

EU Centre Commentary Series

3rd January 2018 A Partnership of The Year Ahead For Europe – Three Things To Watch

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Overview of 2017 Spring arrived in 2017 with a sprinkle of hope for the European Union (EU) after a “horrible year” in 2016 with Brexit and the election of Trump as US president. The elections in the Netherlands in March did not result in a clear victory for Geert Wilders of the far right, anti- immigration Freedom party as feared. The fear of a rising tide of populism “drowning” Europe further subsided with the election of Emmanuel Macron as the youngest president of the French Fifth Republic. His openly pro-European platform and his campaign to strengthen Europe sparked mini-euphoria amongst Europhiles. By the time President of the European Commission Jean Claude Juncker made his State of the Union address to the European Parliament on 13 September, confidence with the EU has started to climb from an all-time low in 2015, and Juncker chimed that “the wind is back in Europe’s sails”.

The election of Trump and Brexit negotiations have helped focus the minds of Europeans. The beginning of the Brexit negotiations provided the Europeans the opportunity to present a united front against Britain. The difficulties and problems Britain faced in the Brexit negotiations have made euroscepticism much less attractive. Several polls after the Brexit vote showed that positive feelings about the EU have actually increased and there is little desire of any EU member state to quit the EU. The erratic and unpredictable Trump and his questioning of the transatlantic alliance have led to a new found resolve within the EU to strive for “strategic autonomy”. After Trump’s “disastrous” visit to NATO in May, German Chancellor Angela Merkel proclaimed that “Europeans have to take destiny in their own hands” as they can no longer rely on the US.

Hence in 2017, the EU were able to make advances in addressing some immediate issues facing the Union – from the Brexit negotiations, to cooperation with third countries (Turkey and several African nations) to stem the tide of migration, to taking the lead in climate change negotiations. Another achievement was the steps taken to strengthen defence cooperation. Russia’s assertiveness, Trump’s demands that Europe “pay” more for defence and the imminent departure of the United Kingdom (UK) as a key security player came together to move the EU towards a series of defence initiatives in order to achieve “strategic autonomy” as envisaged in the 2016 EU Global Strategy.

At the final European Council Summit in December 2017, the EU leaders endorsed the bloc’s new defence pact, known as Permanent Structured Cooperation (PESCO) in which 25 member states will start working on a series of joint projects in 2018. A European Defence Fund worth €5.5 billion per year was launched earlier for joint military procurement and the

European Defence Industrial programme launched to foster joint research and development of military technologies. In the economic arena, the EU has continued to lead the charge in trade liberalisation negotiations. It has initiated legal process to embark on free trade agreement (FTA) negotiations with both Australia and New Zealand. The most significant move to counter Trump's tirade against free trade was the signing of a political agreement on Japan-EU Economic Partnership Agreement (JEEPA) on the eve of the G20 meeting in July 2017 and the year-end conclusion of JEEPA negotiations (although separate talks on investment protection will continue in 2018). The Comprehensive Economic Trade Agreement (CETA) with Canada has also been provisionally applied. A landmark Court of Justice rulings issued in May on the pending EU-Singapore FTA effectively expanded the EU (exclusive and shared) competence on trade policy, buttressing Brussels' credibility as a reliable and legitimate interlocutor when it comes to trade talks with Europe. Economic recovery in the EU has picked up in strength and growth is expected to be close to 3% for the year.

Overall, 2017 has turned out to be a fairly good year for the EU. However, challenges remained, and these are the things in 2018 that we should be watching to see where the EU is heading:

Populism and Nationalism

The election of Macron may have stemmed the tide of rising populism, but there is no doubt that populist forces will remain an important driver in European politics. This was reflected in the German elections in September 2017 with the anti-immigration and Eurosceptic Alternative for Germany (AfD) party winning 12.6% of the vote. This was the first time in Germany's post-war history that a far right party has captured such a significant number of seats. AfD – which was previously unrepresented in the Bundestag (German Parliament) – became the third largest party with 94 seats. Support for Merkel's centre-right Christian Democratic Union (CDU) and its sister party Christian Social Union in Bavaria (CSU) and the other mainstream centre-left party Social Democratic Party (SPD) plunged. CDU/CSU won 33% of the vote, a drop of more than 8% from the last election, and SPD won only 20% of the vote, its worst result since the 2nd World War. Merkel is now in talks with SPD to form another “grand coalition” government and if this comes to pass, AfD would become the largest opposition party in the Bundestag with potentially considerable influence on the trajectory of German national and regional policies in the years ahead.

Austria also swung to the right. In the October election, the centre-right Austrian People's Party under 31-year-old Sebastian Kurz emerged as the winner. The Austrian People's Party has entered into coalition with the far-right Freedom Party to form the government, with candidates from the Freedom party controlling the defence, interior, and foreign affairs ministries and others.

The EU's exasperation with developments in Poland and Hungary over their “illiberal” turn, and their challenges to rule of law is another sign that populism remains a potent challenge to European democracy and values. In Viktor Orban's Hungary and Poland ruled by the Law and Justice Party (PiS), populism joins forces with nationalism to undermine supra-nationalism and European integration. The cross-fertilisation of populist-nationalist forces has already moved Europe towards a more conservative direction. The election to watch in 2018 would be the Italian election in March. Marred by a fragile banking system, a comparatively huge debt burden, and continued struggle to come up with an effective response towards structural reforms, the EU establishment is understandably concerned with where Italy will be heading. Also bear watching is how Spain would respond to Catalan nationalism. The snap election in Catalonia in December 2017 brought back to power the parties who favoured independence from Spain. The situation in Catalonia remained deadlock and a snap election in Spain itself cannot be ruled out.

Migration

The refugee crisis of 2015 was perceived as one of the key contributing factors leading to the rising support for far-right anti-immigration parties across Europe. A significant part of the European population embraced the narrative put forward by populist and anti-immigration parties that painted the migrants and refugees as threats to security and imposing great socio-economic cost to European societies – undermining the welfare state, social cohesion and the “cultural identity” of Europe.

In 2016 and 2017, the EU had managed to slow the arrival of migrants through its agreement with Turkey, and other security-oriented partnership agreements with several African countries; and unilateral actions taken by several EU member states to close the Balkan route. However, migrants continued to arrive via the Central Mediterranean route, and reports of migrant boats in the Black Sea showed that the EU had not found a long term solution to the challenges of migration. This was also reflected in the mini-row that arose ahead of the December 2017 EU summit. The President of the European Council, Donald Tusk caused an intra-EU fight on migration policy when he outlined his plans to scrap the mandatory relocation quotas.

The mandatory relocation quota was introduced at the height of the refugee crisis in 2015. The aim was to relocate 160,000 asylum seekers from Italy and Greece to the other EU member states on the “objective, quantifiable and verifiable” basis of the sizes of economy and population of each member. However, several EU member states such as Hungary, Poland and the Czech Republic flouted the scheme and refused to accept the mandatory re-allocation.

Tusk said that this mandatory quota was divisive and ineffective in stemming the migration flow. His remarks, however, drew harsh reactions from the Commissioner for Migration and Home Affairs and some European parliamentarians. The row over migration highlights the continuing divide over how to deal with the aftermath of the 2015 refugee crisis. The year ahead will conceivably see more debates and tensions over migration and asylum policies and risks polarising Europe and undermining the Schengen and Dublin agreements. How the underlying tensions over refugees, borders and security are addressed in 2018 will be critical in eroding the appeal of populist parties and stemming the divisions and polarisation resulting from identity politics.

EU’s relations with other major powers

In its 2016 Global Strategy the EU recognised that in a more connected, contested and complex world, there is a need for new diplomatic initiatives to stabilise various geopolitically contested regions of the world. No longer is “soft power” centered on normative clout sufficient to deal with the evolving reality and the EU will have to use its economic instruments effectively to pursue overall strategic interests. More importantly, it recognises the need for soft and hard power to go hand in hand, and hence the Global Strategy “nurtures the ambition of strategic autonomy for the European Union”.¹ The Strategy also called for a “joined-up” approach and looked at the security of the EU from a comprehensive perspective where internal and external security, foreign policy, defence policy and trade and development have to be seen in a connected way.

Following up on the Global Strategy, the EU had taken concrete steps in 2017 to deepen defence cooperation with PESCO and other initiatives. However, member states are still divided on the broader strategy of how to deal with the increasing assertiveness of Russia and China, and the bombastic twitter policy of Donald Trump. The lack of unity for instance can be seen in the

¹ Sven Biscop. “The Great Powers have their way”, Egmont Institute Security Policy Brief, No 93, December 2017 <http://www.egmontinstitute.be/content/uploads/2017/12/SPB93-The-Great-Powers-Have-Their-Ways.pdf?type=pdf>

latest vote in the United Nations (UN) over the condemnation of President Trump's decision to recognise Jerusalem as the capital of Israel. The Visegrad 4 (Poland, Hungary, Czech Republic and Slovakia) together with Romania, Croatia and Latvia broke ranks with the EU and other member states, abstaining from the General Assembly vote to condemn the US decision. There are reports that Romania, Czech Republic and Slovakia are considering moving their embassies to Jerusalem, following Washington's lead.

The EU relations with Russia would be in need of review too with Russia's diplomatic offensive in the Middle East and alleged attempts to influence elections and subvert the democratic process in the West. The EU sanctions against Russia imposed after the latter's annexation of Crimea and EU's overall policy toward Russia would be further tested with the Russian presidential election in March 2018. Putin has announced that he would be contesting in the upcoming elections. Polls indicate that he looks set to win another term. The current EU unity against Russian aggressive policies in its "sphere of influence" may be tested as Germany struggles to form its next coalition government and European leaders friendly to Russia get (re-)elected in the Italian and Hungarian elections.

The EU's relation with China is also entering a rocky phase. Its refusal to grant China market economy status and increasing concerns over Chinese investments in Europe came at a time when China looks set to embrace "globalisation with Chinese characteristics". There would be more state control and greater use of industrial policies to advance its goals of boosting innovation and manufacturing. China-EU economic relations are likely to become more contentious by what Xi has decided to do following the 19th Party Congress.

Differences over the role of the state in their respective economies, and the implications these have with regards to the economics-security nexus, might lead to more strategic competition between the EU and China in the geo-economic sphere. While the deep economic engagement between the EU and China means their economic fates have become strongly interlinked, the increasing divergence in political outlook has led to the EU's fear that such interdependence might be "weaponised" for political gains by the Chinese. The "renationalisation" of China's Europe policy with its focus on bilateral and cross-cutting ties, such as the 16+1 framework for China's cooperation with Central, Eastern and Southeastern European countries, has raised concerns in Brussels over China's rising influence and potential impact on European unity and policies.

Conclusion

French President Emmanuel Macron in his new year's speech said that 2018 will be decisive for Europe. He pledged to work with all European partners, especially Germany, to push forward reforms of the EU. His ambitious reform plans which include scheme to revamp the Eurozone have been put on hold as EU awaits the formation of the German government. Nevertheless, in 2017, France together with Germany did manage to work together closely in, among others, the realm of defence as noted. With hindsight, Brexit and Trump probably act as catalysts towards EU's strive for strategic autonomy, and to deepen their defence cooperation.

Looking ahead, internal and external factors in 2018 would keep the EU on its toes and continue to test the EU's unity. Accordingly, the Union's capability to secure its border while coming out with a long term migration policy, to make its citizens feel safe again thereby dampening the tide of populism, and to think strategically in a highly volatile and unpredictable multipolar world would be the key to the EU's resilience and resurgence. However, as argued by Andrew Moravcsik in his article in the Foreign Policy written on the 60th anniversary of the

Treaties of Rome in 2017, “we ignored European unity at our peril”.² Sensationalist headlines often conjured images of the demise, the decline or disintegration of the EU. Yet, in facing the last decade of challenges – from the global financial crisis to the EU sovereign debt crisis, and then the refugee crisis in 2015; to facing up to the rise of China and resurgence of Russia, the EU has shown itself to be remarkably resilient in muddling through the different minefields.

Here in Southeast Asia, we should therefore be taking our engagement with the EU seriously. The EU in its 2015 policy paper has expressed desire to strengthen engagement with the Association of Southeast Asian Nations (ASEAN) and fashion an inter-regional partnership with a strategic purpose. Without a more positive and proactive response from ASEAN in the coming years, the EU distracted by more immediate challenges in its own backyard might slide back to the earlier policy of “benign neglect”. The opportunity for a more robust EU-ASEAN partnership to address the common challenges arising from populism, protectionism and heightened geopolitical competition between US, China and Russia would be lost.

About the EU Centre

Established in 2008, the EU Centre in Singapore was a joint project funded by the European Union (EU), the Nanyang Technological University (NTU) and the National University of Singapore (NUS). From 2017, the Singapore Management University (SMU) has also become a partner in contributing to the operations of the EU Centre. The EU is now a joint partnership of these three local universities.

The primary mission of the EU Centre is to promote knowledge and understanding of the EU, its policies and development of its relations with Singapore and Southeast Asia through research, publications and different outreach programmes.

The EU Centre is the Coordinator of a 3-year Jean Monnet Network grant (Sep 2016 – 2019). The Network comprising the EU Centre, University of Indonesia, University of Malaya and Maastricht University, will be jointly organising a series of programmes and activities tied to two research themes on Multiculturalism and Multilateralism.

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² Andrew Moravcsik “Europe is still a superpower” in *Foreign Policy*, 13 April 2017