide to change or lift them sooner. When the defined period expires, prolongation requires another unanimous decision.

Due to the requirement of unanimity, the EU's ability to impose and maintain substantial economic sanctions against Russia has surprised many observers. The European debate has been constantly rife with speculations about the EU consensus falling apart, as leaders of several member states (notably Italy, Hungary and Greece) have expressed doubts about and even opposition to the sanctions.[85] Nonetheless, consensus has prevailed. The election of Donald Trump as president of the US added a new source of uncertainty with regard to the transatlantic consensus behind the Western policy towards Ukraine and Russia.[86]

The aim of the sanctions is to make Russia change its behaviour: stop the occupation of parts of Ukraine and participation in the war in Donbas. Evidently, this goal has not been reached, although the sanctions have had a negative effect on the Russian economy.[87] Hence the oft-posed critical question – why maintain the sanctions if they have not had the desired effect? As noted above, the EU's position has emphasized the need to counteract violations of key international norms. Furthermore, one can assume that without the sanctions, Russia's military incursion might have been more extensive (the idea of *Novorossiya*, referring to a region covering large parts of eastern and southern Ukraine, was propagated by the Russian leadership in 2014). In other words, the cost of the sanctions and the possibility of their further strengthening presumably curbed Russia's actions. It is also worth noting that sanctions take time to be effective. Up to now, the Russian regime has succeeded in mobilizing patriotic feelings among citizens and putting the blame for economic hardship on the West.

85 E.g. *Financial Times*, 'Russia faces another 6 months of EU sanctions', 9 June 2016.
86 Cohen 2017.
87 Secrieu 2015; Oxenstierna & Olsson 2015.

The EU side-lined in diplomatic talks

The sanctions regime was developed in parallel with diplomatic efforts to secure a settlement to the conflict. However, the EU has been side-lined in the diplomatic process. The first attempt at a peace deal was the Minsk agreement signed in September 2014 by the leaders of Russia and Ukraine and representatives of the separatist statelets. The fighting soon escalated again, which led to another negotiating effort in February 2015. This time, the leaders of France and Germany became engaged in negotiating with Russia and Ukraine a 'Package of Measures for the Implementation of the Minsk Agreements', known as Minsk II.

The Minsk agreements, although not negotiated or formally approved by the EU, gained a central place in the EU's approach to the conflict through the above-mentioned linkage of sanctions to the implementation of the agreements. Minsk II quelled the fighting and defined a set of measures to be taken towards settlement, but it has been subject to conflicting interpretations by the different sides. Expectations with regard to the implementation of the agreements have generally been low, although they have become the main reference point in the diplomatic process.

The main format for negotiations, the 'Normandy format', has included France, Germany, Russia and Ukraine. Under the leadership of Chancellor Angela Merkel, Germany has played a key role in shaping the European position and ensuring the backing of the EU as a whole. The absence of the EU raised some criticism from the excluded member states (most notably Poland) and EU institutions, and provoked some calls for involving the EU in the Normandy group.[88] However, these calls were not actively pursued, and the official EU line has repeatedly confirmed support for the Normandy format.

The diplomacy of the Ukraine crisis has exposed the limits of the EU's ability to engage in conflict resolution in a situation where member states' positions differ considerably, while the stakes are high. The limitations of EU diplomacy have also been evident in the case of Syria, where the Union has failed to make a notable contribution to the settlement process. Thus, the Union has been rather helpless with regard to the two most critical and bloody conflicts in its neighbourhood, Syria and Ukraine. Both conflicts have served as reminders of the relevance of military power in international relations, showing the gains, even if only short-term, of considerable use of force in a conflict situation. The EU's diplomatic successes elsewhere

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88   E.g. Wesslau 2017; Buras 2014.

– notably concerning conflicts in the Western Balkans and the Iran nuclear deal – have been achieved in areas where consensus among member states has been relatively strong and the EU has had specific advantages. The enlargement policy has given the EU strong leverage in the Balkans, while the EU's limited involvement in regional conflicts in the Middle East supported its engagement in negotiating the nuclear deal in Iran.

The case of Ukraine highlights the importance of member states for EU foreign policy, and also the tensions between EU and national levels of European foreign policy-making. Ideally, different European actors should be working in concert to advance European interests; what matters is what gets done. The German chancellor and French president were probably able to accomplish more in the Ukraine talks than their EU counterpart (the president of the European Council) could have done. A national leader has more room for manoeuvre than a representative of the EU, and her status may be higher in the eyes of counterparts. However, from the viewpoint of European unity and accountability, it would be preferable for the EU institutions to take the lead. After all, institutions are the venue for agreeing a common position through a process that allows all member states to have a say. By contrast, member states' support for the Minsk agreements was confirmed retroactively and, in many cases, reluctantly.

Supporting reforms in Ukraine

The third element of the EU's response, support for domestic reforms in Ukraine, is a more typical EU activity where the Union has strong expertise and experience.[89] A detailed assessment of this element of the EU's activity is beyond the scope of this chapter, but its significance for European security deserves to be highlighted.[90] The success of the reforms is crucial for Ukraine's ability to maintain domestic stability and to withstand Russia's aggression. Until 2014, EU assistance had limited impact due to the lack of domestic commitment.[91] Since 2014, the results have been mixed and fragile, as the old corrupt and oligarchic system has proved quite resilient. EU support has been conditional upon actual progress in the reforms, but many Ukrainian

89 During 2007–2015, Ukraine received 1.6 billion euros of EU assistance in grants, and 3.4 billion euros in macro-financial loans. In March 2014, the Commission launched a new support package of 11.2 billion euros (including up to 8 billion euros of loans from the EBRD and EIB) for the years 2014–2020. See European Court of Auditors 2016b.
90 For an overview, see Emerson & Movchan 2016.
91 European Court of Auditors 2016b.

civil society actors and Western experts have called for even stronger conditionality as a way to exert pressure on Ukraine's leadership to deliver.[92] Strengthening the rule of law and rooting out corruption and bad governance are among the key expectations of the population.

Again, there is more than Ukraine at stake: this case is seen to provide a strong example for other countries in the post-Soviet space, including Russia. Ukraine's success might eventually undermine the current authoritarian system in Russia, which is why the Kremlin has viewed the 'colour revolutions' in the post-Soviet countries with great suspicion, if not paranoia, and has developed a set of counter-measures.[93] The EU's support for reforms is thus more than a technocratic exercise; it has major political and geostrategic implications which the EU was unprepared to address when launching the Eastern Partnership policy in 2009. As noted above, the EU's transformative agenda has run into difficulties more broadly in recent years, while the Union has become preoccupied with protecting itself rather than shaping its environment. Yet the European Neighbourhood Policy is still set to underpin the EU's long-term interest to be surrounded by well-governed, democratic neighbours.

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4.4

CONCLUSION

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Security – or rather, increased insecurity – has become an important unifying factor in the EU in recent years. The EU's responses to the security challenges described above show that, in spite of different views among member states, the Union has been able to take (some) common steps forward and strengthen its policies in the fields of defence cooperation, counter-terrorism and actions against Russia's aggression. This development has been supported by some degree of convergence of threat perceptions among member states and citizens: there is broad agreement on the need to strengthen Europe's defence capability; terrorism has become a top concern all over Europe; and the importance of countering Russia's belligerence is widely acknowledged. Yet the measures taken also expose the limits of the EU's power. For instance, the EU has played a marginal role in efforts to

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92 Gressel 2016; Nizhnikau & Moshes 2016.
93 Saari 2014.

find a solution to the two most serious conflicts in its neighbourhood: Syria and Ukraine.

In the coming years, the external environment will remain difficult, pushing Europeans to do more about their common security. There is much potential to strengthen the EU's contribution in this field. The departure of the UK, one of the leading military powers in Europe, makes closer cooperation among the remaining member states even more vital than before. Brexit will also open up new possibilities for strengthening EU institutions and streamlining common decision-making in the field of foreign and security policy. A possible future treaty change can be expected to address this area, among others. At the same time, finding an effective formula for close cooperation between the EU and the UK in the field of security will be an important shared interest in the Brexit negotiations.

Even after Brexit, member states will still have different views with regard to deeper cooperation. At the time of writing, it is uncertain whether the EU27 will move ahead together, or whether increasing differentiation will emerge in the field of security and defence. This poses a dilemma between the need to maintain unity, which is perhaps more crucial in this field than others, and the urge felt by several member states for much closer defence cooperation.

Even in more ambitious visions of defence cooperation, the EU is not expected to take responsibility for territorial defence in the foreseeable future. In this area, it will develop its complementary role vis-à-vis national and NATO efforts. At the same time, the EU's contribution to European security extends far beyond defence. For instance, the traditionally strong areas of the EU's external relations, trade and aid, have been applied during the Ukraine crisis in the form of sanctions and support for reforms, while counter-terrorism measures include financial cooperation, border control and arms control. In order to counter 'hybrid threats', the EU is expected to do more when it comes to cyber security, strategic communication, and the protection and resilience of critical infrastructure. As threats become more complex and internal and external aspects of security are intertwined, the mantra about comprehensiveness and bringing together different tools and actors is as relevant as ever.

Conclusions and outlook

The EU's possibility to maintain its unity and avoid far-reaching fragmentation is currently one of the core questions in European politics. Not only is the ongoing Brexit process casting a shadow over the EU's political unity, but it also symbolizes those underlying trends of polarization and fragmentation that might still put this unity to a serious test.

The key trends fostering disintegration originate in the ongoing transition of the global economic and political system. The contestation of Western norms and values along with the emergence of alternative economic and societal models has also strengthened cleavages within European societies. This has led to a new type of polarization within the EU's member states, where the ideals and goals of European integration have become increasingly contested.

Globalization, internationalization and European integration have become the centrepiece of political debate, as one of the key political dividing lines has been moved from the role of the state in domestic politics and economy to its role in the broader international system. In this environment of political discourse, state sovereignty has become a value common to the far right and left alike in their campaigns against the trends of globalization and internationalization.

First, the prolonged economic downturn has given further strength and credibility to the arguments against the European Union, as acute problems of everyday survival tend to put the emphasis on short-term means and local or national fora instead of global or European ones. This atmosphere has given a boost to nationalism and protectionism, with a strong element of populism translating into programmes of the political right as well as the political left. The rise of the Greek Syriza

and the Spanish Podemos, both emerging out of the hardships of the economic crisis, are examples of the latter, whilst the successes of Le Front National, the Dutch Freedom Party or the Danish People's Party represent the former.

Second, established political parties are also being challenged by movements with constituencies cutting across the old ideological right and left divisions, such as the populist Five Star movement in Italy with moderate Euroscepticism, and Ciudadanos in Spain and En Marche! in France with a pro-European vocation and anti-populist underpinnings. These movements, located in the political centre, also draw on electorates' dissatisfaction with traditional parties and elites, and some clearly aim to challenge the emerged populist movements on the left and right.

The report at hand set out to study this phenomenon of strengthening contestedness of European integration and its implications within three major policy fields, where the role of the EU is currently in focus. The broad objective of the report was to study the ongoing pressures against the EU's unity, their character and future directions. To reach this objective, the changes in the European political space were studied first. The fields of common economy, common territory and common security were subsequently addressed to ascertain how the EU's unity has been affected by the recent pressures directed against its role in these fields of common policy. All three chapters first assessed the character of these pressures – trends of macroeconomic development, migration as well as threats to European security – followed by an analysis of the EU's responses to these pressures and their integrative or disintegrative implications.

A general conclusion drawn by the report is that the question of the EU's unity remains far from resolved. One of the internal factors behind the strengthened dividing lines between the member states, as well as within them, deals with the current depth of European integration. With the current level of powers attributed to the EU, and the level of interdependencies created with the Union's policies, it is no longer possible to avoid addressing the question about the character of the EU as a political union – even if any consensus on the finalité will be hard to reach. This became obvious in the context of the recent economic and migration crises.

The role of solidarity mechanisms has recently formed an open political issue within all three policy fields studied in this report, with a more immediate solution required in at least two of them. These discussions take place in the framework of the EMU's character as

a fiscal and political union and the burden-sharing elements of the emerging common immigration policy. It is obvious that reaching a legitimate common solution is an issue that will put the EU's unity to the test.

When it comes to the more detailed conclusions to be drawn, the report proves first of all that the reorganization of the European political space is a multifaceted phenomenon with different political and historical backgrounds in different parts of the EU, and in different member states. The opposition towards European integration consequently tends to have strong national and, to some extent, regional roots irrespective of certain common characteristics between groups of national parties and movements with regard to their criticism of the EU. Due to the ideological heterogeneity and varying ideological demands of the Eurosceptic parties, they do not represent a unified force for change within the EU. Moreover, efficient EU-level cooperation between the Eurosceptic parties is difficult. This stresses the importance of the national political arenas as their key channel for influencing EU politics. This does not mean that the various Eurosceptic movements would not be affected by each others' role and electoral support. However, the more it is a question of formulating shared policy goals or positions, the more difficult cooperation between them becomes. It is also important to note that the ground from which the Eurosceptic movements take off is not unitary in terms of public opinion. Opinion polls show that whilst support for the EU declined in many parts of the EU during the economic crisis, there were also member states in which it remained stable, or even strengthened. Recent years have seen a partial, albeit fragile, recovery in the level of support for the EU. This might create more room for an explicitly pro-European politicization of European integration, as exemplified by the campaign of Emmanuel Macron in the French presidential election.

When it comes to pressures against the EU's unity, there were both similar and dissimilar characteristics between the three large policy fields studied. The timing of the core political debates within these fields is interesting as the three major debates partly overlapped. The most heated debate on repairing the EMU (ESM, two-pack and six-pack legislation, Banking Union) took place in 2010–2013 and was followed by the emergence of a major security political crisis between the EU (and the US) and Russia, which started during the spring of 2014. The refugee crisis, for its part, accelerated during the spring of 2015.

The underlying common theme in all of these political debates was that there was a perceived pressure against the EU's core values and principles, which was seen to require a new type of joint policy. What was common to all three fields was that these debates have accelerated many such steps in the construction of a common approach, which had been on the agenda but hadn't been properly implemented. Further, entirely new instruments in terms of deepening integration were created in all three fields, such as the ESM or Banking Union in the field of economy, a number of incremental steps taken within the common security and defence policy and the establishment of the European Border and Coast Guard Agency, or the temporary emergency relocation scheme in the policy on common territory.

But the steps towards deepening integration led equally to the emergence of dividing lines of different types within the EU. First of all, in all three policy fields, the political dividing lines between member states – or groups of member states – were deepened when the EU became the target of the global economic and financial crisis, migration crisis and seriously deteriorated security political environment. The dividing lines were somewhat different in each case, and were less damaging and more manageable in the field of security than those of economy or common territory.

Both the economic crisis and the migration crisis led to a strong north-south divide, with the UK's position being specific due to its role outside both the currency union and the Schengen area. Whilst most of the Central and Eastern European members were outside the Eurozone during the acute crisis years, their approach to the common policy was, in most cases, constructive and the three Baltic states even joined the Eurozone immediately after the crisis; Estonia even during its acute phase in 2011. This group of member states fragmented further during the migration crisis, when the Visegrad countries challenged the principles of the common policy.

When it comes to the emerging political dividing lines, it seems that, with the exception of the UK, the divisions inside the member states cutting across European societies grew deeper than those between the member states. Within the fields of common economy or territory, the dividing lines between the member states have now become compartmentalized, with consensus safeguarded about the general direction of the EU's common policy. When it comes to the EMU and common immigration and asylum policy, the details regarding future burden-sharing are still an open political issue, whilst in the common security and defence policy the identity of the EU as an international

actor divides the member states. Also in this field, consensus prevails about the immediate policy instruments needed in support of the EU's security, such as counter-terrorism measures, sanctions against Russia, or strengthened cooperation in the production and coordination of military capabilities.

The internal dividing lines, on the other hand, seem to have become a permanent characteristic of the European political space, as Eurosceptic parties or political movements have gained more systematic success in elections in many EU countries and reached important positions – even governmental responsibility – in the national political field.

When it comes to a more institutionalized differentiation in the EU, accelerated in recent years, the EMU seems to be far ahead of the other two policy fields studied. The institutionalization of the Eurozone, which thus far has been a development to be avoided for the sake of the unity of the Union's institutional and normative system, has taken major steps forward. This means that a de facto institutionalized core has emerged within the EU with a differentiated set of norms and obligations within economic and finance policy, and mechanisms to scrutinize compliance with them. Decisions already taken will further strengthen the governance of the Eurozone and enhance its own fiscal capacity, with the scope of the latter still being an open issue. The political balance of power in this differentiation will be affected by Brexit, which will leave Poland as the only large member state outside the Eurozone with more than two-thirds of the future 27 members being members of the currency union.

Corresponding institutionalized differentiation might also be advanced in the field of common security, as the possibility to start using the model of permanent structured cooperation is currently being studied by the member states. This form of differentiation would, however, be relatively narrow in scope and likely to follow the normative framework based on its inclusiveness and respect of common institutions.

The current trends in consolidating the EU amid several severe European crises and the UK's withdrawal suggest deeper integration, and an aspiration to forge cohesion while also accepting more differentiated integration in order to manage political dividing lines between the member states shaped by internal political fragmentation and polarization. This approach will pose a fundamental question to European societies with regard to the depth of their engagement in the EU.

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The EU's Choice

Perspectives on deepening and differentiation

Tuomas Iso-Markku, Juha Jokela, Kristi Raik,
Teija Tiilikainen and Eeva Innola (eds.)

Ever since the global economic and financial crisis hit Europe in late 2008, European public debate has been rife with speculations about the possible collapse of the European Union. The Brexit vote, migration crisis, rise of populist and Eurosceptic parties, bleak economic prospects, uncertainties about the Eurozone, and continuing geopolitical crisis vis-à-vis Russia have thrown the EU into one of the most difficult periods in its history. Each subsequent shock has placed further strain on the EU's unity, cohesion and complex political and policy-making structures. Yet the prevailing view in Europe is that the EU is needed more than ever to address common challenges.

This FIIA Report aims to map the key developments shaping the EU, as it has navigated through the storms of recent years. The report focuses first on developments in the common political space and subsequently addresses three major policy fields: the common economic space, common territory, and common security. In each of these policy fields, the report firstly seeks to outline the main trends posing challenges, and then discusses the EU's responses to these trends. How have the EU's recent policies affected its unity?

The report shows that the EU's responses to the various upheavals indicate simultaneous trends of deepening integration and differentiation. It duly analyses the drivers, processes and implications of further integration on the one hand, and differentiation on the other. How can the EU preserve its coherence as a political system while incorporating divergent views?

This FIIA Report is an outcome of a larger research project at FIIA entitled *Finland and the Tightening Competition in Global Politics*. The project is funded by the Government's analysis, assessment and research activities.