

Recommendations

FROM THE
MEMBERS
OF THE

TEPSA NETWORK

TO THE
INCOMING

FRENCH PRESIDENCY



December 2021

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The Trans European Policy Studies Association (TEPSA) has a tradition of formulating recommendations to the incoming Council Presidency. These recommendations are formulated by experts from the TEPSA network, without necessarily representing the views of TEPSA or its Member Institutes. They will be presented to the incoming French Council Presidency on the occasion of the TEPSA Pre-Presidency Conference on 9-10 December 2021 in Paris. The conference is organised by the Centre for European Studies and Comparative Politics (Sciences Po) and TEPSA, with support from the European Commission – namely from the Europe for Citizens and Horizon 2020 programmes (in the framework of the InDivEU project).

Introduction: How to Europeanize the French Presidency?*

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France will take over the Presidency of the Council of the European Union (EU) in January. It is no secret that it will be perturbed by the presidential elections that are scheduled for April 2022, even more so since most of the priorities of the Presidency are a part of the electoral campaign of the incumbent President Emmanuel Macron. Having said that, the tendency to put a European flag on French national interests is not a new phenomenon. This is why, one of the key issues for the upcoming leadership of the Union is how to Europeanize the French Presidency – meaning, how to make sure that European priorities and solutions put forth by the French Presidency respond to wider European, and not merely French, interests and views.

In the meantime, reinforcing the Franco-German alliance will also be on the table since Germany is getting ready to send its new leader to the European Council. This time, however, the usual suspects should look for more inclusive alliances.

There are three areas where this is going to be extremely important. Defining what “strategic autonomy” should entail; the execution of the recovery fund; and, last but not least, converting the results of the Conference on the Future of Europe into something tangible. Obviously, both the world and the European Union are going through existential changes. Historical alliances are being reshaped in the face of rising US-China rivalry. The decisions of today will shape the European Union of tomorrow.

A strategic autonomy that can convince everybody to be on board

The consequences of the US disengagement from Afghanistan, the gas price race with Russia, the never-ending negotiations with the UK on the Northern Ireland Protocol and the US-China trade war all call for a reinforced strategic autonomy by the EU, to be supported by strategic convergence and autonomous capabilities. European citizens also call for more Europe – and expect the EU to do more and better on crucial matters such as security, migration and climate change.

France has led the political discourse and initiative on European sovereignty and its corollary, strategic autonomy. The ensuing debate at EU level has already clarified that it should not be read as protectionism or autarky, nor like an attack on NATO, and that its scope goes far beyond security and defence to cover a wide range of sectors from trade to technology and industry. Paris is now planning to give substance to it during its semester of the Council-Presidency through, among others, the presentation of the Strategic Compass and the organisation of a defence summit with the European Commission.

However, there are at least two main misconceptions to rectify if France wants to make strategic autonomy a success. First, in terms of narrative, which has been divisive rather than cohesive so far. Making strategic autonomy acceptable at EU level requires that it is presented not as an instrument to fulfil France’s sovereign ambitions through Europe, but as a means to reinforce European sovereignty with France’s key contribution. It is therefore essential to disentangle strategic autonomy from the pursuit of French grandeur and make more evident its benefits to Europe as such.

The second misconception relates to the method. Making strategic autonomy work means going well beyond the Franco-German couple. In fact, the Franco-German engine is not enough, even with the stronghold of the European Commission, to sustain by itself a fully autonomous European foreign and security policy, both in political terms and in that of resources. France and Germany need the contribution of other key member states, starting by those that are willing and able, in order to reconcile their positions and create a driving group to transform declarations into actions.

By expanding the scope of strategic autonomy – both conceptually and politically – it will have more chances to be accepted and implemented. Otherwise, it might well become a boomerang and a symbol of the EU’s widening capability-expectations gap, thus contributing to the erosion of its credibility as a provider of security and well-being for its citizens and as an effective international player among partners. The French EU-Presidency and the important events that have been scheduled, in particular in the security and defence field, can be the perfect opportunity to show a change of pace towards a Europeanization of French ambitions.

Foster a holistic debate on economic governance



One year after the establishment of the EU’s recovery fund NextGenerationEU the EU needs to guarantee its effective implementation as well as to think ahead on economic governance. The main task for the French Presidency will be to tackle the question of how to guarantee stability and growth within the EU while at the same time fostering investments. EU member states are divided over the questions of both how to reform the rules of the Stability and Growth Pact (SGP) and whether the NGEU should become a permanent tool. Undoubtedly the SGP has its benefits and drawbacks particularly in view of individual member states. The European Commission is due to present its guidelines for the fiscal policy of the upcoming years and the French EU Presidency should act on that. In doing so, it will be well advised to be aware of the divisions within the Union on the question of establishing a so-called “debt union”. Merkel’s turn on fiscal policy in 2020 paved the way for the NGEU, but the German government has been very eager to stress that this was only a short-term measure. Olaf Scholz, according to current coalition negotiations the incoming German Chancellor, however, is more open on the question of a permanent NGEU. There might hence be room for manoeuvre for Macron, who has been advocating European budgetary integration and debt mutualisation in the past years. Having said that, there are still the so-called ‘frugals’ to convince – and Italy might be an ally in crime to do so. Italy is also in favour of a permanent NGEU and Draghi as former President of the European Central Bank is much respected in the Nordic countries.

Before jumping the gun, however, France should focus on closely monitoring and overseeing the implementation of the National Recovery and Resilience Plans in order to assess the effects that the NGEU can have.

The Conference must go on.

Another area where more selfless contribution of France is needed is the Conference on the Future of Europe. Being mostly the father of the exercise, Emmanuel Macron is hoping to harvest its results before the French presidential election. There is a danger to it. Taking into consideration all the changes the Union is going through and what it is up to, collective thinking about its future should be more than an electoral pledge. This is why, the Conference should bear results – and they should be concrete and tangible.

The Conference covers a broad range of topics from health to climate change, from democracy to external relations. None of the issues is more important than the others. Having said that, the French EU-Presidency should give a special push to discussions related to values and rights, including rule of law. Recent decision of the Polish constitutional court demonstrated us that nothing in the EU should be taken for granted.

All in all, the French Presidency should open the way for the meaningful continuation of the Conference while guaranteeing that its results will be converted into tangible actions. The Conference should not be perceived as campaigning material for no one, it should rather be a step towards creating a common future.



Strategic Compass: Petals worth adding to its rose

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The Strategic Compass, due to be endorsed by the European Council in March next year, is meant to improve the EU's crisis response, matching achievable goals with sufficient means and making the EU a capable – or even just a relevant – actor in the field. Recommendations to the French presidency might be expected – like much of the public debate - to focus on transforming the EU into a military-strategic actor, and to join the debate about whether a 5,000-troop-strong rapid deployment capacity is sufficient and feasible. But to achieve consensus between member states on such matters, not to mention balance in the EU's overall security posture and continued effectiveness in those areas where the EU's Common Security and Defence Policy already excels, our three recommendations instead focus on the blind spots in the SC draft.



Civilian crisis management barely features in the draft SC, although CCM reflects the EU's self-image and core values of human rights, the rule of law, democracy, and individual freedoms. CCM, although long considered the EU's "soft" security capability, can boost the EU's credibility as a security provider even under today's harsh geopolitical conditions, especially through activities like monitoring, capacity-building and advising. CCM remains a useful tool to address fragile states, simmering conflicts, and great power competition. At the very least, the SC should thus link up with ongoing work on a 'Civilian CSDP Compact 2.0'. The original, 2018 Civilian Compact showed that CCM can readily be made more capable, flexible, joined-up and effective. By hooking up the Compact 2.0 to the SC, governments can focus on **urgent mandate areas – such as preventing and countering violent extremism or the climate-security nexus.**

The SC is, secondly, the right tool for improving the impact of individual CCM missions, ensuring that each is mandated with measurable tasks by which to judge its eventual success. An analysis of the individual conflict is already meant to frame each CSDP mission's life cycle – and the SC's negotiators should be aware of this when defining the Compass's aims. Causes of conflict should be identified to create clear mission objectives that can later serve to evaluate a mission's success. At the outset of the mission, the EU's Normandy Index for Peace could serve as a starting point for analyses. But the SC should also lay emphasis on the end point of each mission: exit strategies for missions are so far underdeveloped. In order to boost public support for CSDP, it is important that lessons from earlier EU operations are communicated more transparently – good principles for the SC.

And, lastly, SC negotiators should acknowledge the crisis response toolbox *beyond* CSDP - the vast array of EU tools that boost crisis **resilience**, from critical infrastructure to supply-chain security to socio-economic cohesion. Resilience is one of the four baskets of the SC and key to solving interconnected threats that run across the EU's internal and external spheres. Understanding the EU's existing strengths here would provide a useful counterpoint to the rather circular debate about its military-strategic weaknesses. A cross-institutional Resilience Task Force (involving Commission, EEAS, European Parliament, and Council) could usefully **identify existing work strands that contribute to resilience and link these better to CSDP.** It should set up an EU-wide **resilience-monitoring forum bringing together EU-level, regional, national and local stakeholders, and using the SC threat analysis as its starting point.**



The French presidency will have to translate the common threat analysis and military-strategic ambitions into tangible Council conclusions. It will have little room to overhaul these until March. But in that period it can focus on the low-hanging fruit that consist of increasing capability and visibility of existing EU assets: civilian crisis management, conflict analysis and evaluation, and resilience.

What fiscal rule is optimal depends on the existence of a central fiscal capacity

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- The objective of the debate should be to endow the EU with the fiscal capacity it lacked in the past
- If the fiscal capacity is to be left at the Member State level, then less restrictive rules need to be put in place
- The “green golden rule” would be a welcome step forward, but insufficient to create fiscal space. An “augmented golden rule” by which the political process defines what expenditure increases tangible and intangible capital, would be optimal
- Absent the political space for a radical reform of fiscal rules, the French presidency should concomitantly push for opening the discussion on the creation of a central fiscal capacity, a “Permanent NGEU”



One of the priorities for the French presidency of the EU will be to advance the legislative work to build a Europe better equipped to deal with future challenges, along the lines of the Conference on the Future of Europe. A major open ward is the fiscal governance of Europe, that after Covid increasingly seems a remnant from another era. It would be simplistic to say that European fiscal rules imposed the season of austerity after 2010. This was the result of a vision that traced financial instability and the debt crisis back to the profligacy of southern Eurozone countries; therefore, with or without the existing fiscal rules, European countries would have walked that path anyway. However, the institutions for European macroeconomic governance were consistent with the turn to austerity and provided the European institutions with the appropriate instruments of pressure to impose it on even the most recalcitrant governments.

The activation of the suspension clause of the Stability and Growth Pact (SGP) in March 2020 had obviously been motivated by the pandemic; however, it coincided with a surprisingly severe assessment of the existing framework and coincided with the opening of a consultation process by the Commission¹. It took on board the criticisms that had been voiced by independent economists for several years; the current framework (a) is overly complex, arbitrary, and difficult to enforce; (b) allowed to control deficits, but much less debt, which is the true measure of public finances’ sustainability; (c) penalised public investment², which is generally easier to reduce than current spending; (d) pushed many governments to implement procyclical fiscal policies.

The opening of the consultation process, (in February 2020, **before** the pandemic!) is the clearest sign that fiscal policy made it back into the policy debate. Especially for global public goods such as ecological transition or social protection, few today deny the importance of the public hand. But, today, Member States are limited by the strict rules of the SGP and the EU has no real fiscal capacity. **It is crucial, therefore, that the discussion on rules is not separate from that on the creation of a European fiscal capacity.** Different paths can be taken to create fiscal capacity. It can be created at the central level, providing the EU bodies with a significant and permanent tax and spend capacity; if that were the case, fiscal rules could remain as restrictive as they are today, as the fiscal capacity would be moved at the central level. Alternatively, if one considers (as some legitimately do) that the creation of a significant central fiscal capacity, in a system that remains non-federal, is problematic and cumbersome, space must be given to fiscal policies at the country level, with rules much more permissive than the SGP. **In short, what the "optimal" fiscal rule is will depend on the direction that the debate on a “permanent NGEU” will take.**

¹ European Commission, ‘Communication on the Economic Governance Review’, February 5, 2020; The communication takes on board the recommendations of the European Fiscal Board, Assessment of EU Fiscal Rules, August, 2019

² See, Cerniglia, F. and F. Saraceno (eds) (2020) A European Public Investment Outlook. Cambridge: Open Book Publishers; refer in particular to chapter 1.

So far there has been no official communication, but the Commission might be moving towards a sort of **"green golden rule", which would scrap green investments from deficit figures**³. However, it is unlikely that a green golden rule would be enough to give governments the necessary fiscal space. Furthermore, the pandemic showed once more the inadequacy of a purely accounting approach, identifying public investment with physical capital; following this approach, a large part of health-related expenditure, for example, would be considered current expenditure. **The challenge would be to define investments in functional terms, to include all expenditure that increases not only physical capital, but also social and intangible capital, which are equally essential for growth. Such an "augmented golden rule"**⁴ **would not be technocratic. A political process would be central in defining the categories of expenditure to be considered growth enhancing.** The Commission, the Council and the Parliament could agree on detailed guidelines regarding what items should be financed through debt and update them periodically, based on changing needs and political equilibria.

If given the current political equilibrium in Europe, a green golden rule proves to be the only viable way forward, **it would be necessary for the Commission to launch at the same time the debate on the creation of a central fiscal capacity**, which would at that point be unavoidable. Otherwise, the risk is that despite some cosmetic changes, tomorrow's European Union will end up resembling yesterday's, unable to use macroeconomic policy to support growth and counteract cyclical fluctuations.

³ Darvas, Z. and G. Wolff (2021) 'A Green Fiscal Pact: Climate Investment in Times of Budget Consolidation?', Bruegel Policy Contribution 18/21 (September).

⁴ Saraceno, F. (2017) 'When Keynes Goes to Brussels: A New Fiscal Rule for the EMU?', Annals of the Fondazione Luigi Einaudi 51(2): 131–58.

The EU needs to implement swiftly the “Fit for 55” agenda to tackle the climate crisis

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The climate agenda has long been a priority for both the EU and France. The current climate crisis – highlighted by an unprecedented number of extreme weather events in 2021 – makes climate action ever more urgent. **The Paris Climate Agreement provides the essential multilateral framework to address the ongoing crisis.** It was inter alia a great success of French and EU diplomacy, and epitomises their climate leadership. However, this leadership can only endure if it is backed up by ambitious domestic policies for the mid- and long-term.

The “Fit for 55” package of legislative proposals plays a key role in this regard. It responds to the need to update the existing EU climate and energy policy framework by revisiting its climate, energy, land use, transport and taxation policies, so that the Union can reduce its greenhouse gas emissions by at least 55% until 2030. **The French Presidency of the EU should put the revision of the main relevant legislations on top of its agenda** – most notably the Energy Efficiency Directive, the Renewable Energy Directive, the Emissions Trading System (ETS) Directive and the Effort Sharing Regulation on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030. Similarly, the revision of the Energy Taxation Directive should be fast-tracked in order to align the taxation of energy products with EU climate objectives.

Furthermore, the Presidency should prioritise approval of stronger CO₂ emissions standards for new passenger cars and new commercial vehicles, in line with the Commission’s declared objective of reducing emissions of new cars by 55% in 2030 and by 100% in 2035, compared to 2021 levels. **For this purpose, adoption of the proposed Regulation on the deployment of alternative fuels infrastructure should be treated with utmost urgency.** Legislation and policies supporting the use of sustainable fuels in aviation should also receive due attention to reduce the sector’s very significant and still growing emissions.

The EU should be careful with the deployment of the Carbon Border Adjustment Mechanism (CBAM), which aims at preventing carbon leakage. The French Presidency could use its considerable diplomatic resources to consult with trade partners and ensure that CBAM implementation does not lead to tariff wars, but rather encourages partners to adopt carbon market mechanisms and climate-friendly standards in industrial production.

Due to the recent rise in gas and electricity prices in the EU, some Member States have argued for reviewing or postponing the 2030 climate agenda. However, **the EU has a clear interest in ensuring that the proposals included in “Fit for 55” remain ambitious and are approved swiftly. The French Presidency should make this endeavour a key priority.** It is additionally essential that the principles of fairness and solidarity guide the legislative and policy work, so that the energy transition enhances social justice.

Finally, the French Presidency could use the momentum created by the UN climate conference COP26 to drive climate action both domestically and internationally. The “Fit for 55” agenda is the cornerstone of EU policies, and its climate-first logic should guide the implementation of post-pandemic recovery programmes.

The broader Mediterranean Agenda: Inclusivity, Strategic Autonomy and Social Agenda

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France is a European and a Mediterranean power. Paris is well-positioned to enhance the EU's influence in the Southern neighbourhood and adjacent regions (Sahel, Horn of Africa, Arabian Peninsula) as well as bringing the Mediterranean higher on the EU agenda.

Yet, France's ambitions create resistances among some partners, be it because of the prevalence of the colonial resentment (see Algeria) or because they perceive France as a competitor or even as a rival (Turkey). Because of its undisputed capacities, France may also be tempted to promote national initiatives rather than European ones or overlapping with those. Sarkozy's early attempt to launch a Mediterranean Union

outside the EU framework is still fresh in the memories of decision-making circles.

The French Presidency should seek to preserve the inclusive character of the EU vision for the Mediterranean, reinforcing already existing structures such as the Union for the Mediterranean; avoid buying into the adversarial zero-sum game of alliances prevalent in Middle East; and enhance the coordination with the Brussels-based institutions as well as with other Member States.

The implementation of the New Agenda for the Mediterranean, released in February 2021, offers plenty of opportunities for joint efforts with the European Commission and the European External Action Service. **The coordination with the following rotating Presidencies (Czech Republic, Sweden, and Spain) could also be extremely beneficial.**

An inclusive and collaborative approach should create conditions for France to shine in the promotion of a positive agenda with all the Mediterranean partners, including the civil society - a topic Paris is considerably investing in.



France could anchor the Mediterranean as part of the Strategic Autonomy agenda. This has gained prominence in times of global turmoil, fears of supply chain disruptions and widespread perception of vulnerability. While Europe is embarked in a process of re-industrialisation and one of the main challenges for Southern and Eastern countries is the creation of high-quality jobs, France could highlight the opportunities that nearshoring represents for both the EU and the Mediterranean Partners. Solidarity mechanisms when facing shortage or sudden price-rising of strategic and basic needs is another very concrete way of translating Strategic Autonomy from discourse to action. Neighbours could be invited to contribute (and benefit) from them.

Finally, France is well equipped to promote the social agenda as part of EU's Mediterranean policies. COVID-19 has raised awareness on social divides and the need for better public services. One of Emmanuel Macron's well-remembered contributions to the European public debate was the call for "l'Europe qui protège". In times of uncertainty, disruptions, mounting inequalities, environmental emergencies and humanitarian crises, the people around the Mediterranean are very much in need of protection and social justice. **It would be coherent for a country such as France to raise this concern during its Presidency.**