

THE STATE OF THE EUROPEAN UNION REPORT

Europe in a period of transition



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FUNDACIÓN ALTERNATIVAS AND FRIEDRICH-EBERT-STIFTUNG

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Introduction. The challenges of post-pandemic Europe

It is clear that the 21st century is putting the European project to a severe test. Multiple crises (economic, migratory, democratic) and the United Kingdom's exit process have shaken the EU to its foundations. In addition, the COVID-19 pandemic has unleashed both a health and an economic crisis.

The social impact of a crisis of this scale is beyond question. Inequality has grown and the welfare state, already severely weakened by the neoliberalism of recent decades, has been further undermined in Europe and North America, although the damage has not been fatal thanks to the strength of our democratic structures.

In addition, two further developments have had a major impact: China's rapid transformation into a technological superpower, and the appearance in the west of ultranationalist, protectionist and reactionary forces that are truly worrying. This has found expression in Trumpism, which continues to be influential in the USA, both in the media and more widely, and in the European far right, which has deliberately sought to provoke the EU, particularly in Poland and Hungary.

We do not yet know if this situation is merely transitional and will have a positive conclusion or if it will become worse as time goes on. What we do know is that the outcome will be strongly influenced by the EU's response to the unexpected challenges we are facing in the 21st century. In addition to the political challenges noted above, we should add the huge threat of climate change, and the digital divide both between social groups within society and between different countries.

This report on the state of the European Union, compiled each year by the Fundación Alternativas and the Friedrich-Ebert-Stiftung, focuses precisely on the challenges posed by this period of transition. In it, we analyse the situation in 2021 and the prospects for 2022, and we identify recommendations and political proposals regarding what we believe the EU should do, from a progressive perspective.

The EU must respond to a very difficult set of circumstances. These can be summed up as the choice between capitulating to a wave of anti-European nationalism and individualism or taking a decisive leap towards a more integrated Europe that defends its essential values of democracy, the Rule of Law and freedom.

These values, as stated in article 2 of the Treaty of the European Union, are based on a set of principles, one of which we wish to highlight as being particularly necessary just now: solidarity. This is a value that encapsulates the very meaning of a supranational

project, one in which agreement – both in goals and methods – is so important, in a community of almost 500 million people.

Any plan that is based on these principles must be ambitious and must aspire to adopt political decisions, at the European level, that are transformative in nature. In this report we focus on three vital areas: the institutional, the social and the economic.

The EU must strengthen its capacity for joint action to support the public policies emanating from Brussels, including in foreign policy and defence. The exit from Afghanistan has highlighted concern at the need for strategic autonomy, something that Europe still lacks, despite the powerful formulation contained in the Mogherini document. 2022 will be a year of major events, with the European defence summit announced by Von der Leyen and the meeting on 29 and 30 June in Madrid to approve NATO's next strategic concept.

The Conference on the Future of Europe, to which we dedicate several chapters of this report, provides a major opportunity to propose the institutional reform required by the Europe of the 21st century if it is to respond to the challenges identified above.

The conference must not disappoint the wishes and expectations of Europe's citizens for an increased unity that is compatible with the diversity of our continent.

The conference is, also, an opportunity to address one of the issues that most divides the Member States of the EU: the absence of a common asylum and refugee policy, and the lack of a shared vision of a problem that has a far greater impact on Mediterranean countries than on those of central and northern Europe. This is one of the EU's major unresolved social questions.

The EU continues to lack a social pillar, an issue it has avoided tackling since its creation more than 60 years ago. But the welfare state, the jewel in the crown, can no longer be maintained and extended on a purely national basis. This is something we have said in all of our reports on the state of the European Union. We must create a European minimum salary, pension and unemployment benefit, but without weakening the social protection that exists at the national level.

A social Europe does not stop there. COVID-19 has revealed all too clearly the absence of a European health policy. The Commission's joint purchase of vaccines demonstrated the efficiency of an authentically European health policy, underlining the importance of the principle of solidarity.

Nobody can deny that, after the economic crisis of 2008 to 2013, and again in 2020, the EU's intervention in the recovery, transformation and resilience of its economy is absolutely vital. As a result, the EU has approved huge funds (750 billion euros) for the next six years, which particularly favour those countries hardest hit by the pandemic (Italy, Spain).

However, the rapid growth of debt – in stark contrast to the disastrous austerity of the EU's response to the 2010-2013 crisis – raises the question of how this will be repaid, a question that applies both to European and to national debt.

In addition to tax revenue generated by the forecast economic growth, there is an urgent need for reforms to further increase revenue. This is the most difficult aspect of

economic policy over the coming years. And the most important. Without a progressive rise in taxes – on higher incomes and the most profitable corporations, in particular tech multinationals – it will not be possible to support the increase in public investment, both in Europe and nationally. Nor will it be possible to provide a sustainable response to the problems of the welfare state without doing away with the shameful phenomenon of tax havens.

These are the issues addressed in the 2021 Report on the State of the European Union, a report that seeks to analyse and shed light on the complex political, social, economic, technological and climate panorama and the challenging times that Europe's citizens are experiencing, at a moment when they appear to be turning towards progressive proposals.

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I. European citizenship and the Conference on the Future of Europe

Improving the democratic foundations of the European Union: bringing the European Union closer to its citizens

Mercedes Guinea Llorente

The Conference on the Future of Europe: a new push for European democracy

The Conference on the Future of Europe finally got underway on 9 May 2021, as part of the sixth pillar of the political programme of the Von der Leyen Commission, with the goal of providing a “new push for European democracy” (Von der Leyen, 2019: 21–23). This chapter will examine the conference’s contribution to strengthening democracy in the EU, and will consider a series of proposals and initiatives to improve the quality of the democratic functioning of European institutions.

We will start with some brief comments on the democracy of the EU, a highly unusual political structure consisting of a transnational political system which incorporates elements of an international organization while also exercising power like a more conventional state. We will then examine the conference itself in light of the parameters established, in order to identify whether the conference constitutes progress in the democratisation of the EU. Thirdly, we will consider a series of proposals about how to improve the democratic operation of the EU.

The EU is the product of an ongoing process of political integration, consisting of several stages with distinct characteristics. Its origins date back to 1952 and the creation of the European Coal and Steel Community (ECSC); today, the EU is a hybrid political actor which combines features of a federation with those of a confederation. The key turning point in this process was the election of the European Parliament by direct universal suffrage in June 1979, marking the start of its transformation into a political entity and configuring the EU as a “Union of states and citizens”. Since that date, successive reforms of the Treaties have gradually democratised the institutional operation of the EU, giving ever greater protagonism to the European Parliament in the EU’s legislation, political decision-making, budgets and control of the executive. At the same time, there have been a number of initiatives to bring the EU closer to its citizens and to encourage them to participate in elections. The EU is an ongoing process, and over the last five years a number of developments, such as Brexit or the rise of Europhobic nationalisms, have shown that democratisation and citizen involvement are an existential matter and should thus be treated as a priority.

The democratic model of an Unidentified Political Object

The EU constitutes a democratic governance system whose peculiarity is that it seeks to implement democracy at an international level, in what Dahl argues is the third transformation in the history of democracy (1999: 25). This, in itself, represents both a major innovation and a significant challenge. International organisations are associations created by states to achieve common goals but which have not been designed as democratic systems. They are, rather, systems of bureaucratic negotiation, which cannot guarantee popular control over their decisions and policies (Dahl, 1999: 19).

Following Dahl, democracy can be understood as a system of effective and equal participation in the collective decisions of everyone who is subject to them, thus ensuring popular control of government policies and decisions (Dahl, 1989: 88-89). A democratic system must therefore allow citizens to learn about and understand civic issues and to have control over the decision-making agenda (Dahl, 1989: 89). It must provide an orderly, peaceful process through which a majority of the citizens can cause the government to do what they want and prevent it from doing what they do not want (Dahl 1989: 95). In summary, the key elements for Dahl are effective and equal participation of citizens based on the vote; informed understanding of the issues with which the polity is concerned; control of the political agenda; and inclusiveness.

The development of democracy at an international level is without precedent, either historical or contemporary (Eriksen and Fossum, 2000: 15). The EU is not a state and the criteria tried and tested for state democracies cannot therefore be applied to it (Micossi, 2008: 19). But it exercises many state functions and, indeed, the majority of the economic and social policies to which we are subject as citizens have their origins in the EU. Right from the outset, the founding fathers of the European project were concerned to introduce elements of control into the decision-making process to prevent the tyrannical exercise of power (Gil-Robles 2015: 20-21). For this

reason, both in the original European Community and now in the EU, the classical legislative, executive and judicial functions are shared between several institutions and depend upon a broad consensus being achieved, a requirement which is a clear element of control. Since 1979, with the election of the European Parliament by direct universal suffrage, there has been a gradual evolution towards greater levels of participation and parliamentary control of the exercise of power. And the Lisbon Treaty expanded these control mechanisms to include national parliaments.

The EU, then, has created innovative legitimation mechanisms for a multi-level and multinational polity (Micossi, 2008: 20), which can be considered to enjoy democratic standards similar to those of its Member states (Mény, 2002). However, the elements most lacking in the European system are the effective participation of citizens discussing and establishing the political agenda and exercising control over it, as Dahl notes. It is precisely the fact that it is impossible for citizens to contest either the political leadership or specific policies that demonstrates the continuing existence of a democratic deficit in the EU (Follesdal and Hix, 2006).

The singularity of the EU political system lies in the fact that it is both a federal and an inter-governmental model at the same time. It draws, therefore, on two sources of legitimacy: its Member states and its citizens. Article 10 of the Treaty of the European Union on the democratic principles of the EU expressly establishes that the operation of the EU is based on representative democracy; that citizens are represented through the European Parliament; and that Member states are represented through the European Council and the Council of the EU, whose members are directly accountable to their national parliaments or their citizens. To reflect this principle of representation, all European decisions should be taken by the European Parliament, and the European Council and the Council of the EU. Where this principle is not reflected, improvements must be made.

Decision-making within these two branches is not equally democratic, according to Dahl's criteria. The

Parliament, which allocates seats to Member states on the basis of their population, is organised into political groups, and members of parliament have an individual representative vote, enabling the expression of the wishes of the majority. The European Council and Council of the EU, when voting by qualified majority – 55 per cent of Member states representing 65 per cent of the population – also provide a means of expressing the wishes of the majority of the citizens of the Member states. The problem arises when these bodies follow inter-governmental dynamics and seek to reach consensus, as here the weight and influence of the larger, more powerful states always prevails over the rest (Fabbrini, 2013), ignoring the wishes of the majority.

Part of the democracy of the EU is exercised through national leaders represented at the European Council and Council of the EU, and accountability to national parliaments for decisions taken at the European level. It is therefore important to remember that when we choose a head of government, they have two jobs to perform: to lead the country but also to form part of one of the EU's governing institutions. The fact that there is no space for discussion of European political options in national elections, as happens in Spain, or that accountability for European and EU Council decisions is not common practice in the Spanish parliament is indicative of a significant democratic deficit (Guinea, 2021b: 95-96). And this is not due to the European political system, regulated in the treaties, but rather to individual national practices.

The Conference on the Future of the EU as a democratising exercise

The celebration of a citizens' Conference on the Future of Europe was one of the key proposals of the European Council's candidate for the Presidency of the Commission, Ursula von der Leyen (Von der Leyen, 2019: 21). She drew up her programme after consulting and negotiating with the majority political groups in the European Parliament, whose support was essential: The European

People's Party, the Socialists and Democrats, Renew Europe and the Greens (Guinea, 2020a: 180). The pillar with respect to democracy and, in particular, the decision to call a Citizens' Conference on the Future of the EU was a demand of Renew Europe, which echoed the proposal put forward by President Macron of France in one of his memorable calls on the need to relaunch the integration project (Macron, 2019).

In light of the experience of Brexit and the political pressure of Europhobic nationalists and illiberal movements, Macron defended the need to deepen and improve integration around the parameters of freedom, protecting citizens and delivering progress to win citizens' support. He also believed that citizens want to participate in this change, and therefore proposed calling a Conference on the Future of Europe, bringing together representatives of institutions with representatives of the Member states and panels of European citizens to trace out a roadmap to translate the changes necessary for the success of the political project into proposals for action.

Von der Leyen echoed every detail both of the initiative and the spirit of Macron's proposal. According to the Commission, the conference should reflect the aspiration that Europeans "perform a prominent role in establishing our priorities" (Von der Leyen, 2019: 21). She therefore proposed that the conference bring together citizens and European institutions "on an equal footing", and expressed a willingness to follow through on the conference's proposals, whether through legislative initiatives or even through proposals to revise the treaties (Von der Leyen, 2019: 21). The conference is an initiative to involve political groups other than the European Council, the only institution assigned this function under the Treaties (art. 15.1 TEU), in setting the EU's political direction. It is a democratising exercise in the dual sense proposed by Dahl: first, to enable citizens to learn about and understand the EU; and secondly, to give citizens a greater role in defining policies, something that is much needed at the current stage of integration.

Despite the almost perfect management of Brexit by the Commission, we should not forget the lessons

of this traumatic experience of disintegration (Guinea, 2021a: 13-14). Two of these directly relate to the democratic quality of the European governance model. Brexit has revealed the fragility of a political institution with which citizens are unfamiliar, which has shallow roots, and which is thus vulnerable to misinformation or political manipulation. The other key weakness regarding the democratic model is the perceived distance of citizens from the political system, constituted by democratic elites and in which participation is difficult (Guinea 2021a: 14). Brexit has shown us that the EU is facing a crisis of legitimacy and, ultimately, of democracy (Barnard 2021: 44). For this reason, it makes perfect sense that the conference should seek to address this dual problem: it is an opportunity to generate news and discussion of the EU and to make citizens aware of it, and it is an initiative that seeks to involve as many citizens as possible in defining the future of the EU.

The conference, delayed by the pandemic and by disagreements between institutions, will only last for one year, as it must present its results by spring 2022 (European Parliament, European Council and European Commission, 2021). It has a mixed character, simultaneously an ad hoc body and a decentralised debating forum. It is directed by a joint presidency, backed by the presidents of the three institutions, and an executive committee, which includes representatives of states and of the institutions. The body of the conference, which is very numerous and will be responsible for drafting the conclusions, includes representatives of institutions, of Member states, of European civil society, and of the Citizens' Panels. And conference will incorporate the results of the discussions of the four Citizens' Panels, which will be held in parallel. The decentralised aspect lies in the aim to promote—in Member states, regions or with the support of civil society— numerous events to discuss the challenges of the future of Europe with the continent's citizens. A multilingual platform has been created to channel citizens' proposals to the body, to publicise events and to create a transnational discussion space for stakeholders.

It seems, then, that the dual requirement of bringing Europe closer to its citizens and informing them about how it operates, while also incorporating their demands within the European political system could be achieved. However, the first two months do not provide grounds for optimism, in the opinion of many analysts. The conference has been completely ignored in Member states: it has not been covered in the media and national institutions are not generating any kind of national debate around the issues. The sensation is, rather, one of reluctantly fulfilling a requirement.

The conference, analysed in terms both of its founding principles and its aims, seeks to introduce elements of deliberative democracy alongside representative democracy in the process of establishing the future path of the EU. Following Dahl, it would serve to incorporate citizens in the process of defining the strategic priorities of the EU, currently the exclusive reserve of the European Council. This is not the first time this has been done: the Convention of 2002 was also preceded by citizens' debate in Member states, although this went largely unnoticed (Guinea, 2020a: 143).

It is important to note that its sponsors—the European institutions— have very different perceptions of it. Although nine issues are identified in the mandate, the institutions differ with regard to the scope and ambition of proposals that can be made, and the ambiguity of the Declaration does not help. The Parliament openly seeks to prepare reform of the Treaties (European Parliament, 2020: 1), the Commission believes it should focus on defining the direction of its policies but does not exclude the possibility of proposing Treaty reform (Von der Leyen, 2019: 21; European Commission, 2020: 7). While for its part, the Council opposes this, making it clear that this exercise is not related to article 48 of the TEU (Council of the EU, 2020: 7). There is no doubt that the limited impact of the conference to date, a situation that we hope may be remedied, is a result of the low expectations of it with regard to its success and the likelihood of its recommendations being implemented. And the reason for this lies in the scepticism of the Council and the fact

that if states do not want progress then it won't be allowed to happen, combined with the lack of leadership as a result of the German elections in September 2021 and the French ones in April 2022. We hope that this trend can be reversed and that the conference will have a genuine effect in broadening the voices involved in establishing the political direction of the EU, making it more democratic.

Proposals to strengthen the democratic processes of the EU

"How to strengthen democratic processes governing the European Union" is one of the nine themes identified as a goal of the conference's work by the inter-institutional declaration (European Parliament, Council and European Commission, 2021: 4). In this part of the article, we will consider some proposals with the aim of improving various aspects along the dimensions proposed by Dahl and which we think are the weakest points of the European political model. These objectives are: that citizens should be aware of and understand the European political process; effective and equal participation in the vote; control of the political and legislative agenda; and accountability. The majority of these do not even require revision of the Treaties and are encompassed within the logic of the political process of the EU, whose democratic credentials have been adapted and improved since 1979.

Improve representative democracy, strengthening the legislative competencies and control of the European Parliament

As we have seen, article 10 TEU identifies the democratic basis of the EU in the definition of policies, decision-making and legislative approval by institutions which directly represent citizens (European Parliament) and Member states (European Council/Council of the EU). However, when it comes to regulating the different legal

bases, the Treaty is not completely consistent with this statement. Establishing the strategic orientation of the EU is the sole responsibility of the European Council, according to article 15.1. It is true that the European Parliament has, through its role in approving the President of the Commission, found an indirect route to influence the political direction of the EU, something it has enhanced by signing inter-institutional agreements. However, for citizens to have accurate and reliable knowledge of the operation of the EU, the Treaty should be reformed to assign the function of establishing the strategic direction of the EU to the European Council and the Parliament, on an equal basis, alongside the President of the Commission.

As far as legislative procedures are concerned, there are still around thirty legal bases in the Treaties which are subject to special procedures, requiring only the approval of the Council but not of the Parliament (Kostanidis, 2020: 56-61). The logical development of the democratic model requires that Parliament be included on an equal basis in all legislative processes and this in turn means the Treaty must be modified in this regard.

The adoption of political decisions, particularly in the inter-governmental sphere, gives rise to a further fifty exceptions, cases where the decision is taken only by the representatives of Member states, marginalising the Parliament (Kostanidis, 2020: 56-61). This occurs in sphere that are now central, such as the "economic governance" created during the euro crisis, the economic policy for recovery, implemented by the "Next Generation EU" programme, and the management of the EU's own resources. In all these cases, the Parliament neither approves policy nor is able to demand accountability (Guinea 2021b: 101-102). It is necessary to reform the Treaty to include citizens' representation across the board, both in existing contexts and in the new cases of economic governance and economic policy for recovery. We are aware that, in the arena of inter-governmental policies, such as Common Foreign and Security Policy, this will be particularly difficult, due to the desire of Member states to maintain control over sensitive areas.

Proposals to bring elections closer to citizens and ensure their vote influences the direction of politics

As Dahl notes, it is an essential characteristic of democracy that a majority of citizens, through their vote, can decide both who governs them and the direction of the political decisions taken by their rulers. In order to take such decisions, citizens must be sufficiently aware of the political system and of the political options at stake. This means there is a dual dimension: the capacity of citizens to choose the government and its agenda, and the need for greater awareness of the European political system.

Although participation rose notably in the 2019 elections, there is still a significant problem of non-participation, which has multiple causes but in particular the perceived distance of citizens from the institution of the European Parliament itself (Clark, 2014). This is a system with which they are unfamiliar and they struggle to see the effect of their votes, as a result of which elections to it are seen as being of the second order (Reiff and Schmitt, 1980). Additional problems are the exclusively national character of the elections and the fact that national political parties do not see it as a priority in their political strategies. The conference, however, could put forward a range of measures of differing scope which could help to achieve this dual objective: ensuring that citizens' votes count, and bringing European politics closer to them.

Since the European Parliament was elected by direct universal suffrage for the first time in 1979, its powers have grown with respect to co-legislation, budgets and political control. However, abstention levels (49.34 per cent in 2019) suggest that citizens are not aware of this. In parallel, the impact of the citizen's vote on European governance has also increased very significantly: from a Commission chosen only by representatives of national governments to one that cannot be appointed without the Parliament's approval (Gil-Robles, 2015). In 2014, this enabled European political groups to organise themselves to name *Spitzenkandidaten* or lead candidates, and to persuade the European Council to agree to elect

as President of the Commission the candidate of the party that won the European elections. This saw the election of Jean-Claude Juncker, a political president with a high degree of legitimacy, who led a Commission with a powerful political agenda and with a greater level of independence than its predecessors (Dinan 2016). This loss of control explains the fact that in 2019 the European Council refused to appoint Manfred Weber, the candidate of the European People's Party, and proposed Ursula von der Leyen in his place. This was seen as a setback for European democracy but reflected, rather, the struggle of the European Council to reaffirm its power over the Parliament and its control over European policy (Guinea, 2020b: 175-178).

The informal experience of the *Spitzenkandidaten* was a positive one, both because it allowed citizens to identify their vote with a face, a programme and a political direction, and because it politically strengthened the Commission. It is a measure that strengthens the democratic character of the EU, in the direction proposed by Dahl, while also bringing European politics closer to its citizens. This is why we support the European Parliament and the Commission itself in arguing that this practice should be institutionalised. The ideal solution would be through Treaty reform but if this is not possible it could also be achieved through an inter-institutional agreement between the Parliament and the European Council to democratise the EU.

To achieve our dual objective, the *Spitzenkandidaten* initiative should be accompanied by other proposals, such as transnational lists, a single Europe-wide electoral programme for each party, a uniform electoral law, and adaptation to the political cycle of the pluri-annual financial framework. The "transnational lists" would entail creating a single Europe-wide constituency with a limited number of members, who would be chosen by the majority system, in addition to deputies elected at the level of the Member state. In European elections, citizens would cast two ballots: one for the candidates representing the individual Member state and the other for those on the transnational list. This initiative was debated in the Eu-

ropean Parliament but did not receive sufficient support in 2018, due to concerns about the different status of members of parliament (Díaz Crego, 2021).

Each European political party's transnational list would be headed by a lead candidate, who could campaign and be voted for in all Member states. The list and the candidate would defend a single programme in all Member states, which would add a European federal dimension to the election, promoting Europe-wide debate about different political options. It would help citizens to be aware of the scope of European politics and debate, and to move away from the notion of European elections as second-rank national elections. Lists would not require Treaty reform but could instead be implemented via reform of the Electoral Law of the European Parliament.

Our next proposal advocates reform of the Electoral Law of the European Parliament, as the lack of a uniform electoral law means that election to the Parliament is conducted in accordance with 27 national laws under conditions that differ from state to state, meaning that there is no equality between citizens in the process (Lehman, 2014). We saw that equal participation was one of Dahl's requirements if a system is to be deemed democratic. We are aware that the difficulties in achieving consensus within the Parliament and the Council have prevented previous proposals from prospering (Alonso de León, 2019). However, we think it is essential to make progress in deepening shared aspects such as the size of electoral districts, voting age and minimum age of candidates, election requirements, nomination procedures etc. All that is required to do this is greater political will to achieve consensus in the Parliament and the Council.

Finally, we believe that another important step towards the democratisation of the European political model is to reduce the duration of the Multiannual Financial Framework to five years and bring it into synch with the parliamentary political cycle, something that is permitted by the wording of article 312 TFEU. This measure would enable a newly elected Parliament and the Commission emerging from it to work with the European

Council to design European policies in accordance with the votes of citizens. This would be an important step towards showing that votes decide on European policy.

Proposals to strengthen/improve European political debate in Member states

We reflected above on the democratic deficit revealed by the fact that, in Member states, there is no political debate or control over the actions of national government in the European Council and Council of the EU. Barnier warns of the dangers of the weakness of public European debate where nothing is either explained or assumed (2021: 19). Without public debate, knowledge of European politics or accountability, we cannot talk of democracy at the European level. And in so far as the European Council and Council of the EU are the other axis of European democracy, we should also focus on improving their political practices. As article 10 states, the members of these institutions are answerable to their national parliaments and electorates for the decisions taken at EU level. Despite this, we recognize that in states such as Spain, debate of European politics and the decisions taken in European institutions is non-existent.

To democratise the European political system, it is vital to ensure that there is debate and accountability at the national level too. We therefore believe that the conference should propose that national parliaments dedicate at least two sessions per year to discussing European politics, where the head of government, supported by a commissioner, could set out and discuss the principal political issues of the six-month period with members of the national parliament. This would also strengthen the notion that national parliaments form part of European political action, and have equal legitimacy to debate and control the overall political direction.

Moreover, in so far as the press tends to follow national bodies more closely, this would provide an additional opportunity for the media to reflect the key issues on the European table. It would be an opportunity both

for accountability and awareness-raising. Given the importance of this question, it would be best if this obligation were introduced into the Protocol on National Parliaments annexed to the Treaty of the EU, but in the absence of Treaty reform it could be covered by an agreement between governments and national parliaments.

Conclusions

The Conference on the Future of Europe is in itself a democratising initiative, both at the level of raising awareness and in terms of its potential to incorporate the wishes of citizens in setting the political direction of the EU. Although it has not got off to the best of starts, there is still time to redirect it to produce the best possible results.

In this chapter we have addressed the need to perfect the functioning of European institutions with the aim of improving their democratic quality. Our proposals pursue three objectives. The first is to extend the common approach to ensure that the dual legitimacy of citizens and Member states is reflected in all European legislative and political decisions. The second focuses on the European sphere, proposing improvements to the procedure for electing the European Parliament so that citizens have better knowledge of European politics, can participate in elections on an equal footing, and their wishes influence the political direction. The third seeks to address the democratic quality of the other sphere of European politics, the national level, with proposals to strengthen debate and accountability of European politics in national parliaments.

The Conference on the Future of Europe: what does it mean, what is its purpose and what can we expect from it

José Candela and Carlos Carnero

Tell me and I will forget.
Involve me and I will remember.
Chinese proverb

Meaning

The Conference on the Future of Europe is a historic and extraordinary opportunity for the Union to set an example to the world of how to build a true **participatory democracy**, taking this to mean the full integration of civil society into the three phases of the entire political decision-making process: preparation, adoption, and application.

Born out of a **Joint Declaration**¹ on 18 March 2021 by the presidents of the three main institutions of the Union (European Parliament, European Council, and European Commission), the Conference on the Future of Europe (henceforth the Conference) was launched on 9 May 2021, Europe Day.

¹ The text of the Joint Declaration on the Conference on the Future of Europe 2021-2022 can be read here: [https://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:32021C0318\(01\)&from=ES](https://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:32021C0318(01)&from=ES)

The Conference is set to last a year. Its Rules of Procedure² (henceforth Rules) define it as a **citizens-focused exercise for Europeans to have their say**, for the attention of the European institutions, on what they expect from the Union in the coming years. Participating in the Conference are the institutions and bodies of the Union, its member states, and civil society. The conclusions of the Conference will be analysed by the Union institutions, which will decide how to follow up on them in 2022. This decision may consist of either merely taking note of those conclusions or starting the procedure provided for in Article 48 of the Treaty on European Union that can lead to legislative action to modify the treaties.

After several years' delay³, the chief problem to be resolved before launching the Conference was its govern-

² Adopted on 9 May 2021, the Rules of Procedure of the Conference can be consulted here: <https://futureu.europa.eu/uploads/decidim/attachment/file/9245/sn02700.es21.pdf>

³ For a detailed examination of the debates on the timeliness and form of a Conference or Convention on the Future of Europe in recent years, see: José Candela and Carlos Carnero, *The Conference on the Future of Europe*, in: Report on the State of the EU 2020, edition by the Fundación Alternativas and the Friedrich Ebert Stiftung Spain, Madrid, 2021, pages 123 and following. Available at: <https://www.>

ance and in particular its presidency and its composition. As far as the presidency was concerned, the choice was between appointing an individual or a plural one. Finally, it was decided that the three institutions of the Union (Parliament, Council, and Commission) should hold its **Joint Presidency**. As for its makeup, a primary issue, under debate for years, was the direct participation of civil society or of European citizens in the Conference. That participation has ultimately been reduced to the free input of ideas and the free creation of discussion events on a **Multilingual Digital Platform**⁴ created by the European Commission and launched on 19 April 2021 (<https://futureu.europa.eu>), henceforth the Platform.

The governance of the Conference as described in the Rules involves three decision-making bodies: the Citizens' Panels, the Plenary, and the Executive Board.

The **Citizens' Panels** are the sphere of greatest exercise of participatory democracy within the Conference. Defined by the Rules as the instrument of citizens' participation in the Conference, they can be on an intrastate or European level and are linked to the Digital Platform. The Rules describe their function as follows: each panel shall consist of a number of citizens in order to ensure at least one female and one male citizen per Member State and taking into account the degressive proportionality principle applied to the composition of the European Parliament. The citizens shall be chosen randomly, and be representative of EU sociological diversity, in terms of citizens' geographic origin, gender, age, socioeconomic background and/or level of education. One third of each Citizens' panel shall be composed of people younger than 25. In addition to the necessary time for preparation, information sharing and feedback, these panels shall meet during deliberative sessions, in different locations, and shall be dedicated to specific themes based on the scope

fundacionalternativas.org/public/storage/publicaciones_archivos/fd0e-0d5ec07017d5f73a0a8cfd3de173.pdf

⁴ Participation in the futureu Digital Platform is entirely free, but on subscribing the user accepts the Conference Charter, the text of which can be read here: <https://futureu.europa.eu/pages/charter?locale=es>

described in Article 2 and citizens' contributions on the digital platform.

In view of the possibility, as it stands at present, that the Citizens' Panels meet just three times during the Conference, one might be somewhat sceptical about the quantity and quality of their deliberations and conclusions.

The **Conference Plenary** is made up of 108 representatives of the European Parliament, 54 from the Council of Europe, and 3 from the European Commission, as well as 108 representatives from all the national parliaments, on an equal footing, and of citizens. The Rules of the Conference state the following on the subject of citizens' participation in the Conference Plenary: 80 representatives from European Citizens' Panels, of which at least one third shall be younger than 25, the President of the European Youth Forum and 27 representatives of national events and/or national Citizens' Panels will participate. This represents a total of 108 participants. 18 representatives from the Committee of the Regions and 18 from the Economic and Social Committee, 8 from the social partners, and 8 from civil society will also participate.

To sum up, the members of the Conference Plenary come to 433. Of them, 317 belong to the public powers (from the four levels of European governance: Union, States, Regions, and Municipalities) and 116 belong to civil society. We can say then that the Conference Plenary is **73 % representative democracy and 27 % participatory**. This distribution of the Conference's decision-making power illustrates the persistent conception on the part of the public powers of the Union of participatory democracy as a mere complement to representative democracy. Even so, the direct participation of civil society in the decision-making process of this Conference, at the request the Union's three main institutions, in collaboration with all the national parliaments and which may lead to action from the Union's legislative arm in the medium term, is a **historic first experience of this type**.

The **Executive Board** is made up of an equal representation from the European Parliament, the Council,

and the European Commission, with each institution having three representatives and up to four observers. It is assisted by a Common Secretariat where the three institutions are represented and whose purpose is to draw up and publish the conclusions of the Conference Plenary and set out the final result of the Conference in a report addressed to the Joint Presidency of the Conference and the three corresponding institutions of that Presidency.

Purpose

The purpose of the Conference derives from its definition contained in Article 1 of the Rules: "The Conference is a citizens-focused, bottom-up exercise for Europeans to have their say on what they expect from the European Union." In other words, with the Conference the institutions of the Union, the writers of the Rules, want citizens to **limit themselves to giving their opinion** on a (not comprehensive) series of issues selected by them and to **express them in a final report** cowritten with the powers.

Indeed, as far as the issues to be the subject of opinion are concerned, Article 2 of the Rules list 8 of varying breadth and specification: 1) building a healthy continent, 2) the fight against climate change and environmental challenges, 3) an economy that works for people, social fairness, equality and intergenerational solidarity, 4) Europe's digital transformation, 5) European rights and values - including the Rule of Law - and security, 6) migration challenges, 7) the EU's role in the world, and 8) the Union's democratic foundations and how to strengthen democratic processes governing the European Union.

As well as these issues listed in the Rules we must add education, culture, youth and sport, which appear on the list of topics on the Multilingual Digital Platform.

Discussions can also cover cross-cutting issues related to the EU's ability to deliver on policy priorities, such as better regulation, the application of subsidiarity and proportionality, implementation and enforcement of the acquis and transparency.

As we have said, the final result of the Conference will be presented in a **report** addressed to the Joint Presidency and then the three institutions will examine the way in which to effectively follow up on it.

The content of that report is a crucial element of the Conference's practical use. Article 1 of the Rules states that "a feedback mechanism will ensure that ideas expressed during the Conference events result in **concrete recommendations** for future EU action."

Between 2019 and 2020, France organised what is perhaps the most similar and closest intrastate forerunner of the Conference on the Future of Europe. Over a period of nearly two years, the *Convention Citoyenne sur le Climat*⁵, sponsored by the Presidency of the Republic, brought together 150 French citizens chosen at random. The Convention devised its own governance and form of debate from the outset. The end product was a list of 149 concrete proposals to improve the battle against climate change and the preservation of the environment at a national level. Every proposal was eligible to become a legislative decision of the French state. Only 10 % of the proposals were taken into consideration by the Presidency of the Republic and to date, as far as we know, not one has seen the light of day in the shape of an adopted legal text⁶.

The system of choosing the members of the Convention was the same as the one followed by the Conference on the Future of Europe for citizens' participation: random designation. However, during the Convention no political power took part at any time. Unlike the Conference on the Future of Europe, and as far as its internal governance is concerned, the French experiment, then, could be described as a **full exercise of participatory democracy**⁷. However, compared to the French Conven-

⁵ <https://www.conventioncitoyennepourleclimat.fr>

⁶ For a detailed examination of the results of the French Convention, see here a study by *Le Monde* from 10 March 2021: https://www.lemonde.fr/planete/article/2021/02/10/climat-les-propositions-de-la-convention-citoyenne-ont-elles-ete-reprises-par-le-gouvernement_6069467_3244.html

⁷ However, some members of the French Convention consider it a mere consultative operation. See on the subject this critique_of the Citizens'

tion, the European Conference has the added value of the predominance (in principle) of open and free debate via the Multilingual Digital Platform.

What we can expect from the Conference

From a more or less critical standpoint, it could be said that the true political value of the Conference ends with its mere staging, given that the Conference is, as we said, a simple exercise of opinion, which means that it could be a response to the fear on the part of the institutions and Member States (European representative democracy) of losing power to European participatory democracy, whose present legal limit of influence is marked by Articles 10.3 and 11 of the Treaty on European Union⁸.

Be that as it may, the very fact that, in addition to the institutions and Member States, the Union has given European civil society direct access to the exercise of decision-making power in a Conference on the Future of Europe for the first time is something to be celebrated.

Given that the ultimate purpose of the Conference is only to draw up a Report for the attention of the Joint Presidency (Parliament, Council and Commission), in the short term we should not expect any profound transformation of the process of European integration or of the Union's institutional structure, though the possibility exists that the final report from the Conference will propose to the institutions the holding of the Convention provided for in Article 48.3 of the Treaty on European Union. If this is the case, the Conference, as an exercise of participatory and deliberative democracy, will have demonstrated its maximum power to influence the institutions and it will represent a major reinforcement of the **civil legitimacy** of the Union. Even if it does not end in a reform of the

treaties, the proposals on each of the topic groups that arise from the Conference can **increase the legitimacy** of European governance and policy.

Meanwhile, we must point out that at the time of writing, just two months after its launch (on 19 April), the future Multilingual Digital Platform had already logged (in descending order): 841 **ideas** on the subject of climate change, 782 on European democracy, 570 "other ideas", 539 on the economy and jobs, 464 on foreign policy, 415 on values and rights, 376 on education and culture, 305 on health, 289 on digital transformation and 262 on migration.

Notwithstanding the relative statistical, sociological, or political value of these figures, we can say that the Digital Platform, the true added value of the Conference compared to previous European experiences of participatory democracy, has been a great success. Likewise, the order of interest that European civil society (organised or not) is showing in the Conference's topics is already a quite significant indication, from the start, of what we can expect from the Conference in terms of deliberative content and inputs to be gathered in the final Report for presentation to the Joint Presidency. In other words, barring an unexpected change in the course of its work, the Conference on the Future of Europe 2021-2022 will provide ideas and proposals chiefly, and in this order, on: 1. climate change, 2. European democracy, and 3, the economy.

We will have to wait until February 2022 (the estimated time for holding the final Conference Plenary, with the possibility of holding an extraordinary plenary in March) to know how many and which of these ideas and proposals are innovative and, above all, how many and which are taken into consideration by the Union institutions.

It remains to be seen, finally, whether after this historic milestone of European participatory democracy that is the Conference on the Future of Europe 2021-2022 sufficient political will arises in the corresponding European Council (to be held, perhaps, under the French six-monthly presidency) to enable launching a Convention with the power, in that event, to improve Union legislation and policy.

Convention for the Climate: https://www.lexpress.fr/actualite/societe/on-a-ete-pris-de-court-les-comites-citoyens-voulus-par-macron-racontes-de-l-interieur_2153612.html#xtor=CS5-888

⁸ See the text of Articles 10.3 and 11 of the Treaty on European Union here: https://eur-lex.europa.eu/resource.html?uri=cellar:2bf140bfa3f8-4ab2-b506-fd71826e6da6.0005.02/DOC_1&format=PDF

The least we can expect from this Conference, given its definition in the Rules – namely, “a citizens-focused exercise... for Europeans to have their say -, is that, because of its real impact on the political life of the Union, it becomes a true exercise in participatory democracy and not just a mere consultative operation.

The most we can expect from it is that a reasonably significant number of proposals for action arising from the Citizens’ Panels and the Digital Platform will develop into Union decisions and that one of them consists of the calling of a Convention.

Finally, we might expect that with regard to **European governance** the Conference proposes a limited series of improvements, most of which attainable without the need to change the treaties and in the following terms.

1. Improvement in the **effectiveness of the Union** through the following action:

- Recovering the “community method”, which means that each institution focuses on its essential tasks: the Commission on initiating and executing decisions; the Council and the Parliament on adopting legislation and the budget; the European Council on laying down the political guidelines,
- Improving the devising and implementation of the Union’s general political strategy, avoiding contradictions between the drafting and implementation of the Council’s strategic agenda and the political priorities of the Commission mandate,
- fostering qualified majority voting in the Council as much as possible and
- synchronising the mandates of the three presidencies (European Council, Parliament, and Commission) better.

2. Improvement in the **legitimacy of the Union** through the following action:

- establishing direct democracy instruments such as, for example, the European referendum,
- Europeanising national election campaigns and debates through the introduction of a system of transnational tickets for the European elections of 2024,

- conferring on the European Parliament the direct election of the President of the Commission,
- recovering, on the part of the Commission, the full use of its power of legislative initiative,
- increasing the transparency of the Council of the European Union and the European Council and
- increasing the real accountability of all the institutions.

Conclusions

The pandemic has speeded up European construction, as demonstrated by the examples of the Recovery Fund and the Vaccination Strategy, two major instruments at European level without which it would not be possible to win the double battle (for health and the economy) over the virus.

The logical thing is to seize this momentum to deepen **European political union**, raising the reform of the Treaty of Lisbon where necessary when in 2022 it will be 20 years since the launch of the Convention that drafted the European Constitution, whose main advances live on in it.

To do this, in its final Report the Conference should provide for the **calling of a Convention** to debate, draft, and propose the necessary changes to secure more and a better Europe, indicating the fields in which those changes would be appropriate.

Moreover, many of the steps forward that the Conference could include in its final Report would not require changes in the Union’s primary law, rather political decisions that are fully applicable in the framework of the existing Treaty.

Completing European political union will not be easy, because unanimity still applies to any change in the Treaty, which ultimately can only introduce an Intergovernmental Conference. Yet nor should it be seen as impossible if it has the support of citizens (made explicit in the Conference on the Future of Europe) and institutions and can count on politically sufficient arguments, will and patience.

How can participation in the Conference on the Future of Europe be improved for organised civil society and citizens?

Patxi Aldecoa Luzárraga

General considerations

In this paper, we are going to answer the following questions: is the Conference on the Future of Europe relevant? Why? What for? Does civil society play the decisive role that it should? Did it begin well, coinciding with the institutional call of 10 March and the perspectives it had raised? How can its working be improved to strive towards the goals and purpose of the CoFoE?

We are working from the great relevance of the Conference on the Future of Europe as an innovative instrument presented two years ago by the President of the European Commission, Ursula von der Leyen, clearly differentiating it from the European Convention and, of course, the Intergovernmental Conference. Civil society should play a central role in it as the CoFoE lies within what is known as participative democracy. This is particularly developed in article 11.2 of the Treaty on the European Union which states that “the

institutions shall maintain an open, transparent and regular dialogue with the representative associations and civil society.”

Furthermore, we should not forget that the European construction project that we know today arose as a consequence of various proposals from organised civil society and particularly in The Hague Congress in 1948. The Conference on the Future of Europe might have begun better as in the first inaugural session on 19 June held in Strasbourg, citizens were not present in the end and civil society only had a small presence. Above all, it came about with minimum repercussions, if not behind the back of the European public and the Member States, when it was called over 4 months ago, and more than two years have gone by since the need for it was raised. In addition, since 19 June, the Conference has come to a halt and will remain at a standstill until the end of October as the next plenary session will not be held until 22 October.

Civil society and the European integration project

It should be highlighted that European construction, that began with the Schuman Declaration of 9 May 1950, was possible thanks to the boost from a set of organised social movements that came about as a consequence of World War II and civil society movements emerged right there in the trenches, in the resistance, in the concentration camps, under the bombardments of the Second World War that would stimulate the European construction process.

So, various federalist groups emerged during the Second World War, expanding until they could be grouped together more easily after the war. Once the war was over, pro-European federalist movements emerged in various European countries that began to join together through the Liaison Committee of the Movements for European Unity that met in Montreux in 1947.

Perhaps the first federalist declaration since the resistance was the Ventotene Manifesto written clandestinely in 1941 and published in Italy in 1944. Its manifesto for a “free and united Europe” is considered to be the first manifesto of European federalism and would have major repercussions on the beginnings of the federalist European Union in 1946.

The crowning achievement of this collection of civil society movements in the post-war period culminated with the Hague Congress in 1948 that had enormous repercussions and gathered more than 1000 delegates from all over Europe, 200 of whom were members of parliament from all European countries, belonging to all the European parties, particularly Christian-Democrats, Socialists and Liberals. Trade union organisations, business associations and professionals, churches, universities, etc. also took part. In short, there were various organisations of what today we would call civil society.

The Spaniard Salvador de Madariaga played a fundamental role in the Hague Congress alongside the main political leaders of the time such as Churchill, De Gasperi, Coudenhove-Kalergi, Spaak, Adenauer, Schuman, Spinelli or Rossi. Among the many Spaniards in exile, a special

mention should be given to José Antonio Aguirre and Indalecio Prieto who came from wide-ranging political backgrounds.

The relevance of the Congress of Europe lies in the emerging gestation of the political project for European unity through participation from various organisations in society and major debate, two years after being outlined in what became known as the Schuman Declaration. This was the origin of supranational community Europe, compiling the store of the federalist projects that consisted of pooling sovereignties that had emerged through the various civil society organisations.

It is therefore important to remember that when reforming the European project, special relevance should be given to the very civil society that provided the thrust to set it up.

Relevance of the Conference on the Future of Europe

It should be highlighted that the CoFoE is a fundamental, innovative element of the president’s commitment for the new legislation. However, it could not begin in May 2020 because of the COVID-19 pandemic, plus dissidences between the three institutional representatives regarding composition, particularly who would hold its presidency. However, this delay caused by the pandemic has also made the Conference more necessary than ever and given it greater scope, because, as we will see below, important federal progress has been made that should be consolidated in the European project through the CoFoE.

Therefore, the initiative to call a Conference on the Future of Europe is an instrument that differs from the European Convention that emerged from the Laeken Declaration and developed throughout 2002 and 2003. Until the Conventions system was implemented, reforms to the Treaties on the European Union were determined through Intergovernmental Conferences which were restricted to representatives from Member State governments and, particularly, the Foreign Ministers who were

responsible for proposing treaty reforms. So, the Single European Act was approved in 1986, and the Treaty on the European Union, also known as the Maastricht Treaty, in 1991. Subsequently, the Treaty of Amsterdam was approved in 1996 and the Treaty of Nice in 2000.

From the Second Convention in 2002-2003 onwards, Treaty reform would also include representatives from institutions: European Parliament, National Parliaments, European Commission and Representatives of the national governments. In other words, this was the end of exclusivity for the national government representatives. Although, approval would subsequently be required from an Intergovernmental Conference. From 2007 onwards, with the approval of the Treaty of Lisbon, the Convention formula was regulated in the Treaty on the European Union, article 48.

The Conference on the Future of Europe proposal is a more qualitative approach, differing in its attempt to take a step prior to the Convention, intending mainly to listen to citizens and civil society regarding the improvements that both policies and institutions and, when appropriate, the actual model of the European Union, must reform to adapt to the demands of the citizens and civil society. It is therefore not a pre-convention because this would be taking for granted that we are going to reform the Treaties which currently require a European Convention to be held.

Therefore, it is a completely different mechanism that will bring together representatives of citizens and civil society alongside representatives from the institutions, on an equal footing of course as the President of the European Commission reminded us in her inaugural speech before the European Parliament on 17 June 2019.

This is enormously relevant as, in one way or another, it is bringing to life the forecast from the Treaty on the European Union working from the Treaty of Lisbon in article 11.2 quoted above, referring to participative democracy. Above all, this is happening for the first time, regarding constitutional matters, not only for different phases of legislative or political proposals. This is a matter of thinking collectively and making common proposals among representatives of citizens and civil society alongside institutional representatives.

Furthermore, we should remember that the European project originated from the demands, claims and actions of civil society at the end of World War II where, for three years, a set of social organisations were created and consolidated to vindicate the need to implement the supranational European project to avoid new armed clashes among Europeans. In other words, civil society is a substantial part of European construction and just as it boosted the start of European construction, it should also play a fundamental role in its reform.

Origin and development

The need to formalise political dialogue in organised civil society emerged as a continuation of citizen enquiries that have been run since 2017 in various Member States, particularly France. This is largely due to a boost from President Macron in 2017 in his Sorbonne speech, raising the need to call citizen enquiries. Developing these enquiries revealed the need to take further steps and demonstrated that it was not enough just to consult, listen and propose. Structured political dialogue should be implemented between civil society and representatives from European institutions to be able to produce a joint proposal.

The president of the Commission compiled the outcry from civil society and the commitments to political parties who won the elections, giving political recognition to this social demand, which recognised the need and nature of these dialogues in the form of a European Conference. In her inaugural speech on 17 July 2019 in the Strasbourg European Parliament, President Ursula von der Leyen said "I want European citizens to play a leading and active part in building the future of our Union. I want them to have their say at a Conference on the Future of Europe, to start in 2020 and run for two years."

One year late because of the pandemic and partly due to lack of agreement between the institutions, finally, on Wednesday 10 March 2021, the Interinstitutional Declaration was signed regarding calling the Conference on the Future of Europe. This declaration was eventually

delayed by a few months, more because the European Parliament picked Guy Verhofstadt to preside over the Conference, which was not popular among some Governments due to his explicit defence of European federalism.

In the end, the problem was resolved by accepting the proposal from the Portuguese presidency for there to be a tripartite presidency between the three institutions, although mistrust remains between them, as both the declaration and the procedure rules endlessly reiterate the equal distribution of functions between the three parties, even down to the tiniest details, such as how the secretariat works.

In this way, in my opinion, the idea of “equal footing” raised, as we mentioned, by President Von der Leyen in her inaugural speech has been distorted; in many ways it is very different to the original. Now the idea of equal footing is repeated in terms of the weight of the three institutions, when the initial sense referred to citizens, organised social society and the institutions. One good example is reflected in the actual Interinstitutional Declaration of 10 March which states that “the Conference is a joint undertaking of the European Parliament, the Council and the European Commission, acting as equal partners with the Member States of the European Union.”

This Interinstitutional Declaration determines the aims, the structure, the scope and the calendar that we will analyse later. However, it does not outline whether the call is going to be hybrid or concurrent, meaning on-line and/or in-person, or its definitive composition, a question that has been resolved in the various meetings of the Conference Executive Board and, specifically, the meeting held on 26 May which determined the CoFoE procedure rules, incidentally, almost three weeks after a meeting of the CoFoE Executive Board on 9 May,

With this declaration and these procedure rules, we might ask: has the Conference on the Future of Europe been altered? In the Interinstitutional Declaration, none of the following aspects were clear: participation of organised civil society, the important participation of young people or the reform of the Treaties.

It must be highlighted that the CoFoE rules of procedure were greatly delayed and, specifically, important decisions were made both in April and actually on 9 May, hours before the inauguration. These decisions made on 9 May were compiled definitively in the rules of procedure on 26 May 2021. The composition was improved by including 80 citizens from the panels in the Conference Plenary who will be chosen by random lottery; 27 citizens from national events and the president of the European Youth Forum. Furthermore, participation from civil society, although increased, accounts for just 8 places, along with the same number for social partners and 18 for the Economic and Social Committee and the Committee of Regions respectively.

The full extent of citizen participation remains unknown, but we already know who the civil society delegates are plus the representatives from the 27 national events, mainly representatives from national civil society.

However, there is still time to recover the initial sense of the Conference with the current Declaration from 10 March and the rules of procedure from 26 May. The fact that none of these points are compiled clearly does not mean that in subsequent developments or in the national events, that must take place in person, the following might be clarified through executive measures: participation of civil society; the important participation of young people; the possibility of reforming the Treaties, as this possibility is not excluded as if it occurred in previous documents; improving the decision, meaning that it is not just by consensus; and, finally, the guarantee of democratic participation of citizens that differentiates the CoFoE from a European Convention whose structure is already regulated in article 48 of the Treaty.

Federal progress as a consequence of covid-19 during 2020 and 2021

To understand the federal progress that has been set in motion as a consequence of Covid-19, we must at least remind ourselves of the changes brought about by the

new political cycle that began in March 2019 following the European Parliament election results.

We understand a “political cycle” to be a period of time with similar characteristics, particularly between one set of elections and the next, as a consequence of them, and also the citizens’ perception of the results, the political context where they originate, of the political process that is triggered and so, what differentiates it significantly from the previous period.

In this respect, we are referring to the political process that originated from the May 2019 European Parliament election results, that are going to significantly increase democratic legitimacy, bring a certain realignment of political parties and, above all, cohesion between them. The main political forces, that make up over 60% of the electorate, clearly backed an agreement between them and that would be generally guided in these acts by deepening the European political model. This new political cycle was also characterised by the loss of political muscle among the far-right Euro-sceptic parties.

Therefore, this caused a change in cycle with four clear phases: 1) the consequences of the 2019 elections on the increase of democratic legitimacy and the formation of the new European Commission; 2) setting up the Von der Leyen Commission with significant backing, almost 70% of the European Parliament, on 28 November 2019; 3) how covid-19 has affected the acceleration of the institutional process (Parliament, Commission and Council); 4) the point of origin for the Recovery Plan and other measures expressing federal solidarity.

The political context that facilitates the new political cycle is favoured by one internal factor - the United Kingdom leaving the EU definitively on 31 January 2020. With the United Kingdom in the EU, it would have been impossible to approve the Recovery Plan and other measures such as calling the actual Conference on the Future of Europe. There is also an international factor – Donald Trump’s presidency in the USA, which became the external federating factor by weakening transatlantic relationships, thereby boosting the EU’s strategic autonomy.

As Joe Biden takes over the presidency in the United States, the situation will progressively normalise from 2021 onwards.

The response from the European Union to Covid-19 during 2020 was surprising, unexpected and a clear expression of federal solidarity. It is having a possibly decisive effect on how this term of office develops, regarding healthcare and particularly from an economic, social and political perspective. Specifically, the four conditioning factors that are going to bring about development in 2021 and that will condition the scope of the CoFoE are:

- First, the Recovery Plan and the New Generations Fund, the clearest expression of federal solidarity because funds will be distributed according to needs, not based on an intergovernmental system. All three institutions adopted the clearly federal decision on EU indebtedness with backing from all 27 Member States, and the Union as a whole.
- Second, we should emphasise that the Multiannual Financial Framework 2021-2027 is almost double the previous version (2014-2020), rising from less than 1% of Member States’ GDP to a little over 1.8% GDP. This means that the European Union’s budget for the next seven years (2021-2027) has almost doubled, which was completely unthinkable a year ago. It is difficult to find an institution or a country that might double its budget from one year to the next, even more so when this covers a seven-year period and is therefore not just a circumstantial increase.
- Third, unitary decisions regarding purchasing and distribution of healthcare material and equipment and the vaccine application took place at the same time in all 27 Member States. The European Commission does not hold competences for this, but the countries granted them and will continue to do so over this year, showing that inter-institution trust has improved considerably. Thanks to this, it is possible to imagine the EU gaining control of the pandemic, if there are no more outbreaks in a little over two months during the summer.

- Finally, we should highlight the importance of the decision taken in May regarding the European Covid-19 Digital Certificate, that came into use from 1 July and that will make it easier to recover free movement of European citizens, restricted for a year and a half as a consequence of the Covid-19 pandemic. This decision was made using the emergency legislative procedure, adopted in record time, in slightly under two months, coordinated by the president of the Commission for Fundamental Rights, Juan Fernando López Aguilar.

These four measures, among others, that we might say configure a *silent federalisation*, will continue over the next term of office and, therefore, will condition its development in the European Union. This is going to condition the development of the Conference on the Future of Europe considerably as, to a certain extent, the Conference will have to adjust policies, institutions and, when appropriate, Treaties to the federal innovations that have taken place over the last year. The new scope of the Conference should be understood from progress made over the last year, as explained above, that coincides with the delay in its implementation. Precisely in these circumstances, the Conference is taking on a new dimension, consolidating the progress that has been made from this silent federalisation and, with it, strengthening the legal bases required to carry it out.

This acceleration has been due to an emergency, unprecedented for at least a century, and which must therefore be addressed. This is now a case of completing the process, precisely by using the innovation that the Conference represents as a participation tool for citizen and civil society to complete this process, considering their perception and their proposals.

Analysis from José María Gil-Robles shows that this situation might be the equivalent of what happened as the consequence of World War II, which was the definitive thrust to set European construction in motion. Now, coronavirus seems to be playing an equivalent role, giving a new boost which, in this case, consists of a relaunch that might find its footing through the Conference on the Future of Europe.

Goals, composition and content of the Conference

The Joint Declaration mentioned that the Conference on the Future of Europe will open up a new space for debate to address challenges and priorities. Participation is open to all European citizens from any social background and every corner of the European Union. Young Europeans will also play a central role when configuring the future European project.

It states that “Under the umbrella of the Conference and in full respect of the principles set out in this Joint Declaration, we will organise events in partnership with civil society” ...and that “Such Conference events, physical gatherings or in digital settings, can be organised at different levels, including European, national, transnational and regional level and will involve civil society and stakeholders.”

The composition of the Executive Council and the Plenary of the Conference has varied as a consequence of the agreement on 26 May, reflected in the Conference procedure rules, and is composed as follows.

The composition of the Executive Council is the same as planned from the Interinstitutional Declaration of 10 March which implied that the three co-presidencies have three official representatives and the right to vote. They are joined by a series of observers.

Specifically, the Executive Council is composed of three MEPs who are Guy Verhofstadt (liberals), Iratxe García (socialists) and Weber (popular party); three members of the European Commission, led by Dubravka Šuica and two other commissioners; and three members of the Council, led by the secretary of State for European Affairs from Portugal, with the current presidency, Ana Paula Zacarias, and the following secretaries of State for Foreign Affairs from Slovenia and France. The observers include representatives from the remaining political groups in the European Parliament, representatives from the Member States who will occupy the following three presidencies in the EU Council, including Spain as the final observer, and representatives of the social contacts, the president of the European Federation of Trade Unions (ETUC), Luca

Visentini, the Economic and Social Committee and the Regions Committee.

Regarding the plenary, due to the latest negotiations that are reflected in the rules of procedure, important improvements have been made. This is made up of 433 representatives, meaning 108 representatives from the European Parliament (25% of the total), 108 representatives from National Parliaments (25% of the total); 54 representatives of the European Union Council (12% of the total), 3 representatives from the European Commission (1% of the total), 18 representatives from the European Economic and Social Committee (4% of the total), 18 representatives from the Committee of Regions (4% of the total), 8 representatives from social partners (2% of the total), 8 representatives from civil society (4% of the total) and 108 representatives of citizens and national events that, in turn, are divided into 80 citizens chosen at random, 27 representatives of national events chosen by each Member State and the President of the Young European Forum.

Nevertheless, it now seems that it has been newly modified to include 14 new representatives (12 more representatives from the Committee of Regions and 4 more for the social partners) which would make a total of 449 representatives plus the High Representative of the European Union for Foreign Affairs and Security Policy as an observer.

However, it is clear that there are two major imbalances: on the one hand, between the representatives from institutions and from citizens and civil society, as there are 273 of the former and 88 of the latter; and, on the other hand, the imbalance between the citizen representatives, of which there are 80, although chosen at random, and representatives from civil society, of whom there are 8.

However, we should consider it a considerable improvement on the proposals to the CoFoE Executive Board back in April, as we understand the increase to have come in the number of citizens, previously zero and now 80, and in civil society and social partners which have risen from two to eight respectively, in the Commit-

tee of Regions and the Economic and Social Committee (that in both cases go from two to eighteen) and the appearance of a new group – representatives of events – with twenty-seven (one per State). We can thereby state that the increase of non-institutional representatives is rising to 160, while representatives from the institutions remain at 273. In this case, representation from the institutions drops, as a percentage, from over 95% to a little over 63%.

Regarding the content of the Conference on the Future of Europe, the Declaration from the Spanish Federal Council of the European Movement on 20 January mentioned that the major topics to be addressed by the European Conference should at least include:

- Improving European democratic quality.
- Recovering the European model of society and, therefore, broadening competences in the field of social policy.
- Going into greater depth on the Economic and Monetary Union with the development of the Banking Union and the Fiscal Union.
- The weakness of the migratory policy that, until now, has not been supported by sufficiently consistent competence from the Union.
- The Green Deal to develop a sustainable model, that helps provide an effective and ambitious response to the current problem of climate change.
- Developing our own digital and technological model inspired by European ethics.
- Foreign policy and defence to achieve a stronger Europe in the world.
- Education and European culture.

Therefore, we, the CFEME, are raising eight topics that are quite similar to those proposed by the European Parliament and to the COREPER, although I believe that they are better formulated and in a more appropriate order. Furthermore, we are including two more points that are not in the other proposals that are migratory policy and education and culture. We understand that the European Commission wishes to debate its priorities and the transnational lists. These are not incompatible, as the

list should be broad and they must at least consider these highlighted topics, although others should be added that both sides, including citizens and civil society, propose by mutual agreement in the Conference.

Finally, in our declaration on 4 March 2021, we added:

- Improving European democratic quality.
- The solidity of the domestic market and the expansion of the industrial dimension of the European Union.
- Reinforcing the European social model and, therefore, broadening competences in the field of social policy.
- The creation of the European Health Union with transverse effects across all EU policies, to give European citizens better protection.
- Looking at our Economic and Monetary Union in greater depth, for an economy that works for the people, with the development of the Banking Union and the Fiscal Union.
- The improvement of the migration and asylum policy that, until now has not been supported by a sufficiently consistent competence from the Union.

We will also look at the following points later in this paper:

- The European Green Deal to develop a sustainable model, that helps provide an effective and ambitious response to the current issue of climate change.
- The development of our own digital and technological model that is consistent with the European Union values and principles.
- Making progress in expanding the notion of strategic autonomy and developing a foreign, security and defence policy to achieve a stronger Europe in the world.
- Education, culture and European sport.
- The inclusion of equality between men and women across all fields and policies of the European Union.
- Improvement of regional participation, particularly from European nationalities and regions with legislative competences and from ultra-periphery regions, within the framework of the constitution and the European Treaties.

- The content that we have proposed is very similar to what appears in the Interinstitutional Declaration of 10 March although, as we will see below, there are some differences from what subsequently appeared on the Multilingual Digital Platform on 19 April. The topics suggested by the platform lack the accuracy of the proposals by the CFEME or from the actual original call.

Implementation limits

We picked out five difficulties when analysing the book *El debate ciudadano en la Conferencia sobre el Futuro de Europa* (Marcial Pons, Madrid, 2020) and various newsletters: a. Over-representation of institution representatives as they make up around 70% of the total; b. The *suís generis* participation from citizens by means of random selection that we are not convinced is going to work; c. The low relevance of civil society as we have mentioned throughout this paper which is just 2% although it could gain an extra 6% thanks to the 27 representatives; d. The lack of youth participation that does not even attain half its demographic weight despite highlighting that they should have a more prominent role; e. The Multilingual Digital Platform has been given excessive importance, encouraging individual participation. Nevertheless, it should be an auxiliary tool that facilitates participation from civil society and the associations.

The results from the first Plenary session of the Conference on the Future of Europe, also called the Inaugural Plenary on 19 June, confirm these limitations, particularly for three reasons: the first is that there was no participation at all from the citizens. The envisaged 80 citizen representatives could not attend either in person or remotely. Consequently, there was an overwhelming imbalance between them, civil society and representatives from the institutions.

The second reason is that only 250 representatives attended in person out of the 450 who make up the Plenary and 80 representatives interactively, 26 of whom

were not allowed to speak. In other words, a total of 330 took part and 120 spoke in successive monologues.

The third reason is that, in our opinion, there has been excessive emphasis on giving participation to citizens who are indifferent to the process consequently making the Multilingual Platform the central element. However, from our point of view, all European citizens should be allowed to take part alongside anyone providing the backbone of organised civil society. We cannot forget that the Hague Congress involved committed citizens, not indifferent people.

These are the reasons why I defended, on the one hand, the relevance of civil society and the role of the European Movement in the Conference on the Future of Europe Plenary when I said, "I would like to remind you of the role that the European Movement played in the Hague Conference in 1948, right where it all began, with Basques, Catalans, Spaniards standing together..., where European civil society was set in motion to boost European construction." Furthermore, I insisted that we should play a relevant role in the Conference on the Future of Europe "because we are looking at the process in further depth at this time and I want to insist on the importance of civil society, on the relevance of the fact that we should have a greater voice to take part in its reform just as we were able to set the process in motion."

I finished my speech by emphasising the need to balance participation from institutions to make it successful, and specifically I said, "I am very happy to be here. However, for it to be successful, we need equal participation between citizens, civil society and representatives from the institutions. I believe that this situation should be improved. It does not seem right that the Commissions are only presided over by representatives from the institutions, except for one, it does not seem right that each member speaks for a different length of time, it does not seem right that we are not on the Board, on the Executive Board." I would like to conclude by stating that "we have to take strides to have fairer participation on an equal footing."

Proposals for improvement of the Conference on the Future of Europe

The Conference on the Future of Europe has begun, but we must act, once again, to improve how it functions to achieve its oft-repeated aims. To do so, we understand that its workings can be improved in some of the aspects explained below. We might suggest possibilities as specific examples, although we still do not have sufficient pieces of the puzzle to give a complete view of possible improvements.

First, in the light of all that has been stated, the role of civil society should be reinforced. To do that, I believe that it will have to be based on strengthening the role of the 8 civil society representatives and the 27 representatives of the national events. To be precise, each of its States should achieve real participation from civil society and make proposals in each of the topics so that they are raised in the Conference plenary, providing a voice for civil society.

Second, the procedure rules refer to national, federal and regional Conferences, depending on each country's organisational model. They should also make proposals and debate in the plenaries. The set of representatives from these entities should be defended in practical terms

Third, young people should have their own entity and, therefore, be able to make proposals as a group in every plenary, not just the citizen panels. In addition, they should also be able to formulate their proposals for the final conclusions as a group. Young people cannot just be represented by citizen panels chosen at random.

Fourth, the platform can be improved and might be a useful mechanism but, in any case, participation should be facilitated from associations and civil society as entities and not by means of their individuals. The same must happen in the case of young people.

Fifth, facilitators and experts who are going to take part in the panels can play a very important role when channelling the debate for the citizen panels, given that these citizens have little experience.

Sixth, it would be good to have meetings, at least at a national level, between civil society, social partners,

Committee of Regions and the Economic and Social Committee and even between institutions to instil direct permanent dialogue.

Seven, influence and relations with public opinion should be considerably strengthened as it is impossible to meet the objective of bringing citizens and civil society closer to the Conference on the Future of Europe if European, national, regional and local public opinion is missing.

Eight, some of the 9 Commissions or Work Groups that are going to be created for each of the topics to be debated in the Conference should be presided over by civil society as they are currently going to be run by the institutions (2 by the European Parliament, 2 by the European Commission, 2 by the European Union Council and 2 by the National Parliaments) except for the Commission for Youth, Sport, Education and Culture that will be presided over by the President of the Young European Forum.

Nine, when evidence demonstrates that the current model and composition have not worked, civil society representatives should also be allowed on the Executive Board of the Conference on the Future of Europe.

Finally, we understand that it was a mistake not to schedule a Plenary in the next four months, from 19 June to 22 October and yet, one will be held practically every month after that, and poorly distributed throughout the schedule. The aim is to achieve a proposal that can be made public on 9 May, before the French presidential elections. However, it is not clear whether the Conference will run on for a few more months after this initial proposal.

The Conference could strengthen the current federalisation process

One central topic is the role of the Media and public opinion. The Conference on the Future of Europe is going reasonably unnoticed in Spanish public opinion. However, Spain is one of the Member States that is currently most

in need of support from the European Union and, at the same time, that the EU is helping more, as seen in the distribution of the Recovery Plan, as we are receiving almost 20% of the total. In other words, Spain is going to receive 140,000 million out of the 750,000 million Euros plus other aid to slow down unemployment. In other circumstances, in terms of our population or our income, we would be getting less than 10%.

The recent special Eurobarometer on the Conference on the Future of Europe determined that 71% of Europeans are in favour of it. This matches the Spanish position, with 70% of Spaniards in favour. However, concerning the question on whether they would take part in the Co-FoE, only 41% say they would, while 51% of Europeans would take part if they were called, even though Spain is usually one of the most pro-European countries and at least a quarter of EU States are manifestly Eurosceptic.

These figures are a powerful wake-up call when we are one of the countries that most benefits from the European decisions and, therefore, that most requires the Conference on the Future of Europe to implement the necessary reforms for this distribution of income to continue working that consolidate the European welfare state and the rights of European citizens.

It is also striking in this respect that the signing of the Interinstitutional Declaration held in Brussels on 10th March was not broadcast, nor the opening of the Strasbourg Conference, with great pomp, on 9 May, on the 71st anniversary of the Schuman Declaration, nor the presentation of the Conference in Lisbon on 16 June, nor the first Plenary of the Conference on the Future of Europe held on 19 June in Strasbourg which I was honoured to attend. Consequently, the role of public opinion and the Media is going to be enormously important. Organised civil society is in an optimum position to be able to revitalise this participation and to get feedback between the Media, civil society and the citizens who will have to report back.

The Conference is the start of the reform process that, considering that it will demand competences to be more extensive and the reform of the decision-making

process, as highlighted by the Spanish External Action Strategy, recently approved by the Ministry of Foreign Affairs, it is going to imply that the European Convention and Intergovernmental Conference are called after the end of the CoFoE in spring 2022.

Furthermore, going into this further detail obeys the interests and values of the set of Spanish political forces, social partners and even Autonomous Communities where there has been until now, and there continues to be, great consensus on these major focus topics. We should not forget that, in this respect, Spanish political forces are all voting in the same direction and the same can be said in the European Economic and Social Committee and in the Committee of Regions.

The Conference on the Future of Europe is, therefore, an innovative, new instrument emerging for the first time in the European political process on the request of the French President, Emmanuel Macron. The innovation consists of, on the one hand, linking up participative democracy, in other words citizens and civil society, with the representative democracy, formed by the institutions. This will, once again, expand participation from the stakeholders in improving the political project. Until the convention, this only involved representatives of the States; with the European Convention, this has been expanded to include representatives from the European Parliament and the national parliaments. Now, we are seeing this further step. However, perhaps a previous step is still required – a forum uniquely for representatives of citizens and civil society.

The Conference will therefore have to stand out from the European Convention, as these two forums have different natures and aims, and they follow different systems. The Conference should aim to incorporate the effective demands of citizens and civil society and, therefore, prepare the decision towards the change and focus on the model. The European Convention, determined in article 48 of the TEU, should convert this into a proposal for legal reform of the Treaties. On this basis, both forums will have to make themselves stand out clearly in terms of composition and therefore also in how they work.

Citizens and civil society should take part in the Conference on an equal footing with representatives from the aforementioned institutions. The European Convention will remain just for representatives from the institutions and Member States, as determined in the Treaty on European Union. Subsequently, representatives from each State's Governments will take part in the Intergovernmental Conference (IGC). Therefore, these are three different steps, and in my opinion, their autonomy should be clearly conserved. The Conference should maintain this distinction.

Finally, the Conference on the Future of Europe is an opportunity to strengthen the current federation process by contributing political dialogue between civil society and citizens and the institutions on an equal footing. Consequently, a consensual proposal should be made by all participants to update the European project through structured political dialogue that should conclude with a joint proposal that will be presented in Strasbourg on 9 May 2022.

Conclusions: relevance, opportunity and need to improve the Conference on the Future of Europe

At the start of this paper, we questioned the relevance of the Conference on the Future of Europe and its whys and wherefores. We can conclude by stating that it is highly relevant because it helps adapt the European Union to the new changes since the last reform in 2007 (signing the Treaty of Lisbon) and particularly to update the European Union in the light of the silent federalisation over the last year as a consequence of Covid-19 and our challenges now and in the next two decades in which the Recovery Plan and the New Generations Fund will have to be applied and even, returning what has been borrowed.

Regarding the question of whether civil society plays the role that corresponds to it in this Conference, we understand that there is still a long way to go for several

reasons mentioned above, and due to poor participation (barely 2 or 8% depending on how it is calculated), as it is limited and not on an equal footing with the institutions, and its central role in European construction has not been recognised.

Many improvements can be made which are going to increase the weight of civil society, in other words, that the representatives of civil society are also on the Executive Council, they can preside over some of the themed Commissions, they are given the necessary means to connect up with European civil societies and each of the Member States, that the debates are improved, moving beyond the system of over 200 monologues which is

what happened in the first Plenary; that the Multilingual Digital Platform is relocated as an auxiliary element and not the central element of participation and that it is used as an element that facilitates associative participation and not individual participation.

We have also mentioned that the Conference on the Future of Europe is not starting out as expected and, above all, it is not meeting the expectations which were raised, as no citizens were present at the first Plenary, with hardly any civil society and poor participation from young people as well. In the text, we have proposed a set of measures to be able to meet the purpose of the Conference on the Future of Europe.

European citizens and their opinion on the European project during the pandemic

María Adela Pallares

Never before has a crisis hit as hard as the crisis stemming from COVID-19. Its magnitude, simultaneity and global nature means that this has already been considered as the greatest recession since the Great Depression in the 1930s.

In Europe, after the health situation improved during the summer, 2020 drew to a close with an acceleration of the “second wave” and a worsening of the pandemic. The situation deteriorated during the first quarter of 2021: new variants appeared, triggering new waves and, as a consequence, new restrictive measures were put in place, including further lockdowns.

This crisis caused by the COVID-19 pandemic represents an enormous challenge for the European Union (EU), not only due to its vast span but also because it must be managed within a context of several overlapping crises for the block, such as the tail-end of the Euro crisis, the refugee crisis and Brexit. At the same time, it is also an opportunity to demonstrate the added value of an organisation such as the EU to mitigate and solve the consequences of a crisis such as coronavirus.

COVID-19 has generated an unprecedented crisis that rocked the foundations of the world’s political and economic systems and will leave an impression on the new normal. In this context, it makes sense to look at how the crisis has affected citizens’ opinions of its sys-

tems and political institutions, and particularly how it has affected the idea of the European project.

We will attempt to provide some answers identifying the general trends provided by 4 studies:

- The survey entitled *El impacto de la crisis de la pandemia COVID-19 en la opinión pública europea* (*The impact of COVID-19 pandemic crisis on European public opinion*) carried out by the Istituto Cattaneo for the Foundation for European Progressive Studies (FEPS) and the Friedrich Ebert Foundation (FES, its acronym in German). The study, carried out in 6 EU countries (Germany, France, Italy, Poland, Spain and Sweden) in two waves (during and after the pandemic), aimed to investigate the impact of the crisis on citizens’ attitudes and political leanings revolving around four different aspects: 1) assessment of government policies and party strategies to address the pandemic; 2) the change in preferences in terms of economic policy; 3) trust in institutions and in other people; 4) the likelihood of trusting the information filtered and shared by the epistemic communities or the different sources of fake news or conspiracy theories. The results available so far were collected during the first study phase, between December 2020 and January 2021.

- The Standard Eurobarometer 94 (that we will abbreviate to EB94). The results from this survey, carried out between February and March 2021 in all 27 Member States, were published last April.
- The European Parliament special Eurobarometer Resilience and recovery: public opinion one year into the pandemic. In this case, the survey took place between March and April 2021 and its results were published last May.
- The paper entitled Crisis of confidence: How Europeans see their place in the world (Dennison & Pugliese, 2021) published last June. This analysis is based on a survey commissioned by the European Council on Foreign Relations (ECFR). This analyses how Europeans see the EU as an international player in the fight against Covid-19 and what type of player the public wants the EU to be in the post-coronavirus world. The data collection work for this survey took place between late March and May 2021 in 12 countries: in Germany, France, Denmark, Spain, Hungary, Poland, Sweden, Italy, Austria, the Netherlands and Bulgaria.

Firstly, we will look at Europeans' satisfaction with how the EU has managed the crisis arising from the coronavirus pandemic. Secondly, we will examine whether, regardless of opinions on how it was managed, the COVID-19 crisis has longer term consequences on feelings of belonging to the EU, trust and the image of the EU. This article will round off with an analysis of the trust that Europeans put in the EU's capacity to make correct decisions in the future.

Europeans' satisfaction concerning measures adopted by the EU to fight the coronavirus pandemic

The survey carried out by the Istituto Cattaneo for FEPS and FES devotes an entire block to evaluating the measures adopted by local and national governments and the EU. It introduces a variable called the "COVID-19 dilemma", meaning mediation between protecting citizens'

health and protecting the economy. It differentiates the players in charge of taking measures to protect health (healthcare systems, national governments and local governments) from people in charge of taking measures to protect the economy (national governments and the EU).

It asks the survey respondents to rate the EU on a scale from 0 (completely negative) to 10 (completely positive) referring to measures to protect the economy. This study frequently uses the format that asks survey respondents to pick their position on an 11-point scale. This system makes it possible to express highly nuanced positions, particularly regarding more ambivalent opinions. Thanks to the use of more than one central position, they can determine three blocks more precisely: negative (0 to 4), complete ambivalence (5) and positive (6 to 10).

The results from this survey show that Europeans give a basic pass mark to the EU's actions concerning the economy during the coronavirus pandemic. In the various study countries, the marks range from 5.1 (France, Spain and Italy) and 5.3 (Sweden and Germany); the European average is 5.2. 33% of the survey respondents give a negative score (from 0 to 4), 19% an average mark (5) and 48% give a positive score (6 to 10).

Still according to this survey, the EU's actions scored higher than the national Governments, which got an average score of 4.8. Italy, Poland and Spain were the least satisfied with their respective Governments. 50% of Spanish citizens gave their government a negative score (between 0 and 4); in Poland, more than 62%. Alternately, Germany, France and Sweden rated their governments' actions more positively than EU actions in terms of protecting the economy.

Three major profiles stand out. On the one hand, there are Italy and Spain, which give the EU the lowest score (5.1) but are even less satisfied with their respective governments. In fact, these are the two countries that give the lowest scores to this management, with 4.8 for Italy and 4.1 for Spain. France, the country giving the third highest score for the EU's action with a 5.1, is more satisfied with national management, scoring it with 5.3. At the other extreme, there is Poland, whose citizens

declared themselves to be satisfied with EU management (5.2) but score their government's actions very negatively (3.6, the lowest score). Germany and Sweden, the countries that give the highest score to the EU's action (5.3) are in turn most satisfied with their respective governments (5.5 for Sweden and 5.6 for Germany).

The EB94 compiles this same trend and shows that 56% of citizens are not satisfied with the measures taken by their respective governments to fight coronavirus compared to a scarce 43% that are. Levels of satisfaction with national governments have plummeted since summer 2020, dropping 19 points, thereby reversing the trend and dissatisfaction is now the majority option. Furthermore, according to this study, the satisfaction level has dropped in all Member States on summer 2020. The countries most satisfied with measures undertaken by their national governments are Denmark (79%), Luxemburg (73%) and the Netherlands (71%); the least satisfied are Slovakia (25%), the Czech Republic (24%) and Latvia (21%).

However, compared to the figures compiled by the Istituto Cattaneo, the Eurobarometers seem to indicate a drop in satisfaction among Europeans in relation to measures adopted by the European Union to fight the coronavirus pandemic. According to the EB94, 49% of Europeans are not satisfied with the EU's management and 43% are. The EBS corroborates this trend and mentions that 50% of citizens are dissatisfied compared to 48% who say they are satisfied. EB94 figures show that dissatisfaction has gone up 5 points since summer 2020 and the positive trend thus far has been reversed.

Both Eurobarometers indicate that France, Germany, Belgium, Luxemburg and Greece are the countries least satisfied with the EU's measures to fight the coronavirus pandemic. France, Germany and Greece also have the highest percentages of "very dissatisfied" citizens. On the other hand, Denmark, Lithuania, Portugal, Romania, Ireland, Bulgaria, Malta, Poland, Sweden, Hungary, Croatia and Cyprus make up the group of countries with a majority of satisfied citizens according to both surveys. Denmark heads the classification in both studies (68% satisfied citizens in EB94, 81% in EBS).

If we look at the EB94 data for Italy, France, Germany, Spain, Sweden and Poland, we see that the same trends occur as in the CI survey. On the one hand, there would be the States that are not happy either with management by the EU or their respective government: this is the case of Italy, France and Spain. In Italy and in Spain, citizens seem to be a little more satisfied with the actions undertaken by the EU (46% for Italy, 44% for Spain) than with their own government (39% in Italy, 30% in Spain) although neither reach the 50% satisfaction level. In France, where citizens are also highly dissatisfied with management by their institutions, satisfaction is a little higher for national management (32% satisfaction for the EU and 36% for national management). On the other hand, there is Poland that is very satisfied with EU management (55%) and very dissatisfied with national management (36%). The most drastic change can be seen in the last group of countries, Sweden and Germany. Sweden continues to record high satisfaction levels, both with the EU and with its government (55% satisfaction for the EU and 60% for its government). There is a particularly spectacular drop in Germany's level of satisfaction regarding EU measures (-16 points according to the EB94) between summer 2020 and winter 20/21 (from 49 to 33%). The satisfaction level regarding national management remains relatively high (52%).

The various surveys tell us that European citizens do not rate highly either the measures taken by the EU to fight the coronavirus pandemic or the measures from their respective governments. However, criticism of EU actions does not seem to have affected either their trust or citizens' positive image of it.

Belonging, trust and image of the EU throughout the crisis

To start, we will look at the satisfaction rates regarding belonging to the EU. 55% of survey respondents for the Istituto Cattaneo think that it is positive that their country belongs to the EU compared to 17% that consider

it to be negative. The Polish and the Spanish are the most enthusiastic, with 73% and 66% respectively. On the other hand, the percentage of citizens with a positive outlook on their country belonging to the EU does not top 50% in France (44%), Italy (47%) or Sweden (48%). Furthermore, the percentage of eurosceptics exceeds 20% in those three countries: 25% for France, 24% for Italy and 22% for Sweden (22%). 54% of German citizens consider that belonging to the EU is positive, compared to 16% that think the opposite.

The study also dedicates a section to measuring trust in several institutions, including the EU. It measures the personal and institutional trust in the 6 Member States being studied. Continuing with the 0 to 10 scoring, it asks about trust in others ("In general terms, would you say that you trust most other people, or that you can't be too careful with other people?") and about trust in institutions (police, legal system, health system, national political institutions, local political institutions and the EU). Trust in the EU is 5.2. In fact, there is little variation in how citizens value the EU in the various study countries: the scores fall between 4.9 (France) and 5.6 (Poland). Poland and Spain give the highest percentage of positive marks (between 6 and 10). France, on the other hand, is the country with the highest percentage of negative scores and the lowest for positive scores. Poland is characterised by very high levels of both interpersonal and institutional mistrust; the EU is the best rated institution (5.6). Except in France (4.9), scores for the EU exceed 5 in all the study countries.

In turn, the EB94 indicates that 49% of European citizens trust the European Union. At the same time, mistrust in the European Union has dropped (43% "don't really trust it", -5 points compared to EB93). This is an increase of 6 points on the EB93 but above all the greatest level of trust recorded since summer 2008.

In the Member States, the level of trust is greater than or equal to 50% in 20 countries, with the highest levels recorded in Portugal (78%), Ireland (74%) and Lithuania (70%). In Germany and the Czech Republic, people who say that they trust the EU form a relative ma-

majority of 48%. On the other hand, the lowest trust levels are recorded in Austria, Italy, France, Cyprus and Greece. Compared to the EB93, the level of trust in the EU has risen in 23 Member States. The most spectacular rises were in Portugal (78%, +22 points), Malta (64%, +19), Italy (44%, +16), Belgium (56%, +13), Czech Republic (48%, +13), the Netherlands (61%, +12), Lithuania (70%, +11) and Spain (52%, +10). On the other hand, trust fell in three countries: Poland (50%, -6), Austria (41%, -3) and Denmark (62%, -1).

As a comparison, European citizens trust the EU more than their national institutions, be they governments or parliaments. Let's remember that the recorded trust rate is 49% for the EU; the EB94 puts trust in governments at 36% and trust in national parliaments at 35%. Comparing against the latest measurements, trust in the EU went up 6 points, while trust in the governments lost 4 points (dropping from 40 to 36) and trust in parliaments remained stable (it only drops one point from 36 to 35).

The same survey states that 46% of citizens have a positive image of the EU. This rate has gained 6 points since summer 2020 and has reached its highest level since autumn 2009. In turn, the negative opinion (15%, -4) is at its lowest level since October 2009 and neutral opinions remain steady (dropping just 2 points at 38%). In turn, the EBS indicates that scoring for the EU's image is positive for 48% of the survey respondents, neutral for 35% and negative for 17%. Furthermore, both surveys show that the positive view of the EU is the majority option in almost all Member States. Both highlight Portugal and Ireland as the countries with the highest positive opinions; Bulgaria, Lithuania, Estonia, Luxemburg, Slovenia, Poland and the Netherlands also record high rates in both surveys. In both cases, it appears that the neutral image is dominant in Austria, a country with a high proportion of negative EU image, along with Greece, Belgium, Czech Republic and Finland.

According to the EBS, the opinion on the EU has remained the same for most citizens (56%). However, we might note that the proportion of citizens with a downturn in their opinion towards the EU is on the increase (up

by 10 points to 34%), while the proportion that say that it has improved has dropped (down 7 points to 9%). The EB94 also records a slight drop from November-December 2020. However, despite these variations in the short term, the longer-term trend since 2012 remains positive. There was a particularly significant increase between autumn 2019 and autumn 2020, in other words during the first and most dramatic phase of the pandemic. The positive scores for the EU image remain above levels observed for more than a decade.

Although it is still too early to see the impression left by coronavirus in the long term, some trends already point towards citizens' attitudes and wishes regarding the EU.

What do Europeans expect from the EU to lead their future?

The EB94 provides very interesting data on how much Europeans trust in the EU's capacity to make correct decisions in the future. So, for the question "considering the European Union's response to the coronavirus pandemic, how far do you trust the European Union to make the right decisions in the future?" 59% state that they trust the EU while 39% said they do not trust it (2% said they did not know). In 24 member States, more than 50% of the survey respondents said they trust the EU for future decisions. The highest figures (over 75%) were recorded in Portugal, Malta and Hungary; the lowest in the Czech Republic (47%), Austria (46%) and Greece (44%). This rate has gone up in 7 countries since summer 2020, particularly in Malta (+21 points), in Portugal (+13) and in Italy (+10). However, this general positive image should not hide that trust in the EU capabilities in the future has lost ground in 17 countries, with a spectacular drop in Germany (-15).

European citizens also mention the topics that, in their opinion, should provide the backbone of the EU to overcome the crisis. Unsurprisingly, questions linked to vaccination and health take the top spots. Guarantee-

ing fast access to safe and effective vaccines for all EU citizens is the most frequently mentioned option (36%). Relating to health concerns, stand-out priorities consist of developing a European health policy (27%), investing more funds in developing treatments and vaccines (25%), supporting the worldwide response to coronavirus to guarantee universal access to a vaccine or treatment (24%).

However, another priority (second after the vaccines) is setting up a European strategy to address a similar crisis in the future (28%). This option seems to scale positions as time goes by and it seems to become more important. The results collected from the survey sponsored by the ECFR point in that direction: to the question "once the coronavirus crisis is over, which, if any, of the following proposals best reflects what should change in the EU?", citizens answer that the main priority should be to guarantee a more unified response to worldwide threats and challenges (42%). This item is also top in 7 out of the 12 countries analysed. Data from the EBS follows the same line. 74% of European citizens want the EU to have more competences to manage crises like coronavirus better. The highest figures are seen in Portugal (96%), Malta (91%), Sweden (90%), Finland (89%) and Ireland (87%).

Topics related to economic recovery are also gaining ground. European citizens mention that the economic situation is still one of their main concerns (35%), after health. However, it is particularly relevant as it is the only question that comes in the top three of all the Member States. In turn, the EBS mentions that, when asked about the European Parliament's priorities, Europeans once again worry about measures to fight poverty and social exclusion (39%) and support measures for the economy and creating jobs (39%) in second and third place respectively. Concern for health remains in the top spot (49%).

Given that the economic situation remains one of the main priorities for European citizens, the figures provided by EB94 are very interesting regarding Europeans' opinions on the NextGeneration EU programme. This survey

states that 55% of Europeans think that the economic programme will be effective to tackle the economic consequences of the pandemic. 38% think that it will not (7% does not know). Out of the positive answers, 7% say that it will be very effective and 48% quite effective. However, “not very effective” is the answer making the most progress since EB93, gaining 14 points up to a total of 31%.

23 out of the 27 Member States record confidence rates in the plan that are greater than or equal to 50%. If we add those who think that the plan will be very effective and quite effective, Malta (83%), Ireland (77%), Croatia (68%) and Poland (67%) head the list of the most optimistic countries. The very effective mention never manages to be in the majority, but it varies between 10 and 15% in 10 countries (Malta, Croatia, Poland, Italy, Cyprus, Bulgaria, Romania, Slovakia, Austria and Greece). In the meantime, the most pessimistic citizens regarding NextGeneration EU are in Germany (48%), Latvia (47%), France (45%) and Finland (42%).

It is interesting to see the results in States that call themselves “frugal”, meaning the Netherlands, Austria,

Sweden and Denmark, joined by Finland during the European Fund negotiations. In most of these countries, trust in NextGeneration EU is over 54%; in the Netherlands and Denmark, this rate is even over 60%. On the other hand, Finnish citizens seem to agree with the more conservative stance of its government. The Scandinavian country records the lowest and the highest rate of mistrust in the rescue plan.

Nor do the countries that trust the plan the most correspond to the countries that will receive the most funds, according to the figures. Poland and Italy are among the 5 Member States that see the plan as effective, with positive answers over 65%. The results from Spain are very surprising, standing only 22nd out of 23 in terms of seeing the NextGeneration EU as effective. Spanish survey respondents who gave a positive answer are still a majority though, with 52%.

To attain this idea of the EU, European citizens are aware that reforms are necessary. According to the EBS, almost half of them (47%) are in favour of the EU although not how things have been run so far. 23% support the EU “as it stands.”

II. NextGenerationEU and the recovery and transformation of the European economy

The EU Next Generation recovery fund, the year of its implementation

José Luis Escario

Introduction

Covid-19 caused an unprecedented global crisis. In the European Union (EU), the pandemic has already claimed 750,000 lives and has caused the greatest drop in GDP since World War Two. The consequences of this crisis remain to be revealed, although it seems clear that it heralds a different world, that does not promise to be any improvement on the current world (Borrell, 2021).

On the other hand, the economic recovery rate is proving uneven between countries, depending on the speed that each country can access vaccines and the magnitude of the stimulus policies provided by public authorities. In the report it submitted to the G20 in Venice in July 2021, the International Monetary Fund (IMF) was already talking about “two-track recovery”.

In the EU, recovery seems to be much faster than during the Great Recession,¹ although it is not certain that all Member States (MS) were experiencing the same conditions as we went into the crisis and they are highly likely to come out of it differently, as we will see later. Even so, it is expected that all MS will have recovered

their pre-crisis levels by the end of 2022, long before other areas of the world.

This has doubtlessly been helped by how the EU responded to this crisis, in a marked contrast to its response to the financial crisis in 2008. After an initial moment of confusion, when the MS found it extremely difficult to coordinate their healthcare responses and unilateral national measures abounded (hoarding respirators, uncoordinated border closures, etc.), EU institutions soon took a proactive role in managing the covid-19 crisis.

The European Central Bank (ECB) did not waste a moment this time around. It used its considerable strength to act on monetary policy matters, quickly presenting a temporary sovereign debt purchasing programme in March 2020. In turn, the Commission set up the SURE² fund as a reinsurance system to support national systems for temporary job protection. Furthermore, the European Investment Bank (EIB) mobilised 200,000 million euros to facilitate business funding.

All these measures, which were necessary and are proving to be a considerable contribution to softening the effects of the pandemic, were thought to be insufficient

¹ The EU's economic predictions from this summer expect 4.8% economic growth for 2021 and 4.5% for 2022.

² Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency.

in the light of the huge challenge posed by covid-19. Therefore, it quickly became clear that an unprecedented community-scale intervention was required.

Let's not forget that the previous crisis had expanded differences between the MS, even going so far as to threaten the existence of the Euro. In fact, before the pandemic arose, the economic situation in European countries differed greatly, and the impact of the pandemic has only exacerbated this. On the other hand, countries such as Italy or Spain, with economies highly dependent on tourism and business fabrics comprising many small businesses, suffered much greater drops in GDP in 2020 than Northern European countries.

As previously mentioned, several MS were also dragged down by a series of weaknesses from the previous crisis, such as accumulating higher levels of public debt, low productivity and competition, or chronic unemployment issues.

This asymmetrical impact of the crisis and the aforementioned background issues raised a real risk that the gap between countries in the North and South might widen, with the threat that this poses for EU cohesion and even for the very integrity of the domestic market.

One lesson learnt from the previous crisis showed that increased inequality between countries was mainly due to different funding conditions for the MS when taking on debt. Let's not forget the major difficulties faced by Greece, Portugal, Ireland, Cyprus or Spain during the sovereign debt crisis.

In this respect, one of the most outstanding proposals considered to solve this problem was to implement a "Eurobond" system that involved debt pooling to a certain degree among MS. However, opposition from the EU's creditor countries remained strong. Declarations from Angela Merkel in the middle of the Euro-crisis were unequivocal on this matter: "not in my lifetime".

However, the unusual nature of the Covid-19 crisis that cannot be blamed on economic policy "mistakes" and the enormous spending required for countries to address health and economic emergencies managed to change Germany's stance which, at the eleventh hour,

turned out to be decisive to take a giant step in European construction. After several difficulties, a large public stimulus package was approved to reactivate and transform the member states' economic model, the "NextGenerationEU" (NGEU) recovery programme.

The first to revive the old debate on debt pooling was the Spanish government. On 19 April 2020, in its non-paper entitled "A recovery strategy", Spain launched the idea of a new "Marshall Plan" concerning public investment for the EU as a whole.

Germany quickly presented a joint proposal with France along the same line as suggested by Spain, which was used as the basis for the initiative that the Commission subsequently presented.

However, getting the NGEU approved in the European Council on 21 July was no bed of roses. After overcoming tough resistance from the frugal countries, it was possible to approve a temporary financing instrument, the NGEU, designed to mitigate the economic consequences of the Covid-19 crisis.

The NGEU is going to represent the greatest mobilisation of resources in the history of European unity. It comprises an endowment of 750,000 million Euros, of which 390,000 will be in the form of subsidies and 360,000 will be loans awarded to the MS in very favourable conditions. It will run between 2021 and 2023. The NGEU intends to maximise the pull effect of the investments with the intention that 3 private Euros will be mobilised for every public Euro provided.

In short, the NGEU makes it possible for the EU to finance, in unprecedented quantities, the necessary investments for national recovery plans put into practice by each MS.

NGEU and European debt, a great advantage in the funding conditions for recovery

The NGEU allows the Commission to capture money in the markets under very favourable conditions and assume highly significant levels of debt to finance common recovery-related expenses. Let's not forget that European

debt boasts a maximum triple A rating, which means that the financing costs offered by the markets are more advantageous for many MS.

Furthermore, the demand for Eurobonds is guaranteed as they are very attractive assets for international investors. Some authors have mentioned that, thanks to this step, the Euro is on its way to becoming a world reserve currency, competing with the dollar.

In particular, the Commission made its first issue of community debt in June 2021, raising 20,000 million Euros from the European fund. This ten-year issuance, plus a further issuance in July, has managed to mobilise the not-insubstantial sum of 45,000 million Euros in long-term bonds. The success of the operation exceeded all expectations, as demand for the European bonds was seven times greater than the offer.

Consequently, the community debt issuance is going to be a hugely important measure in terms of making recovery viable for the MS.

Repayment of the common debt and determining European taxes

Another important trait of the mechanism envisaged in the NGEU, differentiating it from the previously-raised Eurobond proposals, is linking it to the new Union Budget. Now it is actually the Commission that takes on the debt, guaranteed by the Union budget.

The amount of the new European Budget or Multiannual Financial Framework (MFF) 2021-2027, approved by the agreement between the European Parliament and Council on 14 December 2020 rose to 1,074,000 million Euros. If we add this quantity to the 750,000 million Euros from the recovery instrument, we get a total economic package close to 1.8 billion Euros.

In addition, the aforementioned inter-institutional agreement included a road map for staggered implementation of new European taxes. These taxes intend to address an increase in the ceiling for the EU's own resources with a view to repaying the European debt. To set up this

measure, it was necessary to review the Own Resources Decision, a community standard that determines how the EU budget should be financed.

In this respect, it is important to highlight that, if the introduction of new European taxes to feed the Union budget is not approved, the debt committed due to the NGEU would have to be repaid by increasing national contributions. These circumstances are working as an incentive for some Member States not to have used their right to veto in the new taxation measures so far, despite being the most reticent to take the leap in taxation matters, and also net contributors to the budget.

Finally, on 27 May, the revision of the Own Resources Decision was approved, after a ratification process that was not without its ups and downs. Remember that this revision required unanimity from the Council, and ratification from the European Parliament and the MS national parliaments. After ratification from Austria and Poland, it was possible to complete the process and, consequently the funding could reach the MS.

Before that, we had to wait for the German Constitutional Court to decide against an appeal brought by certain anti-European forces which questioned the EU's competency to perform the joint debt issuance.

Establishing European taxes would be a very significant step, as it would set up a permanent flow of income for the EU that will last even beyond the deadline for repaying the debt contracted due to the pandemic.

All the same, this calls for more ambition in this matter, as the collection planned with the new tax figures considered thus far is going to be insufficient to all extents and purposes.

Taxing the digital economy and transnational profit

The Commission intends to present a new legislative package on own resources in the second half of 2021, that is going to include various European taxes to fill the European treasure chests.

Among the proposals being considered, it is likely that one of them refers to taxation of the digital economy, although there is some uncertainty regarding the taxation figure that will be chosen for these purposes. The legislative package on taxing the digital economy from March 2018 contained a proposal to tax certain digital services (“Google Tax”). Although it did not prosper in the Council in 2019 due to the veto from certain MS, this proposal was raised again in the road map for new European taxes due to the NGEU.

However, and to avoid cases of double taxation on the same revenue, the Commission froze their “Google Tax” proposal in June 2021, while waiting for global negotiations to pan out within the OECD Inclusive Framework³ on the so-called “two-pillar solution”. After two previous agreements from the G7 in June and the G20 in July, it was expected that an agreement would be possible on a definitive solution to the problem of taxing the profits of major companies during October.

The first pillar of the OECD proposal being debated regulates the distribution of the taxation rights between territories on profits from major digital companies. This is therefore a case of determining how to assign these profits, that often do not need a physical support to be generated by the company. Second, a complex series of attribution standards⁴ should be used to explain in what proportion the jurisdictions where the multinationals generate value have the right to tax this profit.

Regarding the second pillar of the OECD proposal, it alludes to the no-less-important topic of determining an effective minimum tax rate for large transnational groups worldwide. This measure intends to slow down the race to the bottom among various jurisdictions to attract investment and certain revenue to their territory. It would also assess the numerous tax incentives available to verify the added value that they provide in

each case and that their application does not exceed the minimum global tax threshold. This point, key to reveal the collection potential of the two-pillar solution, has still not reached a complete consensus. The agreement principle talks about an effective minimum global rate of “at least” 15%. There are several countries, including the USA, that would like to raise the percentage to 21%.

In any case, the digital tax proposal eventually presented by the Commission will have to be aligned with possible worldwide agreements. And in the light of what is being debated within the inclusive framework of the OECD, the formula adopted by the EU in this field might not be limited to taxing the digital economy and might affect other sectors.

Along this line, the EU might adopt a formula that guarantees minimum taxation of multinationals operating on community territory, taking the percentage agreed worldwide as a reference. It might also dust off the Commission’s star proposal on tax evasion, setting a Common Consolidated Corporate Tax Base (CCCTB). The CCCTB has been renamed now as the BEFIT proposal in the recent Communication on “Business Taxation for the 21st Century”.⁵ BEFIT implies a radical change on the current system, as it leads to tax harmonisation by determining the taxable profit generated by major companies on EU soil on a European scale. The corporate tax base that transnational corporations pay is currently calculated in compliance with each Member State’s diverging taxation codes, which leads to legal fragmentation that increases the chances of tax evasion. BEFIT also implies “consolidation” of the profits and losses that the multinationals obtain on EU soil. The resulting balance of this compensation is distributed among the MS according to a predetermined formula, composed of three parameters: sales, revenue and employment.

This consolidation aspect of the BEFIT proposal, that assumes the “formulary apportionment system” in force

³ The OECD Inclusive Framework not only includes members of the OECD. This forum comprises 139 countries and includes several developing countries.

⁴ For these purposes, a sometimes-murky distinction is made between the multinational’s routine and residual profits.

⁵ BEFIT, alluding to “*Business in Europe: Framework for Income Taxation*”. See: Communication on Business Taxation for the 21st Century | Taxation and Customs Union (europa.eu)

in the USA, would have the potential to deactivate many of the corporate tax evasion operations in the EU, such as those derived from abuse of transfer prices.

So then, the aforementioned budgetary agreement from the European Parliament-Council on 14 December 2020 now proposes a quota for the increase in collection which would mean that introducing this Commission proposal would lead to bringing the EU more own resources.

A few taxes associated with the full development of the European Green Deal: the Emissions Trading System and the Carbon Border Adjustment Mechanism

Firstly, it should be mentioned that the European tax on non-recycled plastic has been in force since January 2021, taxing waste from non-recyclable plastic packaging.

Furthermore, two very important proposals deserve a mention that form part of the “Fit for 55” package presented in July 2021 by the Commission. This package constitutes the first attempt at legislative development of the European Green Deal (EGD), the Commission’s government programme for the next few years. Among the many initiatives within the EGD, two important green taxation instruments and market correctors are directly linked to meeting the goals for decarbonisation, set both in the Paris Agreement and in the actual EGD.

The first of the claims to create a new source of own resources assigning to the Union Budget 20% of the revenue from the emission trading system (ETS).

The EU has been a pioneer in this field, as it has used the ETS as an instrument to influence CO2 prices in the EU emissions market since 2005. This ETS regime has been subsequently extending to other countries and zones in the world.

This system claims to raise the CO2 prices for certain products by internalising their environmental costs. For this reason, it subjects a series of particularly CO2-intensive industrial sectors to a system of carbon quotas. This determines the quantity of carbon emissions that can

be released as a maximum for the sector. This maximum CO2 emissions quota is progressively reduced depending on the environmental goals agreed in international commitments.

Companies with emission levels below the thresholds set at any time can accumulate emission rights in their favour that they can offset later. They can also sell their emission rights to other companies in the market.

In some cases, the quotas were assigned free of charge, but from 2013 onwards, the companies in question had to begin to pay for them at the CO2 market price. The idea is that companies will progressively receive fewer free quotas until this no-charge aspect is phased out in 2030.

The ETS is used to stimulate innovation to develop sectors with a more intensive use of clean energies. Although it is true that companies which withstand higher prices for the emissions will have to pass on this increase to the end consumer. This might lead, as currently seen, to a rise in electricity prices, while the renewables are settling into the energy mix for MS.

In the *Fit for 55* package, the Commission is contemplating a reform of the European system of emission rights, aware that this has some significant shortfalls. Firstly, the aim is to extend the ETS regime to carbon-intensive sectors that have been excluded so far, such as the automotive or construction industry. Furthermore, the reform wishes to progressively eliminate subsidies for aviation and include maritime transport emissions in the European ETS system.

Finally, and regarding sectors already covered by the current ETS system, the Commission aspires to increase the envisaged annual emission reduction percentages to accelerate decarbonisation.

On the other hand, the Commission aims to use this legislative package to approve a new tax figure to complement the aforementioned ETS regime. This is what is known as the “Carbon Border Adjustment Mechanism” (CBAM). The CBAM would also be used as a source of extra financing for own resources associated with the NGEU.

The CBAM would work like a tariff on imports with a view to being applied to the same CO2-intensive products

covered by the community ETS system, but that have been manufactured in third-party States following environmental standards which are less demanding than in the EU.

This tariff is specifically planned to be introduced progressively, over a decade, from 2026. Initially, it will only affect imports of steel, aluminium, cement, fertilisers and electricity.

The CBAM thereby wishes to avoid environmental dumping from territories that do not have emission rights regimes similar to the community ETS, giving them an incentive to increase the price of carbon at source.

With this tariff, producers from third party states will effectively have to meet European environmental standards to be able to access the Domestic Market. The CBAM will be a powerful geopolitical instrument for the external aspect of the European Green Deal and a further demonstration of the EU's global regulatory power. This power gives access to the EU Market in exchange for companies adopting the standards defined by the EU (in this case environmental). Standards that, in fact, end up becoming global, as major companies tend to take the highest European requirement levels as a reference for their world business (Bradford, 2020).

On the other hand, the CBAM would make it possible to counteract the perverse incentive for European companies to delocate their production outside the EU in search of more relaxed legislations (carbon leakage).

So then, when approving this proposal, the EU should avoid falling into any type of protectionism or unfairly imposing trade barriers, prioritising domestic products over products from third party countries. This would be a violation of World Trade Organisation rules on the matter.

In this respect, it is important to highlight that as well as providing a level playing field from the point of view of environmental requirements, the main aim of the CBAM is not to favour national producers but to encourage compliance with the climate agreements signed by the international community.

In fact, the CBAM would form part of what has been called the external dimension of the European Green Deal. The EU is aware that it would not be capable of achieving

those global climate goals alone as it only represents 9% of greenhouse gas emissions in the world. Consequently, it must roll out a full strategy to provide an incentive for other countries to push ambitious climate action policies.

The CBAM might be an important measure for this, but it should be accompanied by other climate diplomacy measures that consider both the geopolitical context and the difficulties that its application might bring about in other countries. In this respect, the EU must act as a constructive partner by setting up green alliances with its trading partners.

Special attention should be paid to China and the USA, the two main countries in terms of world carbon emissions, whose policies are also going down the road of reducing emissions, although at a much less demanding pace than the EU.

In this respect, it would be important for the EU to help create a "carbon club" which is as wide-reaching as possible to avoid the carbon leakage phenomenon, so that the cost of remaining outside it would be increasingly high for states.

At the same time, it might be hoped that merely setting up the CBAM will have a dissuasive effect on some countries and will lead them to discourage CO₂ emission in a similar way to the European ETS. These circumstances would make them immune to the tariff application.

All the same, it would be naive to ignore that application of both the CBAM and the European Green Deal in general would not foster resistance in some countries, particularly in places that are more dependent on fossil fuels (Leonard *et al.*, 2021). In this respect, developing countries (DC) would deserve special treatment so that CBAM application would not raise an obstacle to their fight against poverty, while promoting their ecological transition.

On this point, cooperation and financing for development is going to play a key role to facilitate these countries' transitions towards greener, more digital and fairer economic models. It is not in vain that the new financing instrument for development from the EU "Global Europe" assigns 25 % of its funds to meeting climate goals (Manrique, 2021).

NextGenerationEU as an instrument to promote a change in the EU economic and productive model

Similarly to what is mentioned above regarding developing countries, the NGEU funds aim to be useful for green, socio-economic and digital transition of the MS that receive them. Although it is true that these three transitions were already up and running before the pandemic, the European funds intend to accelerate these on-going processes as a strategy to overcome the crisis.

In fact, the long negotiation of the recovery funds brought about a transaction between the countries in the North and South of Europe, by virtue of which the former accepted transfers in favour of the latter in exchange for structural reforms.

In this respect, the NGEU is not just a solidarity and cohesion fund, nor is it merely an instrument to recover the level of growth prior to the pandemic. It is an instrument for investment and reform with a view to a change of productive model in these countries. Just like Biden's "Build Back Better" recovery plan, the NGEU does not intend to return to the pre-pandemic situation but take the severe covid-19 crisis as an opportunity to transform MS economies.

The green transition

Although the digital transition aspect was particularly developed during the pandemic, we should not forget that the NGEU puts ecological transformation at the core of its priorities. In this respect, it assigns the greatest percentage of its funds, at least 37%, to meeting climate goals.

This approach is consistent with the European Commission's flagship government programme for the next few years, the European Green Deal (EGD). The EGD is a comprehensive strategy to achieve ecological transition throughout the economy. It includes actions on very

diverse fronts such as a new industrial policy with high potential to create employment, environmental taxation, and redirection of private investment. The EGD influences daily life in various ways such as food, transport, biodiversity or the circular economy.

Over the last year, we might highlight the approval of the Climate Law in June 2021, that protects EU climate commitments, making them legally binding. Specifically, the Climate Law sets the ultimate goal of achieving climate neutrality in 2050. There is also the intermediate goal (more ambitious than elsewhere in the world) to reduce CO2 emissions by 55% before 2030, taking pre-industrial levels as a reference.

On the other hand, with the approval on 14 July 2021 of the "Fit for 55" package, the Commission is undertaking a second legislative development of the EGD. This package contains twelve proposals in wide ranging fields. They include the aforementioned strengthening of the European system for emission rights and the Carbon Border tariff (CBAM). They also include energy efficiency measures related to renovating buildings or increasing the presence of renewable energies with the goal that they reach 40% in the energy mix before 2030. This package also includes proposals on aspects such as prevention of the loss of biodiversity and deforestation, promotion of correct soil use or toughening up standards relating to car emissions.

Given its great scope and importance, it is expected that the Council negotiation of the *Fit for 55* package will be controversial and probably one of the aspects arousing the most discrepancies related to guaranteeing fair transition.

Socio-economic transformation and fair transition

Both ecological and digital transition are going to have winners and losers. From there, it will be necessary to set up compensatory policies to help the most damaged sectors.

Let's not forget that the Recovery and Resilience Facility, approved in February 2021⁶ and used to channel most of the NGEU funds, not only favours green and digital transformation but also social cohesion within the EU. An important part of the European aid envisaged in the national recovery plans should be dedicated to lessening the impact of the pandemic on layers of society that are most vulnerable to this crisis and the sectors most affected by the reconversion which is going to take place in the economy.

We would have to pay particular attention to the energy poverty issues that might be derived from the green transformation. Help will still be required by families, workers and small businesses with no other alternative but to withstand the temporary increase in the energy costs caused by the transition to renewable energy.

There should also be special treatment for sectors that are going to take longer to recover due to the characteristics of the pandemic (tourism) or that are going to need more intense restructuring in the light of the new transition processes that are under way.

The MS are aware that it is important for the change in production model to also be socially fair for it to be successful. The "Yellow Vest protest" experience in France has been a good lesson in this respect.

This explains why the EU has planned to set up a compensatory Social Climate Fund and a Just Transition Mechanism that will be fed by several EU funds including the NGEU. This fund, which will benefit the regions most affected by the green transition, will be dedicated, among other things, to promoting diversification of jobs and businesses in the most affected regions.

Much of the discussion among MS that will arise around the *Fit for 55* package is probably going to look at the ideal size of these compensation funds to guarantee their goals appropriately.

⁶ Regulation (UE) 2021/241 of the European Parliament and Council of 12 February 2021 establishing a Recovery and Resilience Facility, DOCE 2021 L 57/17.

The digital transition

Another transition that the NGEU funds are attempting to stimulate is the digital transition, obliging national recovery and resilience plans to assign at least 20% of the funds they receive to this goal. As previously mentioned, the digital sector has developed the most during the covid-19 crisis. It has brought about a contactless economy and consumption without leaving the house that was very useful during lockdown. Good European digital infrastructures have made these tasks easier.

However, modernisation of the European economy involves accelerating the digitalisation process even further and transforming traditional production models. This will lead to an increase in productivity thanks to greater investment in new technologies, such as those derived from developing artificial intelligence.

In this respect, on 9 March 2021, the Commission presented its document "Europe's digital decade" where it showed the EU's new vision regarding the digital transformation of the European economy before 2030.

The EU's goals in this field include setting up a true digital single Market that provides the same rules for all companies operating in the Union. It also intends to promote the democratising effect of digitalisation, allowing SMEs and self-employed people to access certain technology on almost equal terms as large companies.

Let's not forget that the digital giants have gained the most from the economic crisis caused by the pandemic, with a worrying concentration of profit in a very small number of businesses. This makes it necessary to manage possible situations of oligopolistic domination and some cases of intra-attribution from the major digital companies because their new ways of creating value (data economy) have made international taxation rules obsolete.

The above does not prevent us from maximising the EU's potential in this field as it is one of the regions in the world that generates the most data, prioritising, for example, the improvement of the algorithms that are produced on EU soil.

Another important point that deserves special attention is working conditions becoming more unstable, taking place in the platform economy. Regarding social media platforms, on the other hand, the recently approved Digital Services Act determines that these platforms should take more responsibility than a mere website, particularly in terms of guaranteeing that the European digital single market really remains open to all operators.

In short, 2021 was the year to implement the grand recovery and transformation programme NextGenerationEU. Now is the time to execute the national recovery and resilience plans that the MS have presented. This is going to represent an enormous management challenge for the Administration and a huge challenge for the private sector. The latter is going to have the chance to present projects to match the goals described above. These projects will improve citizens' lives and solve real problems for companies. In this way, the NGEU can live up to its name and transform the lives of future generations in the European Union.

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The fiscal effort to combat covid-19: Europe and the United States

Domènec Ruiz Devesa and Rosa Pérez Monclús

Introduction

In contrast with the 2010 financial crisis, Europe has adopted fiscal stimulus measures and an expansive monetary policy in its fight against the economic crisis caused by covid-19. The European effort has culminated in a Recovery Plan worth 750 billion euros, funded by the issue of European debt, backed by the EU budget and to be repaid through the creation of new EU resources. In other words, Europe's recovery measures have an intrinsically federal character.

However, Europe is not an isolated continent but rather a fully integrated participant in an interdependent global economy. To identify whether Europe's effort to combat the economic consequences of the pandemic is sufficient or not from an international perspective, it should be compared to the efforts of other countries. The United States is the natural point of comparison for such an analysis, as it is an advanced economy, with a federal structure, and a population of a similar magnitude.¹

Although the coronavirus crisis is an external symmetrical shock that has affected all countries at the same

time, it has not affected all of them equally. After the start of the pandemic, the US economy contracted by 5 per cent in real terms during the first quarter of 2020, followed by a collapse of 31.4 per cent in the second quarter (BEA, 2021). This unprecedented fall was followed by an equally pronounced recovery, with growth of 33.4 per cent in the third quarter of 2020, and 4 per cent in the final quarter. In comparison to 2019, GDP fell by 3.5 per cent in 2020. According to the OECD (2021), this trend will be reversed in 2021, with real GDP predicted to grow by 6.9 per cent in 2021 and by 3.6 per cent in 2022.

In 2020, real GDP fell more sharply in the Eurozone than in the United States, with a drop of 6.5 per cent in the single currency area and 6.1 per cent in the European Union as a whole in 2020 in comparison with 2019. However, the European Commission estimates that GDP growth in the EU and the Eurozone for 2021 will be 3.7 per cent and 4 per cent respectively, and that real GDP will regain the levels prior to the crisis in the second quarter of 2022 (CE, 2021). Stricter lockdowns in the Eurozone, manufacturing shutdowns of varying intensity, the different timing of the pandemic waves, and divergent political responses are some of the reasons that underlie the greater fall in GDP in Europe, according to the European Central Bank (Anderson et al., 2021).

¹ 329 million inhabitants in the case of the USA, compared to a figure of 447 million for the EU (World Bank, 2020).

In both cases, the fiscal stimuli are very considerable. It is estimated that the total fiscal support provided by the United States is equivalent to between 20 and 25 per cent of GDP over the period 2020, 2021 and 2022 (Siklos et al., 2021). At the G7 Summit of 10 June 2021, President Von der Leyen announced that all the financial and fiscal support in the European Union in 2020, 2021 and 2022 was equivalent to 18 per cent of European GDP (Von der Leyen, 2021).

This may seem surprising when we remember that the European Recovery Plan was estimated to be worth 5 per cent of annual European GDP for 2019. However, unlike the United States, the fiscal effort deriving from automatic stabilisers, health support and support for the economy has primarily been provided by Member states, who broadly speaking have more developed welfare and social protection systems than the United States. When comparing the fiscal response at a federal level between the United States and the European Union, it is also necessary to take into account the contribution of Member states and the additional measures implemented by the EU in its entirety.

At the same time, when combining the federal and national spheres, there is a danger of double counting and the problem of the lack of consistent, up to date, aggregated information. Moreover, although Member states provide estimates of budgetary costs when they announce fiscal packages, these figures are generally subject to significant revisions due to lower than expected uptake, for example, in the case of unused credit lines, guarantees that are not executed, etc. However, even taking account of these caveats, it is possible to offer a global estimate comparing the total value of the European response to covid-19 with that of the USA.

Methodologically it is also important to differentiate between measures that increase public spending and reduce fiscal income, as these directly affect economic activity via fiscal multipliers ("above the line" measures) and measures such as loans and guarantees to banks and businesses ("below the line" measures), whose economic impact depends on the level of uptake by recipients.

For that reason, this analysis will focus on a comparison of measures that have a direct budgetary impact, even though the "below the line" measures, whose main purpose is to ensure liquidity, are also recorded.

The fiscal response in Europe

As an initial response to the pandemic, the Coronavirus Response Investment Initiative was created on 30 March 2020, and this was followed by the Coronavirus Response Investment Initiative Plus, which permitted the transfer of up to 37 billion euros of structural funds that were pre-funded but not executed. In addition, the Commission gave Member states access to 28 billion euros of structural funds from national contributions for the period 2014-2020 that had not yet been allocated to projects. In addition, up to 800 million euros were transferred from the EU Solidarity Fund to the hardest hit countries, along with 2.7 billion euros from reactivation of the emergency fund. In the same month, new flexibility rules were applied to the Stability and Growth Pact, so that extraordinary expenditure incurred in response to the pandemic would not be included when calculating the structural public deficit, along with state support to struggling companies.

On 9 April, Ecofin approved three safety nets for workers, companies and Member states. The first involved creating a European reinsurance mechanism for national unemployment insurance (SURE), which can issue loans to member countries up to a total of 100 billion euros to cover expenses related to short-time working or temporary unemployment schemes. The value of the guarantees for these loans is worth 25 billion euros in total. Secondly, the European Investment Bank (EIB) established a pan-European guarantee fund worth a further 25 billion euros, which could provide up to 200 billion euros in loans for companies, especially European SMEs. The EIB had already agreed to mobilise another 40 billion euros in March 2020 to cover the short-term funding needs of SMEs. Finally, a new special ESM credit instrument

was created, permitting funding up to a total of 240 billion euros, in which each Member state can request an amount up to 2 per cent of its 2019 GDP to cover direct and indirect health costs related to the fight against the pandemic.

The European fight against covid-19 culminated in the Recovery Plan and the introduction of the Next Generation EU instrument. The Recovery Plan for Europe is worth a total of 750 billion euros, consisting of 390 billion euros of transfers and 360 billion of loans, representing around 5 per cent of the EU's GDP in 2019 (EC, 2020). The 750 billion euros worth of Next Generation funds are funded by debt issues on the financial markets, backed by and charged to the EU budget, and to be repaid through the creation of new EU resources. The instrument is designed to stimulate recovery and is thus not an emergency budget. Its aim is to encourage public and private investment and the implementation of structural reforms at national level, in line with the political priorities established by the EU, namely digitalisation and the fight against climate change.

This plan, in addition to the EU's long-term multiannual budget, the Multiannual Financial Framework (MFF) 2021–2027, which is worth 1.1 trillion euros, will provide a total of 1.85 trillion euros, unprecedented amounts to deal with the economic crisis caused by the almost total shutdown of the European economy for a large part of 2020.

According to IMF estimates, total European measures approved between January 2020 and April 2021

represent 3.8 per cent of GDP in above the line measures with an immediate budgetary impact, and 6.8 per cent in below the line measures to support liquidity. The measures with immediate budgetary impact include the Next Generation EU transfers, 390 billion euros in subsidies which will primarily be channelled through the Recovery and Resilience Facility (RRF) and will fund investments and reforms in Member states for a total of 312.5 billion euros, to be spent from 2021 to 2023 (70 per cent for 2021 and 2022, and 30 per cent for 2023). Additionally, Next Generation EU includes 47.5 billion euros to strengthen the cohesion funds (ReactEU); 10 billion euros to complete the Just Transition Fund; 5 billion euros for Innovation and Development; 5.6 billion euros to support investment in the private sector, 7.5 billion euros allocated to rural development, and 1.9 billion euros for rescEU. Among the liquidity support measures in Next-GenerationEU, the IMF includes 360 billion euros worth of loans in its estimate.

In 2020, fiscal support by Member states has been estimated by the Commission to represent around 8 per cent of GDP (CE, 2021), with half of this coming from measures with immediate budgetary impact and the other half deriving from the effect of automatic stabilisers. The majority of spending deriving from measures with an immediate budgetary impact are concentrated in compensation for loss of income in specific sectors and support for short-term working schemes. Member states are obliged to present their national budgets to the Commission. These show, according to the Commis-

Table 1: European Union fiscal measures in response to the covid-19 pandemic, January 2020–April 2021 [% of GDP]

Measures with immediate budgetary impact (“Above the line”)				Liquidity support		
Additional spending or income not received			Accelerated spending / deferred revenue	Subtotal	“Below the line” measures: equity injections, loans, asset purchase or debt assumptions	Contingent liabilities: Guarantees
Subtotal	Health sector	Others				
3.8	0.0	3.8		6.8	6.2	0.6

Source: IMF, 2021.

Table 2: Fiscal measures of Member states in response to the covid-19 pandemic (% of GDP) 2020-2022

"Above the line" measures				Liquidity support		
Additional spending or income not received			Accelerated spending / deferred revenue	Subtotal	"Below the line" measures	Contingent liabilities: Guarantees
Subtotal	Health sector	Non-health sectors				
11	1.1	9.0	0.8	19.0	4.8	14.2

Source: based on data from CE, 2021.

sion's estimates, that measures with fiscal impact will amount to 2.6 per cent of GDP in 2021, and around 0.6 per cent of GDP in 2022. For the period 2020-2022, measures with a direct impact on expenditure will total 11 per cent of GDP, excluding those measures taken at the European level.

It is important to note that, since the start of the pandemic, total purchases of sovereign bonds under the Asset Purchase Programme (APP) and the Pandemic Emergency Purchase Programme (PEPP) by the ECB during 2020 amounted to 0.9 trillion euros (De Grauwe, 2021). After its monetary policy meeting on 22 July 2021, the ECB confirmed the continuation of its asset purchase programme, establishing a monthly purchase rate for the APP of 20 billion euros, and the purchase of sovereign bonds through PEPP, at a monthly rate that rose from 53 billion euros in January 2021 to 80 billion in June 2021 (ECB, 2021). As a result, until March 2022 at the earliest, the majority of the national fiscal stimulus will continue to be funded at the European level.

Including the European measures, the fiscal effort with a direct budgetary impact is estimated at around 15 per cent of GDP. It is important to note that this figure may be an overestimate as there could be double counting of projects that were originally to be funded nationally and which are now included in national recovery plans.

Although President Von der Leyen stated that, taken together, European Union financial and fiscal support for 2020, 2021 and 2022 is equivalent to 18 per cent of GDP, this analysis concludes that the combined fiscal effort of Member states and the European Union, solely counting measures with a direct impact, represents 15

per cent of GDP. This is a significant sum but it is a more modest amount than the one announced by the President. However, it captures Europe's fiscal effort more accurately by excluding liquidity support measures, the true impact of which is difficult to estimate. Calculating liquidity support measures and spending together, the total fiscal effort of the European Union is estimated at 10.6 per cent of GDP, a figure that is consistent with the sum estimated in previous analyses (Ruiz Devesa and Pérez Monclús, 2020).

The fiscal response in the United States

The Trump administration's initial response to the pandemic was the Coronavirus Preparedness and Response Supplemental Appropriations Act on 4 March 2020, consisting primarily of measures with an immediate budgetary impact. This act transferred 8.3 billion dollars in emergency funds for public health agencies and research into covid-19 vaccines. It also allocated 7.8 billion dollars to federal, state and local health agencies, and authorised 500 million dollars of spending through Medicare, the federal health insurance system. This stimulus was followed on 18 March 2020 by the Families First Coronavirus Response Act, funded to the tune of 192 billion dollars. The act increased federal spending on Medicaid, a programme that provides health coverage to people on low incomes, and on food security, and provided enhanced unemployment pay. It also required some employers to provide paid sick leave and expanded tax credits for those employers to compensate the cost, among other measures.

Table 3: Fiscal measures at the national and European level in response to the covid-19 pandemic [% of GDP] 2020-2022

	"Above the line" measures				Liquidity support		
	Additional spending or income not received			Accelerated spending / deferred revenue	Subtotal	"Below the line" measures	Contingent liabilities: Guarantees
	Subtotal	Health sector	Non-health sectors				
Member states	11	1.1	9.0	0.8	19	4.8	14.2
European Union	3.8	0	3.8	0	6.8	6.2	0.6
Total	15	1	13	1	26	11	15

Source: based on data from IMF, 2021, and CE, 2021.

This was followed on 27 March by the CARES Act, a support package worth some 2.2 trillion dollars, to combat the short-term economic impact of the pandemic. This focused on "below the line" measures, supporting liquidity with loans and guarantees. Of particular note were financial support to large corporations and public bodies of up to 500 billion dollars, of which 450 billion were allocated to loans to companies, states and municipalities through a new Federal Reserve loan mechanism. It also provided 380 billion dollars worth of economic support for small businesses, channelled primarily through the Paycheck Protection Program (PPP) offering 349 billion dollars of loan guarantees. Designed to prevent layoffs, the guarantee programme supported loans spent on payroll costs, rent and utilities.

Direct spending was also strengthened, with an additional 270 billion dollars allocated to unemployment cover, increasing both the duration and value of cover (up to 600 dollars a week), and expanding the eligibility requirements to include more categories of worker. And federal support to hospitals and healthcare providers was increased with the provision of 150 billion dollars, in addition to other tax incentives. One of the specific characteristics of the US intervention in comparison with the actions prioritised in Europe was the introduction of direct payments to taxpayers in the CARES Act, with a total value of 290 billion dollars. These cheques of up to 1,200 dollars for individuals with incomes below 75,000 dollars

(or 150,000 dollars for families) and of 500 dollars per child, depending on circumstances, offered immediate protection to vulnerable families and stimulated demand, particularly in the short term.

Moreover, on 24 April 2020 legislators approved the Paycheck Protection Program and Healthcare Enhancement Act, with funding of 484 billion dollars. This programme consolidated the CARES Act, with an additional 383 billion to support small companies (321 billion for the PPP, 60 billion for emergency loans) and provided an additional 75 billion dollars to funding programmes for hospitals and 25 billion for covid-19 testing.

The final Act signed by Trump, the Consolidated Appropriations Act 2021, was issued on 27 December 2020, and provided a further 868 billion dollars of federal support. Support to small companies (302 billion dollars) through the PPP was a central element of the latest stimulus, and this measure was accompanied by an increase in unemployment provisions (119 billion dollars). At the same time, direct payments to individuals and families were strengthened, and support was channelled towards specific health measures (78 billion dollars). The package strengthened the education sector, and included other social measures, such as increasing spending on food stamps, childcare, rent and transport.

On 11 March 2021, President Biden enacted the America Rescue Plan, worth 1.8 trillion dollars (approximately 8.8 per cent of GDP in 2020). The plan,

Table 4: Stimulus packages approved in the United States 2020-2021

	USD millions	Approved
Coronavirus Preparedness and Response Supplemental Appropriations Act	8,300	March 2020
Families First Coronavirus Response Act	192,000	March 2020
CARES Act	2,000,000	March 2020
Paycheck Protection Program and Healthcare Enhancement Act	483,000	April 2020
Emergency Aid for Returning Americans Affected by Coronavirus Act	9	July 2020
Coronavirus Response and Relief Supplemental Appropriations Act	900,000	December 2020
Total 2020	3,583,309	
% GDP 2019	16.72	
America Rescue Plan	1,900,000	March 2021
Total 2020 + 2021	5,483,309	
% GDP 2020	26.20	

Source: compiled by author.

which included a significant element with immediate budgetary impact, focused on public health, including resources for the vaccination programme, and support for families, communities and companies. It expanded unemployment support, strengthened direct payments to families, and provided direct support to state and local administrations, while also increasing funding to help schools reopen.

The total fiscal package mobilised by the United States amounts to approximately 5 trillion dollars, including both direct spending and liquidity support measures. By comparison, the Obama stimulus in 2009-2010 following the financial crisis, was worth 831 billion dollars. Another way of illustrating the scale of this effort is to note that the United States' fiscal spending in 2020 represented 45 per cent of all additional spending by G20 countries, although the country only accounts for 27 per cent of total G20 GDP (Van Eijkelenburg and Nauta, 2020).

However, comparisons based solely on volume should be treated with some caution, as elements such as access to funding or the size of the Welfare State determine the different fiscal responses in each country. In the case of the US, the stimulus focused on supporting the business

sector, primarily through support to small companies to maintain employment. The provision of social assistance, through direct payments to individuals and families, was also important, and this was complemented by unemployment benefits and support for the educational and early years systems.

Spending on the health system was also significant. According to the IMF, this represented 3.3 per cent of GDP. Federal spending provided additional support to state and local governments to guarantee services and public employment (Siklos *et al.*, 2021). When faced with economic crises, individual states have limited options, primarily because many of them are legally obliged to balance their budgets, and federal support is therefore essential when dealing with severe economic depression.

The United States, the epitome of a liberal market economy, has a limited social safety net, flexible employment policies, and economic policies that are skewed towards large corporations, with SMEs accounting for a relatively low share. Given the limited level of automatic coverage for workers and small and medium-sized companies, it should be no surprise that the huge fiscal effort focused primarily on emergency measures to protect these sectors.

Table 5: United States fiscal measures in response to the covid-19 pandemic, January 2020-April 2021 [% of GDP]

Measures with immediate budgetary impact ("Above the line")				Liquidity support		
Additional spending or income not received			Accelerated spending / deferred revenue	Subtotal	"Below the line" measures: equity injections, loans, asset purchase or debt assumptions	Contingent liabilities: Guarantees
Subtotal	Health sector	Others				
25.5	3.3	22.2	0.1	2.4	0.3	2.2

Source: IMF, 2021.

The new infrastructure package proposed by President Biden, pending approval by the US senate, represents a change of direction in spending and, with it, the United States is shifting from an emergency policy to a recovery based on a progressive approach. The Biden administration's programme, in addition to major investment in infrastructure, also encompasses the fight against climate change, strengthens the Obamacare health programme, and provides support for industry and employment.

On 31 March 2021, President Biden proposed an ambitious infrastructure plan worth 2.6 trillion dollars, with the aim of stimulating economic recovery and employment by upgrading roads and bridges, developing high-speed rail and electric transport, rolling out 5G, and investing in the electricity network. On 1 July 2021, Congress approved a draft bill (INVEST in America Act) for 715 billion dollars, focusing on transport and water infrastructure, which should be followed by a more wide-reaching act still under negotiation in the Senate. It remains to be decided whether the INVEST in America Act will finally be integrated within the budget framework of the Infrastructure Plan. However, it is already clear that this will reduce its initial ambition from 2.6 to 1.2 trillion dollars, of which 579 billion will be new spending, potentially representing around 3 per cent of GDP in additional fiscal stimulus, contributing to an increase in the total US fiscal effort to reach 29 per cent of GDP for 2020.

Inflation

It is still early to evaluate the impact of the various stimulus plans on the real economy. However, in recent months there has been considerable debate about its effects on inflation. The annual consumer price index grew by 5.4 per cent in June 2021 in the United States (BLS, 2021), the biggest annual rise since 2008. In Europe, the increase in inflation has been more moderate. In May 2021, the consumer price index rose by 2 per cent compared to the previous year, while in June growth was 1.9 per cent (Eurostat, 2021).

It seems more likely that rising prices are due to short-term supply problems, linked to a rapid reopening of the economy, than to general reheating linked to fiscal stimuli, although these may also have an inflationary effect. It is also important to take into account the effect of the annual comparison on 2020, an atypical year in which the economy was hit hard by partial closures. The current situation, in which consumers want to spend the savings accumulated during the pandemic and suppliers need to resolve bottlenecks caused by the reactivation of the economy, generate a temporary inflationary effect. It is possible that these imbalances will continue to be felt over the next nine months in specific sectors, but it is likely that, after the summer, the bottlenecks in the production of goods and services will gradually be resolved, in turn moderating the rise in prices.

At the same time, the new wave of the Delta variant and its impact on recovery has recently reduced concern

about price rises, while the fear of slower growth has resurfaced. These swings underline the need to proceed with caution in response to calls to withdraw fiscal and monetary stimuli or to raise interest rates. The current priority must be to consolidate the recovery of economic activity and employment, and this means leaving possible interest rate changes for the future, once the data permits a solid structural analysis which isolates the temporary impact of reopening.

In addition, to comply with the Federal Reserve and ECB goals of an average inflation rate of 2 per cent, it is necessary to allow a certain margin for price increases, particularly following a decade during which inflation has been below this target. The ECB itself has stated the need for a degree of flexibility in price controls during the recovery period, as Christine Lagarde explained on 8 July 2021 when announcing the new medium-term inflation target of 2 per cent, following a strategy review.

Conclusions

Analysis shows that both the direct spending measures taken by the United States (around 25 per cent of GDP) and the combined measures taken by the European Union (approximately 15 per cent of GDP) have been unprecedented in their scale. However, it is clear that the fiscal effort of the United States has been considerably greater and, in part, this is due to the different breakdown of the spending, which is federal in the case of the USA while in the EU it has been Member states who have been responsible for the majority of the fiscal effort (around 11 per cent of GDP). This suggests that the differentiating factor lies not in economic policy but in the historical-institutional dimension (Ruiz Devesa, 2021), with the lower degree of federal development in Europe constraining the EU's capacity for action.

The European Union was created 70 years ago, at which point the United States had already been in existence for more than a century and a half. Since its establishment in 1787, the United States has seen the

continuous strengthening of the federal level through a number of mechanisms, including the consolidation of state debts in 1790, the establishment of federal income tax and a central bank in 1913, followed by major federal spending programmes: Roosevelt's New Deal in the 1930s and 1940s, and Johnson's "Big Society" in the 1960s. The power of central government was further strengthened following World War Two and the Cold War. By contrast, the process of EU integration has been hindered by the dominance of German ordoliberalism, which has left its mark on Europe's "economic constitution". As a result, the creation of the euro had to be offset by the Stability and Growth Pact, which sets strict limits on deficits and public borrowing, and prohibits the ECB from funding Member states or the EU as a whole, conditions that have no parallel in the US constitution.

These limits have an impact on the political options that have been prioritised in the fight against covid-19 in Europe. For example, in the United States, there are no major barriers to implementing direct transfer programmes to citizens, as the Federal Reserve issues the world's benchmark currency, and the US therefore does not face the issue of risk premiums, unlike some Eurozone countries. This problem could be circumvented in Europe if the ECB introduced a programme of direct funding of households to stimulate aggregate demand at this critical time, something it is legally able to do. However, the mistaken belief that this would be equivalent to monetary funding of public deficits, and a monetary policy that has historically been hostage to the spectre of hyperinflation have limited the introduction of such measures in Europe.

The fear of hyperinflation also carries the risk of a premature withdrawal of stimuli or a restrictive monetary policy which could compromise the incipient recovery. The withdrawal of support is something that must be avoided, particularly when new variants of covid-19 introduce a further element of uncertainty about the short-term economic future. Instead, it is important to keep all monetary and economic policy options open, including a second European Recovery Plan if this were to prove necessary.

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Social Europe in action: a new importance in the pandemic after a lost decade

Björn Hacker

With the unprecedented economic downturn in 2020 came a declaration of willingness on the part of the European Union (EU) institutions to explore new approaches to crisis management. Short-time work schemes and public investment projects are helping to safeguard employment while the Stability and Growth Pact is suspended. The European Health Union and a social action plan are designed to mitigate and pre-empt social hardship. By putting an end to the austerity policies that have played a defining role for over a decade, the COVID-19 pandemic could prove to be a game-changer for European employment and social policy.

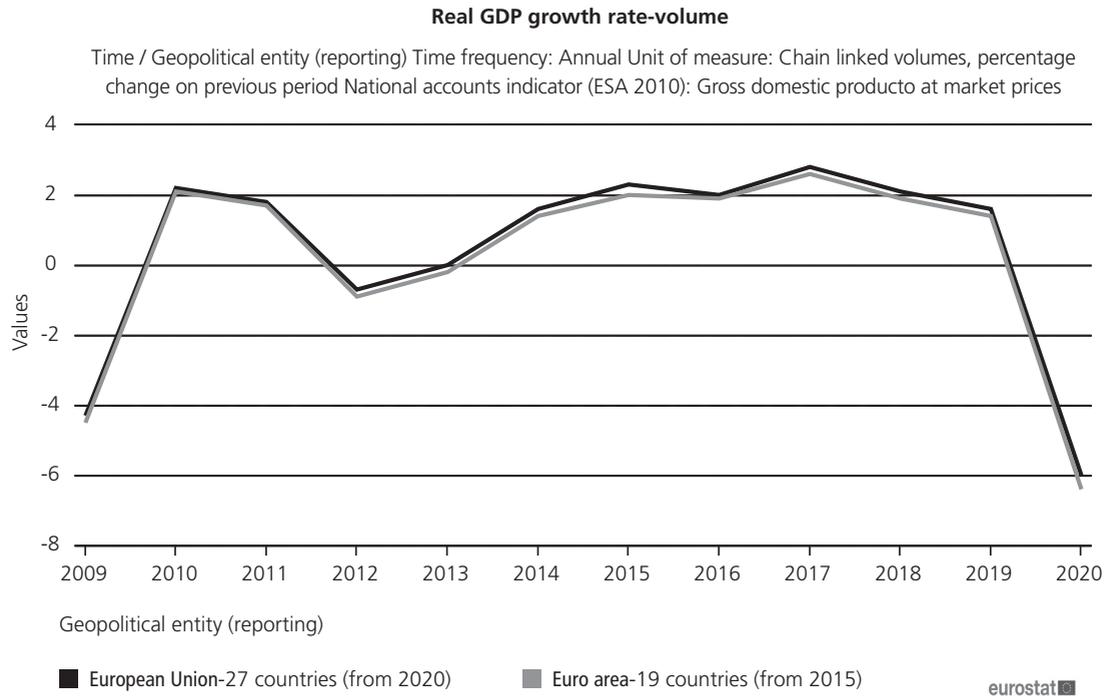
This article first examines socioeconomic development in the aftermath of the global financial and economic crisis and then provides a detailed analysis of the EU's social situation during the pandemic. This is followed by a discussion of the social elements of the pandemic response and recent initiatives in the area of social Europe.

A lost decade: economic development

The EU was severely impacted by the global financial and economic crisis in 2009, with the community of states experiencing a downturn in economic performance of -4.3 percent compared to 2008.¹ Not all Member States

experienced a proper recovery. From 2011, the euro crisis led to another economic downturn across all Member States. No sooner had most states returned to pre-crisis growth levels than the COVID-19 pandemic hit, reversing the recovery in 2020. Looking at **Figure 1**, which shows aggregate economic growth across all 27 EU Member States and all 19 euro area countries between 2009 and 2020, the triple dip caused by the three crises mentioned above is very clear to see. While generous economic stimulus programmes, short-time work schemes and other monetary and fiscal policy support measures ensured that the community of states quickly emerged from the global financial and economic crisis, despite the severity of the downturn in growth, and achieved a growth rate of over 2 percent as early as 2010, it would take five years of the euro crisis before similar growth in gross domestic product (GDP) could be achieved. In contrast with the global economic crisis, countries facing liquidity problems were denied Keynesian programmes to support economic growth and were required to implement severe austerity policies in return for credit lines from rescue packages, which were initially slow in coming. The suppression of demand led to a deepening of the recession in the countries concerned, which had a knock-on effect on their trading partners in the EU. This explains why the community of states as a whole suffered from weak growth for so long and why the euro area did not fare much worse than the EU as a whole in the period under review.

¹ All data from Eurostat unless otherwise indicated.



Source: Eurostat.

Figure 1. Real GDP growth rate in the EU and euro area 2009-2020

Given that the only noticeable increase in economic momentum occurred between 2015 and 2017, reaching a peak of 2.8 percent GDP growth in 2017 in the EU or 2.6 percent in the euro area before declining again in the following two years, this is referred to as a lost or «wasted decade» from an economic point of view (Herzog-Stein et al., 2020, p. 18): «Consequently, in six of the seven largest economies, the average annual rate of growth turned out to be lower than in the period up to 2008» (*ibid.*). The 6.0 percent fall in GDP in the course of the coronavirus crisis, due to lockdown measures and widespread uncertainty in the economy in the first year of the new decade, eclipses all previously considered recessions in terms of the severity of the downturn.

The dynamics of growth and crisis over the period under review varied considerably across the EU Member States. GDP growth rates for selected countries in 2009 show particularly sharp declines in GDP for Estonia

(-14.4 percent) and Finland (-8.1 percent) and below-average declines in growth for France and Spain when compared with the EU as a whole (see **Table 1**). The Iberian Peninsula was then hit by the euro crisis in 2010 and showed below-average growth rates up to 2014, with the 2012 downturn being the most severe at -3 percent of GDP. Italy was in a similar position but failed to recover in the second half of the decade. France also experienced consistently low and mostly below-average growth rates.

On the other hand, after overcoming the global economic crisis, progress in Sweden, Estonia and Romania was stronger than in many neighbouring countries in the EU. The figures for Finland and Germany were mixed, with phases of strong and weak growth alternating more frequently. Both countries ended the decade with below-average growth rates in 2018 and 2019, but the extent to which they were affected by the economic

Table 1. Real GDP growth rate, selected countries and years

	2009	2012	2015	2019	2020
Spain	-3.8	-3.0	3.8	2.0	-10.8
Italy	-5.3	-3.0	0.8	0.3	-8.9
France	-2.9	0.3	1.1	1.8	-7.9
Euro 19	-4.5	-0.9	2.0	1.4	-6.4
EU27	-4.3	-0.7	2.3	1.6	-6.0
Germany	-5.7	0.4	1.5	0.6	-4.8
Romania	-5.5	2.0	3.0	4.1	-3.9
Estonia	-14.4	3.1	1.8	5.0	-2.9
Finland	-8.1	-1.4	0.5	1.3	-2.9
Sweden	-4.3	-0.6	4.5	2.0	-2.8

Source: Eurostat.

downturn during the coronavirus crisis in 2020 was below average. This was the case for all the countries under review here, except Spain (-10.8 percent), Italy (-8.9 percent) and France (-7.9 percent). This means that two of the countries particularly affected by the most recent crisis already experienced economic difficulty ten years ago.

If we examine income per capita in the eight countries in terms of the purchasing power standard (PPS) and compare it to the European average (EU27 2020 = 100), a division can be observed in the last year prior to the onset of the coronavirus crisis between four countries with above-average levels of wealth (Germany, Sweden, Finland and France) and four countries with below-average levels of wealth, in other words relatively poor countries (Romania, Estonia, Spain and Italy).

However, this division was not always there. Before the start of the crisis decade, Italy and Spain belonged to the group of countries wealthier than the EU average. **Table 2** shows how both countries deteriorated relative to the EU average to 96 percent (Italy) or 91 percent (Spain) of GDP per capita as a direct result of the prolonged euro crisis. By contrast, France was able to maintain its position in the group of wealthy Member States (106 percent of GDP per capita in 2019), despite

Table 2. GDP per capita in PPS, selected countries and years, EU27 2020 = 100

	2008	2013	2019
Romania	52	55	70
Estonia	70	77	84
Spain	102	90	91
Italy	108	100	96
France	108	110	106
Finland	123	115	111
Sweden	129	129	119
Germany	118	125	120

Source: Eurostat.

the low growth rates mentioned above. Romania (70 percent) and Estonia (84 percent), both economies that are catching up, were clearly approaching the EU average in the period under review. In the case of Sweden (119 percent) and Finland (111 percent), income per capita fell relative to the 2008 EU average. However, in Sweden's case, this decline did not occur until after 2015. Consequently, Germany (120 percent) has most recently taken the lead since 2016 as the richest of the countries under review here.

Objectives not achieved: the social dimension

Inequality is not measured solely using the criteria of growth and the income distribution of GDP per capita. Social living conditions are also key factors. The employment rate, which is closely linked to economic indicators, is a measure of how the social situation develops usually as a direct response to an economic slowdown, even though it does not provide any information on the quality of working conditions unless differentiated further. Overall, the EU was unable to achieve its target of an employment rate of 75 percent as set out in the Europe 2020 strategy. **Table 3** shows the differences between the eight countries selected here in terms of their employment rates for 2020. Sweden and Germany top the group with rates of around 80 percent, with Spain and Italy bringing up the rear with rates of between 63 percent and 66 percent. Estonia, whose economy was severely affected by the financial and economic crisis, experienced a sharp decline in employment from 77.1 percent to 66.8 percent between 2008 and 2010, but returned to pre-crisis levels by the end of the decade. In Spain and Italy, employment declined for a longer period due to the subsequent euro crisis; neither country recovered from its low point of just under 60 percent prior to 2013 and it was not until 2018/19 that both returned to pre-crisis levels.

From 2010, thanks to strong employment growth, Romania managed to overtake and maintain its lead over Spain; by 2019, it was still three percentage points ahead of the western European country at just under 71 percent. In France, Finland and Sweden, the employment rate rose steadily but moderately until 2019, but remained below the EU average in France. Germany recorded an increase of over six percentage points between 2008 and 2019 to a rate of 80.6 percent. All employment rates stagnated or declined slightly in 2020, the first year of the pandemic, with short-time work schemes limiting the extent of the decline.

How successful has the EU been in the last decade in combating the risk of poverty and social exclusion? The relevant indicator corresponds to the sum of people who are living below the poverty threshold of 60 percent of the respective national income after social transfers, or who are severely materially deprived or living in households with very low work intensity. In 2010, the EU set a target in its Europe 2020 strategy of lifting a total of 20 million people out of the risk of poverty and social exclusion by 2020. Between 2008 and 2019, it achieved a reduction of just under half of the original target. This was linked to a sharp increase in risk rates during the economic crisis, from 23.3 percent in 2009 to 24.8 percent in 2012, and a very slow decline thereafter (see

Table 3. Employment rate for 20- to 64-year-olds, selected countries and years

	2008	2012	2019	2020
Italy	62.9	60.9	63.5	62.6
Spain	68.5	59.6	68.0	65.7
Romania	64.4	64.8	70.9	70.8
France	69.9	68.9	71.6	71.4
EU27	69.5	67.6	73.1	72.4
Finland	75.8	74.0	77.2	76.5
Estonia	77.1	72.2	80.2	78.8
Germany	74.0	76.9	80.6	80.1
Sweden	80.4	79.4	82.1	80.8

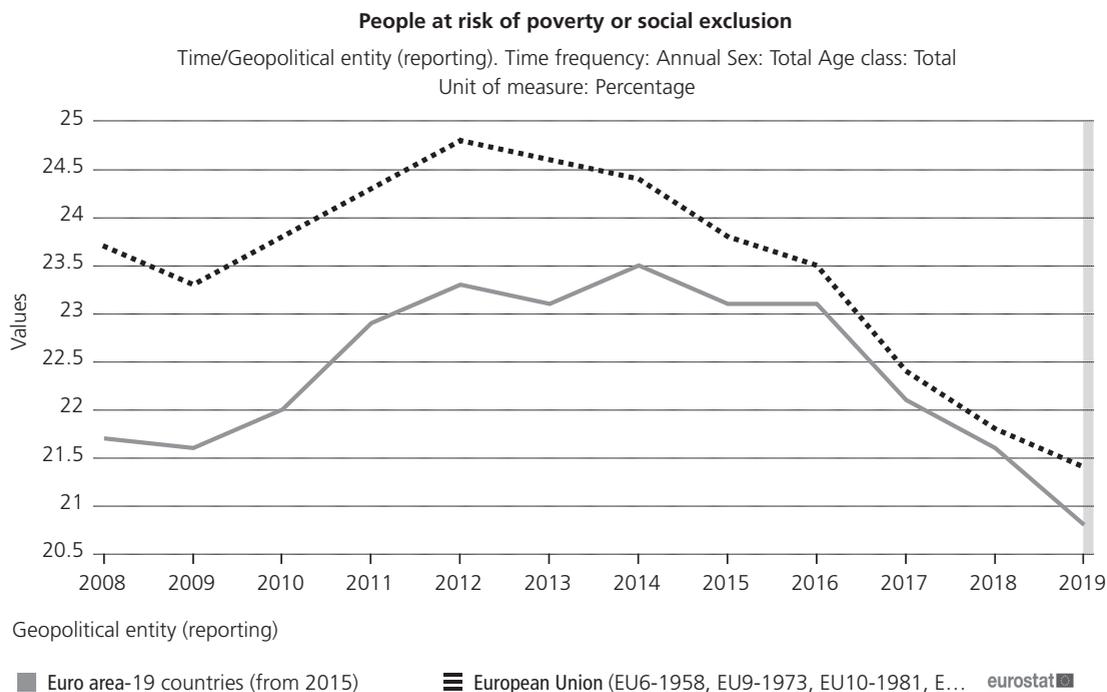
Source: Eurostat.

Figure 2). By contrast, following the increase from 2009 to 2011, the Economic and Monetary Union (EMU) experienced a long period of high-level stagnation due to the euro crisis. Between 2008 and 2019, the cumulative number of people lifted out of risk was only just under two million. A significant reduction is noticeable since 2016. The EU was able to return to its pre-crisis level; in the euro area, this was not possible until 2018.

A comparison made with the reduction in the risk of poverty and social exclusion reveals a distribution similar to that already seen for income per capita: in terms of their risk rates, the southern and eastern European countries are above the EU average; the Scandinavian countries along with Germany and France are below average. While the changes over time in the group of countries scoring below average (i.e. countries with relatively low risk rates) are on a small scale (although Germany at

least achieved a reduction of 3.2 percentage points between 2014 and 2019), developments in the other four countries are more remarkable: Romania is catching up at a fast pace; since joining the EU in 2007, its risk rate has fallen by almost 16 points from a starting point of 47 percent to 31.2 percent, which translates into some three million people being lifted out of the risk of poverty.

In Spain and Italy, on the other hand, there was a significant increase in the risk of poverty and social exclusion from 2009/10 (see Table 4), which could only be reduced again at a later stage. Italy returned to its pre-crisis level for the first time in 2019, with Spain failing to follow suit; cumulatively, almost one million additional people here have been impacted by risk since 2008. In relative terms, just over five percentage points separate both of these southern European countries from Romania. Estonia, which always fared better than Italy and Spain in the



Source: Eurostat.

Figure 2. Risk of poverty and social exclusion as a percentage in the EU and euro area, 2008-2019

Table 4. Risk of poverty and social exclusion as a percentage of population, selected countries and years

	2009	2012	2016	2019
Romania	43.0	43.2	38.8	31.2
Italy	24.9	29.9	30.0	25.6
Spain	24.7	27.2	27.9	25.3
Estonia	23.4	23.4	24.4	24.3
EU27	23.3	24.8	23.5	21.4
Sweden	17.8	17.7	18.3	18.8
France	18.5	19.1	18.2	17.9
Germany	20.0	19.6	19.7	17.4
Finland	16.9	17.2	16.6	15.6

Source: Eurostat.

period under review, experienced an increase in its risk rate up to 2014, which it was only able to reduce in part; since then, it has remained in the group of EU countries where the impact is above average.

An even greater shock: the COVID-19 pandemic

The negative record for the decline in GDP that was set during the global financial and economic crisis of 2009 was beaten in 2020: in response to measures to contain the spread of the virus, GDP in the EU declined by -0.6 percent (euro area: -6.4 percent). A supply shock resulting from the first lockdown on economic and movement activities in spring 2020 was followed by a severe demand shock caused by a reduction in consumption, investment and export opportunities. This pattern was repeated in further lockdowns, albeit with varying effects on sectors and regions, depending on the trajectory of the waves of infection and political responses to them. The second quarter of 2020, with a decline of -11.1 percent compared to the previous quarter, marked the low point of the economic downturn in the EU. In the third quarter of 2020, the economy grew again by 11.7 percent before contracting again by -0.5 percent (Q4 2020) or -0.1 percent (Q1 2021) in the course of the second wave of infection during the winter months.

The European Commission is projecting growth of 1.3 percent in the second quarter of 2021 and, if vaccination continues at a steady pace and there are no serious disruptions to the economy and mobility caused by new virus mutations, a substantial improvement in growth in the EU and euro area is expected in 2021 (4.8 percent) and 2022 (4.5 percent). According to projections from July, there should be a return to pre-crisis levels of GDP growth already in the fourth quarter of 2021. However, some Member States – Spain, Italy and Portugal – will not be able to close the gaps in their output until the end of 2022 (European Commission, 2021a).

The double-dip crisis has left its mark on the labour market: in the second quarter of 2020, the employment growth rate in the EU fell by -2.8 percent compared to the previous quarter, then increased again slightly (by 0.9 percent in Q3 and 0.4% in Q4 2020) before falling again by -0.2 percent in the first quarter of 2021. In line with the severity of the economic downturn, the employment rate for the 20–64 age group declined the most in the second quarter of 2020, hitting 71.7 percent compared to a pre-crisis level of 73.2 percent in the fourth quarter of 2019. The sharpest decline in the same period was in the employment rate for the 15-24 age group (from 33.5 percent to 30.5 percent). This was reflected in the unemployment rate for the 15-74 age group, which peaked at 7.6% in the third quarter of 2020 (euro area: 8.5 per-

cent). Following a decline in the fourth quarter of 2020, it increased again by February 2021 before falling again to 7.3 percent in the EU and 7.9 percent in the euro area. A sharper increase was recorded for youth unemployment, which rose from 14.8 percent in the EU (euro area: 15.5 percent) in the fourth quarter of 2019 to 18.4 percent (EU) or 19.1 percent (euro area) in the third quarter of 2020. In May 2021, it was still at just over 17 percent in both the EU and the euro area. In 2020, Estonia (9.6 percentage points to 18.9 percent) and Spain (8.6 percentage points to 39.9 percent) recorded the biggest increases (European Commission, 2021b). Women were affected by unemployment to a slightly greater degree than men as a result of the crisis.

Thanks to numerous short-time work schemes, which the EU began running in May 2020 on the basis of a new European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE), the rise in unemployment seems to be moderate relative to the economic downturn. Nevertheless, the unemployment figure of 15.3 million (euro area: 12.8 million), including 3 million young people (euro area: 2.4 million) in May 2021 shows just one part of the full extent of the effects of the crisis on employment. It should be noted, for example, that school closures, resulting in additional childcare and home schooling needs, may have led to an increased lack of availability on the labour market. Others will have discontinued their search for new employment in view of the temporary collapse in hiring opportunities. Accordingly, the share of people aged between 15 and 74 in the EU who were part of the working population base but were not actively seeking work, increased sharply: from 3 percent in the fourth quarter of 2019 to 4.9 percent in the second quarter of 2020, subsequently falling back to 3.7 percent in the fourth quarter of 2020. Furthermore, the rate of 15- to 29-year-olds who were not in employment, education or training (NEET) rose sharply in almost all Member States, and particularly in Lithuania, Malta and Spain, during the crisis. The NEET rate was particularly high in Italy (22.7 percent), Greece (19.0 percent) and Spain (18.2 percent).

The unemployment rate also differed considerably among the Member States: compared to 2019, it increased in 2020, particularly in the Baltic States, Sweden and Spain (the frontrunner in this regard was Estonia with an increase of 2.4 percentage points); in other Member States, in contrast, unemployment actually fell significantly (Greece -1.0 percentage points, Italy -0.8 percentage points). In 2020, the Member States with the highest above-average unemployment rates (EU average: 7.0 percent) were Greece (16.3 percent), Spain (15.5 percent) and Italy (9.2 percent). Unemployment was lowest in 2020 in Czechia (2.6 percent), Poland (3.2 percent), the Netherlands and Germany (both 3.8 percent).

In 2020, the median income earned by the working population before social transfers fell by approximately 7 percent compared to 2019, and in half the Member States, low earners had to cope with losses that were three to four times higher than those suffered by top earners. It was possible to reduce income losses significantly through automatic stabilisers and short-time allowances. At EU level, therefore, available household income and the at risk of poverty rate remained stable compared to 2019. However, there were significant variations in regional distribution. Income losses were highest, even after social transfers, in Croatia, Cyprus and Greece. There was a significant rise in the risk of poverty in Portugal, Greece, Spain, Italy, Ireland, Slovenia, Bulgaria, Austria and Sweden.

Fundamental change of direction: fighting the pandemic

The various regional and target group-specific effects of the crisis confronted the EU with the challenge of responding appropriately. On the one hand, it must be remembered that individual states – such as Italy and Spain – even before the start of the pandemic had been suffering the after-effects of the crisis in the euro area and the austerity measures taken to manage that crisis. They had not yet been able to reach their pre-crisis le-

vels in all socioeconomic indicators. On the other hand, new problematic social situations exist in some Member States, which are increasing inequality within and also between Member States.

In order to act directly against the health risk arising from pandemics, the EU reinforced the idea of a European Health Union with its €5.1 billion EU4Health programme. It is intended to facilitate preparedness and prevention and strengthen the resilience of health systems in the event of cross-border health risks. This is particularly important for those Member States whose health systems are underfunded. Health expenditure varies very widely in the EU, both in terms of GDP and health spending per capita, and a significant gap has emerged between western European states that invest a lot in health and central European states that invest less. EU4Health came into effect in April 2021 and will be implemented in annual work programmes. In addition to disease prevention, the digitalisation of the health sector, the development of medicinal products and medical devices and the Member States' coordination and management of vaccine reserves, for example, there will be other items on the agenda where the EU failed to deliver in the early stages of the COVID-19 crisis. In June 2021, the Commission also presented its proposals for a strategic framework for health and safety in the workplace, which it had revised in light of the pandemic. The framework now includes improved preparedness and emergency measures for health risks.

The NextGenerationEU package, agreed between the heads of state and government in July 2020, was a groundbreaking response to the economic damage caused by the pandemic. For the first time, a temporary €750 billion recovery instrument, designed to supplement the Multiannual Financial Framework, will disburse €390 billion in grants and €360 billion in loans to support the economy. The borrowing necessary to fund this instrument is accepted jointly by the community of states and does not have to be repaid until 2058, probably with the help of a new EU tax, the details of which still need to be agreed. The lion's share of the money (€672.5 billion)

will be provided via the recently established Recovery and Resilience Facility. The financial assistance will be allocated using a distribution key, which in addition to considering economic performance and population size will also factor in the different socioeconomic starting positions prevailing at the outbreak of the crisis (unemployment between 2015 and 2019) for grants in 2021 and 2022 and will also take on board the effects of the crisis (decline in real GDP in 2020, overall decline in real GDP in 2020/2021) for grants in 2023. Once the European Parliament and the Council finally agreed the package in February 2021, the Member States submitted recovery and resilience plans to the European Commission in which they outlined concrete funding projects for public investment up to 2026. The Commission will evaluate the plans and the Council will approve them, based on criteria that link the economic aid with the EU's medium-term structural objectives. Accordingly, the national plans should allocate at least 37 percent of expenditure to investments and reforms that support climate protection goals and at least 20 percent to the digital transition. In addition, the objectives of economic cohesion, productivity and competitiveness; social and territorial cohesion; health, economic, social and institutional resilience; and the focus on young people all play an important role. The Member States are also called upon to take on board the country-specific recommendations from the 2019 and 2020 European Semester cycles. Payment of the first instalments is expected in the second half of 2021. An additional €47.5 billion will be made available for cohesion funds, which are included as the second-largest component of the NextGenerationEU package in the Recovery Assistance for Cohesion and the Territories of Europe (REACT) and made available through the European Social Fund Plus (ESF+), the European Regional Development Fund (ERDF) and the Fund for European Aid to the Most Deprived (FEAD).

The focus on the economic and social situation of the Member States and on the way in which they were (negatively) impacted before and during the pandemic constitutes a new approach, which, despite the tempo-

rary direction of the programme, could have a lasting change on future discussions about EU-funded crisis aid. In contrast to the euro crisis, budgetary policy conditioning and willingness to lend are not the priorities. During the euro crisis, the problems experienced by Greece, Portugal, Ireland, Spain and other Member States were not seen as a systemic shortcoming of the currency union but rather as an issue of personal responsibility. The crisis was artificially exacerbated and prolonged as a result of procyclical restraints that were imposed on the basis of inadequate economic policy; the consequences for the labour market and society were devastating. Austerity policies are a key reason for the social divide in Europe, which, as the socioeconomic indicators demonstrate, continues to persist. The investment package seeks to combat any further deepening of this divide and as a result explicitly includes the social dimension.

The background for the Commission is, in particular, the very different negative ways in which people were impacted during the crisis. Single parents, children and older people, those in precarious employment and self-employed people, mobile and posted employees, migrants, people with disabilities and minorities but also people with poor internet access or few digital skills were more affected than others by the lockdown rules. While some people were able to manage the social distancing, requested by the health experts and demanded by the policymakers, for a long time with the help of digital equipment, many people, particularly those in low-paid service sectors – health, care, urban transport, food production and delivery, travel, leisure and culture – were either exposed to an increased risk of infection or affected by a loss of income as a result of short-time working or even redundancy. As women are disproportionately represented in these sectors and had also taken on a large proportion of the caregiving work throughout the crisis, intensified gender inequalities and traditional gender stereotypes (re)emerged during the pandemic. Accordingly, the Commission is emphasising the fight against poverty, the enabling of social mobility through poverty-proof minimum wages and the creation of greater income and

gender equality in the event of economic shocks and in the face of the upcoming digital and green transition processes in the economy (European Commission, 2020b).

A renewed focus: the action plan for a social Europe

The topic of a social Europe gained new importance on the political agenda during the pandemic, thanks in no small part to the foundations laid down during Germany's and Portugal's Presidency of the European Council. When the virus hit Europe, the plans presented in 2019 at the start of the new European Commission to establish a European framework for minimum wages, a common unemployment reinsurance scheme and a European Child Guarantee for children at risk of poverty and social exclusion were no more ready than the promised action plan for the implementation of the European Pillar of Social Rights, which was announced in 2017 yet thus far had no specific targets, instruments or legally binding basis (Hacker, 2019). The implementation of these projects thus began in the middle of the crisis, starting with the SURE instrument supporting short-time work schemes across Member States, an initiative which can be interpreted as the basis for a European unemployment insurance scheme.

The European Commission published a proposal (2020a) for an EU Directive on a minimum wage framework following a consultation process with employer and employee organisations. Although pay is explicitly excluded from supranational rules under Article 153(5) of the Treaty on the Functioning of the European Union (TFEU), the Commission nevertheless relies on the support of Member States to guarantee fair working conditions in accordance with Article 153(1b). This is an area in which it can enact minimum requirements for implementation in the Member States. The stated goal is to be able to narrow the gap between high and low wages and to prevent in-work poverty. The COVID-19 crisis has provided the Commission with additional ar-

guments to ensure adequate incomes in the low-wage sector. These include provisions across the Union for each Member State to define clear criteria at a national level for the scope and adjustment of statutory minimum wages, as well as for the involvement of the social partners. Countries that do not have a statutory minimum wage, such as the Scandinavian countries, Austria and Italy, where minimum wage rates are stipulated in collective agreements, are not affected by this. However, the other measures aimed at regulated monitoring of minimum wage development and implementation, as well as those promoting collective bargaining apply to all EU Member States. The latter criterion specifies a lower limit of at least 70 percent collective bargaining coverage rate of workers, whereas the Commission rejects a quantitative minimum wage standard of 60 percent of the national median wage, as demanded by the European Trade Union Confederation (Schulten *et al.*, 2015, pp. 345–348). The reasons for this are that, firstly, many Member States have reservations about the EU interfering in the collective agreement sovereignty of national social partners and wage-setting mechanisms; secondly, it is certainly a key factor in this regard that only four Member States – France, Portugal, Slovenia and Romania – would exceed a minimum target of 60 percent of the median wage at all (2018 data). An agreement is to be reached in the Council by the end of 2021.

At the EU Social Summit in Porto on 7 May 2021, the European institutions and Member States pledged their commitment to the action plan for the European Pillar of Social Rights proposed by the Commission. The Commission is expected to underpin the Pillar’s social rights, thus far vague as they are not legally binding, with quantitative target values to be achieved by 2030. Three headline EU targets were agreed: (1) an employment rate of at least 78 percent among 20- to 64-year-olds; (2) the annual participation of at least 60 percent of all adults in training courses; (3) a reduction of at least 15 million in the number of people at risk of social exclusion or poverty. Very much in line with previous ten-year strategies (Lisbon, Europe 2020), Member States are urged to set

their own national targets in the areas of employment, further training and poverty reduction, which are monitored within the framework of the European Semester. To improve policy coordination, the European Pillar of Social Rights is accompanied by a Social Scoreboard, which has now been expanded to include additional indicators (European Commission, 2021c).

The Porto Declaration recognises the Pillar and its targets as a central component both in the recovery from the pandemic and in the imminent green and digital transitions (European Council, 2021). The Commission therefore very much draws upon it in its social projects, for example in the creation of a European Platform on Combating Homelessness and a recommendation to Member States to tackle child poverty, which was adopted by the Council in June 2021 and requires Member States most affected to allocate at least 5 percent of their European Social Fund Plus (ESF+) resources to address these issues. At least a quarter of its overall budget of €99.3 billion for the next seven years is to be used in measures to advance equal opportunities for disadvantaged groups and 12.5 percent to combat youth unemployment – both areas of importance to the European Parliament (2021).

Conclusion

An examination of socioeconomic indicators over time clearly shows how strongly the economic and social consequences of misguided crisis management contribute to persisting inequality and deepening divisions within the EU. Austerity policies have set some Member States back excessively and damaged others through economic stagnation across the continent. A decade has been lost not only in terms of economic growth, but also with regard to social cohesion. The lessons learned from this decade of crisis seem to be gaining ground as a result of the pandemic: policies to tackle the coronavirus crisis, with the €750 billion NextGenerationEU recovery fund as the core instrument, can be viewed as a unique opportunity to exit the economic downturn,

while at the same time supporting structural, ecological and social goals. Rather than focusing on one-size-fits-all targets of budgetary stability, the allocation criteria for the financial resources enable Member States to measure structural and economic disadvantages using a multi-layered set of indicators via the Recovery and Resilience Facility.

The pandemic has also exposed risks and deficits that highlight the need for greater social commitment on the part of the EU. The Commission cleverly seeks to incorporate this requirement – at least verbally – into crisis support and imminent transition processes. Whether the definition of new, soft targets in the action plan for the implementation of the European Pillar of Social Rights is sufficient to avert austerity policies in the long term (Rainone and Aloisi, 2021) and to lend more weight to social objectives rather than budgetary requirements, will not least be evident from the future shape of the Stability and Growth Pact, which was put on hold until the end of 2021 as a result of the crisis.

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The uneven impact of the pandemic. Prospects for a convergent and resilient recovery of the EU?

Marta Galiano and Inmaculada Ordiales

Introduction

The crisis caused by the pandemic has had a quite disparate impact on the economies of the Member States from a triple viewpoint: Economic, labour, and social. And it bodes an equally asymmetric recovery that threatens to widen the economic and social breaches among the community states, inflicting a fresh setback on the process of real intracommunity convergence.

The Next Generation EU plan is without doubt a historic milestone in the process of European construction. It is the European Union's chief instrument for tackling the consequences of the crisis and pursues a double goal: On the one hand, secure the swift recovery of the economies of the Member States and, on the other, encourage and consolidate the reforms and investments required to achieve sustainable, inclusive, and resilient growth in the medium term.

The challenge of the recovery is not just to get back to where we started but to place Europe in a better position and do so, what's more, "leaving no one behind", no trivial matter given the asymmetric impact of the pandemic and the effort of the various Member States, which has been and remains necessarily different, coupled with

the loss of convergence experienced since the financial crisis. That is why in this recovery phase the EU must prevent a lack of synchronisation from resulting in a widening of the economic and social gaps among the community members.

One might ask, then, whether the Next Generation EU plan and its materialisation in the national recovery plans will succeed in responding to the need to shore up the recovery and, in turn, bring about a structural change in the European economies that in the medium and long term improves the wellbeing of all citizens and consolidates social cohesion, both of which are key elements in community integration.

Impact of the pandemic on intracommunity convergence

While the most recent estimates regarding the EU's economic development give cause for optimism and even reveal robust growth for the countries hardest hit by the pandemic, they also show that in spite of that, the recovery is going to be uneven in pace and scale. An non-synchronous and asymmetric recovery that threatens to

widen the economic and social gaps among the community partners, inflicting a fresh setback on the necessary process of real intracommunity convergence.

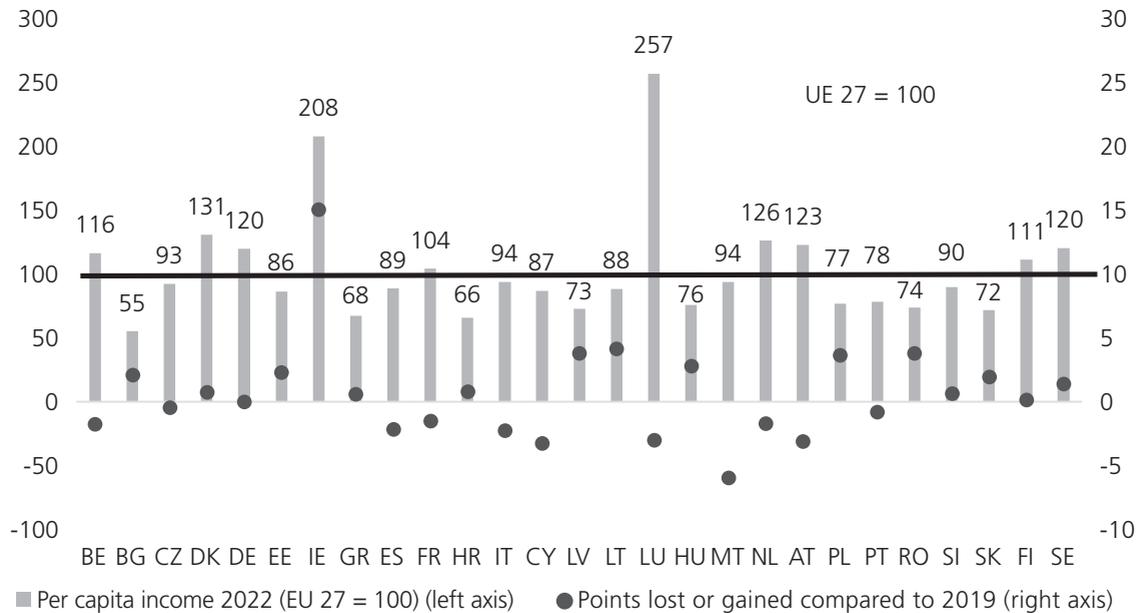
According to European Commission figures, Spain was the country struck hardest by the crisis with a double-digit drop in GDP (10.8% in year-on-year terms) in 2020, followed by Italy (8.9%), Greece (8.2%), and France (7.9%). German GDP, meanwhile, fell by just 4.8% and swells the ranks of the 14 Member States that reported falls below 5%.

Nearly a year-and-a-half after the start of the pandemic, the growth forecasts augur widespread recovery in the EU as a whole (European Commission, 2021a) at an average rate of 4.8% in 2021 and 4.5% for 2022. Yet the recovery in terms of GDP per capita, the macroeconomic datum that is traditionally used to gauge intracommunity convergence, will be highly uneven. Thus, most of the members in the east will manage to exceed 2019

GDP per capita levels in 2022, posting growth above the EU27 average, which favours their rate of convergence. At the other extreme, five Member States will still report falls in their GDP per capita in 2022, compared to pre-pandemic levels.

As a result, in 2022 the Czech Republic, Spain, Croatia, Italy, Cyprus, Malta, and Portugal will have strayed even further from the community average, hampering their convergence processes and, above all, posing a challenge for the recovery phase. And despite the fact that even these forecasts already include the positive effects of the recovery and resilience plan on the various economies of the Union.

In parallel, the pandemic has caused an asymmetric increase in unemployment rates among the EU countries, both because of the uneven productive structure and the different capacity or efficacy of economic policy measures and, of course, because of the existence of very different



Source: authors' own creation based on Eurostat and AMECO (figures taken from July 2020)

Figure 1. Level of GDP per capita in 2022 (EU27=100) and development compared to the year prior to the pandemic (in p.p.)

prior vulnerabilities in the labour markets. Those economies specialising more in activities related to leisure, tourism, the hotel industry, travel, or personal services, which in turn are characterised – generally speaking – by job markets with a greater presence of temporary workers, young people, poorly qualified staff, or with lower digital skills, have suffered the most.

Along with the differences in the productive structure of the Member States, the pandemic has had a varying impact on people's health or on the health systems of the various community partners. Likewise, the governments have displayed different degrees of efficiency when it comes to managing the crisis, be it because of the prior state of the public finances or because of the job and social protection systems existing before the pandemic.

However, unemployment rates did not reach those reported during the financial crisis, underscoring the success of the temporary job retention schemes and the business liquidity assistance implemented (or strengthened) in practically all the Member States to prevent the standstill in activity from severing the ties between workers and companies, or from sweeping away sound businesses. According to estimates by the European Commission services, the greatest impact on the rate of unemployment will be felt in 2021, as the assistance is gradually withdrawn. The jobless rate for the EU as a whole will stand at 7.6% and in the euro zone at 8.4%, in both cases 0.9% above the pre-pandemic level.

While the impact on the job market, measured in terms of the unemployment rate, may have been partly mitigated, the crisis has brought to light the broad labour and social breaches existing both among Member States and within their territories relative to: The lesser participation of women in the job market, the particular impact of unemployment on young people, the precariousness associated with excessive temporary employment in certain labour segments, the unequal protection of individual entrepreneurs, or the vulnerability resulting from low skills or poor digitalisation.

The emergence from the crisis must be accompanied by measures that improve the job prospects of the

most vulnerable groups and prevent situations of freak unemployment turning chronic. Moreover, the long-term impact of the crisis on the job market is still uncertain, since it is affected by structural changes related to the ageing population or to the rapid digitalisation of economies – some of these have speeded up during the pandemic, such as the growing presence of remote working or the proliferation of new frameworks of labour relations –, all of which has an unpredictable impact on social cohesion or social protection systems (CES, 2021).

In short, the crisis caused by the pandemic poses a far from negligible risk of deepening the social differences in the EU. It is likely to halt the progress made in real convergence among the Member States, and not only in terms of GDP per capita, the most orthodox way of aligning it, but also of the difficult achievements in social convergence, since it is seen that they are subject to the economic cycle, with advances in times of prosperity and setbacks in phases of recession (Eurofound, 2019). Crises cause negative divergence, that is to say a deterioration of the indicators and an increase in the disparities among Member States in rates of employment, unemployment, and long-term joblessness, but also in the rates of NEETs (young people not engaged in employment, education, or training), the proportion of people at risk of poverty and social exclusion, or medical needs going uncovered.

The EU response: This time it was different

It is true that the impact of the pandemic would have been greater had it not been for a series of exceptional measures that were especially robust in the EU, making it clear from the outset that, this time, the response would be different to the one given to the previous crisis and that the lessons of applying austerity measures in a recessionary context had been learned.

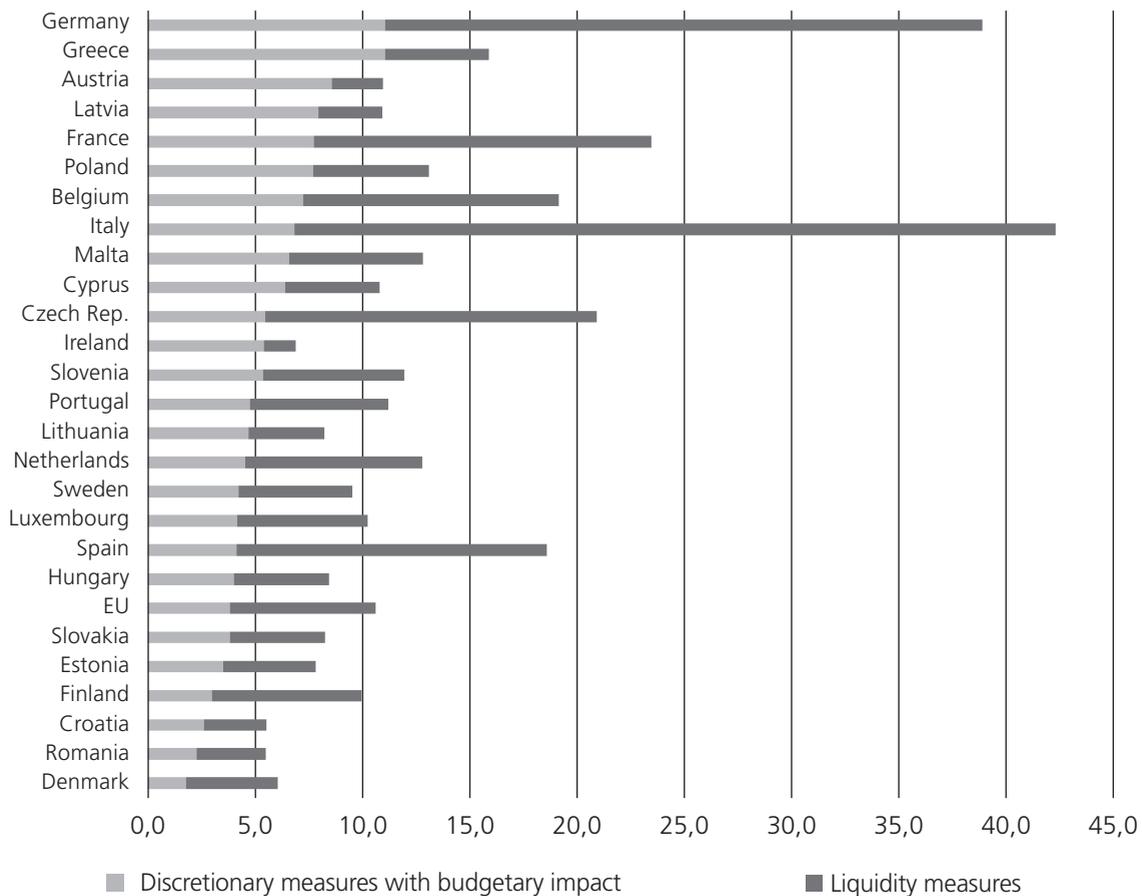
It was evident that a swift and fundamentally budgetary response to the crisis was required. The community institutions reacted by offering a coordinated framework that gave scope for action to the Member States and

backed the public spending drive. The fiscal framework of coordination was relaxed – activating the general escape clause in the Stability and Growth Pact –, as was the State Aid Temporary Framework. In addition, community resources were mobilised with the creation of a new ESM credit line, a fund to mobilise loans to SMEs in the framework of the EIB, or the creation of the SURE to guarantee assistance to workers on job retention schemes.

Yet perhaps what proved most crucial was the support of the European Central Bank – basically through the Pandemic Emergency Purchase Programme and the Eurosystem’s financing and liquidity injection operations

– as they would smooth the way to the community members’ fiscal drive by relaxing financing conditions and guaranteeing the availability of sufficient liquidity, thus ultimately averting the dreaded financial fragmentation of the Eurozone.

All that allowed the Member States to deploy a broad range of discretionary measures that appeared to be similar, but which were conditioned by the different fiscal capabilities of each member, and despite the community flexibility and support. The Member States with more solid fiscal positions, such as Germany or Austria, were able to provide direct assistance to a greater degree than other



Source: IMF Fiscal Monitor: Database of Country Fiscal Measures in Response to the COVID-19 Pandemic.

Figure 2. Response to the crisis in the EU Member States (% of GDP)

countries such as Italy or Spain, hit harder by the crisis and with weaker fiscal positions. They prioritised liquidity measures, such as guarantees, since they had a lesser budgetary impact (ECB, 2021). In Germany, the direct assistance was available from the first moment for almost all sizes of company, while in countries such as Spain they were not introduced until 2021, when it was established that the prolongation of the crisis was leading to an unsustainable situation in many firms, particularly SMEs.

In short, the assistance on the part of the community partners has been very different in size and scope, particularly as far as state assistance is concerned, and especially to companies, which poses a risk to the functioning of the single market and the competitive balances within the European Union. All that places the Member States in very different post-pandemic positions to address the process of recovery that should not only be about restoring the economies and society to the situation prior to COVID-19, but also doing so at a pace and in such a manner as to avert a greater deepening of the differences among the community partners.

A plan for recovery: NextGenerationEU

To foster the recovery the European Council of July 2020 reached a historic agreement to put together an economic recovery plan on a European scale, known as Next Generation EU (NGEU). The plan is a milestone in European construction and confirms, once again, that crises act as a catalyst for the EU to grow and take a leap forward in its process of integration.

The plan is the most important community economic policy instrument of recent decades, shaping a new framework of governance structured via different programmes and mechanisms whose purpose is to promote investments and reforms in the Member States to tackle a dual goal: First, and immediately, to secure economic recovery after the crisis, and in the medium term to promote and consolidate the structural reforms required to achieve sustainable, inclusive, and resilient growth in

the long term and underpin a resistant, carbon neutral, and digitally advanced economy, in line with the United Nations' Sustainable Development Goals.

It is a novel European spending instrument, both in the amount of funds it makes available (750 billion euros) and in its orchestration via grants and not just through loans, as well as in its governance in line with the Multiannual Financial Framework 2021-2027 and the European Semester. In fact, the Recovery and Resilience Plan is integrated into the EU's long-term budget and comes in addition to the 1.1 trillion from the Multiannual Financial Framework 2021-2027, resulting in a total of 1.84 trillion euros to boost Europe's recovery and resilience.

As far as its funding is concerned, it provides for the issuance of purely European debt on the part of the European Commission, which would make it one of the world's chief supranational issuers. However, and above all, this issuance is the first step towards a European safe asset and while it is exceptional and temporary now in the medium term it could become permanent and be a fundamental instrument for boosting the process of European integration and making progress in banking union with a deeper and more diversified European financial market.

The Recovery and Resilience Facility (RRF) is the main tool for deploying the NGEU as it gathers the bulk of the resources, 672.5 billion euros (312.5 billion in grants and 360 billion in loans) to be allocated to investments – chiefly green and digital projects, which must account for 37% and 20%, respectively, of the total resources – and structural reforms that strengthen the economies of the Member States and make them more resilient with a view to the future.

In fact, the design of the NGEU is based on the Commission's strategic priorities – European Green Deal, digital transition, strengthening the single market, and a fair and inclusive recovery –, though the spotlight has fallen on the two transitions, green and digital, which are key vectors for channelling the investments of the Member States and steering public spending and investment towards a new model of growth in the medium term. It is the opportunity for Europe to lead the double, green and

digital, transition, but if it is to do so it must reach all the Member States, regions, and people, guaranteeing the principles of justice and inclusion, and addressing the costs of these transitions.

It is also worth noting that when the plan refers to investments it does so in the broadest sense of the term. In other words, it goes beyond traditional physical capital or the somewhat less traditional investment in intangibles since it also signals the need to incorporate investment in human capital and in natural or environmental capital, underscoring, in short, the importance of social cohesion or of certain public services as means of securing a positive impact on the economy and society.

For its implementation, the grants are scheduled to be disbursed in two phases. With a view to promoting a rapid recovery, 70% must be invested in a short space of time, before December 2022, prioritising the reception of resources in the countries hardest hit by the crisis, although distribution is carried out according to population, income per capita, and the unemployment rate

in the period 2015-2019. According to the distribution criteria for this first tranche of subsidies, Italy, Spain, and France are the main beneficiaries, receiving over 50% of the total between them. The distribution in 2023 of the remaining 30% will be adjusted by taking into account the economic contraction registered in the different countries in 2020 and 2021.

As for the loans, any Member State can apply for them before December 2023 in the amount that they consider necessary up to a maximum of 6.8% of the GNI of the Member State, not forgetting that they are loans that imply greater conditionality and which, above all, count in the level of each country's debt. So far, only seven Member States have sought resources via loans, of which Greece, Italy, and Romania have done so for the total allocated amount; the rest of the Member States can apply for the loans later if they consider it necessary. There have been fewer qualms about the plan's grants and all the Member States have applied for virtually the full allocated amounts.

Table 1. Instruments of the Recovery and Resilience Plan [in constant prices 2018]

Goals	Instruments Bill. €	Funding		Purpose	Powers
		Bill. €	%		
1. Support for the Member States in their investments and reforms	Recovery and Resilience Facility	672.5	89.7	Green and digital investments. Economic resilience. Structural reforms. Focus on countries hardest hit by the crisis	National management
	Grants	312.5	41.7		
	Loans	360	48.0		
	React-EU Initiative	47.5	6.3	Reinforcement of the cohesion programmes	European management
	Just Transition Fund	10	1.3	Mitigating the socioeconomic effects of the green transition	
Rural Development	7	1.0	Reinforcement of rural development policy		
2. Relaunching the EU economy by incentivising private investment	InvestEU	5	0.7	Strategic European investments	
	Horizon	5	0.7	Research and development in healthcare and the environment	
3. Applying the lessons learned from the crisis	rescEU	1	0.3	European response to emergencies	

Source: European Commission.

Table 2. The recovery plans of the Member States

Member States	Grants		Loans		Total amount of plan
	Requested	Maximum provided	Requested	Maximum provided	
Germany*	27.9	25.6		240.9	27.9
Austria*	4.5	3.5		27.2	4.5
Belgium	5.9	5.9		32.8	5.9
Bulgaria		6.3		4.2	0.0
Cyprus	1.0	1.0	0.2	1.5	1.2
Croatia	6.4	6.3		3.7	6.4
Denmark	1.6	1.6		21.9	1,6
Slovakia*	6.3	6.3		6.3	6.3
Slovenia	1.8	1.8	0.7	3.2	2.5
Spain	69.5	69.5		84.8	69.5
Estonia	1.0	1.0		1.9	1.0
Finland	2.1	2.1		16,4	2.1
France*	40.9	39.4		168.4	40.9
Greece	17.8	17.8	12.7	12.4	30.5
Hungary	7.2	7.2		9.7	7.2
Ireland	1.0	1.0		18.7	1.0
Italy*	68.9	68,9	122.6	122.8	191.5
Latvia	1.8	2.0		2.0	1.8
Lithuania	2.2	2.2		3.2	2.2
Luxembourg	0.1	0.1		2.7	0.1
Malta	0.3	0.3		0.8	0.3
Netherlands		6.0		55.3	0.0
Poland	23.9	23.9	12.1	34.8	36.0
Portugal*	13.9	13.9	2.7	14.2	16.6
Czech Republic	7.1	7.1		14.3	7.1
Romania	14.3	14.2	15.0	15.0	29.3
Sweden	3.3	3.3		6.3	3.3

Source: European Commission, Next Generation EU, National Recovery and Resilience Plans, Factsheet.

The recovery plans of the Member States: In search of a joint strategy

The governance of the recovery and resilience plan falls primarily to the Commission with regard to the guidance, evaluation, and supervision of the action of the Member States, promoting structural reforms in line with its priori-

ties and recommendations. This governance is incorporated into the framework of the European Semester, as the chief coordinating instrument of the Union's economic policy, so every Member State must submit a recovery and resilience plan to access to the funds. The plan is assessed by the Commission and once approved it gives way to the disbursements. In addition, it includes certain

conditionality, since the Member States are obliged to present these investment and reforms projects on the basis of the recommendations made each year by the Commission that, while they were already present in the European Semester, were not sufficiently addressed by the Member States.

Consequently, for the deployment of and access to the RRF funds the Member States have drawn up their national recovery plans, where they gather the reforms and investments they are seeking to make. The various plans began to be submitted starting late April and the Commission has already positively assessed many of them, assessments that have been ratified for approval by the European Council, giving the go ahead to the first disbursements equivalent to 13% in pre-financing.

The Commission considers the plans effectively address the challenges identified in the specific recommendations for each country, contain measures that effectively foster the green and digital transitions, and contribute to strengthening the growth potential, job creation, and the economic and social resilience of the Member State.

It is a question of ensuring that the process of recovery and transformation of the growth model is equitable and prevents inequalities among Europeans, guaranteeing the support of all sectors of society and contributing to social, economic, and territorial cohesion. The pandemic has revealed the need to secure this inclusive recovery that on a European level means tackling issues that affect equity and cohesion such as the readiness and resilience of the national health and social protection systems, equal access to health care, long-term care, and systems of childcare, or demographic change.

The recovery plans, then, should include measures geared towards strengthening the Union's social and territorial cohesion; bolstering economic and social resilience with a view to future crises, as well as the capacity to adapt and growth potential of the Member States; mitigating the social and economic impact of the crisis on the basis of the European Pillar of Social Rights; supporting the green transition with the achievement of the

climate goals for 2030 and climate neutrality for 2050, and the digital transition. All with a view to contributing to the improvement of upward economic and social cohesion on a path of sustainable growth and quality job creation that boosts the Union's strategic autonomy and an economy that generates added value.

However, it has been found that opportunities were squandered in the final materialisation of the plans, particularly in the definition of specific investments to address the improvement of social and territorial cohesion and convergence and avert an increase in disparities (Darvas and Tagliapietra, 2021), when, as we have indicated, the Commission's guidance offered broad scope for this type of investment. According to the Bruegel think tank, which has a database of precise information on the recovery plans, only a little over 6% of the total resources provided for in the plans as a whole are aimed directly or indirectly, along with other goals, at improving social and territorial cohesion, although some Member States, such as Austria, Luxembourg, or Sweden, do allocate significant percentages to this priority (Figure 3).

While the plans also had to address the goal of securing more resilient economies with a view to the future, generally speaking there is little specification of the action geared to that end and still fewer indicators that enable assessing its achievement, when the improvement of economic, social, and territorial cohesion is one of the key elements to attain that resilience. In fact, the Commission's guidance and the plans of the Member States do not clearly define, not even by way of a reflection, how to achieve that resilience. It is an ambiguous goal, and it is inferred that it will be achieved simply with the recovery and investments and reforms made.

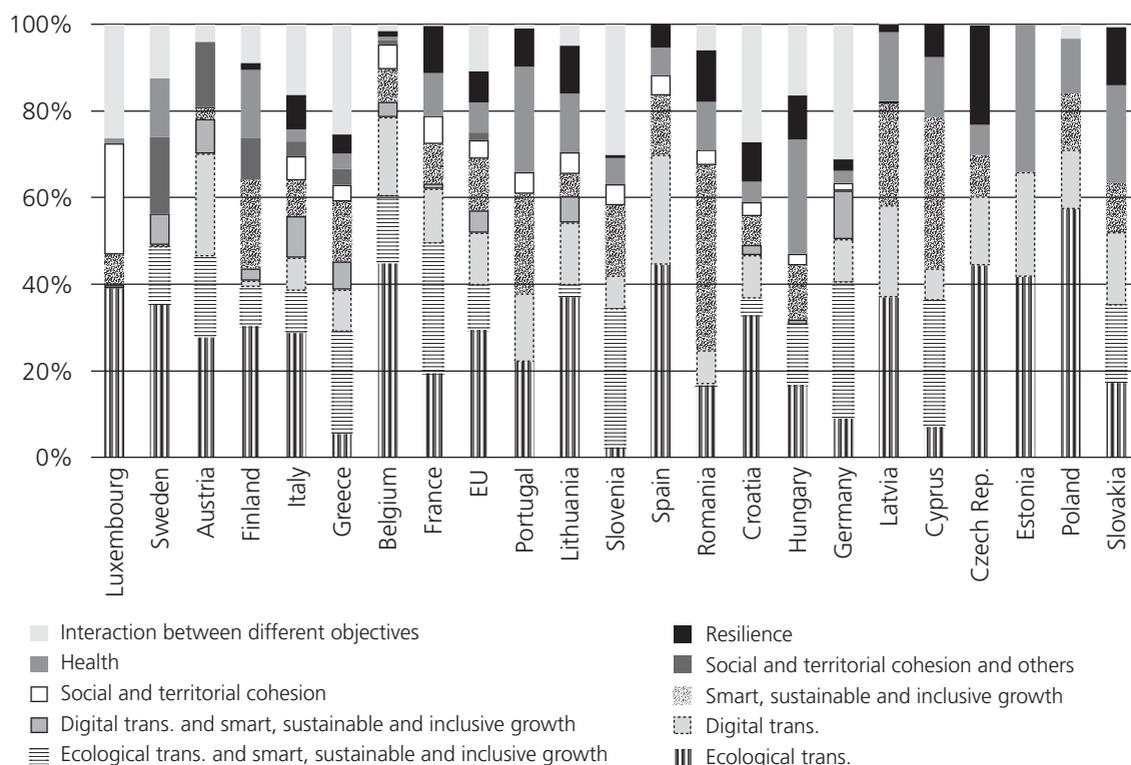
With the exception of a few countries, the plans lack clear action in the area of social and territorial cohesion. Italy clearly stands out as one of those exceptions. A priority goal of its plan is to overcome the north/south divide and boost territorial cohesion internally (in fact, 40% of the plan is devoted to Italy's southern regions). As do Spain and Greece, which have included investments and reforms to this end in the education systems, the labour

market, health and care systems, public administration, the judicial system, the tax system, and the regulatory framework for business activity.

In addition, all the plans in general overlook the risks that many of the proposed measures may pose and the associated costs that have not been taken into account in order to anticipate or counter them. The Commission's guidance only included the need to ensure the "do no significant harm" principle, referring exclusively to the action not harming the Union's environmental goals. In this respect, the preliminary assessments of the plans

conclude that in general they do not strictly comply with this principle, since they fail to detail the risks and costs of certain specific action or the measures to offset them (ZOE Institute for Future-Fit Economies, 2021).

Moreover, there is a lack of a long-term global vision of the change and structural transformation goals in the face of the risks that currently exist, particularly from the point of view of ensuring that the European Union in its entirety moves towards a path of sustainable and inclusive growth. In fact, the approach taken for the recovery plans is in the short and medium term,



***NB:** It is hard to accurately delimit the policy areas gathered in the Regulation of the RRF (green transition; digital transformation; smart, sustainable and inclusive growth; social and territorial cohesion; health, and economic, social and institutional resilience) from the information found in the national plans. We therefore chose to consider the six main areas individually and those in which two areas coexist together and allocate a volume of resources above 5%, plus all those that contribute to social and territorial cohesion individually or together with other objectives.

Source: Authors' own creation based on Bruegel RRP dataset.

Figure 3. The priorities of the EU in the national recovery plans

complying with the established financial path, yet many of the actions, particularly those that involve a structural change, are long-term projects whose consequences will materialise in the coming years. There is, then, a lack of a more detailed assessment of the unwanted impacts and risks of the proposed investments and the possibility of establishing compensatory mechanisms, guaranteeing a just transition towards a new model while addressing one of the priorities of the plans, which is to guarantee social and territorial cohesion.

The green transition is a clear example of this issue. The struggle against climate change will incur significant adjustment costs in the medium term; what's more, they will not impact either the economies or the societies of the different Member States in a uniform manner. The measures undertaken to secure the green transition have triggered certain social rejection, as people are only aware of the costs they generate, while a large part of society has yet to see the benefits of decarbonisation. The yellow vest protests in France in 2018 over the increase in taxes on fuel or the discontent that electricity price rises have aroused in Spain, chiefly because of the increase in the cost of CO₂ emissions, are examples of that. However, a rapid digital transformation, another of the plan's core vectors, on which the starting point of the different Member States is very disparate, may also cause exclusion because of poorer adaptation of a certain part of the population for socioeconomic reasons, or widen breaches between rural and urban territories, adding an extra difficulty when it comes to the recovery favouring intracommunity convergence.

Consequently, both the green and digital transitions will require very different efforts and sacrifices from the citizens and companies of the various Member States. However, the two transformations are also systemic and extend beyond the Union's borders. This may become an area of geopolitical tension on which there may not be a unanimous position among the community partners when it comes to striking agreements and forming alliances on trade, industry, or technology. This could give rise to clashes between them over embarking on those

transformation, hindering the decision-making process still further when decisions are already increasingly being made at intergovernmental level.

Despite these weaknesses and shortcomings, the Commission has estimated that if all the grants and half of the loans are spent, the impact on GDP growth in the short term will be 2% thanks to the boost to aggregate demand and the carry-over effect on private investment, and 1% in the long term thanks to the increase in productivity and resilience to future crises as a result of the investments made (European Commission, 2021b). However, this impact on the European Union as a whole is based on the aggregate impact on all the Member States and not explicitly with action on a community scale that has a direct impact on the Union.

Each Member State has devised its plan from an internal perspective, without considering the need to promote and strengthen economic, social, and territorial cohesion within the Union. Yet the fact that the RRP is the result of an agreement among the Member States and has a European dimension should ensure this positive impact on an EU scale that, moreover, does not appear in any of the plans submitted. In this respect, the Commission guidance could have also explicitly included boosting convergence among the Member States as a priority goal, particularly in view of the deterioration observed in recent years.

This is precisely the main weakness of the Recovery and Resilience Facility architecture, which does not provide for goals or pursue a direct impact on the European Union, only indirectly as a result of the impact achieved in each Member State. Convergence is one of the purposes of the process of European integration and should be recognised explicitly in this new instrument, particularly if, as some are suggesting, it could be the embryo of a more permanent instrument. Greater convergence among the Member States benefits the Union as a whole and puts it in a better position to face the challenges of the future. That is the goal of the resilience that the recovery plan also seeks: Greater convergence underpins the goal of cohesion among the economies and societies of the EU.

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III. Health, migration and foreign policy: pending tasks for the EU

European Health Union

José Manuel Freire

Introduction

2020 will go down in history as the year of the great covid-19 pandemic that surprised the 21st century world, opening our eyes to just how vulnerable we are to risks that we had assumed were far behind us. The pandemic dramatically altered social and economic life across the planet. A year and a half later, despite the availability of effective vaccines, great uncertainty remains on when and how the longed-for post-pandemic normality will come, and regarding the evolution of the SARS-CoV-19 virus in the short, medium and long term.

From March 2020 onwards, political agendas in the EU and for all governments around the world, have been monopolised by the health, social, economic and political issues caused by the covid-19 pandemic. In the EU, from March 2020 almost all social and economic activities ground to a halt, causing an 11.1% drop in GDP in the first semester of 2020; its impact on health is clearly demonstrated by the fact that, on 2 July 2021, the EU had totalled 33,184,671 cases and 740,360 deaths.¹

The devastating effects of a viral pandemic unlike anything we might have imagined in the EU has demonstrated just how critical health security is for our society to run normally. Recognition of public health as an es-

sential precondition of the feasibility of modern society has put health firmly at the heart of the EU's essential policies, leading President Von der Layen to launch the objective of a 'European Health Union'.

Although our analysis of the EU response to covid-19 during 2020 is limited to strictly health-related decisions and policies by the EU, perspective should not be lost regarding the vast importance, also concerning health, of the major economic policy decisions taken by the EU to alleviate the ravages of covid-19 on families' incomes, on the economy, on employment and on the supply of goods and basic services, topics that will be addressed in other chapters. These decisions critically affect the decisive socioeconomic factors of health whose importance can never be over-stated.

In this chapter, we will look back over EU health policies during 2020, all exclusively focussed on the health-related challenges raised by the covid-19 pandemic. To do this, firstly, we will briefly run through the time frame of the EU's most important health-related initiatives to address covid-19 during 2020, due to its interesting timeline. Secondly, we will review the EU's more relevant health actions in response to the pandemic, grouping them into six topics. Finally, we will conclude with a summary assessing the role of the EU during this first year of the covid-19 pandemic, with a very positive impression overall, particularly regarding two key issues: the vaccination strategy and the economic response to the crisis.

¹ ECDC. COVID-19 situation update for the EU/EEA, as of 2 July 2021. <https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea>

The EU's response to the covid-19 pandemic, a time sequence.

As we all know, the pandemic began in Wuhan, China, in late 2019. On 31 December 2019, the Chinese Government alerted the WHO to the first 27 cases of “viral pneumonia”, attributed shortly afterwards to a new type of coronavirus, detected a few days later in Thailand, Japan and South Korea. China reported the first death on 11 January 2020 and on 23 January, when the death toll had reached 18, it locked down the 60 million inhabitants of the province of Hubei. The magnitude and the rigour of this measure should have set loud alarm bells ringing throughout the whole world, including the EU, but the arrogance of developed Western countries blinded them to the imminence of the disaster that would also crash down upon them.

It is inevitable to think that the EU and other developed countries reacted dramatically late to the information coming out of China. The first case of covid-19 in Europe occurred on 24 January 2020 in France although before that, in the very early days of January 2020, the Commission had begun to activate health alert mechanisms. During January and February 2020, the EU began to mobilise instruments to address health emergency situations to fight SARS-CoV-19.

However, it was only from 2 March 2020 onwards that the EU began to organise a health response to live up to the existing challenge. On that day, the ECDC raised the risk of covid-19 in the EU to “high” and the Council agreed to intensify the IPCR device (Integrated Political Crisis Response) in the “full activation mode” to organise and mobilise all institutions and areas of the EU (the IPCR was activated from 28 January, but only in “information sharing” mode). President von der Leyen set up a Corona Response Team with three facets: medical, mobility and economy. From then on, all EU activity and institutions were singly focussed on the wide-ranging problems created by the pandemic.

Despite the great interest in finding out about the temporary flow of political initiatives taken by the various

institutional players in the EU to control the pandemic and tackle its consequences of all types, limited space prevents us from inserting a chronological sequence of actions on health by the Commission and other EU institutions during the first year of the pandemic. Fortunately, the Commission and Presidency of the Council are publishing a complete time frame of their respective activities and decisions relating to covid-19 since January 2020, so we would refer readers to the Commission² and Council³ website included in these references.

The EU's health response to the Covid-19 pandemic

During 2020, the response from the EU and its institutions to the Covid-19 pandemic has included multiple actions and decisions that were not only related to health but also fiscal and economic which proved extraordinarily relevant for the stability and normal operation of society and to avoid a very serious economic recession.

The health-related initiatives from the EU and its institutions in response to the covid-19 pandemic can be grouped into six major blocks: (1) measures to control the pandemic, (2) strengthening the health sector, (3) research into SARS-CoV-19, (4) European Vaccination Strategy, (5) EU actions for worldwide control of the pandemic and (6) reforms to boost the European Health Union.

EU measures to control the covid-19 pandemic

The highly infectious aspect of SARS-CoV-19, its high morbidity and mortality, lack of treatment and vaccine overwhelmed the hospitals and, in some places, the mortuary system, obliging governments to put out

² European Commission. Timeline of EU action. https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/timeline-eu-action_es

³ European Council. Timeline: Council actions on COVID-19. <https://www.consilium.europa.eu/es/policies/coronavirus/timeline/>

a strict stay-at-home order for the population as the only alternative to control the pandemic. In a world as well-communicated as ours, restriction of movement has international implications, particularly in the EU, founded on freedom of movement for people, goods and capital. This led to the need to seek agreements on cross-border movement and to coordinate and cooperate on all measures to control the pandemic.

Mobility restrictions within the EU made it necessary to adopt agreements to (1) guarantee that diagnostic tests were correct and consistent, (2) coordinate imposition, exceptions to and raising of lockdown measures, following a common European road map, and (3) agree on cross-border cooperation measures for treating patients and movement of health personnel.

These and other related topics were constantly on the agenda for the Commission, the Committee of Health Ministers and the European Council during 2020. However, their results were not always shared or respected such as when opening borders or restarting flights, reflecting varying national interests and the internal pressure in the light of the (false) dilemma on whether to protect health or reactivate the economy.

Strengthening the health sector

The EU does not have direct health powers, which are the exclusive responsibility of the Member States, although their decisions on medicines and medical products, professional qualifications, fiscal policy and public contracting have a great impact on the health systems. Covid-19 has demonstrated the importance of strengthening the health sector and boosting its resilience. The EU has contributed with resources to strengthen Member States' health services, both providing financial resources (2,700 million in April 2020) and facilitating availability of critical supplies such as protective equipment (PPE, Personal Protective Equipment), respirators, medicines and direct help. On the other hand, activating the EU Civil protection mechanism, through the

Emergency Support Instrument (ESI), made it possible to provide direct help during the critical months of the pandemic to countries in great difficulties such as Italy in April 2020, and contribute 60 million Euros to transporting vaccines.

Scarcity of essential medical equipment to treat covid-19 sharply demonstrated the EU's shortages and external dependency for vital medical supplies. Consequently, in the first weeks of the crisis, there were shortages, lack of organisation and individualist practices among Member States. Subsequently, measures were taken to alleviate this problem including (1) requirement of authorisation to export personal protective equipment: (PPE) outside the EU, (2) creation of a strategic storage system, the Strategic RescEU Stockpile of medical equipment, such as ventilators and masks, (3) temporary removal of tariffs and VAT for import of healthcare material into the EU, (4) making European standards for medical products available to manufacturers to increase their production, (5) approval in record time to postpone application of the Regulation on medical devices⁴ for one year.

In April 2020, the Joint Procurement Agreement was reactivated for medical products to respond to epidemics, created in 2014⁵ to address severe cross-border threats, which could be activated with votes from four Member States and the Commission.

On the other hand, the pandemic caused a shortage of certain medicines, and the EMA (European Medicines Agency) and the equivalent agencies in the Member States had to take steps to avoid shortages. For this task, the Commission created the *EU Executive Steering Group on Shortages of Medicines Caused by Major Events*.⁶

⁴ European Commission. Medical Devices Regulation. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_718

⁵ European Commission. Joint Procurement of medical countermeasures: ensuring proper preparedness. https://ec.europa.eu/health/security/preparedness_response_en

⁶ EMA. Availability of medicines during COVID-19 pandemic. <https://www.ema.europa.eu/en/human-regulatory/overview/public-health-threats/coronavirus-disease-covid-19/availability-medicines-during-covid-19-pandemic>

Research into SARS-CoV-19

From the start of the pandemic, the Commission has considered research to be an essential instrument in the fight against covid-19. One of the first initiatives, at the end of January 2020 provided 10 million Euro for this purpose. During 2020, the Commission has been boosting on-going projects and the resources intended for them, launching open calls and directly supporting pharmaceutical companies in the major objective of developing vaccines against covid-19. Consequently, in March 2020, CureVac⁷ received 80 million Euro to develop a vaccine based on mRNA technological innovation.

To boost covid-19 research, the Commission has used successive Horizon 2020 Programme calls with increasing amounts as the year went on, reaching 1,000 million in committed funds and involving more than 140 teams from the EU and other countries. These resources are intended for epidemiological research, preparation and response to epidemic outbreaks, development of diagnostic methods and treatments, above all concerning vaccines, but also all types of infrastructures and resources for research.

One of the most interesting aspects of the EU's research initiatives was the launch of the European COVID-19 Data Platform,⁸ as part of the ERAVsCorona Action Plan⁹ to create an open, reliable and scalable environment for storage and worldwide access to DNA sequences, protein structures, preclinical research data and clinical trials, as well as epidemiological data. This platform is the result of joint work between the European Commission, the European Molecular Biology Laboratory European Bioinformatics Institute (EMBL-EBI), the ELIXIR infrastructure and the COMPARE project, as well as the Member States and other partners.¹⁰

⁷ European Commission. Press Release. 16 March 2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_474

⁸ Covid-19 Data Portal. <https://www.covid19dataportal.org/>

⁹ European Commission. DG Research. https://ec.europa.eu/info/sites/default/files/covid-firteravscorona_actions.pdf

¹⁰ European Commission. Coronavirus: Commission launches data sharing platform for researchers. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_680

It is interesting to highlight the importance of the EU4Health 2021-2027 programme,¹¹ prepared during 2020 and approved by the European Parliament on 9 March 2021,¹² funded with 5,100 million Euro, an amount three times greater than the previous programme for 2014-2020. The EU4Health 2021-2027 programme, that has been presented by the Commission as “the EU's ambitious response to covid-19”, aims to (1) strengthen health systems, (2) improve the medication and medical devices and consumables required in the crises, (3) protect the EU from cross-border threats and (4) improve and promote health in the EU.

The EU Covid-19 Vaccine strategy

Without the shadow of a doubt, the Vaccine Strategy¹³ was the most decisive action, with the greatest impact and the most successful in the EU against the covid-19 pandemic. Consequently, it is also perhaps one of its most controversial and analysed policies, given its health-care importance and its vast political and economic implications, both for the EU and its Member States, and internationally.

The EU's Covid-19 Vaccine Strategy¹⁴ meets three goals: (1) Guaranteeing the quality, safety and effectiveness of the vaccines; (2) Guaranteeing all Member States fast access, also contributing to international solidarity in terms of global access to the vaccine, and (3) Guaranteeing fair access to the vaccine as soon as possible.

¹¹ European Commission. EU4Health 2021-2027 – a vision for a healthier European Union. https://ec.europa.eu/health/funding/eu-4health_en

¹² European Parliament. www.europarl.europa.eu/news/en/press-room/20210304IPR99207/parliament-gives-green-light-for-new-eu-4health-programme

¹³ European Commission. EU Vaccine strategy. https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/public-health/eu-vaccines-strategy_es

¹⁴ European Commission. Coronavirus: la Comisión presenta la estrategia de la UE en materia de vacunas. (Coronavirus: the Commission presents the EU strategy on vaccines.) Press release. 17/06/2020. https://ec.europa.eu/commission/presscorner/detail/es/ip_20_1103

Meeting these objectives will require providing resources and guarantees to companies to make it possible to produce vaccines in the EU that can guarantee sufficient supplies for all Member States; to do this, the Emergency Support Instrument¹⁵ was used and APA contracts (*Advanced Purchase Agreements*). It was also necessary to make environmental legislation and the EU's regulatory framework more flexible to accelerate development, authorisation and availability of vaccines, without compromising its quality, safety and effectiveness standards, measures approved by the Council on 14 July 2020.¹⁶

From the second quarter of 2020, the Commission entered into negotiations with all the main pharmaceutical companies working on projects to develop covid-19 vaccines, Sanofi-GSK, Johnson & Johnson, BioNTech-Pfizer, Astra-Zeneca and Moderna. The Commission negotiated and signed APA contracts with these companies, on behalf of all Member States, on the condition that the vaccine was approved and demonstrated to be safe and effective, purchasing the doses required for the entire population of the EU. These contracts were criticised¹⁷ due to their opacity and secrecy, so the Commission decided to publish them all, albeit censored and expurgated.¹⁸

The first APA contract for a covid-19 vaccine was signed by the Commission in August 2020 with As-

tra-Zeneca¹⁹ for a total of 400 million doses; subsequently, further similar contracts were signed with BioNTech-Pfizer, Moderna and Janssen, all companies whose vaccines were authorised by the EU after approval by the EMA.²⁰ Contracts were also signed with Sanofi-GSK and CureVac, pharmaceutical companies whose vaccines were still in the development stage in late June 2021. Furthermore, negotiations are on-going with Novavax, a company with a new innovative vaccine, based on the spicule protein, that demonstrated almost 90% efficacy in a recent phase-3 test;²¹ also with Valneva, that is developing a deactivated virus vaccine. The vaccine contracts signed by the Commission guarantee almost 4,400 million doses to EU Member States and in turn, these doses can be donated to other countries.²²

It is important to highlight that the promising vaccination rollout has been possible thanks to internal agreements on highly important topics for harmonious, cooperative and coordinated implementation of covid-19 vaccination throughout the EU. The four most relevant aspects of these agreements have been:²³ (1) rules to distribute vaccines fairly among Member States, (2) common criteria on priority groups to access the vaccine (most vulnerable people, older people, etc.), (3) forecasts for distribution logistics and possible bottle necks and (4) a strategy against fake news on the vaccines. This policy,

¹⁵ European Commission. Emergency Support Instrument. https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response-old/emergency-support-instrument_es

¹⁶ European Council. Press release. 14/07/2020. Vacuna contra la COVID-19: el Consejo adopta medidas para facilitar un desarrollo rápido. (COVID-19 Vaccine: the Council adopts measures to facilitate fast development.). <https://www.consilium.europa.eu/es/press/press-releases/2020/07/14/vaccine-against-covid-19-council-adopts-measures-to-facilitate-swift-development/>

¹⁷ Samper E. Los contratos de los Estados europeos para la adquisición de vacunas contra el coronavirus están rodeados de secretismo (The European Member States' contracts to purchase coronavirus vaccines are cloaked in secrecy). *elDiario.es*-27/9/2020. https://www.eldiario.es/sociedad/contratos-estados-europeos-adquisicion-vacunas-coronavirus-rodeados-secretismo_1_6241372.html

¹⁸ European Commission. Advanced Purchase Agreements (expurgated information). https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/public-health/eu-vaccines-strategy_es#documents

¹⁹ European Commission. La Comisión alcanza un primer acuerdo sobre una posible vacuna. (The Commission reaches an initial agreement on a possible vaccine.) Press release. 14/08/2020. https://ec.europa.eu/commission/presscorner/detail/es/ip_20_1438

²⁰ On 12 December, the EU authorised the sale of the first vaccine against covid-19, from BioNTech-Pfizer, after the EMA assessment. Subsequently, in 2021, vaccines were also authorised from Moderna (21 January 2021), AstraZeneca (29 January 2021) and Janssen (11 March 2021).

²¹ Heath, P. T. et al. (2021). Safety and Efficacy of NVX-CoV2373 Covid-19 Vaccine. *N Engl Journal of Medicine* <https://doi.org/10.1056/NEJMoa2107659>

²² European Parliament. Parliamentary Questions. 11 June 2021. https://www.europarl.europa.eu/doceo/document/E-9-2021-001917-ASW_EN.html

²³ EU Council. Press release 30/10/2020. <https://www.consilium.europa.eu/es/press/press-releases/2020/10/30/remarks-by-president-charles-michel-after-the-video-conference-of-the-members-of-the-european-council-on-29-october-2020/>

shared throughout the Member States, on such a critical topic, was an important historical achievement for the EU.

A process as complex as the EU Vaccine Strategy has not been without its stumbling blocks, particularly concerning the contract with Astra-Zeneca. However, once past the first few months, the overall evaluation, on 30 June 2021, is very positive, with 61% of the EU's adult population having received at least one dose, which has led to a drastic drop in covid-19 infections and patients in hospitals and in ICUs, giving us a glimpse of the end of the pandemic.

The EU in the global fight against the pandemic

The virus knows no borders. The vaccines against covid-19 are very effective, but they are a long way from reaching beyond wealthy countries and due to its high infection and mutation rates and its worldwide spread, explosive in some countries, SARS-CoV-19 clearly demonstrates that "nobody will be protected until we are all protected." The threat of covid-19 will remain until it can be controlled globally, and vaccination can reach every corner of the Earth.

The EU is a leading global player as the top world donor to development cooperation. In this pandemic, it has promoted and led worldwide initiatives against covid-19 working with the most relevant international players (G-7,²⁴ G-20, WHO, UN, World Bank, IMF, Gavi, private philanthropists, etc.). Furthermore, it has dedicated a significant quantity of resources to worldwide control of covid-19 and alleviating its socioeconomic consequences. The *Coronavirus Global Response* initiative has doubtlessly had the greatest impact, as by 27 June 2020 it had reached over 15.9 billion Euros, 6.5 contributed by Europe (1.4 from the Commission, 3.1 from Member States and 1.9 from the BEI).²⁵

²⁴ Microbe, T. L. (2021). G7 leaders commit to greater pandemic preparedness (again). *The Lancet Microbe*, 2(7), e276. [https://doi.org/10.1016/S2666-5247\(21\)00156-7](https://doi.org/10.1016/S2666-5247(21)00156-7)

²⁵ European Union. Coronavirus Global Response. Pledge. https://global-response.europa.eu/pledge_en

The EU's support for the WHO has been particularly positive, especially in two of its most pertinent initiatives: an International Pandemic Treaty²⁶ to improve the international prevention capacity and the international response to the crises and to reduce the risks, and worldwide collaboration "ACT-A" (Access Accelerator to the Tools against COVID-19) with the aim of "accelerating the development and deployment of vaccines, tests and treatments against COVID-19 and improve healthcare systems"²⁷ where EU support has been decisive to collect over 29 billion Euro required to strengthen ACT-A.

Within ACT-A, the COVAX initiative is very important. The EU has made a 1 billion Euro contribution to it and Team Europe²⁸ added another 2.2 billion in an attempt to procure 1.3 billion doses at the end of 2021, intended for 92 low-income countries. The chasm between worldwide covid-19 vaccination needs and the current and foreseeable reality in the medium term has led several countries, the WHO and other highly qualified voices to criticise the insufficiency of the COVAX programme, claiming suppression, at least temporarily, of the right to the vaccine patents, a controversial topic within the EU, despite the President of the Commission showing her willingness to debate it, following support from the Biden Administration on 5 May 2021 regarding temporary suspension of patents for the covid-19 vaccines.

²⁶ EU Council. The EU supports the start of the WHO process for establishment of the pandemic treaty: Council Decision. 20/05/2020. <https://www.consilium.europa.eu/es/press/press-releases/2021/05/20/eu-supports-start-of-who-process-for-establishment-of-pandemic-treaty-council-decision/>

²⁷ European Commission. Coronavirus Global Response: WHO and Commission launch the Facilitation Council to strengthen global collaboration. 10/09/2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1581

²⁸ The *Team Europe* initiative has the objective of being "an integrated and comprehensive support package that will tackle barriers to manufacturing and access to health products and technologies in Africa from all angles, and will place the continent's own actors and institutions at its heart" European Commission. 21/05/2021. https://ec.europa.eu/commission/presscorner/detail/en/IP_21_2594

Reforms to boost the “European Health Union”

“We cannot wait until the end of the pandemic to repair and prepare for the future. We will build the foundations of a stronger European Health Union in which 27 countries work together to detect, prepare and respond collectively” stated Ursula von der Leyen, president of the European Commission, at the World Health Summit on 25 October 2020.²⁹ This reflection is the basis for the proposals presented to the European Parliament by the Commission during the fourth quarter of 2020 to strengthen the health security system and prepare the EU to face crises. The discussion paper “Towards the European Health Union”³⁰ published by Fundación Alternativas, presents and analyses these initiatives presented by the Commission, which refer to three fields:

1. It improves EU coordination regarding cross-border health threats, strengthening the preparation and epidemiological surveillance, notification of data and regulation of declaring an emergency situation in the EU;
2. Strengthening the ECDC and the EMA, the two key agencies for the EU’s health, reviewing their current mandates;
3. Creation of a new EU agency (HERA)³¹ for biomedical preparedness, with five priorities: identifying virus variants, adapting the vaccines if necessary, running clinical tests, promoting express approval of vaccines and producing them on a large scale.

Another central pillar of the “European Health Union” is the Pharmaceutical Strategy for Europe. Presented in November 2020, it contained measures to “ensure

accessibility, availability and affordability of medicines. It supports diversified and secure supply chains, ensuring the EU’s open strategic autonomy in the world and promotes environmentally-sustainable pharmaceuticals.”³²

This set of initiatives constitutes the Commission’s response to the EU’s needs to provide effective instruments for the challenges of the covid-19 pandemic and to be better prepared for future pandemics.

Summary and lessons learnt from the first year of the covid-19 pandemic in the EU.

No Western country, not to mention the European Union, was prepared to face a pandemic of the magnitude, severity and sheer infectiousness of covid-19. In the collective European imagination, this pandemic scenario belonged to a remote time in the past, or developing countries, despite the scientists (and recent health crises) warning us of the need to plan ahead for the next world pandemic.³³

The covid-19 health crisis has put all national health systems under a great deal of stress. It has also severely tried the governments and institutions of the EU and the Member States who have had to improvise initiatives to keep basic services running, to guarantee income for quarantined families, and to avoid an economic crisis with catastrophic consequences. Due to all this, both the health crisis and its consequent socioeconomic crisis, the existence of the EU has been crucially positive, plus the deployment of its institutions: Commission, Council, Parliament, agencies such as the EMA, the ECDC and others.

A counterfactual exercise is not required on what the covid-19 crisis would have been like if the EU did not ex-

²⁹ European Commission. European Health Union. https://ec.europa.eu/info/strategy/priorities-2019-2024/promoting-our-european-way-life/european-health-union_es

³⁰ Freire JM, Infante A. (2021). Hacia la Unión Europea de la Salud. (Towards a European Health Union.) Fundación Alternativas, Discussion paper. 109/2021 https://www.fundacionalternativas.org/public/storage/opex_documentos_archivos/fbc69b319970c15331847917412d89e0.pdf

³¹ European Commission. European Health Emergency Preparedness and Response Authority (HERA). https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12870-European-Health-Emergency-Preparedness-and-Response-Authority-HERA_en

³² European Commission. A European Health Union: A pharmaceutical strategy for Europe. Information Sheet. 25/11/2020. https://ec.europa.eu/commission/presscorner/detail/es/fs_20_2201 Press release. 25/11/2020. https://ec.europa.eu/commission/presscorner/detail/es/ip_20_2173

³³ Ross, A. G. P., Crowe, S. M., & Tyndall, M. W. (2015). Planning for the Next Global Pandemic. *International Journal of Infectious Diseases*, 38, 89-94. <https://doi.org/10.1016/j.ijid.2015.07.016>

ist, to quickly visualise the many aspects that would have been much worse without the active role played by the European institutions in the pandemic. There are two aspects where the EU's intervention was critical to provide a reasonably positive outcome to the severe crisis caused by the pandemic: tackling the economic consequences of the health crisis and vaccination. The strategy that has made it possible to procure and fairly distribute an effective vaccine against SARS-CoV-19 is proving to be a great success³⁴ for the EU, an extraordinary achievement as vaccination is essential to put an end to the pandemic, for achieving the vaccine, for the high rate of vaccination, but also for the actual value of the process followed for all of this: single negotiation on behalf of the twenty-seven Member States, fair distribution, common priority criteria, etc. It is easy to imagine what the scenario might have been like without this role from the EU: delay in availability of the vaccine, higher prices, competition between countries, unequal access and less international clout to get the vaccine to developing countries.

In addition, as we saw above, the EU has played a very positive role in other health-related aspects of the crisis: supply and production of PPE, medical equipment, coordination and leadership to control the pandemic, international action on health, etc. plus the Commission's initiatives to guarantee availability of protective equipment, medical devices, medicines and other essential health-related supplies. To be precise, the EU took action to resolve the situation of shortages, lack of coordination and even anti-competitive practices between Member States, that took place in the first weeks of the crisis.

On 15 June 2021, the Commission³⁵ sent a communication to the European Parliament and other EU insti-

tutions spelling out ten initial lessons on the covid-19 pandemic. In this document, the Commission took a long hard look at itself, assuming that it has been learning as it made its decisions; each of the ten lessons includes a small analysis, along with very specific proposal to make sure that the EU is better prepared for future health crises. Almost all the proposals are familiar, but the Commission includes target implementation dates in this document. The new proposals include (1) creating the position of the European Chief Epidemiologist to facilitate political decisions and communication; (2) presentation to the Parliament of an Annual Report on the EU's Preparedness for crisis situations and (3) implementation of a mechanism to activate a state of pandemic emergency in the EU.

Without the shadow of a doubt, implementing all the Commission's proposals will represent an enormous step forward in the EU's capability to deal with future crises. However, although lesson 8 refers to the need to strengthen health systems, this point requires further specification, beyond the recommendation to use recovery and resilience investments to strengthen the health systems, not covered in any way in the Spanish Recovery Plan.³⁶ Another topic that the Commission does not address sufficiently is more effective and agile governance of the health sector within the actual commission, although we might hope for progress in "the corresponding governance structure" that is attached to the figure of the Chief European Epidemiologist.

Fortunately, among the EU's priorities, the Commission includes international action to support the WHO against health crises, taking on board the thoughts from the Vice-President of the EU, Josep Borrell³⁷ on the pan-

³⁴ El País (2021, July 6). La vacunación: Un éxito europeo. (Vaccination, a European success story) (OpEd) <https://elpais.com/opinion/2021-07-06/la-vacunacion-un-exito-europeo.html>

³⁵ European Commission. COM (2021) 380 final. COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. Initial experiences from the COVID-19 pandemic. <https://eur-lex.europa.eu/legal-content/ES/TXT/PDF/?uri=CELEX:52021DC0380&from=EN>

³⁶ Ramirez B.P.(2021). España racanea con su sanidad pública: es el tercer país de la UE que menos dinero le dedica en su Plan de Recuperación. (Spain is stingy with its public health: it spends the third lowest in the EU on it in its Recovery Plan). Infolibre, 2/7/2021. https://www.infolibre.es/noticias/economia/2021/06/26/espana_racanea_con_sanidad_publica_tercer_pais_que_menos_dinero_dedica_plan_recuperacion_122124_1011.html?utm_source=twitter.com&utm_medium=smmshare&utm_campaign=noticias&rnot=1069898.

³⁷ European Commission. Coronavirus: EU global response to fight the pandemic. Press Release, 8/4/2020. https://ec.europa.eu/commission/presscorner/detail/en/ip_20_604

demic: "This is a global fight that we will win or lose together. Cooperation and joint efforts at the international level and multilateral solutions are the way forward, for a true global agenda for the future." However, it is a pity that he does not explicitly refer to the International Treaty on Pandemics proposed by the WHO.

Finally, although the vaccine gives us a glimpse of the end of the covid-19 pandemic, eighteen months later it remains active in developed countries despite high rates of vaccination, but above all in the rest of the world where lack of health control encourages the emergence of variants, some of which might dodge the vaccine protection. Consequently, it is decisive that vaccination reaches all corners of the planet as soon as possible,

making this a major target for the EU's international action.

In conclusion, although not without its problems, insufficiencies and errors, in perspective and altogether, the role of the EU in this first year of the covid-19 pandemic crisis has been - and continues to be - extraordinarily positive and irreplaceable, both to protect the health of Europeans and for the stability and recovery of the economy. During this extremely tough pandemic crisis, the EU is a reference point for stability and security. It is foreseeable and desirable that this crisis might contribute, even more than others, to strengthening the EU, particularly in terms of health, doubtlessly the sector where the Union required a greater boost.

New European pact on migration and asylum

Paloma Favieres

In July 2019, the President of the European Commission, Ursula von der Leyen, announced a New Pact on Migration and Asylum to the European Parliament, designed to establish “strong borders for the European Union, a fresh start for migration policy, offering asylum to those who need international protection,” reforming the European Asylum System, bearing in mind the values of solidarity and responsibility, and a vision of immigration that combines humanity and efficiency.

On 23 September 2020, the European Commission presented the Pact on Migration and Asylum. Both the President of the European Commission and Commissioner Johansson defined this new proposal as a “fresh start” for the EU’s migration and asylum policy. The European Commission’s New Pact on Migration and Asylum built on earlier proposals, seeking to reach agreement in ongoing negotiations while also proposing new elements designed to solve other problems.

Despite the hopes raised by von der Leyen’s speech, the text proposed by the Commission, which is to be debated in the European Parliament and by the Council, retains the core of existing EU policies and, indeed, extends restrictions on rights in areas such as returns, on which it places excessive emphasis, or the externalisation of border control, with the EU–Turkey deal of March 2016 as a paradigm. The New Pact on Migration and Asylum paints an even gloomier outlook for international protection in the EU.

The objectives and priorities of the pact are described below.

1. A common framework to manage migration and asylum

The need to establish a new border procedure – a new pre-entry screening mechanism – to be applied to all nationals of third countries who cross the external border without authorisation. Includes identity, health and security checks, fingerprinting and registration in the Eurodac database.

The establishment of accelerated border procedures is one of the most controversial aspects of the pact, while rules on asylum and return procedures will be included in a single instrument. The aim is to ensure the speedy examination of applications with little chance of success, without permitting applicants to enter EU territory. There will be a return procedure for people who do not request international protection and for those who are denied it. To ensure that all guarantees are respected, including the principle of “non-refoulement”, a monitoring mechanism will be established under the oversight of the European Agency for Fundamental Rights (FRA).

The Pact proposes a joint framework for solidarity and shared responsibility which replaces the 2016 proposed reform of the Dublin Regulation with a regulation on the management of asylum and migration.

However, solidarity will be based on relocation or on “return partnerships”, and economic and technical contributions designed to strengthen capacities and provide operational support for migration management will be applied under specific circumstances. Through the “return partnerships” Member states will collaborate by providing the technical or economic support required to ensure that returns are effective.

The Commission has defended this framework of solidarity and shared responsibility in terms of the existence and need for shared trust through solid governance and monitoring of implementation. However, it should be noted that since 2016 the Commission has advocated, as an objective of reform of the Common European Asylum System, moving “towards a fully efficient, fair and humane asylum policy – one which can function effectively both in times of normal and in times of high migratory pressure”.

The European Commissioner for Immigration at the time (Avramopoulos) argued that the objective was “to have a common system which is quick, efficient and based on harmonised rules and mutual trust between Member states.” None of the documents proposed by the Commission in its Agenda on migration in 2015 and 2016 were approved during the preceding legislature. The reform of the Regulation on a European Border and Coast Guard (Frontex), adopted by the Council in November 2019, is the only measure that has been subject to final agreement between the European Parliament and the Council.

The Commission views the new rules on asylum and return as an opportunity to strengthen guarantees and the protection of children, and states that the needs of children will be taken into account at every stage, providing alternatives to detention, promoting speedy family reunification, and ensuring the right to be heard. They will be granted rapid access to education and integration services. Early identification of victims of trafficking, which particularly affects women and girls, will be a priority.

However, we believe that this common framework for the management of migration and asylum starts from the

wrong place, based as it is on the establishment of an effective shared system of returns, building on the proposed 2018 reform of the Returns Directive. The proposal is to construct a shared European returns system which combines structures within the EU with greater cooperation with countries of origin and transit with respect to returns and readmission, in which Frontex will maintain a leading role in the issue of returns. Voluntary return is also a strategic objective.

2. A solid, robust system to prepare for and respond to crises

The Pact proposes a Migration Preparedness and Crisis Blueprint based on providing a coordinated preventive rather than reactive response, which will establish temporary, extraordinary measures for crises. It will enable Member states to respond to situations of crisis and force majeure, and will establish a mechanism to provide immediate protection and to strengthen solidarity on the basis of the new Regulation on Asylum and Migration Management. The Temporary Protection Directive will be repealed and a new regulation approved, establishing new mechanisms to grant immediate international protection in crisis situations.

3. Integrated border management

The Pact advocates making management of the EU’s external borders more efficient: a document will be established for a pluri-annual political strategy framework and implementation cycle for the first half of 2021, setting out a strategic framework for all the main stakeholders at European and national level in the management of borders and returns. With respect to search and rescue operations, it advocates a more predictable solidarity system for disembarkation, more support from Frontex, and cooperation and coordination between Member states. At the same time, the Commission will present a strategy

for the future of Schengen, and will establish a cooperation and support programme and a Schengen Forum to bring together all the competent authorities and the ministries of the interior (on an annual basis).

4. Strengthening the fight against people-trafficking

The Commission announced a New Action Plan to Combat Trafficking in Human Beings 2021–2025, will strengthen the Directive on Sanctions on Employers, with the aim of preventing the hiring of people in an irregular situation, and will boost cooperation with third countries to improve the fight against people-trafficking through pacts to counteract people trafficking, and joint security and defence policies.

5. Working with international partners

The Pact places special emphasis on strengthening bilateral, regional and multilateral cooperation between the EU and Member states and countries of origin and transit, such as Turkey, north Africa and the Balkans, on its strategy towards Africa, and on agreements with countries in Asia and Latin America.

Its main objective is to influence and develop return policies by maximising the impact of specific agreements to satisfy the needs of both parties.

References to safe, legal routes are limited to strengthening resettlement commitments made by states, and other complementary routes such as schemes for humanitarian admission or admission for study or work, community or private sponsorship, and attracting skills and talent to the EU.

However, the Commission proposal is not a new beginning but, rather, a continuation of the 2015 Agenda, which goes further with respect to returns and externalisation. An intense period of legislative reforms lies ahead, such as the proposed reform of the Procedural

Regulations of 2016 on the effective, flexible use of border procedures, and sole legislative instrument on the rules regarding asylum and border return procedures. The 2016 proposed reform of the Dublin Regulation will be withdrawn and the reform of the European common asylum system will be relaunched and replaced by a Regulation on the management of asylum and migration, and proposed approval of a Regulation to address situations of crisis and force majeure in migration and asylum, and the Temporary Protection Directive will be repealed.

But, rather than remedying existing failures, this approach repeats a model that restricts rights, has an excessive focus on returns, strengthens the control and externalisation of borders, and risks violating the principle of no border returns. The new pre-screening procedure and the accelerated procedure carry a serious risk of reducing procedural guarantees due to the short timeframes established, possible breach of the principle of no return, and excessive reliance on detention. It runs the risk of replicating the problems of the Greek islands on every border, by creating situations of prolonged detention.

What will happen to those whose applications for international protection are rejected but who cannot be returned because they are protected under the principle of non-refoulement?

The new border procedure is based on the premise that the majority of people reaching the EU do not require protection. This prejudices situations that should be analysed individually and within timeframes that are incompatible with accelerated procedures. To this should be added that the possibility of issuing a decision about asylum and return at the same time reduces guarantees and threatens the principle of non-refoulement. The majority of the countries to which the new border procedures will be applied are essentially countries of first arrival.

With respect to the proposed solidarity system, this represents an a la carte menu for states with the focus on return rather than on protecting people who arrive. This is a missed opportunity in which states could have

agreed a compulsory relocation mechanism. The principle of European solidarity has been undermined. And there are worrying overtones to the term “return partnership” and its possible consequences.

At the same time, the proposed new Regulation on migration and asylum management seeks to replace the failed model of the Dublin III system, but does not appear to offer a real and effective solution to the deficiencies that this system has already demonstrated, such as establishing responsibility for studying applications in the first country of entry. None of these measures represent real, effective solutions to the situation of the states of southern Europe (Greece, Italy, Malta and Spain).

Although recommendations have been made and proposals implemented with respect to the prevention and management of crisis situations or situations where there is a risk of crisis, once again the opportunity to establish agreement on a mechanism for safe disembarkation and subsequent compulsory relocation has been missed. One positive contribution is the mention of search and rescue operations and disembarkation in all the proposals, although the issue of search and rescue is not addressed in a coordinated manner, with EU funding. Another welcome development is the mention of the non-criminalisation of humanitarian actions on the Mediterranean, although it is important not to forget that states have search and rescue obligations at sea, on the basis of international law.

With respect to the possibility of repealing the Temporary Protection Directive and its replacement by another instrument to deal with crisis situations, there is the risk that this will not occur, as happened with the Directive at the most critical moments of 2015, when many refugees died while seeking to save their lives and reach safety in Europe.

The proposals with respect to third countries maintain the focus on externalising the management of migration, without proposals to guarantee the protection of migrants and refugees within the framework of the application of these agreements. Moreover, there continues to be a high risk of making aid conditional on coop-

eration in migration management, forcing countries that are unable to guarantee due respect for human rights to assume excessive commitments to accept people who are in need of international protection. One clear example is the EU-Turkey agreement and its negative impact on human rights, an example that could be replicated with respect to other third countries.

The excessive emphasis on increasing returns carries the risk that people will be returned to unsafe countries. Moreover, although it is too early to determine whether certain countries will accept such returns, if they refuse to do so there is once again the risk that people will be held in extended detention in the case of border procedures, or that they will be stuck in legal limbo.

Again, we lack effective proposals regarding legal access routes, despite the publication of a recommendation with respect to resettlement, the legal framework of which does not establish an obligatory quota for Member states.

The European Economic and Social Committee (EESC) welcomed the new Pact on Migration and Asylum but argued that the proposals it contains will be difficult to apply and cannot be considered to constitute clear progress towards the creation at EU level of a resilient common strategy with a vision of the future with regard to migration and asylum.

The EESC recognises the need for the proposals to have the legal status of a Regulation, which is binding and directly applicable in Member states. However, to constitute a genuine policy, all the relevant regulations must be adopted jointly.

Among other issues, the EESC questions the proposed policy of return to countries of origin, as the EU will be reliant on the goodwill of countries of origin and of transit for the success of any collaboration. For this reason, these countries should be offered clear incentives and disincentives.

While offering an opportunity for binding solidarity, the Regulation regarding situations of crisis and force majeure provides for procedural support rather than emergency solidarity measures. And any solidarity is un-

dermined by the complex and bureaucratic procedures entailed by its application.

The EESC similarly expressed its concern over the new border procedures, particularly with respect to protection for the right to request asylum. It also opposed the use of indeterminate legal concepts such as “security threat” and “public order” or the erroneous concept of “countries with low rates of recognition of asylum”, which generates legal uncertainty. It appealed to the need for compulsory solidarity in the case of relocation, arguing that without such provisions or the creation of procedures to allow people to request asylum in EU Member states without the need to cross internal borders, the Regulation would not work in practice. In addition, the EESC has urged the Commission to pay special attention to families with children, and unaccompanied minors and argues that it is unacceptable that, contrary to international law, only those below the age of 12 are deemed to be children, not those below the age of 18.

Of particular importance is the first discussion on the migration pact, in March 2021, of the EU Council of Ministers of Justice and Home Affairs (JHA) at the informal meeting held under the German presidency, at which there was evidence of the diverging interests of states with respect to the proposals announced.

Six months after the official launch of the negotiation of a new European Pact on Migration and Asylum and the publication of various position documents, the Home Affairs and Migration ministers of Cyprus, Greece, Italy, Malta and Spain set out their principal concerns regarding the imbalances in the texts proposed, which “are still far from being fully governed by the principle of solidarity and the fair distribution of responsibility.”

“In this regard, we reiterate our strong request for a genuine and necessary balance between solidarity and responsibility, given that in its current format, the Pact does not offer sufficient guarantees to Member states on the front line. We are aware of the complexity of the issues in question, and we appreciate the commitment of the European Commission, as well as of the previous and current Presidencies of Germany and Portugal, to

constructively work with all Member states with the ambition to find fair and sustainable solutions.”

The declaration included a series of proposals which merited particular attention, to understand the consequences that the proposals would have for states that constitute the EU’s external border:

- Only by increasing cooperation with origin and transit countries will we be able to prevent primary and secondary movements, migrant smuggling and trafficking and loss of lives, as well as to promote effective returns. Support needs to be ensured for third countries at our external borders in building their capacities in migration management, fight against trafficking and smuggling (in line with the 2020 EU–Africa Ministerial Conference on countering smuggling, hosted by Italy), border control and asylum.
- We welcome the Presidency’s initiative for intensifying our work with North African states, and the Team Europe Initiative launched by Spain together with the Commission for the Atlantic route countries. We also need to prioritise our cooperation with the Silk Route countries and the Sahel region. Furthermore, we should seek to establish a closer dialogue with neighbouring countries along the Eastern Mediterranean and Western Balkan route, while ensuring that the 2016 EU–Turkey Joint Statement is fully and consistently implemented in its entirety by both the EU and Turkey, towards all Member states indiscriminately under clear conditionality and monitoring.
- At the same time, we must remain focused on our resolve to effectively control the EU’s external borders, supported by Frontex when needed. The emphasis should be placed on border management, through enhanced surveillance at origin and prevention of illegal crossings, not border procedures.
- The Pact focuses prescriptively on the responsibilities of front-line Member states that are already exposed to disproportionate pressures, while the solidarity mechanism remains uncertain as far as the actual adoption of the implementing acts by the

Commission is concerned, and voluntary as regards relocation.

- While we welcome the recognition of the specificity of disembarkations after search and rescue operations, we must guarantee effective European solidarity with regard to all migrants and asylum seekers irrespective of the way they have reached EU territory, having in mind the need for an automatic and mandatory relocation mechanism to be put in place.
- The already disadvantageous situation of the front-line Member states will be further aggravated due to the proposed screening Regulation and the mandatory character of the projected border, asylum and return procedures. We believe that solutions based on the *fictio juris* assumption that asylum seekers have not entered the EU until the completion of the process, disregard realities on the ground in terms of procedures and timelines proposed and place disproportionate burden at the borders of the EU which cannot be transformed into closed transit zones.

For its part, in June the European Commission presented a new strategy to make the world's largest free movement zone – the Schengen space – stronger and more resilient. For the Commissioner for Home Affairs, Ylva Johansson, the Schengen strategy will entail stronger external controls in order to enable greater internal freedom. Modern IT systems will improve the management of external borders, while greater police cooperation and shared management of migration will help to strengthen a Schengen space without border controls.

The strategy's objectives include ensuring effective management of the EU's external borders through the ongoing deployment of Frontex, the European Border

and Coast Guard Agency, urging co-legislators to rapidly adopt the proposed new pact on migration and asylum with respect to the control of people who cross without authorisation. Once again, it appeals to a revised evaluation mechanism to increase shared confidence in the application of the Schengen rules and ensure that deficiencies are detected and corrected promptly.

The strategy alludes to the New Pact on Migration and Asylum and, following its approval, to the establishment of a common approach to migration management, a key element for the good operation of the Schengen space.

On 9 June, the first in-person meeting of the Council of Ministers of Justice and Home Affairs (JHA) since March 2020 was held in Luxembourg. The Spanish Home Affairs Minister, Fernando Grande-Marlaska, asked his European counterparts to "prioritise the external dimension of their migration policy" based on cooperation with the countries of origin and transit of migration to prevent departures and avoid the loss of life.

With regard to the new Pact on Migration and Asylum, he argued that this does not currently offer realistic, satisfactory solutions, and stressed the need to achieve a "greater level of clarity and firmness" in cooperation and prevention at source. Grande-Marlaska also defended the need to share responsibility for migration and to define clear, realistic rules on solidarity.

All of this has once again revealed the lack of a unanimous agreement among the twenty-seven Member states – agreement which is far from being reached – and the lack of a uniform interpretation of the principle of shared solidarity and the north/south differences at the heart of the European Union.

The future architecture of European security

José Enrique de Ayala

In January 2021 two events took place that are set to mark the start of a new era in the European Union (EU) to varying degrees: the departure of the United Kingdom (UK), which was completed on 1 January after the approval of the Trade and Cooperation Agreement between the two parties in December 2020, and the accession to the presidency of the United States of Joe Biden, who took office on 20 January, though perhaps the most important thing for the EU was the exit from the White House of his predecessor, Donald Trump. The two events will also affect the future of the European security architecture, which in its current setup had already been displaying certain dysfunctions and had been the target of criticism from various political and social sectors of the EU. It must necessarily evolve to adapt to the new geopolitical circumstances.

The consequences of Brexit for European security

The effects of Brexit will take some time yet to fully materialise, particularly in certain areas such as security and defence, where no specific agreements have been signed. However, there are certain consequences that can already be assessed. The first is that a state with a very significant military capability, the biggest of all its members in many respects, has left the EU. The UK has very powerful and well-trained armed forces, particularly

the navy, although its two new aircraft carriers are not nuclear-powered and need US F-35Bs to operate. It also possesses a significant capability to attack with nuclear weapons, based on submarines, although in this case too it depends on the supply of Trident D5 missiles from the United States. The UK is also a power in terms of cybersecurity and intelligence, particularly signals, and has a strong defence industry. It would be a major loss for the EU in this field – if the EU had a common defence. But it does not have it yet. And since the UK still belongs to NATO, the loss in fact is only theoretical – for now.

The Common Security and Defence Policy (CSDP), the only attempt by the EU – a timid one so far – to have some minimal autonomy in this field, has enjoyed UK cooperation in its limited activities. The UK has taken part in certain CSDP operations and hosted one of the operational HQs offered to the EU by the member states, at Northwood, which ran Operation Atalanta – an executive naval military operation to combat piracy in the western Indian Ocean – for over 10 years, to March 2019, when it was relieved by Rota (Spain). Departure from the EU would not stop the UK from continuing to take part in CSDP operations, should it be interested. In fact, ships from Norway and Ukraine, among others, which are not EU members, have taken part in the previously mentioned Operation Atalanta. Yet naturally the UK could no longer be responsible for commanding them. On the other hand, nor will the UK's departure prevent maintaining cooperation on those security matters that affect both parties

and in which cooperation is essential, such as terrorism, organised crime or the trafficking of people or drugs.

The UK was actually one of the founders of the European Security and Defence Policy – as it was first called – when in St. Malo in December 1998 it agreed with France to launch a European defence initiative limited to crisis operations, while NATO would remain the sole guarantor of collective defence¹. When it was in the EU, the UK's policy in this respect – always in line with its main ally, the United States – was geared exclusively to trying to improve the capabilities of the European armed forces to reinforce NATO, which it has always considered the only organisation responsible for defending the European continent, via a fairer distribution of the load. It has systematically opposed any initiative that might increase European autonomy in defence matters, such as the creation of a European Operations HQ for instance. It is not that it did not believe in the possibility of Europe taking responsibility for its own defence, it is that alternative held no appeal to London, which based – and bases – its strength on its relationship with the United States.

In this respect, the UK's departure may be a positive thing for the development of the CSDP. Its opposition to any decision that meant moving away from or reducing the influence of the United States on European security, seconded by several member states in Eastern Europe and even in the north, such as Denmark, in practice prevented any progress towards greater unity on defence issues in the EU, and therefore towards the so oft-mentioned and desired strategic autonomy, which without a defence component would naturally be incomplete.

In March 2021, just three months after Brexit was completed, London released the Integrated Review of Foreign and Defence Policy², described as the most comprehensive review of security and foreign policy matters

carried out by the UK since the end of the Cold War. It draws the strategic lines that will mark the future of the country after leaving the EU and is an extremely optimistic document that relishes the new era in which the UK is going to be a global power once more, with presence and influence throughout the world. A kind of return to the Victorian age, at least in its wishes and intentions. It places the centre of gravity of the new, independent UK in the Indo-Pacific area, while it barely addresses the EU and certainly not in defence terms, rather just its member states on an individual basis. We can gather from the text that the British government contemplates the possibility of reaching bilateral agreements with certain European countries, in the fashion of the Lancaster House Treaties of November 2010 with France, but not with the CSDP as a whole. The document points to Russia as the chief threat, in line with British tradition, and repeatedly emphasises that the organisation responsible for guaranteeing European security is NATO, in which the UK would act as a leader in Europe, given that it is one of the members that spends most on defence.

The future of NATO as guarantor of collective defence

What the UK is proposing after leaving the EU is that Europe maintain the same security architecture as in 1948: NATO with sole responsibility, led by Washington as the top chief in charge of the final decision, and London as its representative and delegate in Europe while the rest of the members act individually and, therefore, with limited if not zero influence. There have certainly been some substantial changes over the last seven decades that are hard to overlook: the Warsaw Pact does not exist, nor does the USSR, the destroyed and divided Europe after the Second World War – for which United States protection was an existential need – has developed into a Union that together comprises the world's second-biggest economic and trade power. Yet the UK means to circumvent this reality and maintain the prior

¹ https://www.cvce.eu/obj/franco_british_st_malo_declaration_4_december_1998-en-f3cd16fb-fc37-4d52-936f-c8e9bc80f24f.html

² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age_the_Integrated_Review_of_Security__Defence__Development_and_Foreign_Policy.pdf

status quo, which undoubtedly suits it better than an EU transformed into an autonomous global power.

Many in Europe – including some governments – share this point of view. Some, for historical or practical reasons, because they trust their neighbours and partners less than they do the United States when it comes to guaranteeing their defence; others are very comfortable with the current situation of dependence – failing to see the risks that it involves –, that is to say, they would rather continue to be consumers of security without having to shoulder greater responsibilities, and lastly some identify the current close Atlantic bond with a certain political, ideological and economic orientation that they find attractive or convenient.

However, not even the most fervent Atlanticists can ignore the problems NATO is facing to adapt to a very different geopolitical framework to the one that existed when it was founded, and a technological and strategic evolution that renders obsolete a good part of its procedures and structure, which is still basically of a territorial nature. The successive Strategic Concepts approved since the dissolution of the USSR have tried to seek new missions outside the area covered by Article 6 of the North Atlantic Treaty (NAT)³ – the bedrock of NATO –, but the treaty is what it is and that is why participation in new missions can only be voluntary, which means that NATO is becoming an *ad hoc* coalition, even if it uses common command resources. Likewise, the attempt to introduce new missions in keeping with the times clashes with the wording of the NAT. At the organisation's last Summit, on 14 June 2021, it was explored how cyberattacks could be included in the scenario covered by Article 5, which is none other than an "armed attack" on the territory of an ally. A difficult fit.

The trend has gone even further, to the point of proposing – at the previously mentioned summit – the use of NATO to combat climate change. But what means does NATO have to accomplish that task? It appears that it will be some time yet before we see electric tanks, fighter jets

powered by hydrogen and – above all – non-polluting nuclear weapons. This is becoming absurd. It appears to be more a matter of desperately providing NATO with some content to keep it together, that is to say, it is not that there is a threat and we need an organisation to combat it – as occurred after the Second World War –, rather there is an organisation with very powerful political and economic interests and it is necessary to find some threat or mission to ensure it survives. Attempts have also been made to find other common purposes, such as the intention – voiced at the same summit – to "stand up to authoritarian regimes", referring to China and Russia. This is doubtless very reasonable, but it could also be applied to certain countries, in the Middle East for instance (Egypt, Saudi Arabia and so on), with which most of the NATO countries, its leader included, maintain excellent relations.

NATO suffered a severe blow during Donald Trump's presidency of the United States, a time when unilateral decisions were taken in Washington that could compromise the security of Europeans, such as the breaking off of the nuclear deal with Iran or withdrawal from the treaty on the elimination of intermediate-range and shorter-range nuclear missiles (INF) that Washington and Moscow had signed in 1987, decided by Trump though he subsequently and easily secured the backing of the European countries in NATO, the only ones actually affected by this class of weapons given their range. Trump showed great disdain for the alliance to the extent of publicly questioning the automatic action of his commitment to Article 5 of the Washington Treaty – the cornerstone of NATO – even as he constantly demanded that the European countries increase their spending on defence.

The compromise reached on this matter at the summit in Wales (2014) was yet another display of obedience by the European countries in a NATO in which they have no real influence while they act individually in the face of US hegemony. The 2% of GDP agreed for the defence budgets of the member countries is an arbitrary figure, without foundation. It is not the result of any in-depth study of

³ https://www.nato.int/cps/en/natolive/official_texts_17120.htm

the threats and the capabilities to confront them that pinpoints duly analysed and assessed shortcomings to justify a relatively high investment figure that in some countries may be to the detriment of more pressing social spending.

However, Washington's approach was even more shameless. When in April 2019 the European Parliament approved the European Defence Fund (EDF) regulation, which allows the participation of non-EU companies in funded projects but demands that the intellectual property of the project be exclusively European, the US Defense Department reacted with an extremely tough letter addressed to the High Representative in which it demanded a review of these conditions, and those of the projects included in the Permanent Structured Cooperation (PE-SCO), with threats of possible political and commercial reprisals. It is not just a matter of the European states spending more on defence than, but of them spending more on US equipment and weapons systems, perhaps the industry with greatest political influence in the United States. In other words, the same old story: military hegemony and economic subordination.

Clearly the arrival in power in the United States of the Democrat administration, led by Joe Biden, has significantly changed the climate of understanding between the two sides of the Atlantic and given the Atlanticists some respite. Biden is open to dialogue and espouses a return to multilateralism and the importance of NATO for his country, for Europe and for the world. But it may be too late. Many Europeans – including some leaders – have realised that dependence on the United States is not reliable in the long term. Trump, or someone like him, may return since the Republican Party has conclusively adopted his political ideas. What's more, with any administration the essential interests of the United States remain the same and currently those interests lie not in Europe but in the Indo-Pacific area, and more precisely in its struggle with the great emerging power, China.

Biden's visit to Europe between 11 and 15 June, his first trip abroad as President, pursued the same primary goal in each of its three facets – the economic one with the G-7, the political one with the EU, and the military

one with NATO: garner Europe's support in his inevitable confrontation with China, which is going to play out above all in the trade and technology fields. This support would appear to tip the competition in the Americans' favour, at least for a few years, but it would have to be a little clearer what Europe gets from that alignment, because if the answer is nothing or even handicaps to its trade relations with China, the support may not materialise, or not in the terms that Washington would like. In any case, raising this issue in NATO is stretching the Treaty too far. As French President Emmanuel Macron said, China has little to do with the North Atlantic. Of course, a consultation mechanism exists as laid down in Article 3 (4?) of the NAT, but those consultations already take place between the allies on a bilateral level and are usually more effective that way.

Lastly, NATO has a major vulnerability, one that is very hard to overcome: Turkey. Since the attempted coup in 2016, President Recep Tayyip Erdogan has embarked upon a unilateral and interventionist international policy without considering his NATO allies, as demonstrated by his attack in northern Syria on the Kurdish militias of the YPG (People's Protection Units). These are backed by the United States, with who they closely cooperated in the defeat of Islamic State. The entry of his ships into waters of the eastern Mediterranean claimed by Cyprus, which are not recognised internationally, to drill for hydrocarbons has triggered deep displeasure in some allies, mainly Greece. His intervention in the Libyan civil conflict, his support for the Government of National Accord of Fayez al-Sarraj, came close to sparking an armed confrontation with France⁴. While NATO has displayed enormous patience with Ankara, it is going to be very tough to reach consensus and agree on joint action with an ally that has clearly decided to go it alone, for its sole benefit. Without some minimum consensus among all its members NATO's capacity for action is severely curtailed.

⁴ Incident between the French frigate Courbet, which formed part of NATO's Operation Sea Guardian for the arms embargo on Libya, and the Turkish frigate Oruçreis in June 2020.

The fact is that NATO came about to confront the threat of a massive attack on Western Europe by the USSR and that threat disappeared 30 years ago. The threats now are of a much different nature: terrorism, the trafficking of people or drugs, hybrid or asymmetric conflicts, cyberattacks, disinformation, the use of ground or space technologies to dominate the adversary, and so on. This type of threat does not require big fleets or arsenals of nuclear weapons to meet them, rather it requires advances in innovation, resources, research, intelligence. And the risks to Europe do not come from the Indo-Pacific area, but from instability in North Africa, the Sahel or North Africa. And, of course, from the east of the continent too, where there is a fault line with its most powerful neighbour, the Russian Federation.

EU-Russia Relations and the security of the Eastern Partnership countries

Over the last few years, Russia's drift into a more assertive – even aggressive – international policy, particularly in its immediate geographical surroundings (Georgia, Ukraine), but not exclusively so (Syria, Libya), has prompted the keenest Atlanticists to reassert their idea that NATO remains indispensable. Certain European countries such as the Baltic states, which were members of the USSR – particularly Estonia and Latvia, which have a border with Russia and significant Russian minorities in their territories –, or Poland, given its historical experience, see Russia as a real and present threat and trust their security to NATO, actually referring to the United States, which they consider to be the only country truly capable of deterring Russia from any aggressive designs on them.

It is only natural that the annexation of Crimea and Moscow's military, economic and political support for the pro-Russian secessionists of Donbas in Ukraine and of South Ossetia and Abkhazia in Georgia cause concern and repulsion and that the EU cannot stand by in the face of an assault on the sovereignty of a European country. Yet it is a far cry to assume then that Russia might attack

the EU. Russia certainly is highly sensitive to the changes in countries that it considers within its sphere of influence, but it currently does not have the means – barring nuclear ones, which it is clearly not going to use – nor probably any interest in attacking the EU, which, let us not forget, is its main trading partner.

The nub of the matter is that it is very hard – not to say impossible – to have a lasting and stable security environment in the European continent without counting on Russia, which is not a global power and cannot succeed the USSR as the enemy to beat, but it is indeed a regional power with interests in its most immediate surroundings and which demands respect. We must acknowledge that neither in Georgia in 2008 nor in Ukraine in 2013 was it Russia that began the destabilisation of the existing status quo, rather what sparked the conflicts were, in the first case, the initiative of Georgian President Mikheil Saakashvili to recover sovereignty over the territories of South Ossetia and Abkhazia – which officially form part of his country – and, in the second, the Maidan revolution that ousted the legitimate President of Ukraine, Viktor Yanukovich, and triggered the rejection of the majority pro-Russian population in certain regions of the country.

In both cases, and particularly explicitly in the second, the sectors of society and leaders opposed to Russia found political support – even encouragement – in member states of NATO. We all know the outcome: Russia intervened in 2008 to maintain the de facto independence of South Ossetia and Abkhazia and in 2013 supported the secessionists in Donbas and annexed Crimea (which had been Russian until 1954). How events unfolded showed that the Western countries' support for those breaks with the status quo was a mistake that compounded the instability in eastern Europe, though perhaps it was not so much of a mistake for those who seek to keep Russia in the role of the villain and threat that NATO needs to remain united.

It may be that those in this latter group are largely in Washington and London and that is why NATO is not the most appropriate organisation to resolve the tension in that zone. At the Bucharest summit of 2008, the NATO

Secretary General promised Ukraine and Georgia they would join NATO (though without setting a date). If this ultimately occurred, it would be a very grave error as it would be perceived by Russia as a threat. Moreover, immediately after joining both countries could seek the application of Article 5 on mutual defence as they have foreign troops on their soil, which might lead to a war that nobody wants.

The EU can and must engage in dialogue with Moscow on the security of the continent and even on a general framework of cooperative relations, even while maintaining for the moment the economic sanctions that are very important to Russia given its enormous trade links with the Union. One of the central points of that dialogue must be the security of the countries of the EU's Eastern Partnership: Belarus, Ukraine, Moldova, Georgia, Armenia, Azerbaijan. And the basis of the discussion can be none other than full respect for the sovereignty of these countries, without prejudice to the idea that in any initiative taken regarding them Russia must be heard as an interested party and its points of view valued. This agreement should be framed in a broader one that replaces and improves on the Partnership and Cooperation Agreement⁵, signed between the two parties in 1997 and which is obsolete. The more ties that are established with Russia, the more it will approach European standards and the harder it will find it to maintain aggressive approaches to Europe. A confrontation with Russia is not in the EU's interests. That is why putting too much pressure on Moscow is not a good idea. Nor is overindulging it. A blend of dialogue and resolve, administered from the unity of all the member states, could achieve the desired effects.

NATO cannot perform this task of stabilisation and détente, firstly because some of its member states have no interest in improving relations with Russia, but also because the Alliance is seen by Moscow as hostile and aggressive. The EU can do it and that is why responsibility

for forming the core of the continent's security must fall to it, always with the support of other European countries and external allies such as the United States or Canada. However, if it is to do so, it needs to have sufficient capabilities in certain spheres, particularly in defence, that it certainly does not possess yet.

The development of a European Union of Defence

In this scenario, that is to say if the EU is to take charge of guaranteeing the continent's security, it is essential to develop a sufficient, autonomous and credible common European defence to support its common foreign policy. Security and defence policy is inexorably linked to foreign policy, the two interact and feed one another. A European Union of Defence cannot exist without a common EU foreign policy to direct it, nor is a common foreign policy credible and effective without the backing of a sufficient and proportionate capacity for action in the field of security, including the military field when necessary.

The EU's capacity for external action is based on its economic power and its political and regulatory influence, employing a combination of trade, cooperation, development aid, civilian assistance, mediation, and so on. But this is not enough in the multipolar world taking shape, in which direct and indirect coercion will continue to be an instrument of international policy. It was not enough to prevent the wars in the Balkans or to halt and reverse the conflict in Ukraine. In the military aspect, inherent in the resolution of most crises, the EU as such is extraordinarily weak. The peace operations launched in the framework of the CSDP have almost always been follow-up, or training, rarely executive – and low-intensity –, and have gradually lost relevance once underway, rather than gaining it. When the European countries have had to intervene militarily in their geographical surroundings for reasons of immediate security, as in Libya, Lebanon, or Syria, they have always done so outside the framework of the EU, either in ad hoc coalitions under the authority of the UN or led by the United States.

⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A21997A1128%2801%29>

Whenever the EU steps in, all the parties involved in the crisis know that it does not have a military force of its own to back up or assert its positions where necessary. As a result, they become less effective, to the benefit of other players, as for instance in Syria, where the EU barely carries any weight – despite suffering the consequences of the conflict – while Russia, with a much smaller economic, demographic and political capacity (and whose defence budget is far lower than the EU's aggregate spending), plays a decisive role. European defence initiatives formed ad hoc even arise, such as the one for maritime security in the Strait of Hormuz (EMAS-OH), launched by France in January 2020 and joined by a further seven EU countries, which only goes to confirm the weakness of the CSDP.

As far as self-defence is concerned, the EU continues to rely on NATO – that is the United States – even though there are six member states that do not form part of the Atlantic Alliance. This causes a clear dysfunction because since the Lisbon Treaty the European Union is also a defensive alliance that binds all its members. The consolidated version of the Treaty on European Union (TEU) states in Article 42.7 that if a member state is the victim of armed aggression on its territory, the other member states must provide aid and assistance by all the means in their power. With all the provisos that accompany it, referring to the member states that are also members of NATO or those considered neutral, this is the classic wording of a mutual defence clause that obliges the parties, even though measures on an organisational level have not been taken nor have regulations been introduced to put this obligation into effect.

In spite of repeated statements by major European leaders (Macron, Angela Merkel) in favour of the development of a common European defence, even a European army, the truth is that the principal measures for the relaunch the CSDP agreed in 2017, the implementation of Permanent Structured Cooperation (PESCO) and the European Defence Fund (EDF), are aimed exclusively at improving military capabilities via cooperation on joint projects of the member states, fostering a competitive

and efficient industrial and technological base of European defence, which is undoubtedly positive and will lead to greater autonomy with regard to third countries. But they are not of an operational nature, they do not represent any command structure or forces that could be taken as a greater commitment to mutual defence, and they are not intended to be the foundation of a common European defence, let alone a European army, which would require a level of political commitment that does not exist yet. In other words, they are solid initiatives, since one of the conditions for strategic autonomy is industrial autonomy, at least in essential sectors, but ones that prove insufficient.

In November 2019, 13 new projects were approved in the framework of the PESCO, making a total of 47, although some of them are purely technical or doctrinal and others are well behind schedule. There have been no new projects since then and one has been completed. Meanwhile, the allocation for the EDF, a major initiative that for the first time employs resources from the EU's common budget in financing research and development of defence equipment, which the Commission initially assessed at 13 billion euros for the period 2021-2027, was cut by nearly 40% to 8 billion in the final version of the multiannual financial framework approved in December 2020, owing to the approval of the NextGenerationEU recovery funds. Lastly, the European Operations HQ, which is imperative to equipping the EU with a credible operational capability of its own, has been reduced to the Military Planning and Conduct Capability (MPCC) with limited personnel and only suitable for directing non-executive missions. Quite modest progress then.

The EU has sufficient economic, industrial, technological and human potential to build an autonomous collective defence to guarantee its security on its own in the face of present and foreseeable risks, which do not include the possibility of a high-intensity war in the continent. This does not preclude its external allies coming to its aid if necessary, which they would surely do out of self-interest, just as the EU would if it were the other way around. It is not true that Europe cannot defend

itself without the support of the United States, or that this option would be much more costly. Suffice to say that Russia's defence budget in 2020⁶ (\$61.713 billion) was not much greater than that of France (52.747 billion) or Germany (52.765 billion) and came to a little over a quarter of the aggregate amount of the 27 members of the EU (232.807 billion), that is not including the UK now. And Russia does not appear to have any problems defending itself on that budget. It would certainly not be necessary to spend a single euro more to have an autonomous European common defence capable of adequately protecting European citizens. Quite a lot of money could probably be saved by making the most of the Union's synergies. True, there are vulnerabilities in certain capabilities, but it is not true that they cannot be overcome with purely European resources.

Nor is it hard to do; it only requires a command structure of its own – which naturally could use existing European resources – and starting to coordinate capabilities, industries, services and doctrines, which should not be too difficult considering that the vast majority already follow NATO procedures. The obstacles are more of a political and ideological nature and can be summed up by a lack of mutual trust among the member states of the EU.

Yet those obstacles must be overcome, because European security cannot continue to rely on an external power whose interest in it may shift with political movements and end up having very low priority. Without a collective defence capability of its own, the EU will never be completely sovereign, its foreign policy will always be constrained by that deficit and therefore subordinate to that of the United States (which clearly prioritises its own interests). And it cannot play the global role to the benefit of the interests and security of its citizens that its economy, its demography and its political potential warrant.

⁶ According to figures from the Stockholm International Peace Research Institute (SIPRI) for 2020, the last year available, in current dollars.

Conclusion

Brexit does not alter the fact that the European security architecture remains the same as in the 1940s, while the strategic framework has undergone radical change. On the contrary, more than ever a UK outside the EU promotes the United States' influence in Europe and, therefore, NATO as the sole guarantor of the continent's security.

But NATO, as it was founded over 70 years ago in the post-war period, is dysfunctional. It has no clear goals, nor does it have the means to achieve the new goals being proposed (and which are not provided for in the Treaty), or does it have a unity of purpose or interests (remember the case of Turkey once more). It is not the solution to try to draw the European countries to the Indo-Pacific area, where matters of little interest to most of the allies on this side of the Atlantic are being settled. It is not enough to raise the spectre of a hyperaggressive Russia that could threaten European security, because what interests Europe is a cooperative Russia, one that is as close as possible to European political standards, and that can only be achieved through dialogue. Under the current circumstances, the bid to continue maintaining NATO as the only security architecture in the European continent is hard to justify and it can only be down to partisan political interests.

It is necessary to reiterate that the creation of a European Union of Defence would not imply any split. This initiative should not put an end to transatlantic relations, not in defence matters either, but rather only improve them. NATO as it stands – one hegemonic power and 29 minions – no longer corresponds with the geopolitical reality in this region of the world. An EU equipped with an adequate defence capability of its own would be in a position to sign a mutual defence treaty with the United States, a new alliance, on equal terms, which other non-EU member countries could join – with the UK at the head, of course –, and which would constitute a highly desirable guarantee of common security, all the more so if it is framed in a more ambitious cooperation and

partnership agreement that established solid and equal bonds between the two sides. European autonomy on defence matters does not have to harm cooperation with the United States. In the same way that the United States has a sufficient self-defence capability and can – and does – act alone without that affecting its transatlantic commitment, the EU too could act alone when it considered it appropriate and in alliance with the United States when necessary.

The central core of European security architecture in the coming decades can be no other than an auto-

nous, solid and credible European Union of Defence, in which other European countries that are not members of the EU could of course take part. Europe has come of age now and must demonstrate that by taking responsibility for its own defence and becoming an independent global player, with a strategy of its own in the exclusive interests of its citizens and of peace, notwithstanding respect for existing alliances or others that could be signed in the future. That is the path.

Recommendations

1. European citizens and the Conference on the Future of Europe

The Conference on the Future of Europe

- The Conference on the Future of Europe 2021-2022 should see the Union set an example to the world of how to build a genuine participatory democracy in an international organisation.
- The conference must not amount to just another process of consulting civil society on the part of the institutions and should propose to the institutions the staging of the Convention provided for in Article 48.3 of the Treaty on European Union, which would be a significant boost for the Union's legitimacy in the eyes of its citizens.
- Even if an amendment of the treaties does not materialise, the proposals on each of the thematic groups that emerge from the conference should be able to increase the institutional legitimacy of European governance and policies.
- Particularly on matters of European governance, the conference should propose a limited series of improvements, most of them achievable without the need to amend the treaties.

Improving the democratic foundations of the European Union

- It is necessary to extend the community method to all political areas that still do not provide for the participation of the Parliament or are subject to special legislative procedures, when possible, using passerrelle clauses.

- In addition, it is necessary first to institutionalise and then constitutionalise the practice of "lead candidates" from the European political parties for President of the Commission, so that the candidate from the political party that receives most votes is put forward by the European Council to be Commission President; and approve a transnational constituency that, through a transnational list complementing the national lists and headed by the "lead candidate", gives the elections a European dimension. With that in mind, it is necessary to make progress on the approval of a uniform electoral law for election to the European Parliament that enables ensuring the equality of all MEPs and, therefore, of all citizens.
- The multiannual financial framework must be adapted to the European election cycle, so that a Parliament and a Commission returned by the polls can transform the preferences of the electorate into European political action, along with the European Council.
- It is necessary to strengthen debate on European policies and accountability in the national parliaments through the commitment to staging at least two debate sessions a year, with the head of government and a Commissioner, on the state of the European Union.

2. NextGenerationEU and the recovery and transformation of the European economy

The NextGenerationEU recovery fund

- The NGEU is a qualitative leap in European construction. It empowers the Commission to issue debt on behalf of the EU, in very favourable financing con-

ditions. In this respect, the NGEU can be considered the embryo of a European treasury.

- Making the most of the debate on revising the fiscal rules in the EU underway recently, the NGEU should become a permanent fund and not just a temporary instrument to tackle the COVID-19 crisis. That would provide the EU with the fiscal capability to fund necessary public investment in situations of recession.
- The rollout of the Recovery and Resilience Facility lacks a European perspective. While the NGEU has been put together in the framework of the EU by the community institutions, the bulk of the resources will be channelled on a national level, in view of the recovery plans of each of the Member States. Therefore, joint objectives and actions must be devised on a European scale, within the sphere of the powers of the Commission, to give the plans a community perspective beyond the mere allocation of resources and supervision of the design and execution of the plans. This would enable ensuring a joint impact in its own right and not just as an aggregate impact of the national plans.
- A special effort must be made to promote and give greater visibility to the principle of solidarity inherent in European construction, as well as to address the difficulty posed by integrating the need to foster the economic, social, and territorial cohesion of the EU in the plans designed from a national viewpoint.
- An instrument like the NGEU plan should incorporate a more long-term vision and not just in relation to the objectives of structural change and transformation of the economies, but also on the risks and costs that many of these transformations incur, almost all of which are long-term and with uncertain intermediary impacts, particularly in the social and labour fields. Ensuring just transitions, in the broadest sense, and consolidating social cohesion are of particular importance to prevent indifference towards or disaffection with the community project.

The fiscal effort against the coronavirus

- The federal level of the Union must be strengthened via the permanent issuing of European debt as a tool to combat crises, allowing the Member States greater fiscal leeway as a tool to tackle global challenges such as climate change and the green transition of the economy.
- We propose introducing new community own resources, including the financial transaction tax, a border duty on imported CO₂, a fraction of the common consolidated corporate tax base aimed at big companies, and a digital services tax, as well as the allocation of ECB profits to the Union's own resources to enable paying off the European debt, constituting the fiscal union to underpin the financial union created with the Recovery Plan.

3. Health, migration, and foreign policy: pending tasks for the EU

European Union of Health

- Provision of greater governance to the agencies and units responsible for health matters in the EU.
- It is necessary to strengthen the health systems of the EU and create a working group (EU Health Systems Task Force) with a view to studying and making proposals to extend the action of the EU to ensuring common standards in the health systems of all the Member States.
- Firm support must be given to the WHO in its goal of approving an international treaty on pandemics (this issue is not included in the Communication of 15 June 2021, COM(2021) 380).
- Maximum priority must be given to making COVAX a successful programme in taking vaccination against COVID-19 to low- and medium-income countries and to making a proposal for a global strategy for equal access to vaccines and medicines, including the reform of the present situation of medicine patents.

New European Pact on Migration and Asylum

- The adoption of a mechanism of shared responsibility must be promoted, establishing obligatory relocation quotas among the Member States to prevent an “a la carte” solidarity that is not acceptable for tackling the migration phenomenon.
- Measures must be adopted so that the New European Pact on Migration and Asylum fully guarantees the observance of the duties to protect human rights in relation to the new pre-entry screening procedure and the accelerated procedure at the border.
- Measures must be adopted to guarantee individual analysis, the principle of non-refoulement, and the early detection of people in a situation of particular vulnerability.
- The shortcomings of the Dublin system must be remedied with the proposal of a new Regulation on the management of asylum and migration, particularly regarding the excessive responsibility placed on the first country of entry for the study of asylum applications.
- The Member States should make a greater commitment in terms of resettlement, the only legal and safe route available; raise the agreed quotas; increase the number of people permanently resettled, and extend the number of eligible nationalities.
- The policies of externalising borders and the signing of agreements with third countries that do not respect human rights or guarantee adequate protection for migrants and refugees must stop. European policies on border management must respect the

principal of leaving no one behind and the Sustainable Development Goals (SDG).

- Consistency between European asylum and migration policy, the 2030 Agenda and global pacts on migration and refuge must be guaranteed, ensuring a human rights, gender, and intercultural approach in their implementation.

The Future Architecture of European Security

- The Member States of the EU must sign a political agreement for the launch of a European Union of Defence whose ultimate goal has to be attaining EU autonomy on security and defence matters, including the collective defence of its members, without prejudice to the commitments undertaken in alliances already signed or that may be signed in the future, even if one or more Member States do not sign it. Then, it will be necessary to draw up as precise a road map as possible and begin to implement it as soon as possible, since the full process will take many years.
- Relations with the United States on security and defence matters must be revised, so that one of the parties is the EU –with a single voice– and always maintaining the principle of sovereignty of all the European states.
- Dialogue with Russia must be restored as soon as possible to resolve the existing disputes, without prejudice to maintaining the sanctions necessary in the meantime.

Biographies

Francisco Aldecoa Luzárraga has been Chair of International Relations in the Department of International Public Law and International Relations of the Faculty of Political Science and Sociology at the Complutense University of Madrid since 2000, having previously served as chair of the same discipline at the University of the Basque Country (1990-2000). He has also held a Jean Monnet Chair in European Studies (conferred by the European Commission) since 1994 and was awarded an honorary doctorate by the National School of Political and Administrative Studies of the University of Bucharest in 2009. Aldecoa studied under the late Antonio Truyol y Serra, former co-director of the Complutense University of Madrid's Centro de Excelencia Antonio Truyol and one of Spain's most highly respected theorists on the process of European construction. Dean of the Complutense's Faculty of Political Science and Sociology from May 2002 to May 2010, Aldecoa has also served as president of the Spanish Association of Professors of International Law and International Relations (2005-2009) and director of the Complutense's Centre for Studies in Management, Analysis and Evaluation (2012-2016). In addition to being the co-chair of the Federal Council of the European Movement since 2013, he is also a member of the Scientific Council of the Real Instituto Elcano (2001-present), the Consejo Académico Eurolatinoamericano (2012-present) and the Advisory Board of the United Nations University Institute on Globalization, Culture and Mobility (UNU-GCM) (2015-present).

José Enrique de Ayala. Brigadier General of the Army, retired. Ayala holds diplomas from the Spanish Army General Staff and Joint Staff Colleges as well as a degree in International Relations from the Centre for International Studies. He has served as military attaché to the Spanish Embassy in Germany and as Chief of Staff of the Eurocorps. As an international policy analyst specialized in the European Union, he collaborates with numerous media both written and audio-visual. He is a member of the European Affairs Advisory Committee of Fundación Alternativas.

José Candela Castillo is a member of the European Affairs Council of the Fundación Alternativas. He has been an official of the European Commission since 1986 to 2014 as member of the Cabinet of the Vice-President of the Commission and as Head of the Units of Application of Community Law and Governance in the Secretariat General of the Commission. He took part in the Group of Commissioners responsible for preparing the Maastricht Treaty in 1992, chaired by Jacques Delors and was editor of the European Commission's White Paper on European Governance in 2001 and Assistant to the representation of the European Commission in the Convention on the future of Europe that drafted the European Constitution in 2003. He has also been an advisor to the Spanish Secretary of State for the European Union. He has given numerous courses and lectures and published several chapters of collective books and articles on Community Law and Governance in journals

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Carlos Carnero González is senior advisor at Vinces Consulting. He has served as a member of the European Parliament (1994-2009) and member of the Convention that drafted the European Constitution. He has been Spanish ambassador-at-large for European integration, and Vice-President of the Party of European Socialists. He has also been member of the regional parliament of the Community of Madrid (*Asamblea de Madrid*), where he is the spokesperson for economy of the Socialist Group and President of the Committee for the Recovery. He has been Managing Director of *Fundación Alternativas*. Carnero is member of the Scientific Council of Real Instituto Elcano and professor in the master programme on the European Union of the Institute of European Studies at the University CEU-San Pablo. He has co-written several books on European issues and writes regularly for various media. The Spanish government awarded him the Order of Constitutional Merit and the Order of Civil Merit for his work related to the European Union and foreign affairs, and he has received the Medal of the European Parliament. He is a university graduate in tourism.

José Luis Escario. Professor of International Taxation at the International University of La Rioja (UNIR), expert in tax matters at the European Economic and Social Council, member of the European Affairs Council of the *Fundación Alternativas* and fellow of the Aspen Institute Spain. He has been a consultant to the European Parliament on tax issues (TAXE 1, 2 and 3 and PANA), associate researcher at the *Fundación Carolina* and head of Taxation for the Private Sector at Oxfam Intermón. Author of the book *Paraísos Fiscales* (Catarata, 2011), he has published numerous articles on issues related to the

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Paloma Favieres has been coordinator of the state legal service of the Spanish Commission for Refugee Aid (CEAR) since 2012. A counsellor of the Illustrious Bar Association of Madrid since 1990, she is an expert counsel in Human Rights, Migration and Asylum. She specialises in legal advice to applicants for international protection and refugees in the territory and at border posts, as well as in litigation before the Spanish and, when necessary, European courts. Representative of the organisation in the European Council on Refugees and Exiles network (ECRE). Member of the Legal Committee of the Forum for the integration of immigrants in Spain. Representative of the organisation in the Council for the Elimination of Racial Discrimination or Ethnic (Ministry of Health, Social Services and Equality). Writer of the CEAR Annual Report on the situation of refugees in Spain.

José-Manuel Freire has been head of the International Health Department of the National School of Health (Spain) and, among other activities related to health in Europe, he has been a member of the EU High Committee on Health and the Chief Medical Officers Group, as well as a member representing Spain on the Standing Committee of the WHO European Office. He has also chaired the EHMA (European Healthcare Management Association) and the Council of Europe Expert Group on Good Governance of Health Systems. He is a doctor and has been Minister of Health of the Basque Country and Director General of the National School of Health.

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Mercedes Guinea Llorente is professor of International Relations at the Universidad Complutense de Madrid. Guinea Llorente is a specialist in European integration. Her primary lines of research are the political model of the European Union and European foreign policy. In 2016 she collaborated with Fundación Alternativas as the co-author of *Renegotiation by the United Kingdom of its constitutional relationship with the European Union: Issues related to Sovereignty*, a study commissioned by European Parliament's Committee on Parliamentary Affairs and conducted jointly with Francisco Aldecoa.

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Diego López Garrido is executive vice-president of the Fundación Alternativa and President of the Fundación Alternativa's Council of European Affairs. He is an economist, has a Chair in Constitutional Law and is Legal consultant for the Spanish Cortes. Former member of the Spanish Parliament and of the NATO Parliamentary Assembly. He was Secretary of State for the European

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Inmaculada Ordiales Hurtado holds a PhD in Economics from the Universidad Rey Juan Carlos in Madrid and a postgraduate degree in European Business from the École Supérieure du Commerce Extérieur in Paris. Since 1999, she has been a member of the Studies and Analysis Department of the Spanish Economic and Social Council, where she coordinates and participates in analyses and reports on the international, European and Spanish economy, including the annual reports on the economic governance of the European Union.

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Domènec Ruiz Devesa holds degrees in Law and Economics from Carlos III University, and in Political Science and Sociology from UNED. He has a Master's in International Relations from Johns Hopkins University, specializing in European Studies, and a Diploma in Advanced Studies and Economic Growth and Sustainable Development from UNED. He has advised a number of international organizations, including the World Bank, the Inter-American Development Bank, and the Union for the Mediterranean, has worked with international consultancies such as Oxford Policy Management and Family Health International, and thinktanks including Fundación Alternativas, where he is a member of its international economics panel and its European affairs board, and Fundación Sistema, where he is a member of the editorial board of the journal *Temas para el Debate*. He has been an advisor to the Ministry of the Presidency (2011), advisor to the Spanish Socialist Delegation in the European Parliament (2014–2018) and assistant director for Political and Parliamentary Affairs in the office of Spain's Minister of Foreign Affairs, the European Union and Cooperation. He is currently a member of the Federal Committee of the Union of European Federalists and of the Executive Commission of the Spanish Federal Council of the European Movement. In 2019 he was elected as a Member of the European Parliament, where he is spokesperson for the Committee on Constitutional Affairs and full member of the Committee on Culture and Edu-

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Luise Rürup has worked with the Friedrich-Ebert-Stiftung (FES) since the early nineties. In September 2020, she was posted to Madrid as the representative of the Friedrich-Ebert-Stiftung in Spain. Prior to her current post in Madrid, Luise Rürup served five years as the executive director of the FES liaison office to the United Nations/International Monetary Fund/World Bank in New York (USA). She held various assignments with FES, including head of department at HQ in Berlin (Germany), country representative and executive director, in Santiago de Chile, New Delhi (India), Erfurt/Thüringen (Germany) and Istanbul (Turkey). After studying political sciences, regional studies, philosophy and geography at the Free University of Berlin, Università di Urbino (Italy) and University of Hamburg, Luise Rürup graduated in political sciences with a diploma from the University of Hamburg. She complemented her education with a one-year vocational graduate programme at the Centre for Advanced Training in Rural Development / Internationale Cooperation in Sustainable Development (SLE / Humboldt University) in Berlin. Prior to her engagement with FES, Luise Rürup was involved in multidisciplinary research and consultancy in rural areas of Costa Rica and Tanzania. Luise Rürup is longstanding member of the German multi service union Ver.di and the German socialdemocratic party SPD.



The annual *State of the European Union Report*, which is produced by two European foundations — Spain's Fundación Alternativas and Germany's Friedrich-Ebert-Stiftung — sees the European Union facing a period of transition in 2021.

The crisis caused by the pandemic has opened the door to a new paradigm of economic governance within the EU, illustrated by the NextGenerationEU fund, and member states will seek to harness its potential through their respective recovery, transformation and resilience plans. However, we do not yet know whether the step forward - in terms of the continent's economic and political integration - represented by this historic issuance of EU debt will be the seed of a definitive turnaround or whether it is merely a short-term response.

The global landscape is changing rapidly and the EU continues to seek its place in the geopolitical arena, as it looks to make progress in the construction of its strategic autonomy at a summit announced by President Von der Leyen for 2022. Challenges such as the great threat of climate change, the protection of public health in the face of this and future pandemics, and the management of migratory flows also require coordinated action by member states.

The European Union's political agenda in these and many other areas will have to take into account the conclusions and recommendations drawn from the Conference on the Future of Europe, a democratic exercise that should not remain a mere consultative process. This conference will produce proposals, debated and agreed upon by European citizens, which will be of great value in outlining some of the lines to be followed in the construction of the European project. Likewise, this report — the tenth *State of the EU Report* — offers analyses and recommendations for the development of the European Union.