Europe at a Crossroads after the Shock

The Monographs of ResetDOC

Amato, Amendola, Basso, Bosetti
Dassù, Fabbrini, Fubini, Garton Ash
Gentiloni, Guetta, Islam, Marchetti
Sapir, Saravalle, Schmidt

edited by Simone Disegni

ResetDOC

With FONDAZIONE CORRIERE DELLA SERA

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edited by

Simone Disegni

Drawn from the proceedings of the conference
convened by Reset DOC and
Fondazione Corriere della Sera
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Foreword

Giancarlo Bosetti, Piergaetano Marchetti

This slim volume, made possible by a collaboration between Reset Dialogues on Civilizations and the Corriere della Sera Foundation, brings together the thoughts of some of the most brilliant analysts and policy-makers of the European Union, who gathered in a video conference last 26 October and 2 November to discuss a crucial and promising phase in the life of our continent.

However things turn out, Europe will remember the harsh Covid-19 period not only as a painful phase of illness, death and sacrifice, but as a moment of crisis that challenged its own identity and imposed choices that enabled a transformation of its institutions. A crisis is a blessing, said Einstein, because: "if we continue to do the same things, we cannot expect things to change." The 'long Covid' – the pandemic and its aftermath – which we are dealing with today, has posed an obstacle to business as usual, a sad conclusion in which the meetings of the Twenty-Seven in Brussels so often took refuge in the absence of an agreement that would satisfy everyone.

It was the *Economist* that first raised the idea of a possible 'Hamiltonian moment' for Europe. It did so, in fact, to discard the possibility that the European Union might take the path suggested by one of the founders of the American federal system. It hardly imagined that the notion would appeal not

only to the usual dreamers of European federalism, but even to Wolfgang Schäuble, Angela Merkel's implacable Finance Minister during the Greek debt crisis (now President of the Bundestag). *Quam mutatus ab illo*, ten years on. This is a clear sign of how much the Covid emergency has transformed the horizon. Just as in Alexander Hamilton's day there was a debt, from the War of Independence, which neither the weak federal state nor several of the states of the federation were able to repay (with the consequence that some states would have to take on the debt of others and that federal taxation would have to be put in place), so today Europe, with obvious similarities, has to use 'federal' resources to support both the whole Union and some states that have been more affected than others.

This is why, as Vivien Schmidt writes here, Next Generation EU, the post-pandemic economic recovery fund, truly represents a turning point for Europe both from an economic standpoint and for the legitimacy of the EU. That the use of a common debt for a deep and very serious emergency becomes a permanent instrument, with the issuance of European debt securities, is certainly not guaranteed. But it is a possibility, if the experience put into practice this time is used well. Just as it was the case in other occasions for the progress of European integration, for all the setbacks and retreats it had to suffer (let us not forget the ongoing Brexit negotiations, or the rejection, fifteen years ago, of the European Constitution in the Dutch and French referendums). The fact that the opposition is now resisting demands for alignment with the fundamental parameters of the rule of law paradoxically reveals how the (possible) turning point of Next Generation brings us closer to a federal perspective and therefore opposed at a political level.

When speaking of Europe, we must really place the adjective 'federal' between inverted commas, to avoid deceiving the reader. Too great a distance separates us from real federal

powers, in the legislature (the Parliament still split electorally by nations and without the powers of national parliaments), the executive (divided between the Commission and the intergovernmental Council bound by the often paralyzing principle of unanimity) and the judiciary (the European Court of Justice, one of the examples of greater federal coherence). We should always remember that distance, and that the weak federal state of Hamilton had already fought and won a war with an army, albeit financed with difficulty, whereas the notion of a common European defense force is only now beginning to emerge from the condition of taboo and there are still huge obstacles to Europe acting on the international stage with the power and coherence required by current challenges, in the Mediterranean and in the Middle East firstly, where the Russian and Turkish military presence is active and remains unshackled by counter-balancing forces.

There is a vast agenda facing an entity aspiring to act as one, including on the management of migration flows. Experience has surely taught us not to hold out unrealistic hopes. The differences about what to do among the various European countries are real and wide on the economic, social, fiscal and international fronts. The parabola of Trump's presidency that has just ended has, with the pandemic, become a further obstacle to the possibility of business as usual. With the change in the White House, no doubt it will be possible to re-establish less conflictual and agitated transatlantic relations than when they were subject to the instincts of a figure driven by personal interests and a relentless propaganda campaign. But it will definitely not be possible to count on the constant friendly guarantee of America's post-war power in the Mediterranean and across the whole international stage. The construction of a common European vision on terrorism, defense, North Africa, and energy security will be long and arduous, but not impossible.

Next Generation nurtures, as said, a common vision, a collective interest in which those of the individual states converge. It can be the seed of progress in several directions.

Introduction

Simone Disegni

How does it feel to re-emerge from a deep sleep that seemed endless, and discover that there's still a world out there, and a journey to be re-started? A mixture of disbelief, euphoria and dizziness. That is roughly the feeling with which we are looking to welcome 2021, and bury as soon as possible a disastrous season. We individual citizens, of course, but also Europe as a whole, which finally, after long months of darkness, is spying the light at the end of the tunnel. The end of the pandemic, which the newly arriving vaccines at last give hope of defeating, or at least managing. But of another nightmare, too, entirely political, that lasted four years: that Trump presidency that robbed even the most ardent advocates of the transatlantic alliance of their sleep, and decades of certainties.

Never before, as we near the end of this *annus horribilis*, does the new season that is opening up before us appear, by contrast, like an open horizon full of opportunities, the long-awaited chance for renewal. It would be senseless, however, to hide the fact that on both levels – the socio-economic and the political one – the destruction of the recent past will significantly affect the near future. Yet how this will unfold will depend to a large extent on us. On the determination of European societies to bounce back from a psychological, as much as an economic, collective catastrophe; and on the ability

of their leaders to design the appropriate new tools and strategies to sustain the hoped-for recovery, both internal and global.

It is along this twin track that the many valuable contributions collected in this volume move, by some of the most brilliant scholars and observers of European and international affairs: Marta Dassù, Sergio Fabbrini, Timothy Garton Ash, Bernard Guetta, Shada Islam, André Sapir, Alberto Saravalle, Vivien Schmidt. Their analyses and practical proposals are enriched by interviews with two key players in this crucial transition, in Rome and Brussels – European Commissioner for the Economy Paolo Gentiloni and Italy's Minister for European Affairs Enzo Amendola – and by a "bonus track" dialogue with former Italian Prime Minister Giuliano Amato on the legacy of the unfortunate "constitutional season" carried on over 15 years ago alongside the late Valery Giscard d'Estaing. A strategic chorus of voices and ideas which is the ripen fruit of a double conference organized between Reset DOC and Fondazione Corriere della Sera last 26 October and 2 November.

One could argue that the EU, and earlier the EEC, has in some senses always been at a crossroads. As if it were its destiny, the tensions between post-national drives and flashbacks of sovereignty seems to be the soul and the springboard of the European integration project. Yet never before, after the shock of 2020, has that fork in the road between a leap forward in the federal direction or the risk of definitive marginalisation from the global political and economic pathways been so evident, as Prof. Alberto Saravalle details in his opening contribution.

Fruit of the first evening from the Foundation's virtual stage, the first part of the book focuses in particular on the internal aspects of Europe's transformative challenge. A building site opened during the crucial and painful months of the first wave of the pandemic – as Commissioner Gentiloni recalls in his interview

with Federico Fubini – once the aggressiveness of the invisible enemy made it crystal-clear that reconstruction could not wait for an illusory post-war period, but had to begin immediately.

Extreme times call for extreme measures; the Next Generation EU programme, a first in European history not only for its size – €750 billion – but also for the de facto creation of common European debt securities; and the evaporation, as if by nuclear blast, of all the assumptions and rules that had governed the European economic edifice for years: balanced budgets, the golden limits of the Stability Pact, a *laissez faire* attitude to Member States' competition and industrial policy.

A "paradigm shift in the EU's ability to meet the challenges of the 21st century", as Vivien Schmidt – professor of European integration and international relations at Boston University – describes it bluntly. Brought about, as both the economist André Sapir (Ulb / Bruegel) and the political scientist Sergio Fabbrini (Luiss) recognise in their analyses, above all by Germany's surprising repositioning in the face of an unprecedented calamity. Emergency response or structural transformation, of the German posture and the European project itself? This is of course the knot that EU governments and institutions will shortly have to untie, and on which the three scholars, and Commissioner Gentiloni himself, set their views.

It is impossible to neglect at the same time the difficulties that this course of action has so far encountered. First, last summer, the furious battle around the forging of the new instrument, largely on the EU's North-South axis. Then, in more recent months, the stubborn blocking of final approval by the two Eastern "rebels", Poland and Hungary, in opposition to the principle of conditionality of future expenditures on respect for the rule of law. Whereas the compromise solution eventually brokered by the German presidency will have avoided wasting the titanic effort, the second of these

two wounds in particular, as Fabbrini illustrates, is bound to remain open.

In the global village of the 21st century, it is in fact unthinkable to imagine promoting interests or values on the global "playing field" unless those same basic values – democracy, rule of law – are upheld within domestic borders. This is the paradox highlighted by almost all the scholars called upon to discuss, in the second part, the international positioning of the "new" EU following the shock of the pandemic and the waning of the Trump Era (on the immediate eve of which, as readers will notice, these considerations were made).

The central challenge for the EU, from this point of view, is to re-imagine its role in a world order (or dis-order) centred on an increasingly evident new bipolarism, in which the old superpower seems increasingly frightened – regardless of the change of leadership in the White House – by the rise of the new one. The emerging response among European governments, as Minister Amendola clarifies in his conversation with Francesca Basso, consists in a carefully calculated combination of a renewed transatlantic alliance and that more mature understanding of Europe's own means, including technological and military, dubbed 'strategic autonomy'.

On the exact significance of this new addition to the European lexicon, as the Franco-German debate of the last few weeks on the relationship with NATO has made clear, the waters remain however somewhat turbulent. Attempting to outline how this framework could translate in practice into EU foreign policy, while remaining conscious of its limitations, are two leading experts on the matter: Marta Dassù (Aspenia) and Shada Islam (European Policy Center).

The problem remains, for anyone who holds the values of freedom and democracy dear, how to defend and/or promote them in a world where a radically different political model has

clearly proved successful. In his keynote speech opening the debate of 2 November, and the second part here, Timothy Garton Ash – one of the world's best-known public intellectuals and a historian at Oxford University – launches the idea of a "post-hegemonic network of democracies", a flexible yet robust transnational network able to compete openly, but also to cooperate, with China.

Even more important, at the end of such a disastrous period, is the appeal that comes almost in unison with that of Bernard Guetta – from his double viewpoint of long-time journalist and writer and member of the European Parliament – not to let ourselves consumed by discouragement or charmed by prophecies of doom, but rather to reconnect in pride with our own roots. After all, writes Garton Ash, "trust in freedom is itself a crucial part of the power of freedom". And as Guetta echoes, demands for democracy continue to resound across the squares of the whole world, as well as Europe.

It is a powerful dual call to look at the world through the only lenses that really help us to see far ahead: those of awareness of one's own strengths. Happy reading.

Part I

Road to Recovery: ever closer union or forced cohabitation?

Three challenges for the Union after the pandemic

Alberto Saravalle

The multiple responses to the pandemic crisis (not only Next Generation EU but also the ECB's measures, the activation of the Stability and Growth Pact's general escape clause, SURE, the new Pandemic Crisis Support credit line provided by the ESM, EIB financing, and the State aid temporary framework) have generated high hopes for a European recovery – especially following the European Council of 17–21 July. They have also helped create a different narrative surrounding the EU that appears to have effectively countered much of the anti-European sentiment that had become so widespread in recent years.

But the issue does not end there. There is still a lively debate between the European Parliament and the Council on the measures to be implemented. Among the hot topics that are most relevant in this regard, a key one is respect for the rule of law by Member States benefitting from Next Generation EU funds. In recent weeks, the German presidency has once again tabled discussion of a regulation to protect the EU's financial interests against financial losses due to deficiencies in the rule of law in a given Member State. It remains to be seen how the impasse will be resolved with the Eastern European states that oppose it. Whatever the outcome, it will likely leave its mark – because as one of our guests, Professor Fabbrini, has accurately written recently, this is a question of Europe's identity.

Here, however, we will try to look beyond the immediate future to ask ourselves what challenges await the EU in the coming years. Specifically, how can we re-ignite the integration process, which has found new vitality in light of the decisions taken in recent months? We have a number of distinguished guests – starting with Commissioner Gentiloni – who will share their authoritative opinion with us. As a preliminary remark though, it seems to me that there are essentially three issues at stake: (1) the completion or, to use the Commission's terminology, the deepening of EMU; (2) the redefinition of the EU's mission and priorities along with the possible revision of the Treaties; and (3) the geopolitical repositioning of the EU.

I will not dwell at length on the completion of EMU, given the presence of Commissioner Gentiloni. I would merely like to mention the public consultation on European fiscal rules (the Stability and Growth Pact, the macroeconomic imbalances procedure, and multilateral surveillance), which should hopefully lead to a seamless replacement of the current rules once the general escape clause ceases to apply. Banking Union remains to be fully achieved by resolving the long-standing issue of the European Deposit Insurance Scheme (EDIS). And lastly, a proper budgetary function for the eurozone (not just to stabilise any macroeconomic imbalances) needs to be created.

The second issue is no less important and involves a redefinition of the Union's very identity: in other words, what the EU intends to be and what tools it should use to pursue that goal. We should recall that in its 2017 White Paper on the future of Europe, the Commission envisaged five possible scenarios (carrying on, nothing but the single market, those who want more do more, doing less more efficiently, and doing much more together).

As early as March 2019, President Macron, in his call for a European renaissance, floated the idea of a conference to discuss necessary changes to the Treaties. Ahead of the appointment of the new Commission, then-presidential candidate von der Leyen

took up the idea of a Conference on the Future of Europe, which she also included in her 2019–24 political guidelines. This was followed by a Franco-German 'non-paper'. The conference (as initially envisaged) should have opened by the end of 2020 (during the German presidency) and conclude within two years (with the French presidency). The underlying idea is to open a broad debate on the Union by involving all stakeholders (citizens from all walks of life, representatives of civil society, and interested parties at European, national, regional and local level) with the aim of reaching widely shared conclusions and thus bringing the institutions closer to the people (which in turn would help change the narrative of a European union of inter-governmental decision-making procedures that is out of touch with the real-life needs of citizens). It should also – I would add – help clarify which model of the Union is to be preferred among those proposed by the Commission in 2017.

Alongside more general issues (identified in the Commission's political priorities and the European Council's strategic agenda), one area of discussion during the conference should cover the processes of internal and institutional democracy. So far there has been talk of changes that, all in all, are of little significance to EU citizens (e.g., concerning the appointment process for the president of the Commission, and the transnational lists for European Parliament elections). However, it could also be an opportunity to really revisit the Treaties (though not all Member States seem to agree on doing so), for example by narrowing the range of topics on which unanimous voting is required (so as to allow significant progress in tax harmonisation), extending the Union's remit in health and social matters (in light of the experience of recent months), incorporating the ESM and Fiscal Compact into EU law, strengthening the participation of the European Parliament and national parliaments in EU-level decision-making processes, giving European citizens a greater voice, and more.

In truth, not a great deal of progress has been made to date, partly because of other priorities (first and foremost, the response to the pandemic crisis) and partly because of procedural and governance issues (besides the appointment of the president). But we now appear to be ready to act – and action would certainly be a very good sign.

Lastly, the third important issue concerns Europe's role in the world. Ever since her keynote address, President von der Leyen has repeatedly mentioned the need to reaffirm the EU's technological sovereignty. In recent times, the EU has implemented or debated a number of measures that aim to give the Union a more active role in the new global economic order. For example, the new FDI screening framework came into force just a few weeks ago; and a consultation is under way to combat distortions in the single market caused by foreign subsidies. The problem is how to strike a balance between the legitimate need to protect European interests and the drive towards a Europeanist neo-nationalism that can only inflame international conflict, especially with the US and China.

The time is ripe to resume the integration process on new footing – to borrow a much-abused phrase attributed to Rahm Emanuel (Obama's former Chief of Staff and later mayor of Chicago), we cannot afford to waste this Covid-induced crisis. Europe has shown that it comes through when it really matters – but to continue to come through (not only during an emergency), it must adapt to the world of today and definitively alter its narrative. We need a more effective, more democratic, and more influential Europe.

"If it works, Next Generation EU will change the face of the Union". An interview with European Commissioner for the Economy Paolo Gentiloni

Federico Fubini

Commissioner Gentiloni, our conversation needs to begin with the topic that is at the forefront of the public's mind, the second wave of the epidemic, which has enormous implications for health and society, but also potentially very serious economic implications. How worried are you about the prospects for recovery? Did you, as the Commission, somehow incorporate this second wave into your expectations or were you taken by surprise like everyone else?

The second wave was certainly in the forecasts. Of the scientific community first of all, but also of the bodies charged with outlining the economic prospects – the IMF, the OECD, and the European Commission itself – among the so-called downside risks. As early as the end of August we had begun to observe through a series of high frequency indicators that the recovery in the third quarter, after the terrible second quarter, was losing momentum. Over the following weeks, this loss of pace of recovery was exacerbated by the restrictive measures taken by various European governments. So I believe we will see, after a very strong third quarter rebound, a much less encouraging fourth quarter and probably first quarter of 2021.

The message this sends us, in all of its drama, is a simple one, and that is we shall expect no clean break. We are not facing a war that at a certain point ends, a peace treaty is signed

and reconstruction begins. Here we are faced with a pandemic that is forcing us to adopt policies and take decisions aimed at tackling the emergency, saving lives, containing losses, and *at the same time* put in place measures that start up the recovery. We have to view these two aspects simultaneously. There will be no single turning point when we can say: "the crisis is over; the recovery has begun". This will not come even with the vaccine, because the vaccine will be distributed only gradually. We must therefore try to hold on to hope for a real recovery despite the second wave. How we reconcile the emergency and the recovery is a challenge not only for the Commission, but first and foremost for governments.

The main tool for rebuilding the economy is of course Next Generation EU, whose approval process has become complicated as we know. There is a very difficult negotiation on the rule of law between the frugal countries on the one hand, and Hungary and Poland on the other. And then there will have to be national ratifications. How worried are you politically about the legal path of this instrument and its actual implementation? And who is forcing its hand too far in these negotiations?

I certainly see the difficulties, the divisions, the differences, and therefore the risk of delays. However, I remain convinced that we will succeed in putting this programme in place. I remember that we came to all these decisions in a controversial and complicated atmosphere. I personally only took part in one night [of negotiations] in which the Eurogroup finance ministers decided on the SURE, the ESM and the recapitalisation of the European Investment Bank. The heads of state and government engaged in as many as four nights. But beware: at this truly historic juncture for the European Union, with such as an extraordinary step as the issuing of common debt to

implement common programmes, the differences and divisions have not disappeared. On the contrary, paradoxically, while we have managed to reach these unitary decisions, we have endured a level of tension and disagreement between countries that was very explicit, very "vocal" as they say, perhaps even higher than in previous years. We should not fall into the trap of thinking that suddenly the pandemic has stretched a sort of irenic veil over the countries of the European Union, turning us into one big happy family. The tone in the European Council was very harsh, the negotiations were very tough and we continue to hold quite diverging positions. But in the end I would say that the fundamental decisions are largely behind us, i.e. those that were taken between April and the end of July. The risks of delay definitely need to be tackled by hard work, by pushing the German Presidency to do its part and by dialogue with the European Parliament, just as we must work on the issue of rule of law or on the financing of the common programmes. But I believe the difficulties we face will be overcome and the various avenues for discussion will lead to compromises.

Hungary in particular and Poland have clearly pushed the issue of respect for the rule of law to the limits and even beyond the limits. But in terms of expedience, do you think that this is the most appropriate place to deal with it, in the midst of an emergency, or might these questions be dealt with at another time or in a different framework?

I believe that it would be a mistake to simply cut this issue, root and branch, out of the major Next Generation EU programme. At the same time I do not believe that Next Generation EU is the best instrument to fundamentally address this issue. We have the tools to deal with this situation in the Treaties. We have the ability to appeal to the European Court

of Justice, which recently decided on independent Hungarian universities on the basis of a complaint from the European Commission. This autumn we introduced for the first time in the history of European institutions a monitoring system that produces a yearly White Paper, which also acts as a guide to action on the state of implementation of the rule of law in the different European countries. I therefore believe that we have a range of instruments, and we can find a way to ensure that this issue is neither erased from the major recovery plans, nor it is taken as a reason or a pretext to hinder them in a way that would be unacceptable.

ECB President Christine Lagarde has on several occasions – and she is not alone – floated the idea that the Next Generation EU might not only be the answer to the present crisis, but a permanent way to manage the objective economic divergences in the Union that have sadly emerged even during periods of recession. According to the forecasts of the respective governments, Germany could shrink by 5.5% this year, about half the contraction of Italy, Spain or France. What is your view on this?

I by definition have to refer to the formal legal decisions we have taken, and these state that Next Generation EU is a temporary instrument. At the same time, knowing a little about the history of the European project, I am perfectly well aware that if an innovation of this kind works – and I shall stress, *if* it works – the history of European construction tells us that it will be repeated. So I do not want to make any predictions here, because that is not my job, but of course I am more than happy if someone else wishes to do so. I have heard the German Minister of Finance speak about a Hamiltonian moment and also about the importance of this decision not being a one-off. I also heard the same thing in a recent conversation

with the President of the German Parliament. So the issue is on the table. The chances of achieving this goal, namely an EU economic policy resting not just on rules and thresholds, and therefore a little toothless, but on a common budgetary policy with its own firepower, will depend on the extent to which this common debt is spent – absorption capacity in the first place, therefore – and how well it is spent.

Under these conditions, beyond the talk of Hamilton or Copernicus – Charles Michel spoke of a Copernican rather than a Hamiltonian moment – I essentially think that if something so important works, it is unlikely to remain an episode in the European edifice.

It is clearly a very special moment for Europe. On the one hand there are the decisions that you have spoken about; on the other hand there is a suspension of many of the economic and financial rules that have governed the Economic and Monetary Union thus far – state aid ban, the Stability and Growth Pact – and in some countries, not least Italy, the message seems to sound as if there were no more European rules, at least not for the moment, and who knows when they will return, and even when they do they will be different. Structurally, Next Generation EU spells out something slightly different from the obligation to obey the rules, the recommendations of the European Semester. Are we right in feeling that progressively, at least for the next year or two, the focus will shift to the formulation of recommendations – as a kind of "external constraint" – rather than strict rules?

I think that the framework of priorities that the European Commission offers but also asks member states to respect entails some difficult element, that will be up for discussion. And that applies to many countries, not just a single one – be it taxation policy where dumping practices are in place, pension policies, or

other issues. But even before the recommendations addressed to individual countries, I believe that what should be grasped of this new European framework is its fundamental approach. To sum up, we – the Commission, the ECB – have taken a number of decisions. And we took them in the first weeks of the crisis, permitting stability in the financial markets and flexibility in the rules, as you mentioned, and therefore in a certain sense freeing the various countries by allowing them to spend. That was right and necessary, and it is still right and necessary to spend in order to cope with the real difficulties that the pandemic has caused. We can think of this as the first half in the European institutions' action. We call them *enabling measures*, without which it would have been impossible for countries to implement an expansive budget policy. And if we look around – at the interest rates in Italy, for example – we can see that this relaxing/suspension of the rules and the ECB "umbrella" have worked very well, because the financial situation is relatively stable.

Now that we are about to issue as much as one trillion in common debt, including SURE and the other programmes, there are at least two other results we aim for. The first thing we want in the recovery is quality. Quality means first and foremost ecological transition and digital innovation, and it is no coincidence that, in addition to the recommendations we have been sending to each country for the past two years, we have set investment thresholds that must go in this direction. We do not simply want to return to the economy as it was at the end of 2019. We must use this opportunity to transform our economies, to make them more sustainable, competitive and, as they say, resilient.

Secondly – less important, but from the point of view of my work it is very important – through this operation we are making the European Commission one of the biggest players on international financial markets. Touching on one of the issues mentioned by Prof. Saravalle, that of the global positioning of the EU, this will strengthen the role of the euro. Look at how

the first sizeable issue of securities – the first SURE package – was greeted: it met with enormous demand. With these the euro becomes a kind of safe asset: funds denominated in euros, issued not by individual states but by the European Commission. This is an enormous innovation in financial markets. We are working to strengthen the euro globally. Before this interview I was at a meeting in which the Energy Commissioner reported that euro-denominated gas contracts have risen from 38% to 64% in the last two years. That's a big deal, let me tell you.

Let us come back finally to the Stability Pact, which will have to be changed. We hear talk in particular about two principles on this matter: safeguarding investments and paying much more attention to debt than to figures that have proved more difficult, such as the so-called structural deficit. Is it your impression or your hope that we are moving in this direction?

As you may know, the Commission had begun in January – a month before the outbreak of the pandemic – a review of the rules of the Stability Pact. We did so by announcing the opening of a public consultation. This obviously came to a halt, and I think we will only resume the talks next year because I do not think it is useful to do so at a time of continuing uncertainty like the present one. What are the issues on the table? First, we need common rules. Anyone who thinks that a European budgetary policy can be based on the fact that we no longer have constraints, common rules, would, in my opinion, be very mistaken. So the rules need to change, but not with a view to eliminate them, not to say: "it's every man for himself", because that would be to take one step backwards while we are taking one forward with Next Generation EU.

So how should we revise the rules? I would refer to the recent report from the European Fiscal Board that its chairman

Professor Thygesen presented to the Commission in October. I am not saying that we should adopt its proposals in full, but it raises three questions that seem to me important. First, it proposes making the debt rule simpler and more realistic than the current situation, maybe without changing the formal thresholds of the Treaties, but through differentiated paths. Second, it raises the question of how to strengthen our capacity for public investment so as to avoid a collapse in investment, especially net investments and above all those that are needed for the ecological and digital transitions. Thirdly, it urges – and we come back to the question I was talking about earlier – the need to establish a central fiscal capacity, that is a common instrument to reduce or manage the risk of divergence between countries. Obviously all these issues are highly controversial. As a Commissioner, I am well aware that the member countries have differing views on these points. My job next year will be to try to narrow these differences and reach acceptable compromises.

The dual European fracture laid bare by the pandemic

Sergio Fabbrini

The pandemic crisis has created a new context in which to open a debate on the future of the European Union. The Conference on the Future of Europe was conceived as a normal process of deliberation and dialogue, involving citizens, interest groups and parties. That conference (intended as a process) has not yet formally begun, but on a substantial level it has already started. This is because during the pandemic a number of divisions emerged which were present (some of them even quite deep-rooted) within the European Union, but which were not so clearly visible. Of course, a union of states as complex and heterogeneous as the EU cannot but be aware of the divisions between its member states and the organising institutions. However, the pandemic has shown that what should worry us is the fact that the EU does not have a system capable of taking those divisions and turning them into a driving force for the functioning of the EU. In reality, these divisions have paralysed its decision-making processes, though this time on a shorter timescale compared to previous existential crises. The pandemic has presented us with an opportunity to better understand the divisions across the EU. I have identified at least two radical lines of division that will probably require two different strategic solutions.

A first dividing line cuts mainly across the countries of Western Europe. This is the division between the countries of the North and those of the South, though this time with France

firmly positioned among the second. Germany too, unexpectedly, after an initial phase of uncertainty, has taken its place alongside the countries of the South. This, if I may say so, is a longstanding division within the European Union, when compared with other federations of states (such as the United States and Switzerland).

On the one hand a group consisting of the smaller Northern states – led by the Netherlands, together with Denmark, Sweden, Finland, Austria, and probably the Baltic area – have defended an intergovernmental governance response to the pandemic. These are small countries that for systemic reasons fear excessive supra-nationalisation of the European Union, viewing federalisation as centralisation. Thus, although the pandemic represented a symmetrical crisis for which no individual state could be held responsible, these countries immediately advanced a traditional interpretation of the crisis based on the moral hazard paradigm, with which they dealt with the financial crisis of the last decade. For these countries, if the pandemic was so dramatic in Italy and Spain, this was because Italy and Spain had not sufficiently prepared in advance to face it. Each government is therefore responsible for the safety of its own citizens. The European Union, with its supranational institutions, can intervene to provide help, to promote best practices, in some cases even forms of solidarity, but the obligation to deal with the pandemic rests squarely with the member states and their governments.

However, this group of countries does not reject an institutionalised degree of supra-nationalisation. For example, they recognise the role of the European Court of Justice in resolving disputes between states and especially between economic actors in individual states and their national governments or those of other countries. But they remain wary of the Commission itself. What was not immediately clear in Italy was that the criticism from the Netherlands, and particularly

from Mark Rutte, was not directed at Italy or Spain. It was mainly directed at the European Commission. In some ways the Commission is seen as the most important danger, because it might represent the core of a federal government. We are therefore faced with an intergovernmental position ('confederal' so to speak) which recognises the need to institutionalise the market, accepts the supranational logic of the market, but fears the federal leap.

On the other hand there were the countries that recognised (or were forced, as I think is the case of Germany, to recognise) the need to move towards a supranational perspective. These countries obviously rejected the moral hazard paradigm, replacing it with that of the symmetrical crisis, defending the role of the Commission to organise the response to the pandemic, while trying to involve Parliament to strengthen the legitimacy of that response. What is interesting about this coalition was the presence of Germany. Germany changed its position substantially, especially after the ruling of its Constitutional Court on 5 May. This ruling revealed the limits of the intergovernmental perspective, a perspective that the German political elite had ended up adopting after the reunification of 1990. During the euro crisis in the first half of the last decade, the German government had entrusted the European Central Bank with preserving the common currency, a task which would have been the responsibility of a supranational political authority and its fiscal policy. In this way, Germany had sought to preserve both the intergovernmental nature of economic policy and the supranational character of monetary policy. The German Constitutional Court radically challenged this equilibrium with its ruling, forcing the German government to relieve the European Central Bank of its (albeit indirect) fiscal policy role.

Thus, after 5 May, Germany clearly abandoned the intergovernmental approach to the pandemic, backing the French proposal to provide the European Union with its own fiscal

capacity to fund the Recovery Plan (subsequently emerging, following the Commission's proposal, as Next Generation EU). As Commissioner Gentiloni pointed out in his introduction to this panel, it was surprising to hear the current Bundestag President, Wolfgang Schäuble, a leading figure in the intergovernmental Germany of the last decade, acknowledge that the EU had entered "a Hamiltonian moment".

This dividing line between confederal vision and federal vision (to use the language of the history of federations) is governable within the process of European integration, because both visions recognise the legal foundations of the latter. Above all, they recognise that Europe is a community of values and norms. The recognition of common legal and moral foundations makes it possible to find an institutional solution to the division.

This is not the case with the second dividing line that emerged during the pandemic, which pitted the countries of Central and Eastern Europe against the rest of the European Union. This rupture concerns the rule of law and touches the heart of the European Union. For the countries of Central and Eastern Europe, the European Union is essentially a regional economic organisation, no different from APEC or ASEAN, where a free trade area can be shared by different political systems. These organisations comprise democratic and authoritarian regimes that have a common interest in developing economic and trade ties across a regional area. The Visegrad countries do not recognise the supranational ambitions of the European Union, as represented by the Commission.

However, following Brexit this group, together with the nationalist components within the Western countries, have had to acknowledge that secession from the EU is not a viable option, given the costs that the British continue to pay for their choice. The costs of Brexit have been so awful that no other country could contemplate them. These countries have

therefore decided to stay within the European Union – at least according to the public statements by their nationalist leaders. In this way the concept of sovereignty can help us to better understand this divide. It is not so much a confederal fracture, a preference for intergovernmental positions. It is a 'constitutional' fracture, one that is forcing the European Union to rethink its institutional and legal forms, because if not resolved it is bound to corrode the Union from within. It is worth remembering that the goal of emptying the European Union from the inside has been nurtured for a quite a while, particularly by the leader of this grouping that best articulates the sovereignist vision, Viktor Orbán. Thus, if the first line of rupture can be governed by a reform of the European Union, this is not the case for the second. The pandemic has left us with a dual division between member states and institutions which the Conference on the Future of Europe has the task of addressing and possibly resolving.

A pragmatic revolution

André Sapir

In the framework of this extremely fascinating discussion, I would like to depart a bit from what Sergio Fabbrini has just said, pointing to the ideological battle between the North and the South, and the East and the West. Not that I disagree, at all, about the characterization of those divisions in Europe. But I would like to focus rather on what I have observed over the last few months, concerning the role of Germany. What I will insist upon is pragmatism rather than ideology.

Many of us, when we look at the events unfolding, ask ourselves: was the decision that was taken by the European Council in July a Hamiltonian moment? Was this really the new founding moment for Europe? These are obviously subjective questions that have only subjective answers. When I try to answer a subjective question, I need a reference point to judge whether something is an 'extraordinary moment'. My reference point when I look at the July decision is to remember what was the situation ten years ago, during the financial crisis, and to rememorate what was for me an 'extraordinary moment'.

This moment took place in Frankfurt in September 2010. It was a small meeting, with seven or eight people, including the 'father of the euro' and former Italian Finance Minister, economist Tommaso Padoa-Schioppa. We were at the start of the European sovereign debt crisis; Greece had already entered its initial adjustment program in May, and other countries were to

follow suit very soon – Portugal, Ireland... And obviously there was a fear that other countries, including perhaps Italy, could also be caught in the difficulties. The purpose of the meeting was to discuss possible European initiatives to stop the crisis from spreading further. Tommaso made the bold suggestion that the European Union should do something that it had never been done before: issue bonds whose proceeds would be used by the member states to stabilize their economy. Yes, exactly what was decided in July 2020 to deal with the Covid-19 crisis.

When Tommaso Padoa-Schioppa floated this idea ten years ago, it sounded and was too bold an idea for the time. There were legal and above all political obstacles that were unsurmountable. Remember we were in 2010, two years before the three decisions taken in 2012 that literally saved the euro: Mario Draghi's famous "whatever it takes" comment, the creation of the European Stability Mechanism (ESM) and the decision to create the banking union. Tommaso's suggestion was so radical for the time that I remember very well telling him and the other participants to the meeting in Frankfurt: "There is no way that this suggestion can be accepted by the ECOFIN or even by the Commission; they will not even discuss it".

Hence, judging against the situation back in 2010, during the European sovereign debt crisis, there is no doubt that the July 2020 decision was indeed a bold one, going beyond what I thought would be possible even during the Covid-19 crisis.

So the question that I ask myself today is: why is it that, despite the two dividing ideological lines that Sergio has just indicated – between the Northern and Southern EU countries and between the Eastern and Western EU members – those bold decisions could be taken? And there I agree with him, that the key country has been Germany. The question that I think one needs to understand is, why has Germany taken a completely different position in 2020 than it did back in 2010 when the issuance of EU debt was complete anathema, when

many observers thought that it might instead have deflected the demands of Southern EU countries and of France by hiding behind the Frugal Four hardliners?

During the sovereign debt crisis Germany did to some extent take cover behind two hardliners, Netherlands and Finland, to promote a compromise position between the Southerners and Northerners. This time around Germany behaved very differently. It sided with France and the Southerners against the Frugal Four, forcing them to accept the issuance of EU bonds to partly finance grants for recovery from the Covid-19 crisis. So why has Germany – in a pragmatic manner, it seems to me, not in an ideological one – changed camp, and made the July decision possible?

My view is that there are three factors that have played a role.

The first one is almost trivial. The Covid-19 crisis is very different from the sovereign debt crisis, which hit the Southern EU countries but not the core EU countries, including Germany. This time around all EU countries, including Germany are affected. Not as much as Italy or some other southern countries, but Germany is also having a real setback in economic terms. So, it was easier from that viewpoint to say, "we need an EU mechanism to deal with an EU-wide problem".

The second factor is economic. During the financial crisis, while the German government took a very tough position about fiscal policy and austerity, it basically gave its blessing to the ECB to act in a very forceful manner. The government was not keen to go to the Bundestag to ask for a fiscal expansion or for program money to support countries in difficulty because many MPs were opposed to what they considered as fiscally irresponsible policies. But at the same time, the German government realized that Europe needed to act, but it was politically easier to act via monetary than fiscal policy because monetary policy decisions are taken by central bankers rather than parliaments. This time around we are in a completely

different situation. Today, monetary policy has far less potency than it had 10 years ago. This means that the only powerful instrument is fiscal policy, with the support of monetary policy. This means that we are today in a completely different situation than not only ten years ago but also what was foreseen by the Treaty, which was written at a time when governments wanted to guard against fiscal dominance. So long as we are in the midst of the Covid-19 crisis, governments must and will do "whatever it takes" with fiscal instruments to help dealing with the economic fallout from the health crisis. This is not just a view coming from France and the Southern EU countries. Germany is fully aligned with this strategy.

The third factor is geopolitics. In her State of the Union speech, President von der Leyen stated that the EU lives in a fragile world. This view is shared, I believe, by all EU national governments, not least in Germany, a country whose economic strategy relies on exports to the EU and global markets. With the increased fragility of world politics, certainly under the Trump Administration, but also elsewhere in the world, Germany has come to realize that global markets, although essential to its economic strategy, are potentially more volatile than the EU market and certainly that it has less leverage on the political and economic stability outside than inside the EU. The conflict between the United States and China and the threat by the Trump Administration to impose tariffs on car imports were both a warning to Germany that it better invests in the cohesion of the European Union if it wants to ensure the prosperity of its citizens. This attitude contrasts sharply with Germany's attitude during the financial and sovereign debt crisis ten years ago when the dominant feeling in this country was that the EU market had become secondary in importance to its economic interests compared to the global markets that are much larger and faster growing. In a fragile world, the EU market, and therefore cohesion among EU countries – both

political and economic cohesion – is absolutely vital and is worth a recovery plan financed by EU debt.

My sense, therefore, is that the European recovery plan and Germany's strong support for this plan are the product not so much of a shift in ideology but of pragmatism. Faced with a new situation – the nature of the Covid-19 crisis, the decreasing potency of monetary policy and geopolitical changes – Germany and other EU countries have evolved compared to the way they handled the financial and sovereign debt crisis a decade ago and decided to do what was impossible then: to issue EU bonds to finance the recovery. I believe that this is an important lesson for Europe: that pragmatism rather than ideology is what can and does make Europe move forward, certainly at times of crises.

So, for the moment, we should rejoice that Europe is able to make progress in a pragmatic manner, solving the problems it faces one by one. This does not mean, however, that Europe does not need a deep discussion, even an ideological one, about its future. In January 2020, the European Commission had proposed that the long-overdue Conference on the Future of Europe be officially launched on 9 May 2020 – 70 years after the signing of the Schuman Declaration and 75 years after the end of the Second World War. The Covid-19 crisis decided otherwise. Hopefully, it will be launched on 9 May 2021, during the mass vaccination against Covid-19 and the economic recovery from the crisis.

Seizing the crisis-opportunity to rebuild EU legitimacy

Vivien Schmidt

The question of Germany was central to both Sergio's comments and André's, and rightly so. But I think that Germany's shift in approach does not have to do just with its political interests, but also with a shift in its sense of legitimacy in this crisis.

This was a symmetrical crisis. It was not about debt, which put North against South; it was about health, and one could argue that the response that we got from Germany was the kind of response that also characterized its actions in the migration crisis. The German change of mind comes from seeing the pandemic as a humanitarian crisis, and the need to do something about it.

This crisis constitutes a great opportunity. Next Generation EU is a turning point for Europe. This is not just about better economics and better politics, but also about more legitimacy. Such legitimacy stems not only from public perceptions of the EU's greater governing authority, as evidenced by increased citizen trust in the EU; it is also about the EU's governing activities. We can expect better performance in terms of macroeconomic and socioeconomic outcomes. We can hope for greater procedural quality with regard to accountability, transparency, inclusiveness and openness. And we have already seen greater political responsiveness to citizens' wishes and concerns.

In order to understand this more fully, we need to put what has happened in the perspective of the past ten years. The EU

up until very recently, until the pandemic, was still suffering through the slow burn of the eurozone crisis. And remember that the Eurozone crisis was all about governing by rules and ruling by numbers, beginning in 2010. The consequences of the doubling down on the rules of the Stability and Growth pact is that legitimacy was at risk, as evidenced by the deteriorating economics and increasingly toxic politics in the first years of the Eurozone crisis. EU member state leaders, including Germany, recognised this, as did the Commission, and from 2013 to 2015, they ended up reinterpreting the rules and recalibrating the numbers. But they did it by stealth – by not admitting to, or even denying, their easing the application of the rules. So what we got was incremental improvement in performance, but still suboptimal rules and continued perceptions of illegitimacy. Southern Europeans continued to feel oppressed, even when they were accommodated, and Germans felt deceived, regardless. Only from 2015 on, with the new Juncker Commission, did EUactors for the most part admit to their reinterpretations in the interests of greater legitimacy, but the damage had been done.

Covid brought a complete reversal of the economic policies, and more responsiveness to people's concerns. One of the major problems with regard to economic performance during the eurozone crisis was the major lack of investment. Those countries without the fiscal space, especially in southern Europe, could not invest, while those with the so-called fiscal space, notably in northern Europe, did not invest sufficiently. Underlying such policies were the problematic ideas – neoliberalism in the single market, ordo-liberalism in monetary policy – which assumed that fiscal consolidation would ensure growth and prosperity, which of course it did not. There was a fetishism for cutting debt and deficits through austerity and structural reform policies. The result was anemic growth, in particular for southern Europe, along with cuts in the welfare state in terms of both benefits and social services, dismantling

the organisational capacity of labour, and rising inequalities. This was, of course, especially problematic for the so-called programme countries – Greece, with the harsh dictatorship by the troika – or the kind of 'deliberative authoritarianism' experienced by the other programme countries, in which leaders had no choice other than to agree to the demands. As a result of all of this, we saw a loss in political legitimacy, and a populist backlash fueled by the socio-economics of people feeling left behind, the socio-cultural fears of the loss of status, and the politics of people wanting to take back control, of which Brexit was the most dramatic example.

With this as background, it seems clear that the Covid pandemic has been a game-changer in every single way: the response reverses the worst of the Eurozone's economic policies at the same time that it showed political responsiveness to people's concerns. This is when we not only see a suspension of the stability rules on deficit and debt but also the breaking of the taboo against EU level debt. The establishment of the EU recovery fund is a major beginning – even if maybe not a Hamiltonian moment – toward a permanent EU level debt facility. Most importantly, the massive infusion of money promised through the Next Generation fund will provide investment for growth, via the greening and digitalization of the European economy and society. Moreover, we shouldn't forget SURE support for employment and the EU4Health initiative.

All of this is extremely important – indeed, something of a paradigm shift with regard to the EU's capacity to address the challenges of the 21st century. But a word of caution: watch out for the austerity hawks, who may very well come back in two or three years with warnings about debt. It is important to recognize that the kind of spending that we are seeing at the national level, as well as the EU level, is not more debt, but rather investment for growth, which is the only way to get out from under large deficits and debts.

To get back to the institutions, which were also under discussion: We finally saw productive and positive cooperation amongst EU actors. Needless to say, as Commissioner Gentiloni mentioned in his remarks, there was a lot of contestation involved in Council decision-making. But the process itself involved a new kind of politicised dynamics of interaction among all EU actors in the best possible sense, ultimately acting for the common good. They managed to overcome the past dissensus in the Council in terms of the hot button issues. In the pandemic, the political actors – mainly in the Council – exercised significant leadership, as in particular the Franco-German couple swung back into action again. At the same time, the technical actors – Commission, ECB – provided innovative ideas and also moved forward, in increasingly coordinated action with the Council.

The big question here is, can this last? But for that, we need to have more rethinking of the existing policies. As Commissioner Gentiloni mentioned, the EU needs to establish a permanent fund with a serious EU budget, with more EU own resources. In addition, the ECB needs to become a real lender of last resort – no going back. In this context, the German Constitutional Court decision raises some concern. With regard to Banking Union, moreover, there's a need for individual deposit insurance. And, yes, Eurobonds, as Commissioner Gentiloni said, need to be seen as safe assets. This is about building a better Europe.

But for this, we also need to talk about the rules regarding Eurozone deficit and debt. Perhaps we do need rules, but the numerical targets contained in those rules never worked, and are certainly completely out of date now (e.g., the 60% debt target). The current rules, which have been suspended, need either to be eliminated altogether, or reformed, to be used arguably as guidelines for regular expenditures outside of the investments in growth-enhancing areas. Think about the kinds of cuts to education and training that we saw in southern Europe. To reverse their decline, they need massive investment

in education and training. But all of Europe needs the greening of the economy and society. Yes, digital infrastructure, but also physical infrastructure, as well as a revision of the state aid rules to encourage the growth and greening of the economy, and related policies. Beyond this, the EU also needs to address issues of corporate taxation, to tax the big non-European digital platforms appropriately while also ensuring that all European multinationals pay similar levels of tax, wherever their corporate headquarters in Europe.

Lastly, we need to rethink the European Semester. The European Semester has an amazing architecture of coordination which is still very useful, but we need to make it shift from seeming a top-down hierarchical process to something that's much more bottom up. It remains useful for its evaluations of the real economy and reform possibilities. It is important that the Commission has already socialized the European Semester (with the European Pillar of Social Rights). And with regard to the EU's Next Generation Fund, the Semester is there to ensure quality investment in favor of the green transition and the digital transformation. But certain aspects of the European Semester need to be rethought. What about the fiscal boards, set up to evaluate member-states' spending? There may have already been a shift away from their being austerity hawks. But to what? They ought to see their roles now more as industrial policy advisers. And what about the competitiveness councils at the national level? They should become industrial policy councils, at the national and regional levels. Moreover, the national level processes for the National Resilience and Recovery Plans would benefit from being decentralized and democratized, by bringing social partners and civil society actors in, to recommend where and how to invest. This would not only ensure that investments plans benefit from a wide range of ideas, but also to ensure that everyone has a say, to guard against corruption and clientelism, and to ensure really democracy and the rule of law.

Part II

How to defend democracy amid global disorder?

Beyond the EU's weaknesses: time for a post-hegemonic network of democracies

Timothy Garton Ash

It is a really interesting moment to be talking about this subject [how to defend democracy amid global disorder] because, of course, so much will depend on what happens tomorrow [Tuesday November 3rd, 2020]. If we are going to have a chance of defending democracy amid global disorder and indeed reducing global disorder, not just one but three things have to happen tomorrow. Joe Biden has to win. He has to win so clearly that all but a minority of Trump voters will accept it as a result of a free and fair election. And he then has to launch the country on a path of domestic renewal and a return to liberal international order.

This takes me to my first point, which is that the defense of democracy begins at home. I spent many years writing about the history of the Cold War, and it is absolutely clear that, by far, the most important thing the West did – we in the West did – to win the Cold War was to keep our own societies dynamic, democratic, open and attractive. That was far more important than anything we did in foreign policy. And the same is still true today. So, defending democracy starts at home.

Now, I think what we can say about the Covid experience – the one political generalization we can make so far about how it has been handled – is that, across the board, populists have done very badly. We cannot say democracies have done well and authoritarians have done badly because some democracies

have done well and some badly; some dictatorships have done badly, but some rather well. But we can say that populists – be it Johnson or Trump or Bolsonaro or Kaczynski or Erdoğan or Modi – they have all done badly. However, the consequences of Covid – what Martin Wolf has called "the long Covid" economically – could very well create conditions which are extremely favorable to populists. If we get high unemployment, widespread insecurity, very high levels of public debt – in many places, up to the levels of the end of the Second World War – and possibly high inflation, those will be very good conditions for populists. So, the first struggle we have on our hands is to defend democracy at home in times of populism, which may come back with as much force as before.

When I say, "at home," as an English European, I also still mean the European Union.

Now, I had to laugh when I saw, in the conference program, the talking point: "Is the EU able and willing to become the global guarantor of democracy and the rule of law?" Because, of course, at the moment, the EU is not even able to guarantee democracy and the rule of law amongst its own member states.

Poland, a country close to my heart, and Bernard Guetta's I know, is an illiberal democracy – a liberal democracy in decay – but there are major forces of resistance on the streets at the moment. But Hungary, I would argue, is no longer a democracy; I am prepared to defend that claim.

Jean Monnet said at the beginning of the 1970s words to the effect that "A dictatorship can exist somewhere in Europe, but a dictatorship cannot exist inside the European community; that is impossible". It has to be a community of democracies. So, the fact that we have a country that is no longer a democracy as a member state of the European Union is a very, very serious problem indeed. And what is more – what we have to understand – is that because the democracy was eroded by Viktor Orbán while Hungary was a member state of

the European Union, it is carefully designed to have a facade of pluralist liberal democracy. The whole system is set up to look like a democracy, and seem like a democracy, and meet the Copenhagen criteria of the European Union, but not in reality to be one.

What is more, it is a system that thrives on very large financial transfers from the European Union – the structural funds, but now also European recovery funds – which flow mainly through the national government, and therefore in the hands of Viktor Orbán and Fidesz. What is more, in order to get the deal on the Recovery Fund, what to some extent happened was that addressing the North-South problem which you in Italy know so well – namely, the chronic problems of the Eurozone – which we did very successfully, was done at the expense of addressing the West–East problem, because you had to get Poland and Hungary on board.

This fact of having a member state that is no longer a democracy is not only undermining the basic values and legal order of the European Union; it is also extremely damaging to our international credibility. How can we be credible in arguing for democracy in Belarus or Ukraine or in the Maghreb if we don't have it even in our own European Union?

Now, as I move on to the wider regional and global challenges, I want to say one or two things about the institutional arrangements. Another agenda point for this conference was "After Brexit: A Geopolitical Union?". I can absolutely see the logic of saying we need to move to qualified-majority voting (QMV) on foreign policy. I can completely see that logic, and of course, it might be somewhat less difficult to get there without the UK as a member state. My question is – and this is also a question to Marta Dassù, who has great experience in this – whether the gain in terms of policy efficacy that you might get through QMV outweighs the difficulty of getting to QMV in the

first place, and the possible discontent and anger of a member state being overruled on an issue of foreign policy – be it, for example, Hungary or Poland.

What we can definitely say – and some work done for my own research project at Oxford and the work of Vivien Schmidt, who intervened last week, confirms this – is that, overwhelmingly, what Europeans are looking for from the European Union is what, in the jargon of political science, is called "output legitimacy", not input legitimacy. In other words, they're interested in what the EU *does* – what it *delivers* in foreign as well as in domestic policy – and not *how* exactly it does it. The democratic deficit is vastly overestimated. It's a concern of a minority of Europeans. Most people think that the EU is, broadly speaking, democratically legitimate, although not a democracy itself. What they're concerned about is what it delivers.

The other point on "After Brexit: A Geopolitical Union?" is that I hope you don't think that nothing would be lost if you somehow lose the weight of Britain: its diplomacy, its military, its intelligence experience, its financial expertise, its technology of various kinds – fintech, IT, biotech, AI – all of that which Britain has brought to the table. I don't think you want to lose that. And the way not to lose it is this. One of the very few good ideas the Boris Johnson government has had is that when it chairs the G7 in the course of next year, it should bring a number of key democracies, particularly from Asia – Australia, Japan, India, for example – into that larger global conversation about the global challenges we face. For me, that is the bridge both to keeping Britain as one of those democracies closely involved from issue to issue, and in what a Biden administration might do as it tries to bring the United States back into the supporters of liberal international order, into the Paris Climate Agreement, and so on.

The way I would put this is that what we need is a post-hegemonic network of democracies. Not a fixed alliance of democracies–because then you always have the question who is

in and who's out– but a network of democracies. And that for me is the way to approach this issue as we hopefully go forward between the US and the EU in the defense of democracy facing global disorder.

Now, what then, is the division of labor? Well, the fundamental division of labor is clearly – and this is so obvious, it hardly needs stating – that Europe should play a greater role in its own region. That means fundamentally two things: the south and the east. We have such fantastic competence on the south in this panel – on the issues of the Middle East and North Africa – that I will only say two things on that. One, that there has to be a mutual engagement between EU member states interested in the east and those interested in the south. In short, Italy has to be concerned about the eastern neighborhood and Poland has to be concerned about the southern neighborhood. And secondly, that, of course, the already predictable consequences of climate change will make the refugee flows from the wider Middle East and North Africa much larger.

In terms of Eastern Europe, we have seen in Belarus over the last two months one of the most extraordinary examples of civil resistance in the entire history of civil resistance. People in large numbers have gone out on the street, day after day, night after night, in the face of really brutal repression from the Lukashenko regime. It's been hugely impressive, in many ways more impressive than what happened in Ukraine. The problem is that there are none of the intermediary institutions or actors – between the peacefully protesting people and Lukashenko and his army and security forces and plainclothes thugs – to negotiate a transition.

There's actually, therefore, a definite limit at the moment, to what we, as Europe, can do about that. We should definitely keep on the sanctions on the Lukashenko team; definitely give support to civil society, media and the opposition. But the key point here– and this applies also to Ukraine, in my view – is less

tactical than strategic. Enlargement has arguably been the most successful policy in the history of the European Union, from the first enlargement of the last. It is the peaceful form of promoting regime change. And we have to make sure that the prospect of enlargement – a genuine commitment to enlargement from our side, from the EU – remains credible in the medium term for Belarus or for Ukraine. And that, therefore, means that we have to be serious about enlargement to the Western Balkans, because that gives a clear signal that enlargement has not simply stalled.

The other point I would make – again, a strategic one – is about Russia. And that is that difficult and dangerous though the challenge from Putin's regime is at the moment – think Navalny, an attempted political murder with a nerve agent only available to people with high-security access to the regime – in the medium to long term, I am much more optimistic about Russia. I think that, particularly with the energy transition, particularly with generational change, the Putin regime's days will be numbered in years – not in days, but in years. And we have to be open to that opportunity of forging a partnership with Russia, crucially, because while at the moment Putin has a close alliance with Xi Jinping in China, [in the] longer term, there's clearly going to be a compelling argument for Russia to go with the West rather than China.

This brings me briefly to my last area, which is the global disorder. I've already suggested how I think we go about it – the US, the EU, and a network of democracies, including the UK, but also key players in Asia, plus, of course, other powers that are not democracies, issue by issue. In terms of global issues, I've been talking to people on the Biden campaign. They have clear strategic priorities. They call them "the three Cs" – Covid (and its economic consequences), climate change, and China.

To take the third of those first, we clearly are in a major, multidimensional strategic competition with China, which could loosely be called a Cold War – it certainly has things in

common with the Cold War, even if we are not wise to call it such in our public diplomacy. And if we look at what has happened in Hong Kong, if we look at the gulag that's been erected in Xinjiang, if we look at the extremely aggressive language and posture towards the Chinese democracy of Taiwan, we can see how serious the threat is. But at the same time, China is – *even more* than the Soviet Union was – a serious global ideological competitor. It looks quite attractive as a model of developmental authoritarianism to people in Africa and Latin America. So here we need more than ever the EU–US network of democracies approach with a division of labor between us. But, at the same time as fierce competition and deterrence, we also–much more than in the first Cold War – need cooperation, because the imperatives of cooperation to fight a pandemic like Covid, to fight the economic consequences of Covid and above all, to combat the effects of climate change, demand much more cooperation with communist-ruled China than we ever needed with the Soviet Union. So, both the competition and the cooperation are needed at a higher level.

This is, of course, a quite daunting agenda. If we go into a bookshop today and go to the politics section and look at the titles, we find titles like *The Light That Failed*, *The End of the Liberal Mind*, *Twilight of Democracy*, *How Democracies Die*, *The End of Democracy*. There's a theme emerging here, I think. Now, of course, this is partly to secure good book sales on Amazon – "if it bleeds, it leads" – and by the way, they are all excellent books, and I wish them many readers on Amazon. It's also a Cassandra exercise; these are all authors committed to liberal democracy, trying to warn against the dangers to liberal democracy. But nonetheless, I think there is a danger of falling from an extreme of liberal optimism in the 1990s and early 2000s – when history was all meant to be going our way– to an extreme of liberal pessimism or even liberal fatalism, which is expressed in these somewhat Spenglerian titles.

The Polish philosopher Leszek Kolakowski had a favorite story about two little girls running through the Jardin du Luxembourg [in Paris]. One of them was clearly ahead, but the other one kept shouting: "I'm winning! I'm winning! I'm winning!" And in the end, the girl who was ahead collapsed in tears, and the one who was behind got ahead and actually won. And there's a deep truth in that story, which is [that] obviously, we have to run fast, but we also have to have belief in liberal democracy – *self-belief*. In fact, I would say that the belief in freedom is itself a crucial part of freedom's power. So, despite all these daunting threats – despite all the things that we need to do simultaneously – I think we also need to keep our belief in freedom's power and in the great attraction of liberal democracy, and that we will come out on top in the end.

A global vision for the EU in the post-Trump era

Marta Dassù

I would start with a general point: democracy is experiencing a difficult phase even in Western societies. If after 1989, the dominant thesis was that the United States and Europe, with different instruments, would "export" democracy, today the problem is also a domestic one. In the United States, the extreme polarization of society, together with an aging constitutional system and the populist instincts of the Trump presidency, opened a raging battle over the legitimacy of the electoral results. In Europe, the risks to democracy arise from illiberal factions within the EU; it is no coincidence that vetoes were issued over the rule of law requirements as a condition for the distribution of common funds (the multi-year budget and Next Generation EU).

In short, more than exporting democracy, the US and Europe now face the problem of strengthening it internally. Once deprived of the lever of enlargement, which was the Union's main foreign policy as well as primary instrument for spreading democracy to its eastern neighbors, Europe now endures first and foremost domestic problems. And as the hopes placed on the Arab Spring have dwindled, Europe now looks on how to stabilize rather than democratize the arc of crises that surrounds it. The promotion of democracy in the world, right or wrong, is no longer the backbone of Western policy; the defense of existing democracies with respect to

internal or external illiberal threats, is instead one of the central problems of this international phase.

If this premise is correct, Europe, as an international actor, can no longer simply base itself on the assumption that its integration model can function as an example for the rest of the world. In the global dynamics of the 21st Century, dominated by the return of great power competition, above all between the US and China, the European Union must also see itself and act as a geopolitical actor. Ursula von der Leyen has explicitly stated this when establishing her Commission. Will Europe be able to become a geopolitical actor? Based on what vision and with what skills?

First of all, I would reply that Europe can no longer assume that its security is fully guaranteed by the United States. A rapprochement with the United States will be possible after Trump, but the rivalry with China still shifts American foreign policy's center of gravity from Europe to the Pacific: to remain an ally of the US, Europe will in any case have to be able to assume greater responsibilities for its security. At the same time, European countries risk being crushed by a new form of bipolarism. To avoid becoming a theater of competition between China and the United States, Europe must equip itself with the economic tools, the technologies, and the strategy to promote its interests. In short, it must succeed in becoming a "pole" of an unstable, unpredictable, and difficult to govern international system.

It seems to me that this this perspective, although necessary, is complicated by two factors.

1. The risk of introversion: European foreign and defense policy risks being a victim of COVID.

The EU is clearly in difficulty in the face of the Virus' second wave and will remain "self-absorbed" for a while still: both

politically and financially committed to fighting this crisis. We do not know how long the pandemic will last, but until the end of 2021, it is forecast that we will not completely emerge from it. Now, though the EU reacted well and fairly quickly to the first wave – in particular with its decision, for the first time, to set up a recovery fund based on Eurobonds and own resources, thus relying essentially on European resources rather than national ones – the same cannot be said for today. Today there is a new sluggishness in the decision-making process, partly linked, as I mentioned earlier, to the divisions on the rule of law conditionality for the disbursement of European resources. Europe will remain focused on all of this, on its own internal crisis. It is difficult to think, in the short-term, that it will be able to concentrate on its goal of rebuilding and implementing a geopolitical vision. Also, from a financial perspective: it should be noted, for example, that the European Defense Fund has been cut (reduced by half, to be precise: 6 billion Euro) to allocate additional funds for healthcare. In the short-term therefore, it does not seem to me that there is room for an acceleration on external prospects. Foreign and defense policy risk being an indirect victim of COVID. While the idea of European strategic independence has been strengthened by the pandemic, demonstrating the vulnerability of global value chains, the ability to finance this move has been diminished.

2. The ambiguities and differences of visions over the concept of "strategic autonomy"

Paradoxically, while Donald Trump's open hostility towards the European Union, and towards Germany in particular, pushed Europeans towards the search for "strategic autonomy", the opening that will come from the Biden administration could curb this trajectory, deceiving Europeans into believing they

will have external guarantees. This will no longer be the case, given the underlying trends in US foreign policy. Biden will ask Europe to do more, not less. The relationship with the United States will in any case remain essential: the risk, otherwise, would be losing the link with the US, still decisive for Europe's security through NATO. And if a concept of strategic autonomy were to be framed as Europe's "neutrality" towards the US-China confrontation, member countries would be radically divided. Basically, a Europe capable of assuming greater responsibilities but maintaining a strong bond with the US is one of the conditions for a united international vision.

But what are the foundations for building an Atlantic relationship suitable for the future and not simply a continuation of the past? It is certain that the Biden presidency will aim to relaunch the alliance with Europe: both the centrality of NATO – Biden will give guarantees regarding Article 5, the collective defense clause – and trade relations. And America will return to the various multilateral negotiating tables it had abandoned (the Paris Climate Agreements, the World Health Organization, and reform of the World Trade Organization).

Europeans must however be clear that the United States, even with Biden, will still seek reassurance on two points: Europe's ability to make more significant defense commitments (the 2% increase on military spending by 2024 will remain on the table) and a common attitude towards China, now seen by Washington, on both sides of the political spectrum, as the rival of the century.

It is not clear how much America will want to push for a "systemic" confrontation between democracies and authoritarian powers, leading Europe to take sides. Biden has spoken, for example, of the possibility of convening a summit of democracies against the illiberal powers, and it will certainly be firmer than Trump towards Russia, which will present Europeans with the problem of reducing their energy dependence on Moscow.

A decisive test of the Atlantic relationship will be the reform of WTO. Europeans agree on the need to protect themselves from China's unfair practices but tend to see the problem primarily in economic terms, while America tends to see trade with China as part of the geopolitical competition. A convergence point will have to be found if Europe and the United States are to promote international trade reform.

The Atlantic Europe of the future, therefore, will still have to invest more in defense and build a policy towards China that does not put it on a collision course with Washington: the control of technology, 5G in particular, will also remain a decisive issue for the Biden presidency. A credible geopolitical Europe will have to negotiate the future of multilateral agreements with Washington, with the aim of defining new global standards. It won't be easy. In some areas, the convergences will be simpler: with Biden, America will once again be an ally in the combat against Climate Change. But there will also be important differences, for example on the taxation of digital services.

Finally: a geopolitical Union will be credible if Europe can manage, better than it has in the last ten years, the enormous problem of instability at its borders, that vast arc of crisis (to use Brzezinski's old expression) that goes from the Mediterranean (the Libyan crisis, the problem of Turkey, the Syrian crisis) to the Eastern flank (the Russian annexation of Crimea in 2014 and the Ukrainian crisis). In other words, the border crises will be a real test.

It seems to me, the essential problems here are the following. First, the partial disengagement of the United States from the Middle East and the Balkans has created a power vacuum, leaving room for Turkey and Russia. In the 1990s, Europeans thought that these two powers could be "accommodated" within the context of European regional security, with NATO and the EU as pillars. But this is no longer the case and both relationships tend to divide Europeans. It may be added

that there is still no common vision of foreign policy. France and Italy, for example, are split over Libya thus leaving Turkey, Russia and other regional players (Egypt and the United Arab Emirates) in a primary role. The same is happening on the Eastern front: the perception of the security of countries like Poland or the Baltic states is not identical to that of Germany, which has a strong energy dependence on Moscow (which will be strengthened by Nord Stream II, the new gas pipeline with Russia). It is true that the Europeans have managed to maintain, as demonstrated by the sanctions on Russia, a sort of lowest common denominator. But the lowest common denominator is not enough for a Europe that wants to seriously project itself geopolitically on the areas of instability at its borders. This problem will not be solved by decision-making mechanisms: a majority decision in foreign policy could help (the case of the Cyprus veto against sanctions on Belarus is emblematic of this point of view) but the real obstacle is competition between national interests. It is essential to open a strategic discussion on this, defining what are the common long-term interests: migration control, defense, energy security, counterterrorism.

The reality is that we are only at the beginning of such a discussion, which should lead to an EU "strategic compass"; also, because the EU's only real foreign policy has long been enlargement. The neighborhood policy without the actual prospect of joining the EU has never worked effectively.

Allow me to add that the European Union will still have its own economic weight as a geopolitical asset. Its international role will continue to be "economy first". But it is today essential that the economic levers of one's influence are seen in a strategic way. I have already said that the real risk for Europe is to be squeezed between an America engaged in clash with China and a China which, despite having illiberal values, is willing to cooperate on climate change and global health. The only antidote, probably, is to increase the European capacity for action

by strengthening is solidity – Europeans sometimes use the term sovereignty – in the technological and financial spheres, managing to control strategic foreign investments. These are the ingredients of contemporary power, and above all, the relative weight of Europe in the world will be played out on these.

Josep Borrell, the EU's High Representative for foreign affairs has defined "strategic autonomy" as a state of mind. That's it. But to translate this into credible results, this state of mind must be founded on solid tools and a shared vision that Europe, at least partly, still lacks.

Ten reasons to (still) believe in the United States of Europe

Bernard Guetta

Pessimism is intellectually chic. Optimism is never regarded as realistic. Optimism is always regarded as naïve but today, too bad for me, I will be optimistic – optimistic but not blind nor naïve.

As you do, I know that the United States of America, the richest and most powerful democracy in the world, the country which was the main force behind the victories against Nazism and Communism, could break with democracy, liberties and human rights. America could become a kind of Hungary, Orbán's Hungary, if Donald Trump were reelected tomorrow [Tuesday November 3rd 2020]. India already became a *democratorship*, half a democracy, half a dictatorship. China is not at all ashamed, just the opposite, to explain that democracy is a weaker system than its one-party regime and there is, in the largest democracies, an intellectual exhaustion of the left and the right and a democratic fatigue in public opinion.

With an economic crisis becoming frightening because of the pandemic, we have all reasons to fear that this century could see the end not only of European unity but also of democracy all around the world except, may be, in Norway; but no! I don't share this rather common view and I would like to tell you why.

First point: There is a democratic fatigue, but only in democratic countries. Hong Kong dreams of liberties, as Iran does and the Arabic countries do. Viktor Orbán lost the ten largest Hungarian cities at the last local elections and is clearly afraid

– and rightly so – of losing his majority in the next national elections. The demonstrations in Poland are very impressive and, there, the conservative majority is more and more divided since the presidential election.

Second point: There is a Putin fatigue in Russia. Mr. Putin is in a very poor situation in the Middle East because his only ally, the Iranian regime, is weakened by Iraqi and Lebanese crises, the economic sanctions and the pandemic. Bashar al Assad and Putin won the war but this is a Pyrrhic victory, and Putin is in a deadlock in Ukraine and now Belarus, less and less popular and unable to restore the economic situation because the oil prices will not increase in the coming years. With or without Putin, the Russian elite will have to try to reach a security and cooperation agreement with the European Union because the Chinese option would be a national suicide.

Third point: The idea of a common European Defense is not a taboo anymore in the member states, not even in Poland, because everybody understood that Europe is not a national priority for the United States anymore. What was already clear during the Georgian crisis and the Syrian war became official with Trump and would not change with Biden. There will be a European Defense, roughly speaking in two decades, and this will change a lot of things because...

Fourth point: Because a European Union with a European currency, common rules, common industrial policies, common investments, common institutions and a common Defense will be more than a simple Union. Confederation or Federation, it will be already an actor on the international stage, a wealthy one, able to negotiate a new alliance with the US, a coexistence with Russia and a new economic complementarity with the south rims of the Mare nostrum.

Fifth point: There will be no certainties. Everything will be difficult but we will succeed because it is a necessity and because, strangely enough, Russia and the US will need a strong European Union, both of them because of China.

Sixth point: Therefore, the two European priorities should be to put on the table, as soon as possible, proposals to Washington and Moscow, ideas for a new Atlantic alliance and a new Helsinki agreement.

Seventh point: If Mr. Trump were reelected this week, it would be easier to find unanimity on foreign affairs inside the Union. With Mr. Biden as the next American president, European unanimity will be more difficult to reach but the new team in Washington could understand rather quickly that it would be in the best American interest to have a strong ally in Europe willing to finance its own Defense.

Eighth point: Polls show a deep political confusion in Europe, except on European unity and populist movements. Europeans – and now even people in the United Kingdom – don't want to leave the EU and the new nationalists, on the other hand, are losing ground in almost every country.

Ninth point: There is every reason to hope that Joe Biden will be elected this week.

Tenth and last point: All things considered, it's not too optimistic to reject pessimism and to expect, in this century, the survival of democracy and the birth of a strong and political union of a new kind: The Unites States of Europe, politically united in cultural, historical and institutional diversity.

Why Europe's strategic autonomy starts at home

Shada Islam

I would very much like to get into the conversation about the relevance of strategic autonomy, about its assets and the need for Europe to stand on its own two feet and to walk out of the shadow of the United States. Before that, however, I want to come back to some of the issues that have been raised by the previous speakers, to take us a little bit outside our comfort zone, and I'd like to take a little less of a Eurocentric approach. I am a great believer in the European Union, but I believe that if we are too centered on ourselves and fail to see the world as it is, then we come up with flawed policies which are detrimental to Europe's role in this very complex and complicated world.

Now, let's delve deeper into the whole concept of global disorder. I know it looks like chaos and it looks like a very disorderly world. And from where we're sitting here in the European Union, we see that Donald Trump has taken a sledgehammer to the transatlantic relationship. He's been rooting for Brexit, and he's often called the European Union America's almost-enemy number one. So "America first" has really shaken us and stirred us. And it's no surprise that that has colored our view of the world, and we see danger and risks in this development.

Yet this is a period of transition rather than disorder.

We have moved from a world that we have known and grown comfortable with for the last 70 years or so towards a world of change where there are big and small democracies

and non-democracies – dictatorships, small and big and rich and poor – all on the same stage, trying to work out coalitions and areas of interest. We differ on many issues, but I believe that climate change is one major question where we can – where we must come together.

This period of change has been long in the making but was bound to come, with or without "America First" policies. We've seen for several years now, almost a decade, how the Chinas, the Indias, the Brazils of this world, were really demanding a say in how the world is run. And because they weren't getting that voice in the World Bank, in the IMF, etc., they started developing their own parallel initiatives – the Belt and Road Initiative, the Asian investment bank, the BRICS bank, etc. So, they were demanding, in a way, a say in how the multilateral, rules-based system has been working – and to have a voice in that.

Now, we are also struck, I think, by two developments that have shaken us. Our narrative about Western superiority, in a sense, has been shaken by the fact that we've been terrible in the West at dealing with the pandemic. Our death rates, our infection rates are higher. Our leaders have been very remiss – I would say – in dealing with this, whereas in parts of Asia and parts of Africa there has been more competency in moving forward, and Covid-19 has been framed properly and is under control to some extent. Nothing has, of course, been a success yet, but this is changing.

So, we can, as Europeans and Americans, learn from other countries. We do not have a monopoly on good, intelligent thinking. And here we are really showing our feet of clay.

Also, during this pandemic, there's been an entire change in how we view our society. We've seen that suddenly we need people that we had not actually considered to be *that* important in our lives: the transport workers, the doctors and nurses, the teachers, the essential workers. And in many parts of

Europe, these essential workers are migrants and refugees and asylum seekers.

So, a lot of the perception that we have of a world turned upside down, I believe, comes from the fact that we are being questioned and challenged in some of our very comfortable assumptions.

Now it will be a very competitive world going forward, and not just because of China. Definitely, China will play a very important role in this competition. But we in Europe are not helpless faced with China. We have agency. And I think we can decide whether we're going to have a cooperative, competitive system and benign competition – a race to the top, but in the good sense – or whether we're going to fall into the binary track, the great power competition track of very malign competition, which is not going to be good for humanity by any means. So, we have a choice, and I think the European Union has a very pivotal role to play in determining which path we embark on.

This is a very complicated world, as I said. And certainly, for the last four years under Donald Trump, the world has not been standing still. The world has moved on. We've seen, as has been said earlier, the geopolitical competition increasing, and we will have to deal with a more confident, more assertive, sometimes more aggressive China, as well as Turkey, Russia, and others. Are we ready for that?

Which brings me to my second point, which is really about Europe's role in this very complicated world. As I said earlier, I'm a great believer in the European Union, and I'm a great believer in strategic autonomy for the European Union. But when we look at the European Union that we see today, I think three things will be very important.

First of all, the world is watching to see if we can be really independent diplomatic actors on this global and very crowded stage. Will we stand out because we're different or will we be

simply imitators of those who want to play the great power game?

Second, what about our commitment to internal cohesion? This point was raised earlier by Timothy [Garton Ash]. Are we able to bring internal cohesion, or are our differences going to be accentuated as we move on?

And finally, what about our commitment to global multilateralism? Multilateralism and the rules-based order are changing. Countries are no longer ready to be just rule-takers. They also want to be rule-makers. And there I think is going to be a very complicated juggling act for anyone who tries to be a leader, a global leader.

When I look at European foreign policy, I see three faces of Europe – a bit like the three faces of Eve in that very famous movie by Hitchcock. As it has been said earlier by the other speakers, you see a very weak and I would say, almost impotent Europe when it comes to dealing with the bullies, the big boys, the hard actors in our neighborhood. And that is a real pity because we have, I would say, a *primary responsibility* to be a strong player in our neighborhood. But there we are not strong. And it really is a paradox. We do not have the tools, the techniques, the strategies – apart from sanctions – to deal with those in our neighborhood. This ring, if you like, of fire. That's the first element of a weak, and almost powerless Europe, in dealing with its neighborhood.

But this is in stark contrast to a very admired and almost inspirational idea of Europe. Brussels' effective regulatory power, the markets, the trade and investment capabilities, its ability to move ahead on issues like the Green Deal, digital ethics, etc., a multilateral, rules-based order; this really does provoke admiration and inspiration in the wider Asia-Pacific. And, I would add to that even in China.

And then you have Europe, so far, still playing the role of a junior partner when it comes to the transatlantic relationship. I know I've heard from everyone here before how important it is to

have a strong transatlantic alliance. And I think this is going to be very, very important. But let me shatter any illusions that we have.

Donald Trump, for all the difficult things, and the challenges he's posed for Europe, has given us a new awareness, a new consciousness that we have to stand on our own two feet. And there is where the open strategic autonomy discussions have become important, stemming out of the focus on security and defense. They have broadened out now to talk about trade, investment, ethics, the Green Deal, etc.

Europe – even if we have Biden in the White House next year – will have to make sure to continue on the path of autonomy, independence and self-confidence. And if there is a great transatlantic reconciliation, we must ensure that that it is on our terms, that we do not fall back into the lazy and comfortable position of being the junior partner and – whenever we're faced with a challenge in our neighborhood – of turning to the Americans and asking for their help and their support.

So yes, we see Europe really at a crossroads, and whatever happens in Washington, I think we need to be very focused on developing our own identity, our own tools and policies to become truly independent global actors. And there I would add a few words that have not been mentioned before. We have talked about the rule of law, but I would like to come in with the word "values". I mean, by that, human rights. And not just when it comes to dealing with populists in Hungary and others, but also within our own countries. How do we deal with our minorities? How do we deal with migrants? How do we deal with the Black Lives Matter movement? Those are the issues of diversity and inclusion which are most important if Europe is to live up to its values and its real potency in this big and rather difficult world.

Finally, on China. I used to work for a magazine published in Hong Kong called *The Far Eastern Economic Review* – I was their European correspondent; I've travelled through China; I've worked on EU–China relations for a very long time. Now,

it's become very fashionable to talk about Europe being *naïve* when it comes to dealing with China. I disagree with that term. I think we have been very realistic in dealing with China. I think we had absolutely no illusions that China would become a democracy, but we did want China to be part of the world economic system, which it has become.

And moving forward, I think we're absolutely right to reject a binary choice between the US and China. As we go forward, we will realize that, if we're going to have a post-pandemic recovery, if we're going to have a sustained, green recovery, China and the rest of Asia bouncing back is central to that. The Chinese economic recovery is going to be crucial to the overall economic recovery.

But let's not harbor any illusions. China is not standing still while America seeks its containment. China is also making sure it can stand on its own two feet. And there is a danger that China will turn inwards and take its own steps to begin a very dangerous decoupling from the whole rules-based order. My concern is that at some point, China's system becomes separated from the rest of the world. This could happen under the policy of "dual circulation" which is top of the Chinese agenda at the moment.

So finally, I would insist it's important that we do go outside our comfort zone. And though it's very important that we work with democracies – I'm a great believer in democracies; *passionate* about it – I think real diplomacy also means engaging with those who don't think like us. And I think it's important at the same time that we live up to our own values, and that includes building a really inclusive society.

"Here's how a transatlantic alliance and strategic autonomy can coexist".

An interview with Italy's Minister for European Affairs Enzo Amendola

Francesca Basso

Minister Amendola, Timothy Garton Ash reminded us clearly in his keynote speech that the EU's first task is to enforce democracy within the very Union. But economic and political matters have been closely entwined in recent weeks, and the two "rebel" countries on the respect for the rule of law, Poland, and Hungary, have not hesitated to veto the budget agreement to which the Recovery Fund is tied. On the other hand, we have also seen the veto power wielded lately in foreign policy, when Cyprus opposed the introduction of sanctions against Belarus in the absence of a similar condemnation of Turkey's actions in its own waters, leading to a two-months deadlock. Commission President Ursula Von der Leyen has called for qualified majority voting, at least for foreign policy. Do you agree, or are you afraid that such a move would jeopardize Italy's interests in other areas?

The veto policy in Europe has never produced anything. If I look back at the economic crisis of 2008-2012, a British veto resulted in twisted mechanisms of fiscal intervention that actually served no purpose, because Europe was overwhelmed and ended up paying in the long term for an idea of austerity that didn't work. It took us four days of negotiations in July to reach an agreement, because that's what we do in Europe: negotiating. Those who think that you go there just to chat, Tweet, or bang your fists on the table are on the wrong

wavelength. In Europe we negotiate because there are twenty-seven national interests, there are different political families and different orientations, but when the negotiating is over, an agreement must be reached. Vetoes achieve nothing. Be that on the rule of law, or on fiscal dumping – which is another question we shall tackle. As far as foreign policy and the geopolitical position of the EU are concerned, we need to move to a qualified majority, precisely to get things done. When we refer to the EU's strategic autonomy, we think about the big choices such as the green economy and the digital economy. But we should also think about what we need to do inside and outside Europe's borders. And on this the policy of vetoes leads absolutely nowhere; it is something to be overcome. I believe that this Commission has the courage to do this. With the SURE and the Next Generation EU plans we have chosen – without changing the treaties – to issue bonds that six months ago everyone thought would be impossible in Europe. All the more so, it is time to move forward towards ruling out the veto politics in the interest of strategic autonomy.

The pandemic has in fact highlighted Europe's dependence on external supply chains – China and beyond. One also needs to consider that there are twenty-seven countries with different economic structures and different needs. How independent can the EU be from the United States and China economically, given the close ties that exist? And how does Italy, a central element of the internal market, as the Northern states have implicitly acknowledged by launching the great "rescue plan" of the Recovery Fund, fit into this picture?

There is not only solidarity among the twenty-seven. There is a common interest. We are the largest common market in

the world, supported by principles of liberty, democracy and the defense of the rule of law, including within our own borders. These constitute a heritage that must not be lost. I do not believe in an equidistant Europe. Our principles are enshrined within a historic alliance that is transatlantic. The introduction to the 1949 Washington Charter of the NATO alliance speaks of values that are still inscribed in the European identity. As Benedetto Croce said, the history of Europe is a history of freedom. And as this history changes over time, as it must, we confirm those principles. Obviously, Covid tells us that the multilateral order in which we live will inevitably undergo changes. And on many aspects, such as global legal standards, or how to conduct trade that is not only free but also fair, or how to guarantee reciprocal relations on an international level, we must rediscover the profound inspiration of the European Union. Tommaso Padoa-Schioppa spoke of "gentle power Europe". It is clear that we are a very popular empire, because Europe has never aspired to dominate, but only to issue rules and regulations, to impose sanctions or incentives that often have wide support. But our alliances are unmistakable, whoever wins the elections in Washington. Within the framework of strategic autonomy, we need to leverage investment for our future, but above all to rebuild connections in the multilateral order based on reciprocity, respect and above all guarantees between the various continents. Sad to say, in the post-Covid order, the United Nations system itself, just like the World Health Organization, will have to be re-thought. In other words, we will have to redefine the pillars that unite the different peoples, the different continents and the different political orders, knowing that we defend our own one, based on the liberal order, on a democratic political system, and on an idea of cooperation that is not simply the fruit of free trade or commercial interests.

In the weeks leading up to the American vote, a poll by Ipsos showed that in virtually all European countries most citizens wanted Joe Biden to win. How do you read the fact that European citizens think Biden can change the course of transatlantic reactions so substantially?

There are long-term trends that outlast presidencies. Just look at the Middle East. The Obama presidency and the Trump presidency shared a number of closely related aims; the unfolding of US geopolitical interests in that region has been one of continuity. There are certainly ideological and complex aspects to the opposing political positions in the US, but I would be careful not to take too Eurocentric a view of the results. There are obviously structural trends that American society and the economy must look at, but I repeat, I do not believe in European equidistance. Our transatlantic identity remains strong, and it does not depend on who governs in Washington, but on principles, values, and mutual interest. In parallel, we need to push hard to ensure our own strategic autonomy. NATO is, and will remain, our military alliance. But this does not mean that in terms of technological civilian and defense capabilities, or of the structuring of the new digital highways, Europe should have restricted autonomy. The two processes must run in parallel. Indeed, in such a competitive world, European strategic autonomy has never been so essential.

A part of this vision is in a sense the Next Generation EU program itself, as the European Commission has dubbed it to stress its ambition to leave a better Europe to the new generations. In view of the widespread impact of the second wave of the pandemic, ECB President Christine Lagarde has on several occasions invited Member States to consider making the program a permanent instrument. The Commission remains cautious on this issue for the time being. What do you think about this?

I would begin on a strong point. In July we achieved a common front. The Commission suspended the Stability Pact and the state aid bans, the ECB introduced the very powerful Pandemic Emergency Purchase Program (PEPP), which we support, and then the Council launched the Next Generation EU tied to the new budget. First of all, this united front must continue to produce effects, because we are facing the unexpected. As the Commission has already stated, the suspension of both the Stability Pact and state aid restrictions will need to be assessed next year too, depending on how things unfold. Our priority is to beat Covid and protect citizens from the economic and social fallout. I believe that innovative instruments such as Next Generation EU and SURE created through agreement are definitely the first step in a new direction. If anyone thinks that in a few months' time it will be back to business as usual, in Rome or Brussels, I think they are badly mistaken. And that is because we have now adopted new techniques and priorities in the framework of strategic autonomy, as discussed at this conference. Above all, what the continent, the twenty-seven and the Commission, needs, is to move forward and continue to change the rules. As we have seen, the rules that we have known up till now have not withstood the impact of the crisis. Phenomena such as fiscal or social dumping cannot be allowed to go on, since they distort equity and internal solidarity. I do not know if Next Generation EU will turn out to be the first step towards a completely new Europe, but it is certainly the first step towards a European history that will not return to the one we knew before Covid.

Annex

"Yes, that Constitution was too big a leap. Now Europe must not waste its chance".

A conversation with Italy's former prime minister Giuliano Amato on the late Valery Giscard d'Estaing

Simone Disegni

Nineteen years on, history is repeating itself, in new guises. December 2001: the West had just been tragically reunited by the attacks of September 11, but for months Europe had been pushed towards the great leap – that of genuine political unity – by something more: the perception of an historic opportunity, with the upcoming incorporation of twelve countries from the former Soviet bloc. The Union born in Maastricht could dare to take a gamble, even beyond the formal mandate of the Laeken Declaration, signed by the heads of state and government and carefully prepared in preceding months by Belgian Prime Minister Guy Verhofstad, called for.

A "Convention on the Future of Europe", led by the former French president Valery Giscard d'Estaing, who died on 2 December, and flanked by two prominent former heads of government – the Belgian Jean-Luc Dehaene and the Italian Giuliano Amato – was set up to realise those ambitions. It ended badly, as we know. The European Constitution conceived by that body – and carefully filtered through the political sieve of the governments – shattered against the wall of No votes in a deadly one-two from French and Dutch voters (May/June 2005) and the window of opportunity slammed shut for several long years.

A sea of problems and crises later, most recently the perfect storm of Covid-19, the EU is preparing – timidly, for now – to launch a new Conference on the Future of Europe. Leading it, at least in the wishes of the European Parliament, could be Verhofstad himself. Fifteen years after that bitter rejection, Amato, now vice-president of Italy's Constitutional Court, recalls the political heritage left by Giscard, gathers his ideas on the lessons of that constituent season, and on the mistakes not to be repeated in the new one that might be opening up for Europe.

Mr. Amato, Valery Giscard d'Estaing passed away last December 2nd. Born in Koblenz in 1926, he had a meteoric rise in France, becoming President of the Republic from 1974 to 1981, held later a number of other posts, political and non, until he was appointed to head the European Convention between 2002 and 2003, with yourself at his side. What is his legacy as a man and as a politician?

He was a formidable personality. You only had to look into his eyes to see that there was an uncommon intelligence behind them. And not only in an intellectual sense. He had a way of looking at women that was absolutely captivating. Even in his 90s his exchanges of glances with the ladies were something to behold. He had been an *enfant prodige* of French politics. Much earlier than Macron's generational breakthrough, he became De Gaulle's finance minister at the age of 34 – clearly with the general's favour, but also with an expertise that became legendary when he presented numbers, results and forecasts to the National Assembly without referring to a single written note. Prior to Macron, he was also the youngest head of state in the République, with the political confidence that allowed him to assume a leading role after clashing with Gaullism over his austerity positions on financial matters. He was elected to the Elysée even before the

group he had created to relaunch himself actually became a party – a forerunner of Macron in this respect too.

And while in previous years he had essentially been the architect of domestic financial policy, it was as head of state that Giscard emerged as a European figure. With two essential outcomes that everyone remembers. First, the invention, together with others, but of which he was the protagonist, of the European Council, initially conceived as an informal forum for the heads of state and government to exchange views on the guidelines for European Community action, but which, thanks to its effectiveness, increasingly became the key body, even formally, in defining the Union's strategic interests. Second, driven by his friendship and shared outlook with German Chancellor Helmut Schmidt, in response to the global financial upheaval caused by Nixon's breaking of the Bretton Woods agreements under an early "America first" as well as by the oil crisis, the creation of the cradle of the euro: the European Monetary System. This made it possible to peg European currencies to each other by means of a fluctuating band, with coordinated interventions by the central banks of the member states to guarantee it. It was an important invention which would in time lead "naturally" to the euro. Those who, like me, were faced in the following years as Treasury Minister and then as Prime Minister with the speculation of the markets, ready to attack one or another of the pegged currencies, looked in fact at the consolidation of that system into a single currency rather like today's anti-Covid vaccine: the only way to prevent this disjointed pluralism of the market infecting a construction that tended towards unitary values. So Giscard gave a lot to Europe.

So much so that at the end of 2001 he was called upon to lead the Convention on the Future of Europe, which the governments

had explicitly tasked with giving bodily and spiritual form to the integration project, with yourself and Jean-Luc Dehaene at his side. What was the atmosphere like during those months of work?

Everyone remembers the Laeken Declaration, but few recall an emblematic speech that the then German Green leader and Foreign Minister Joschka Fischer gave at the Humboldt in Berlin some months earlier, in May 2000. "The time has come", he said. Europe has grown through integration projects, but we are facing secular challenges – was the essence of his speech, at the dawn of the new millennium – which urge us to abandon the logic of "step by step": we need to make the leap to European federation, we need a European Constitution. That appeal did not arouse the enthusiasm of governments, but it nevertheless entered the larger debate of the European intelligentsia, because the time was right, and it created the expectation of "if not now when?". It was from here that the request to design a real constitutional text entered the European Convention, not from the formal mandate given to it by the Laeken Council in 2001, whose essential demand was to consolidate the various prevailing treaties into one simplified treaty. Only in the last lines did it ask to *consider for the future* whether it might be useful to endow the Union with a Constitution. When the Convention opened, therefore, Fischer's speech hovered in the air, as did the political figure of Giscard, who felt that his presidency would go down in history not for simplifying the Treaties but for giving Europe a Constitution. When Giscard announced this intention in front of the plenary of the Convention – made up, remember, of members of the European Parliament, national parliaments, governments and two representatives of the Commission – everyone stood and applauded. It felt like a true founding moment.

Then the wind changed direction.

We set to work to write a proper constitutional text from scratch, including sources of law, the division of powers, and citizens' rights, as per the canons of a constitution. The primary work of the Convention was devoted to this part. However, that body did not have constituent power, but only the ability to make proposals to the Intergovernmental Conference and thus to the national parliaments. Well, in the final phase of the work, on the eve of the transfer of our work to the governments, something happened: the role of the government representatives grew in weight and political influence. I realised that something was changing when, to my question as to why a government representative had said "no" to some point, I increasingly frequently got the reply: "Because my government said no". I dubbed it the *sovereign niet*.

The conflict became evident in a meeting that I will never forget and which, in retrospect, sealed the fate of that project. Once the work terminated, it was noted with the governments that the result was less than 130 articles of the European Constitution – the typical length of a constitution in Europe – plus over 300 articles that were the consolidated treaties. Aware that this would be subject to national ratifications, which in some countries would need to be done by popular referendum, Giscard and I said: let's keep the two texts separate, let's send them for ratification separately, otherwise the Constitution will drown inside the consolidation. Presenting a mass of over 400 articles as the European Constitution will provoke *per se* a reaction of rejection, we warned. The government representatives responded with disarmingly simple rigidity: it is difficult enough for us to get our parliaments to ratify one single document, and you want two?

We gave in. Months later, in the French referendum campaign, the supporters of the No vote held up two Constitutions, the national one – a slim little volume – and the

European one. "You won't even be able to read it all, and they want you to approve it! Say no", they claimed. From my point of view, our mistake in the final construction was one of the main, though lesser-known, factors in the rejection and the demise of that Constitution.

Those who more or less sadly observed that demise have, however, made two fundamental criticisms: first, that the Convention over-reached the mandate that was given to it; second, that the Constitution was born from a top-down approach: the elites produce, the people receive.

There was some over-reach – of that I have not the slightest doubt – with respect to the sensitivity of the governments. If I were to try and deny this, I would be denying that 2+2 makes 4. I also know, having read a little history, that there are times when over-reaching has the power to legitimize itself. I do not believe that the absence of this strength in the idea of the European Constitution was due to a top-down approach. I see that as one of the most obvious but unfounded criticisms levelled at the process. You only have to look at the documentation of the work of the Convention to realise how broadly representatives of all democratic, economic and social bodies participated in it – dozens and dozens of meetings and discussions. If there is one accusation that is unjustified, it is that we shut ourselves up in an ivory tower from which we then handed down the Constitution. We did over-reach on some key issues because we had to see for ourselves that we were not able to break through the resistance of the governments, while the representatives of the national parliaments themselves sided more and more with MEPs in the work of the Convention rather than with their governments on various issues, demonstrating an unexpected advance in European sensitivity.

In this incredible 2020, we have seen the formerly inflexible German finance minister and now president of the Bundestag Wolfgang Schaüble himself speak of a Hamiltonian moment for the EU, and Germany open the door to a common European debt, and hence to a common taxation. At the time of the Convention, the EU was not ready for such a federal leap. And today?

Notwithstanding the prevailing pro-European spirit, we found that there was no willingness to surrender national prerogatives on economic and social policies. The working group on this issue was one of the last to be formed. And the results were a flattening of the existing situation. With colleagues from the socialist family – we met in the evenings to coordinate efforts – we recalled how the US ceased to be a confederation and became a federation not in Philadelphia, but when federal income tax was introduced a century later. This was how the federation acquired its resources, and Congress became more important than the state assemblies. But no one in the working group dared to take propose the idea of a European tax – or a common European debt. And that was one of the factors that convinced me that we were moving towards the creation not of a constitution but of a hybrid – half treaty, half constitution. So much so that the rule was retained that all national parliaments had to have a say on the Union's financial resources. And that the Madison clause was rejected – there is no Hamilton without Madison – i.e. the possibility that the Constitution would come into force once a majority of the Member States had ratified it.

There is no doubt that recent years and the blows we have suffered – most recently Covid – are today leading to the notion that there can be a common European debt with which to finance common European expenditure. Schaüble is right: this is the time for federalisation. I have no illusions, however, because it comes at a moment when we can see how strong

national identities are, much more so than those of the thirteen former colonies of the US. And how in Europe the mixture between advance towards federalisation and protection of national identity is destined to remain inextricable.

Which leads me to agree with the words of the German Constitutional Tribunal when it ruled on the Lisbon Treaty, which – let us not forget – took up our constitutional work. The *Bundesverfassungsgericht* stated clearly: this is and has remained a union of states, which has moments of integration and may have others; but shall they one day go as far as to entail the transformation of the Union into a federal state, that would need to be settled by changing not only European law, but also our national constitutions. I am convinced that this is the case, and that today's Europe, where national identities are so strong, would be unlikely to accept a different solution.

Prof. Sergio Fabbrini points out in this book that the apprehension about the federal leap that has moved the Nordic countries, led by the Netherlands, in recent negotiations, has more to do with a fear of small states being overwhelmed by big ones – a problem that also emerged, and was later resolved, at the time of American federalisation – than with the much vaunted North-South cleavage. How can this antagonism be smoothed out on Europe's journey?

There is no shortage of legal expedients: one is the so-called proportional-regressive representation. Already used for the election of the European Parliament, it provides that the basic proportional principle regresses as the number of inhabitants of each country decreases – so that the weight of, say, a Luxembourg voter is about ten times that of a German voter. There remains the problem, which the EU-enthusiasts seem not to realize, of how to frame in this perspective the

European referendum, which in the classic theoretical scheme should unitedly invest European citizenship with a constituent capacity for the future European federation. I have been working on this issue for about thirty years, and not one of the possible formulas of how that could work has been accepted, for the simple reason that the central principle of a referendum – one head one vote – creates an outnumbering, where the voters of small countries are outnumbered by those of large countries. And this is a crucial factor of democracy: the democratic nature of the system persists if and insofar as it represents each citizen, *both* as a European *and* as an Irish, Polish or Italian. This conundrum has always existed, but in an epoch of returning sovereignty concerns it has become even more important.

Postponed by the health crisis, in 2021 a new Conference on the Future of Europe will open involving once again the national governments and parliaments, as well as the EU institutions. Based on your experience with the Convention, what should this conference be, or avoid being, in order to succeed?

The biggest contribution can be made today if we succeed in building around the common debt a supranational system of economic and financial governance capable of sustaining the stability and development of the bloc, thus filling the gap that has existed since Maastricht, when we placed the single currency alongside a mere coordination of national economic and fiscal policies. The other asymmetry that needs to be corrected is the lack of a minimum social protection network at European level. Social policy is clearly a national prerogative, but just as we in Italy have invented "essential levels", there could also be European ones. Thirdly and finally, I would recommend doing all this but not getting carried away by

enthusiasm and trying to go too far. Because then a boomerang effect might threaten undoing even the things on which agreement had been reached.

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Reset Dialogues on Civilizations

How does it feel to re-emerge from a deep sleep that seemed endless, and discover that there's still a world out there, and a journey to be re-started? That is roughly the feeling with which not only individual citizens, but Europe as a whole is looking to welcome 2021, burying a disastrous season. The health and socio-economic shock of the pandemics, of course. But also, on a longer-term political level, the nightmare of the less 'Atlantic' US presidency one may remember. What kind of European Union will reemerge from the deep sleep? Will the launch of the Next Generation EU programme be the building block of a new federal leap, or it will remain an isolated, emergency experience? And how should relations with the US and China be redesigned?
Those are the questions tackled in this volume, the fruit of a double conference organized between Reset DOC and Fondazione Corriere della Sera last fall, by some of the most brilliant scholars and observers of European and international affairs: Marta Dassù, Sergio Fabbrini, Timothy Garton Ash, Bernard Guetta, Shada Islam, André Sapir, Alberto Saravalle, Vivien Schmidt. Their analyses and practical proposals are enriched by interviews with two key players in this crucial transition, in Rome and Brussels – European Commissioner for the Economy Paolo Gentiloni and Italy's Minister for European Affairs Enzo Amendola – and by a dialogue with former Italian Prime Minister Giuliano Amato on the legacy of the late Valery Giscard d'Estaing. A strategic immersion useful, to all of us, to frame the Union, and the world, where we would like to live tomorrow.

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