

GLOBAL AND REGIONAL ORDER

AWAITING THE GERMAN EU PRESIDENCY: CHALLENGES AND OPTIONS FROM AN EASTERN EUROPEAN PERSPECTIVE

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June 2020



With crisis-management currently at the core of policy-making priorities, expectations being directed at the German EU Presidency are higher than ever in terms of securing internal cohesion and bridging growing divides within the EU.



Whereas Central Eastern Europe should not be looked upon as a monolithic bloc, there are topics – like the EU funds for cohesion and agriculture and the strategic relationship with the US –, where the new Member States will take a united stance, unwilling as they are to make any risky bets.



In order to succeed, Germany will have to make sure that its Presidency takes into account the specific needs and views of the Eastern European members.

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INTRODUCTION

As Germany is preparing to take over the rotating Presidency of the Council of the European Union on 1 July, the unprecedented nature of the COVID-19 crisis conditions a need for strategic alignment and cautious assessment of priorities for the Presidency. Berlin's opportunity to forge a common EU response to the effects of the pandemic may have overshadowed strategic thinking on the EU's post-Brexit consolidation, which dominated the EU agenda in the months before COVID-19 broke out. It may have also raised the question of possible »one-size-fits all« recovery solutions in the medium and long term, such as the many facets of transition to a »greener« economy. With crisis-management currently at the core of policy-making priorities, European capitals' expectations from the German EU Presidency may prove to be significantly higher in terms of substantial and inclusive leadership. Eastern Europe is a much-needed ally if Berlin is to succeed in its ambitious plans in 2020: the lessons learnt from the previous crisis and the rift between the North and the South of the Club recommend keeping the East close.

Central and Eastern Europe is a region of striking inconsistencies and incongruities. It was only mildly affected by the COVID-19 pandemic, in comparison with Europe's West and South, while in the past few years it has become more self-assertive and ambitious, demanding for itself a strong voice, not just a seat, at the table. It is also afflicted by internal tensions and external criticism revolving around the rule of law, which is partially weakening these countries' power in negotiations. Bridging the gap between updated expectations and domestic vulnerabilities has been a defining feature of the region's membership in the EU. Currently, the EU's post-crisis narrative makes scant reference to the opportunities arising from CEE's positive results in handling the crisis and specific expectations. But it does grant capitals flexibility in dealing with the economic fallout from COVID-19. At the same time, the CEE should not be looked upon as a monolithic bloc – from the Baltic to the Black Sea, there are striking differences when it comes to preferred alliances, levels of EU integration and domestic realities. At the same time, perceiving Eastern Europe merely as a space marked by underdevelopment, corruption, obstinacy and a region where EU influence is relatively weak fails to see the diversity of characteristics and expectations exhibited by the different states, at different moments in their history, inside and outside the EU. This paper seeks to stimulate a discussion on urgent issues that the upcoming German Presidency of the EU Council needs to address in the current epidemiological context in order to help bring about a more inclusive future for the European Union while ensuring a solid understanding and full acceptance of the notion of »shared risks« that EU policy-making is to be based on in the near future. Authored by an Eastern European, it is meant to provide an Eastern European perspective on the German EU Presidency.

to be successful, the EU's response to coronavirus – under the German Presidency – needs to focus on a mobilisation of policy-making efforts and integrate all available instruments into a medium and long-term vision that finds broad acceptance and eventually becomes internalised as a common European approach, including by Central and Eastern European countries. Simultaneously, putting in place a solid crisis-response mechanism at EU level may also imply an extension of the Union's prerogatives and strategic sovereignty in areas such as healthcare, energy, information technology, logistics, supply of food and raw materials, as Foreign Minister Heiko Maas recently noted when addressing the heads of German diplomatic missions abroad.

Although the German Government has not yet published the official EU Council Presidency program, key priorities have already been communicated as part of a mapping exercise meant to accommodate previous plans and current developments. At the top of the German EU Council Presidency agenda will undoubtedly be the Union's response to the COVID-19 pandemic, with special attention being devoted to immediate crisis-management and further economic recovery, which to be effective require greater coordination and cohesion across the EU. Secondly, the German EU Presidency needs to address key dossiers within the framework of the wider debate on Europe's future, such as negotiations on the next Multiannual Financial Framework and the future relationship with the UK, as the current transitional period terminates at the end of the year, as does the so-called »green recovery« of the European economy, an effort to help economic recovery policies align with the European Green Deal. Thirdly, the EU's flagship objectives before the crisis are expected to round off the German agenda: the EU's industrial strategy, digital transformation, reform of the common migration and asylum policy, the EU's geopolitical dimension and internal security, the rule of law and democracy. In most of these dossiers, Eastern EU members have a stake and will try to either communicate overtly or behind the scenes that their interests need to be taken into consideration.

German success is first of all tantamount to EU success: the club must move forward and be seen, by our citizens, as moving forward in addressing the multifaceted COVID-19 crisis. In order

HONESTLY BROKERING A COMMON EUROPEAN APPROACH TO ECONOMIC RECOVERY

On 18 May, the leaders of Germany and France proposed a one-off EUR 500 billion rescue fund to support the European Union's economic recovery in a post-crisis scenario. Under this bold proposal, funds would be made available as grants to the hardest-hit sectors and regions in the EU, based on the model of financial market loans, as a solution agreed upon following weeks of debate between EU leaders over which financial mechanisms should be employed as drivers of economic recovery. In the initial discussions over this framework, the governments of France, Italy and Spain had favoured grants, whereas Berlin and the Hague advocated loans as the best means for stimulating economic recovery. However, as pointed out by German Chancellor Angela Merkel, the recovery plan eventually put forward in coordination with France is a »short-term« response to the crisis, paving the way for long-term solutions that would include EU reforms. Thus, the idea of securing immediate financial stability and predictability to a certain extent is consistent with the German position of acting as an honest broker in forging a common European approach to crisis management and further economic recovery, despite the exceptional nature of this policy option.

In a nutshell, the proposal put forward by Germany and France implies that the European Commission would take on this debt in the form of joint bonds with a long maturity, with EU countries assuming liability, and no repayment being required for the aid provided from this fund. However, a group of countries, the so-called »Frugal Four«, made up of Austria, Denmark, the Netherlands and Sweden, presented their own draft proposal for an EU recovery fund, with the basic difference being that the aid funds are to be repaid. The alternative proposal by the »Frugal Four« is similar in scope to the Franco-German initiative, envisioning investments in research and innovation, healthcare, green economy and the digital agenda, yet avoidance of debt mutualisation stands at the core of disagreement between Germany and France on the one side and the »Frugal Four« on the other.

The position of the »Frugal Four« is also based on several principles for »efficient and sustainable recovery«, which are meant to underlie the future EU Multiannual Financial Framework and reconfirm a way of thinking regarding what a »modernised EU budget« should mean in their view, including savings to be made in the MFF by reprioritising in areas that are less likely to contribute to recovery, frontloading / temporarily topping up COVID-19-related expenditures to help kick-start the economy and speed up recovery, producing a strong, financially sound and sustainable budget, with an overall level and composition of expenditure proportionate to strategic priorities, and an unchanged position regarding the MFF. The »Frugal Four« would like to uphold the position that national contributions be limited, recalling and underscoring that the rationale underlying corrections »still applies«.

But where does Eastern Europe fit into all this? Madrid and Rome may be more pleased by these plans, but can Warsaw and Bucharest share in this feeling? Several Eastern European states are not Eurozone members, so a key element in any pan-European debate needs to be their interest in having an access to funds. Interestingly enough, looking at the European Commission's own proposal for a Recovery Fund, which is to be linked to the EU's next long-term budget, the Eastern European perspective appears to have been virtually ignored in the wider EU-level dialogue. Limited coordination between Central and Eastern European capitals, as well as a feeling that it is important to be constructive in a crisis, also explain the absence of a coherent or strong CEE voice in the framework of talks involving recovery, but cannot rule out a future narrative of discontent as regards risk and responsibility-sharing across the European Union, especially as the COVID-19 pandemic has not had as severe an impact on Central and Eastern Europe as it has, for instance, on Italy or Spain. Against this backdrop and in view of the desire to position itself as an »honest broker« in recovery talks, the German EU Presidency needs to encourage an extensive dialogue with CEE capitals, bearing in mind that EU-level solidarity, as a precondition for the success of post-crisis recovery efforts, is grounded in a deeper understanding of medium and long-term benefits of risk-sharing and confidence-building. Otherwise, even if the EU seems to have learned its lessons from the previous crisis, moving to prevent a North-South divide, it would face the risk of an »East vs Rest« fault line.

A REALISTIC MFF AND GREEN RECOVERY...

European Council President Charles Michel presented a joint roadmap for recovery, prepared together with European Commission President von der Leyen, ahead of the leaders' video conference held on 23 April, dedicated to the EU's response to the Coronavirus pandemic. The report stated that »the future multiannual financial framework (MFF) will be a key instrument to support a lasting recovery and a fully functioning and modernised single market.« It also stated that »the MFF will have to take into account the effects of the crisis on regions and affected sectors, including by revamping key programs to maximise their contribution to repair and recovery.«

The European Commission put forward an updated MFF at the end of May and, with an optimistic timeline, EU leaders are expected to reach an agreement on the EU's budget in the second half of June, whereby the European Parliament also has to rubber-stamp the proposal and see to its implementation. However, as has been seen to date, consensus on the MFF has not been easy to achieve, even under non-pandemic circumstances, as EU leaders failed to agree on the main features of the MFF in February. Thus, further negotiations on the MFF may extend well into the German EU Presidency, further formalising Germany's arbitration role in reaching a consensus on some of the most ambitious elements of the multiannual budget. In this regard, to put it bluntly, nothing unites the

Eastern bloc of the club like the financial talks, so this should be a strong point on Berlin's radar in the months to come: bilateral relationships will become less important than the aim to secure as much EU money as possible in the coming years.

In spite of the Corona crisis taking front stage, Brexit negotiations will continue to be a hot potato. Previous challenges, such as rethinking the MFF in the face of the loss of the UK's contribution and the need to raise the future EU budget framework to more than one per cent of the Gross National Income of EU Member States, are still expected to fuel disagreements during upcoming negotiations, while the EU's less-developed Member States will most likely continue to maintain hard-line positions regarding cohesion and agriculture funds, to the detriment of green recovery perspectives, including as a means of post-crisis recovery. Further negotiations will showcase stark differences in immediate needs and understanding of crisis-management instruments among EU Member States and, despite their economic interconnectedness, it is likely that political coordination will still be limited between East and West, North and South.

To a certain degree, not only political coordination may be seen as less than adequate. Future steps to find a way out of the economic slump may turn out to be too disconnected as well. In its new proposal laid out by the Commission in May, the objectives of the Green Deal strategy to reach net-zero greenhouse gas emissions by 2050 remain at the heart of the Coronavirus economic recovery plan. Meant to kick-start the economy and green it at the same time, including by injecting funds into boosting sales of electric vehicle, into so-called »green mortgages« and the development of green hydrogen that can curb emissions in heavy industries, many CEE Member States may not be convinced by the plan. Considering how limited resources available for investment, innovation and development are in these countries compared to Western European states, some of these proposals may be overly ambitious or come at a price many CEE leaders are not prepared, or not willing, to pay.

Opposition to green policies across the EU has cropped up as one of the most dangerous negative trends in the context of the pandemic, not only because it consolidates a narrative along populist lines in countries like Sweden, France and Germany, but also because it hinders one of the European Union's key opportunities to reaffirm global leadership. Voters whose jobs and financial security are threatened by the effects of the pandemic may prove more responsive to waves of opposition towards green policies, which imply a transition stage and unavoidable risks to some economies, especially in Central and Eastern European countries. Targets for reducing carbon emissions have already widened the East-West rift, as the Eastern »half« is still highly dependent on coal for energy production. Under the next Multiannual Financial Framework, recovery plans meant to also accommodate green policies must pursue a balance between the challenges of the current situation and real opportunities in the near future. Consequently, »Green Recovery« should focus more on recovery and less on green when Berlin talks to its Eastern partners.

Far more palatable and in line with their current expectations would be issues revolving around agricultural funding and rural development. The current crisis puts increased pressure on Germany as well as the entire political bloc, as major programs such as the Common Agricultural Policy (CAP) will be expiring by the end of this year and negotiations are ongoing. The final vote on the new CAP is expected to be held this autumn, and this will determine EU agricultural policies for the next seven years, although the uncertainty caused by the global pandemic has already affected agricultural markets, food supply chains, and farm incomes. On 27 May, as part of the new MFF proposal, the European Commission proposed the allocation of an additional EUR 20 billion to support the »greening« of the European farming sector through the recently-launched Farm to Fork strategy, intended to consolidate the European Agricultural Fund for Rural Development (EAFRD). Initially, in 2018, the Commission envisioned a roughly 30% cut for EAFRD, which has now been reduced to around 10% compared to the 2014-2020 CAP budget. This concession may positively impact negotiations among EU Member States, as well as Central and Eastern European countries' readiness to support the Green Deal, considering the previous opposition of countries such as Romania and Poland to massive cuts in agricultural funding.

... WHILE SAFEGUARDING COHESION FOR THE NEXT FINANCIAL CYCLE

Coordination in the post-pandemic economic recovery stage, as well as with a view to tackling a potential second wave of Coronavirus, poses a risk of deepening East-West division in terms of future budget allocations meant to improve cohesion. Aside from the issue of migration, the EU's cohesion policy has been one of the few areas where the interests of Eastern Europeans have appeared coordinated and well aligned over the years, including as a response to the West's endorsement of a »two-speed« Europe during the Versailles summit of France, Germany, Italy and Spain held in June 2017. In 2020, the issue of injecting funds into policies meant to drive cohesion may benefit from support in Europe's South, as Italy and Spain are now among the countries most afflicted by the pandemic. An honest and balanced approach to the future of cohesion can be added to the general expectations from German EU Presidency and the Trio Program to be continued by Portugal and Slovenia.

The EU's cohesion policy, generally backed more by the EU's southern Member States and less by the northern »half«, has so far driven growth and economic convergence, although at different paces. Several newer EU Member States in the CEE have already experienced growth with regard to key indicators, such as GDP per capita, surpassing some of the bloc's old Member States, including Greece and Portugal. However, efforts to close the income gap between the East and the West and to drive social convergence have lagged behind, in terms of pensions, social security nets, state-funded benefits and allocations to public services, including - but not limited to - the public funding of healthcare systems. Thus, enhancing the resilience of public

health systems across the EU may be a bold, but it is also a necessary, topic during the German EU Presidency, which would offer long-term benefits for further efforts to close the gap between EU Member States. Health-related initiatives are likely to be strongly favoured in the East, particularly if the EU chips in part of the money for a Healthy Recovery, above and beyond the much-touted Green and Digital initiatives.

So far, turning to the public health dimension, the European Commission has pledged direct support for the healthcare systems of EU countries, with EUR 3 billion from the EU budget, matched with EUR 3 billion from the Member States, being earmarked for the Emergency Support Instrument and RescEU's common stockpile of equipment. The fully-funded RescEU has been set up to create a reserve of medical equipment, from personal protective equipment to ventilators, vaccines and therapeutics, while Germany and Romania are the first Member States to host the rescEU reserve, a shining example of West-East cooperation. This Emergency Support Instrument continues to enable the Commission to procure equipment directly on behalf of the Member States and to finance and coordinate the transport of medical equipment and of patients in cross-border regions. This also removes procurement probity worries while strengthening citizen trust and confidence. Also, importantly, the East would welcome any reshoring of supply chains. The joint proposal forwarded by Macron and Merkel on 18 May has called for a new European approach to health crises, aiming for greater EU sovereignty and independence when it comes to medical products and pharmaceuticals. According to analysts, the Franco-German proposal also implies increasing European capacity in the area of research and development for vaccines and treatments, with the short-term goal being to develop a Coronavirus vaccine in Europe and ensure its global access. A consistent dialogue on the future of public health as a national and EU-level responsibility can thus serve as the starting point for advancing EU integration in the current crisis context and with a view to a second possible wave of infections.

JOINT PROSPERITY - ORGANISING WORK AND GROWTH AMIDST THE CRISIS. THE CASE OF SEASONAL WORKERS

The question of resilience does not apply only to public health systems, but also to European production chains in industry and agriculture. The closing of national borders almost instantly raised the question of critical workers' mobility under the new realities, especially seasonal workers in the food sector and, more particularly, the case of Eastern European seasonal workers who have been key to agricultural production in Western European states such as Germany, Austria or the United Kingdom. Resumption of flows of seasonal workers at a time when all EU Member States are making efforts to repatriate their citizens has prompted the European Commission to publish a set of guidelines to help ensure that mobile workers within the EU that qualify as critical workers in the fight against the Coronavirus pandemic can reach their workplace.

According to the Commission, the food sector is a key sector addressed in the guidelines, especially seasonal workers; thus, Brussels has sought to attend to practical concerns of citizens and companies affected by measures aimed at containing the spread of the Coronavirus, including internal border controls and restriction of movement of people within the EU. The Commission has acknowledged, as the flow of workers intensified, their essential role in ensuring an efficient food supply chain and food security across the EU, but also the risk of labour shortages in the context of restrictive measures. Moreover, the Commission has urged Member States to establish specific efficient, fast-track procedures to ensure smooth passage for frontier and seasonal workers, including reasonable health screening, as well as to exchange information on their different needs at the technical level and establish specific procedures to ensure smooth passage for such workers.

Two months and a wave of public scandals later, however, the European Parliament's Committee on Employment and Social Affairs has addressed the issue of seasonal workers facing »precarious« working conditions and lack of clarity over their legal rights. In a debate that took place on 26 May, MEPs expressed deep concern over reports about precarious working conditions and a lack of safety measures for cross-border, frontier and seasonal workers, who »provide a vital workforce on farms in Germany, France and other Member States and ensure food security across Europe but their rights are often denied.« MEPs enumerated the problems faced by workers at slaughterhouses in the Netherlands, France and Germany, and health workers from Romania and Bulgaria who were brought to Austria.

Although the vulnerable position of Europe's 1.9 million posted workers and 1.5 million cross-border workers has been an issue for a considerable period of time, according to the MEPs, the COVID-19-crisis is exposing these problems even more pointedly. MEPs stressed that, according to EU law, mobile and posted workers must be treated in the same way as domestic workers. They called on the Member States to step up labour inspections, wherever relevant acting jointly with the European Labour Authority, and to fully implement EU legislation regulating different aspects of mobility, including free movement and posting of workers as well as social security coordination. Members of the European Parliament's Employment Committee also underscored that digitalising procedures and applications could help to coordinate the different social security systems of national authorities to ensure social protection for all employees in the EU, while the EP negotiating team working on the revision of EU legislation concerning the coordination of social security systems also called on all actors to urgently find a balanced solution as a top priority in the social area.

Addressing the vulnerability of mobile and seasonal workers in the Coronavirus context and as part of post-crisis recovery efforts is a step forward in the direction of normalising labour relations across the EU and harmonising the legal frameworks in which EU Member States ensure the social protection of workers. At the same time, the current situation highlights the mirroring of

vulnerabilities and limitations of local labour markets: while the West is trying to cope with shortages of labour, Eastern Europe is seeking opportunities for all categories of workers, thus placing the issues of cohesion and convergence in a different, yet realistic light. During further debates on this topic, the German EU Presidency may find itself in a position where it is forced to counteract tendencies to call into question the free movement of labour within the bloc, but in this context, it can perhaps build on its own special experience to advance a unified approach to social protection standards for seasonal workers. German-Romanian governmental cooperation can serve as an example of how to prevent the EU or bilateral relationships from becoming hostage to domestic populism. A solution-based approach remains the best option to bolster citizen confidence and the feeling that there are – but should not be – any double standards.

UPHOLDING DEMOCRACY AND RULE-OF-LAW PRINCIPLES – HEATED DISPUTES AHEAD?

As the Coronavirus pandemic has revealed new challenges to democracy and rule of law across the EU, controversial decisions in countries like Poland and Hungary have fuelled the debate over the need to observe rule-of-law principles under crisis conditions in order to limit possible abuses and dangerous precedents. Strengthening the powers of governments in times of crisis to ensure immediate responses to pressing challenges should not contribute to a deepening of the crisis itself by casting doubt on national authorities' true intentions.

In the Coronavirus context, the ruling forces in Hungary have faced accusations of taking »rule by decree« too far, even to the point of instituting measures to »silence« criticism, without ensuring a better response to the Coronavirus in the process. The ruling party of Poland has been accused of pushing through controversial legislation, from changes to the electoral code to introducing restrictions on abortion rights and allegedly launching attacks on civil society. If these charges are true, the intent behind such measures goes beyond generalised corruption and rule-of-law deficits, and red-flag instrumentalisation of a public health crisis to promote political agendas and remain »under the radar« as the EU attempts to deal with the effects of the pandemic and shift priorities at the level of the EU Member States.

Current accusations being levied against Budapest and Warsaw once again raise the issue of linking EU funding to rule-of-law criteria, in order to tie the access of Hungary and Poland to needed funding. This means Berlin should be prepared on the one hand for a certain degree of CEE wariness as regards the initiative (if not solidarity with Poland and/or Hungary), and on the other, for pan-EU disputes with accusations being traded, including a return to conspiracy theories (in the past, populists in the East have, with varying degrees of success, peddled the false narrative that the West treats the East as a »colony« and is not

really interested in the development of the new Member States). How this issue plays out will depend on two key aspects: first, on how vocal and radical Poland and Hungary become; and second, on cohesion within the Visegrad group in the wake of recent political changes in Slovakia. For different reasons, Romania and Bulgaria will most likely be on board when it comes to connecting European funds and the rule-of-law-requirement: the liberal Romanian leadership has been a long-time supporter of the approach, while the Bulgarians will fall in line while quietly negotiating on other fronts. For these two countries, who are still under the Cooperation and Verification Mechanism, an end to monitoring (at least as an agreed timetable) or sequential access to Schengen could sweeten the pill. All in all, this highly divisive topic will be addressed as part of the upcoming negotiations on the next MFF, although the crisis has prompted the EU to drop this discussion from the EU's priority list (something that would not really displease Eastern Europeans, although different countries have different expectations and stakes), especially as the applicability of the rule-of-law criteria to EU funding may be challenged by the targeted capitals, based on the arguments of sharing a common burden at the level of the EU.

As underlined by the Commission's 2018 proposal, »the Union is a community of law and its values constitute the very basis of its existence. They permeate its entire legal and institutional structure and all its policies and programs. Respect for these values must therefore be ensured throughout all Union policies. This includes the EU budget, where respect for fundamental values is an essential precondition for sound financial management and effective EU funding.« Based on the link between rule of law and sound management of EU funds, the next MFF is set to drive, on the one hand, a »protective« approach (safeguarding the EU budget from breaches of rule of law, while nurturing EU recovery) and, on the other hand, a »strategic« one, reinforcing the leverage of EU funding to promote common European values. It will therefore be the task of Germany's EU Presidency to strike a balance in forging an agreement between EU Member States on this complex matter.

DEALING WITH STRATEGIC ALLIES AND COMPETITORS IN TIMES OF A ZEITGEIST MARKED BY GREAT POWER COMPETITION

The EU's current roadmap for recovery acknowledges that the EU »as a global actor« has a »particular responsibility to help frame a global response through multilateralism and a rules-based international order, with its partners in the UN, in the WTO, in the G20 and in the G7. « In this framework, a sound contribution to preserving fully functioning multilateral approaches and a rules-based international order constitutes one of the main expectations from the German EU Presidency. The realignment of global alliances - and particularly the multilayer competition between the United States of America and China - has been pushing the limits of the EU's traditional deal-making power and exacerbating political differences between European capitals, each driven, as it were, by its own strategic priorities. Thus, while

the EU may appear to be straddling the rift between the US and China at times (and Global Europe is seen to be in great power competition with Washington and Beijing), it is also struggling with internal divisions when it comes to potential opportunities deriving from the complex web of strategic partnerships that the EU has been upholding. When approaching competition between the US and China on major dossiers, the EU is simultaneously dealing with its own vulnerabilities, overwhelmingly deriving from the fragile consensus on what the bloc's strategic priorities and single voice should be.

The past few years have shown that there is no split between Europe's East and Europe's West when it comes to dealing with the United States, respectively China; reductionist takes are based on the opinion that Central and Eastern Europe, with its »less performing« economies, tends to be more vulnerable to politically-charged investments from China, whereas Europe's West is more capable of upholding and preserving rules, regulations and political integrity. However, developments such as the West's lack of consensus on how to approach Chinese 5G technologies and Italy's infatuation with Beijing's Belt and Road Initiative, added to the fact that most Chinese FDI is directed at Western and Northern Europe¹, refute the assertion that China's primary focus is on Eastern Europe. Although one may recall instances when Eastern European capitals have struck what has been perceived as a wrong note in Brussels, as a result of Chinese links, these may not be enough to paint a realistic and comprehensive picture of the Eastern EU's behaviour in a setting of great power competition.

In Eastern Europe, security links with the US are stronger than prosperity-based ties with China, and Washington is keen to nudge partners to make a clear commitment to it. To highlight the diversity of approaches to international affairs, one must also look at the significance of strategic partnerships with the US, especially for Central and Eastern Europe, which tends to favour partnerships based on shared security objectives in a challenging regional context. Whereas there is no match for the EU's economic contribution to Central and Eastern Europe, strategic partnerships with the US and membership in NATO are the most reliable security guarantees when it comes to containing Russian assertiveness in the region, including towards the Eastern Partnership. Thus, to accommodate CEE expectations, the German EU Presidency needs to demonstrate a deeper understanding of the region's particular special interests and challenges when engaging in future negotiations. This is a challenge also shared with the »Geopolitical Commission« headed by von der Leyen: »strategic autonomy« in the East means more national flexibility to do something; it is not about decoupling from the US.

The German EU Presidency should achieve significant progress in improving market access and arrangements with China to protect investments. In particular, the EU-China investment agreement, which is long overdue, was expected to be

concluded in 2020 and eventually deliver on the goal of ensuring a level playing field for European companies in the Chinese market, although the negotiations that started in 2013 have proven to be tedious. This investment agreement would replace over 25 bilateral investment-promotion and protection agreements between China and EU Member States, while establishing a much-needed single European voice as a precedent for further negotiations. However, conditions surrounding post-crisis economic recovery are taking a toll on economic and trade coordination at EU level and may fuel an ascendancy of economic patriotism, while lowering the appetite for international cooperation that imply high dependence on supply value chains under the control of other great powers. It is still difficult to predict what the impact of these trends will be on deals made by the EU and its regulatory power, although the EU leadership, above all the European Commission, is acknowledging the key importance of consolidating current partnerships. To this end, as of 26 May, leaders of the EU and Japan have agreed to avoid »unnecessary travel and export restrictions« to counter the COVID-19 pandemic and defend multilateralism. The EU and Japan concluded the biggest free trade agreement in the world in 2017, with this being followed by intensive talks on EU-Asia connectivity, thereby setting standards for further talks. Yet extensive EU-Asia connectivity cannot exclude China or China's approach to connectivity (as seen in Central and Eastern Europe or the Western Balkans), which produces an opportunity for the German EU Presidency to address, first and foremost, the issue of standards and regulations for sustainable connectivity, thus reaffirming the EU's global leadership on this matter.

Recent media reports have suggested that the German EU Presidency may also seek a resumption of negotiations on the Mercosur Agreement and trade policy with the United States, particularly with the aim of avoiding a transatlantic trade war. In addition, the Trio Presidency Program may also include trade negotiations with Indonesia, Australia, New Zealand and India. In a period of intensifying great power competition, the EU may well be better off, instead of letting itself be forced to choose sides, to opt instead for a widening web of alliances and consolidation of global exchanges. This strategy, however, may be conditional, among other things, on the EU's flexibility and openness to a reform of key multilateral organisations, such as the World Trade Organization and, ever more topical, the World Health Organization. With a push for reform being part of Washington's narrative, this creates an opportunity for Berlin (and Brussels) to avoid being dragged into the American–Chinese bickering and its spill-over effect on international organisations. Last year, Germany and France launched the Alliance for Multilateralism, an informal initiative that has the potential to develop a more appealing vision on how to restructure the global order (starting with a properly functioning WTO and WHO), while ensuring preservation of a rules-based, liberal, and inclusive system. Much remains to be done here in bringing together mid-size and regional powers while creating a bedrock for reform, as opposed to collapse, of strategic and sectoral international cooperation. As regards such evolutionary developments along the lines of a Global Europe

¹ <https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe-2019>

buttressed by trade and political partnerships, Eastern Europe has nothing to lose (we are keenly aware that small countries benefit from trade), so it will green-light such developments, since this expands options for economic recovery. If the restructuring of global value chains translates into more production capacities in Eastern Europe, all the better for the region.

**CONCLUSION:
CEE WILL HELP A FLEXIBLE BERLIN
CREATE TRACTION FOR THE EU TO
EMERGE FROM THE CRISIS AS
A UNIFIED FORCE**

The challenges facing the EU Presidency during the crisis of 2020, ranging from the need to manage great power competition to economic recovery and mitigation of a second COVID-19 wave, requires considerable acumen and consistent presence of German leaders and communicators on national media in CEE States to win the hearts and minds of populations there, or at least to keep them engaged and part of the dialogue. For the German EU Presidency to register major accomplishments, it needs to succeed in areas of substance – by fostering solidarity and compromise – and sharpening perceptions, by inspiring the Club as it pushes forward in the face of those prophesying its demise and doom. The multiannual financial framework, the Green Deal, post-pandemic economic recovery, cooperation in the area of healthcare, the European funds – the rule-of-law nexus, the situation of posted workers, and the strategic role of the Union itself –these are all complex issues and Germany will have to strike a balance between promoting its own initiatives and being an honest broker.

This paper has sought to highlight that, as regards these topics, the new Member States have specific interests and expectations: some only require basic consultation and reassurance, while others are more in need of problem- and conflict-solving,

requiring not only engagement, but also a better understanding of where the lines need to be drawn. For example, the situation surrounding EU funds for cohesion and agriculture and the strategic relationship with the US are two topics where Eastern Europe will offer a united front, stubborn, obstinate, and unwilling as it is to make any risky bets. In the end, a bird in the hand is worth two in the bush. Economic and strategic uncertainty plays a greater role in Eastern Europe, and both the pandemic and great power competition are exacerbating these fears. Germany has traditionally been astute at reading the region's mood and will hopefully continue to be.

The crisis may even present itself as an opportunity if Eastern Europe joins together with more prosperous Western Europe to find solutions to the crisis that translate into jobs, growth and a speedy recovery. Leaders in Berlin should recall that a German EU Presidency can do much to enhance the standing of the country, but it also carries huge responsibilities, and less well-meaning national political actors may offer an alternative narrative of Germany over-flexing its muscles across the continent under the cloak of the EU. The German Presidency thus also needs a pinch of finesse and a heaping spoonful of soft skills in its approach toward Eastern Europe: it should engage not only with leaders in the region, but also with the general public on a broader scale. Hence, the name of the game in the months to come will be sensitive and sensible communications. To paraphrase a former Polish foreign minister: we should fear less German action in the EU, and more inaction in CEE communication. Germany is a key founding EU state, is well-versed in addressing policies in their substance, at home and abroad, and has learnt from mistakes made in the previous Eurocrisis. But the current *jamais-vu* crisis demands even more preparation than before, by walking the talk with the varying interests of the EU's different States in mind, as well as communicating wisely with all European citizens while delivering on the economic front. Eastern Europe needs the safe and secure pair of hands that Germany has to offer: CEE will for its part lend a helping hand as long as its needs are also adequately taken into account.

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IMPRINT

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AWAITING THE GERMAN EU PRESIDENCY: CHALLENGES AND OPTIONS FROM AN EASTERN EUROPEAN PERSPECTIVE



As Germany prepares to take over the rotating presidency of the Council of the European Union in July, the number of pressing tasks (and deadlines) ahead looks intimidating. At no time since reunification has Germany been called to put its political and economic weight to work and exert its influence so resolutely in so many areas of European and global affairs.



The multiannual financial framework, the Green Deal, post-pandemic economic recovery, cooperation in the area of healthcare, the European funds, the rule-of-law nexus, the situation of posted workers, and the strategic role of the Union itself – these are all complex issues that Germany will have to tackle by fostering solidarity and compromise, and by inspiring the European Club as it pushes forward in the face of those prophesying its doom and demise.



The Eastern EU members have a stake in most of these dossiers. As long as their needs are also adequately taken into account, they will for their part lend a helping hand to make Germany's EU Presidency a success.

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