



Recommendations

FROM THE
MEMBERS
OF THE

TEPSA NETWORK

TO THE
INCOMING

GERMAN PRESIDENCY



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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 German Council Presidency on the occasion of the TEPSA Pre-Presidency Conference on 25-26 June 2020 in Berlin. The conference is organised by the Institut für Europäische Politik (IEP), Berlin, and TEPSA, with support from the German Federal Foreign Office, the European Commission – namely from the Europe for Citizens and Horizon 2020 programmes (in the framework of the InDivEu project), and Stiftung Mercator.

Introduction: A Plea for the German Presidency: investing boldly and smartly in the future

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The German Presidency will officially kick off on July 1st 2020. Expectations for leadership throughout the European Union are high, as are hopes that the Presidency will give substance to the claim: 'Together for Europe's recovery'. Germany has the unenviable task not only of guiding the Union and its Member States out of the crises generated by the COVID-19-pandemic, but also of encouraging them to design a credible strategy for longer-term reform. In fact, the health emergency has exposed the many gaps in the European project that affect its ability to respond to citizens' needs, posing a question of the EU's survival. In a sense, the pandemic has served as a wake-up call, and probably as the most alarming one since the economic and financial crisis of 2008 and the mass influx of irregular migrants in 2015-2016,

reminding Europeans that there are no options other than to change or to disintegrate.

Bold reforms are not easy to make and require a combination of different elements: **political will by leaders, courageous action by institutions, and support by citizens**. The German government has already given a preview of its political drive through the Franco-German initiative for European recovery, which paved the way for an unprecedented proposal by the European Commission. However, the Franco-German engine is a necessary but not sufficient condition for a successful outcome. In this context, it is highly important to keep an eye on institutional dynamics, as the centre of gravity has clearly shifted towards the European Council. A core task for the German Presidency is to build bridges between Member States. Both the North/South divide (mostly on the economy) and East/West divide (mostly on the rule of law and basic principles) are very visible. Thus, a key challenge for the German Presidency will be to convince other Member States, particularly the "Frugal Four", to support the European Commission's package and an ambitious Multiannual Financial Framework (MFF) for 2021-2027, as well as possible longer-term reforms on the economic governance of the EU, starting with the role of the European Central Bank and the fiscal capacity of the Union. What is at stake is not only the symbolic emblems of EU integration, namely the common currency and the Eurozone, but most importantly the well-being of European citizens.

The scattered and belated European level response after the outbreak of the emergency, combined with the profound economic and social consequences, may impact negatively on citizens' trust towards EU institutions, reinvigorating the sirens of Euroscepticism and populism. To face this challenge, the German Presidency needs to be bold in its political investment on an equitable and sustainable Europe, focusing on social, environmental and digital challenges exacerbated by the crisis. But regaining the hearts and minds of people in Europe also needs a strong symbolic initiative to make the EU more present, visible and meaningful for their daily lives. A reviewed **Conference on the Future of Europe**, with a shorter timeframe, clear objectives, and a credible mobilization system could prepare the ground for a metaphorical vaccine for the EU.

Likewise, seeking **basic consensus on the rule of law shared by all Member States** is desperately needed as a fundamental precondition for the future of Europe, and is challenging to achieve at the same time. Long before the COVID-19-pandemic, Article 7 procedures on the rule of law were initiated against Poland and Hungary. However, these proceedings have shown little effect so far. The pandemic has reinforced the challenges to the EU's common values: governmental actions aiming to contain the virus limit the freedom and fundamental rights of citizens across EU Member States and curtail the rule of law in Hungary even further. 'Together for Europe's recovery' therefore needs to build on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights (Art. 2 TEU). The German Presidency must tackle the dilemma that there is no time to lose while the rule of law issue is not prominent among some Member States – as evidenced by the little progress in the Article 7 proceedings. It needs to break the silence on this topic, take a coordinated leadership role and monitor the first rule of law check on all Member States. Additionally, **rule of law conditionality** needs to become an inbuilt feature not only of the MFF but also of the COVID-19 recovery plan. If common values are at risk, the EU's future will be at stake.



The long list of strategic agenda points outlined by the European Council and the European Commission's Work Programme, the substantial amount of agenda points inherited from previous Presidencies, as well as the COVID-19-pandemic demand careful expectations management on what the German Presidency will be able to achieve. It would be unrealistic to expect that the EU will follow the same agenda as if the COVID-19-pandemic did not happen. The German Presidency will be well advised to choose its priorities wisely in order to invest smartly in the EU's future. There are some urgent issues that will still be at the spotlight.

Negotiations of the **MFF** for 2021-2027 should be concluded as soon as possible while maintaining an adequate level of ambition, since the European Commission's **recovery fund** is also connected to it. For now, there are sharp differences between Member States. Chances that negotiations will be successfully concluded before Germany takes over the Council Presidency are rather low, thus the German government's first priority should be to come up with a just and ambitious program for **economic and social recovery**. Social cohesion should be at the centre of this plan.

Even if the COVID-19 pandemic requires a redistribution of resources, the **fight against climate change** and rapid digital transition should take their fair share. Both items are vital investments for the future while the latter is also very much connected to the broad concept of strategic autonomy. **Digital and technological sovereignty** should be key items on the agenda.

Brexit is another urgent item on the list that will not allow any suspension. Since the UK government is not willing to extend the transition period, the German Presidency will have to deal with this issue. The EU should look for the best deal that favours both the Union and its citizens living in the UK, while preparing for a possible no-deal.

Four policy areas particularly promote investment in a stronger and more innovative, sustainable and fairer Europe, as well as a Europe that provides security and common values, and acts strongly in the world – and therefore these deserve more detailed recommendations: **1) economic and social recovery, 2) climate change and sustainability, 3) resilience of the EU's project and 4) the EU's global role.**

Supporting the EU's economic recovery

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The impact of the global COVID-19-pandemic has led to unprecedented measures to ensure the EU's economic recovery. The European Central Bank (ECB) estimated a contraction of nearly 9 % of GDP this year, and these figures could get worse. The crisis comes on the heels of the sovereign debt crisis worsening existing inequalities between the EU Member States and once again poses an existential threat for the euro. The EU has been able to develop further some instruments created for the sovereign debt crisis, and during the current crisis has created new ones like the European Stability Mechanism's Pandemic Crisis Support, the Commission's proposal for the temporary Support to mitigate Unemployment Risks in an Emergency, and the Commission's Next Generation EU proposal that includes a Recovery and Resilience

Facility. Nevertheless, old wounds inflicted during the previous crisis remain and could stand in the way of resuming economic growth.

For Germany's Presidency, we suggest three main proposals. The first is to **defend the Commission's Next Generation EU recovery instrument**, particularly the Recovery and Resilience Facility. This fund retains much of the Franco-German proposal of 18 May 2020. We note that the issuance of EU debt on this scale and the use of grants make this proposal suitably bold for the difficult economic circumstances. It would go some way towards mitigating the fragmentation among Member States, contributing to the functioning of the euro area, and demonstrating European solidarity with countries that are the hardest hit by this crisis and the previous one. We urge the German government to do its utmost to ensure that these essential elements of the Commission's proposals are not negotiated away and to push for an acceleration of negotiations on this point.

The German Presidency should defend the Commission's Next Generation EU recovery instrument.

Second, the German government should **resurrect the Budgetary Instrument for Convergence and Competitiveness (BICC)**, which no longer figures in conversations about the MFF. The size of the current budgetary proposals dwarf what had been under discussion with the BICC. Yet, the Recovery and Resilience Facility is front-loaded and temporary, whereas the BICC would have been permanent. By serving as a basis for eventual fiscal union, it remains an important feature for the long-term durability of the euro.

Finally, the German government must initiate the conversation that the euro area has been avoiding for the last decade regarding the **mandate and accountability of the European Central Bank**. The recent ruling by the German Constitutional Court illustrates the tension inherent in relying on the ECB to undertake measures with such politically sensitive ramifications. The legal framework underpinning the ECB's independence is no longer fit for purpose. The ECB's role remains essential, but the specter of legal threats and the need for the ECB to voluntarily self-censor inhibit the effectiveness of its actions and contribute to the skepticism surrounding its legitimacy. Specifically, the German Presidency should initiate discussions on revising the mandate of the ECB so that price stability does not overrule all other concerns and to strengthen the accountability structure in order to make it fit for the expanded roles undertaken by the ECB. As this would require a treaty change, it will not be done quickly and agreement will not be found within the span of the German Presidency. Nevertheless, the time has come for the EU to recognize that the ECB created by the Maastricht Treaty has moved on with the times, and its role is too important for it to remain bound by rules created for a different era.

Climate change and sustainability

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The post-COVID-19 recovery offers a window of opportunity to reinforce the sustainability of the EU's development model. At the same time, it obliges the EU to put its money where its mouth has been for decades. The Union needs to promote **fundamental, multidimensional and sustainable transformation** towards a climate-neutral European way of life, and the German Presidency bears the responsibility of laying the groundwork **for a sustainable reconstruction of the EU and its Member States**. For such a **truly sustainable European (growth) model** to appear, the ideas of the European Green Deal paved the way

and the German Presidency needs to seize the moment to push further for transformational change in climate action, the EU's circular economy plans and overall sustainability.

As global climate negotiations slowed down in 2020, the German Presidency needs to **activate all the EU's climate diplomacy potential** to rebuild global ambitions for scaling up national pledges under the Paris Agreement. It needs to help overcome the geopolitical divide over climate change and advocate for a more distributed leadership in global climate governance. **Intensifying bilateral partnerships**, such as with China, is of essential relevance and the EU needs to take the lead in putting climate action on top of a global agenda so deeply affected by the pandemic. Advocating for **climate resilience and finances** will play a major role in this context.

At home this means **becoming bolder on the EU's own 2030 greenhouse gas emission reduction target and increasing national climate pledges**. Aiming to further decarbonise the economy and to increase resource efficiency in a post-COVID-19 context, the German Presidency needs to diligently balance Member States' capabilities and oppositions regarding nationally determined contributions.

Mainstreaming, horizontal policy coordination and a holistic sustainability approach are essential to this endeavour. The new **EU Climate Law** will be an important element for setting up an encompassing framework for **the EU's long-term climate strategy** towards **climate neutrality by 2050**. Negotiations on

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a cut-off date for a negative emissions requirement, a EU carbon budget broken down for each economic sector, sectoral roadmaps for climate neutrality and an

independent European Panel on Climate Change as proposed by the EP will be key in the legislative process. The German Presidency needs to put all its weight behind not allowing post-COVID-19 recovery measures to compromise the draft law, and the idea of an **EU Climate Pact** needs to be promoted for a participatory approach to transformation.

Within recovery plans, inconvenient truths about trade-offs between economic recovery and climate-neutrality will need to be addressed. The German Presidency is well-advised to **pay attention to these trade-offs of the Green Deal, the Recovery Plan for Europe and the EU's climate action** in terms of economic uptake and scaling up of climate ambitions. It should initiate an intensive exchange on how best to marry economic recovery with the need to boost climate-friendly technologies and to retire climate-damaging activities and subsidies. An early exchange with the European Commission on the results of the public consultation for the EU Climate Pact that ended mid-June 2020 can be a good starting point to harness the potential for public debate. Nothing less than a **new paradigm for a sustainable, climate-neutral EU** is at stake.

Resilience of the EU's project

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The German Presidency has a key role in leading Europe out of the crisis, not only economically, but also in full respect of European values. If the EU wants to strengthen its ability to resist and adapt in times of crisis it will have to strengthen its resilience. This essentially requires **holding onto the European core values: human rights, freedom, equality, democracy and the rule of law**. In order to show that these values are shared by all Member States, it is important to swiftly reach an agreement on the **Strategic Guidelines in the field of Justice and Home Affairs**. They outline the priorities for the next five years in the realm of values and rule of law, mutual trust, asylum policies and mastering new technologies and artificial intelligence.

Violations of **human rights** have been reported at the external borders of the European Union both before and after the COVID-19-pandemic. Along with the comprehensive opening of the internal and external borders of the Schengen Area, the **Common European Asylum System** urgently needs a reform in the spirit of joint solidarity. The Commission's New Pact on Migration and Asylum to be launched in June 2020 provides a starting point for this process, which must be actively taken forward from day one.

The COVID-19 crisis de facto suspended the **freedom of movement**, caused by the state-centred reactions to reintroduce border controls and entry restrictions for other EU citizens. It is **high time to reform the Schengen Borders Code (SBC)**, after the previous reform proposal came to a halt. As the Croatian Presidency outlined in its information on JHA legislative proposals, "it was concluded that there were no realistic prospects for reaching an

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agreement with the EP based on the current Commission proposal." However, according to Home Affairs Commissioner Ylva Johansson, proposals for new amendments to the SBC are already being prepared, **with better coordination between Member States and internal police checks replacing border controls**.

While taking forward the issues related to mobility and borders, the German Presidency should also pay attention to the fulfilment of **democratic rights and ensuring equality and non-discrimination**. This includes **tackling hate speech and disinformation**, which is expected to appear on the Presidency agenda. A high-level debate on the topic could highlight that all countries continue to address the issue with the required measures and show their support for the EU's efforts against disinformation. The Commission's efforts, such as regular disinformation reports and public condemnation of Russian and Chinese disinformation campaigns, provide a good starting point for common action.

Most fundamentally, the Presidency should highlight the **rule of law and not hesitate to address violations thereof in countries such as Hungary and Poland**. Swift actions should be taken when European law, human rights and fundamental rights are violated. **EU-level dialogues and reviews of the rule of law situation in individual countries need to be backed with concrete actions**, such as introducing the rule of law mechanism in the Multiannual Financial Framework.

Strengthening the EU's role in a post-COVID world

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The first step towards a more resilient and influential EU in an era of international competition is to foster European unity. The well-resourced German Presidency is in the ideal position to **bridge divides between Member States**. The focus should be on concrete policy differences. These include, for example, worries of small and mid-sized open economies that the EU might seek a more protectionist industrial policy amidst global competition and the COVID-19 recovery. In addition, international threat assessments still diverge, and the German initiative of a “Strategic Compass” is a welcome next step in analysing EU’s post-COVID-19 foreign and security policy challenges.

The postponement of the EU-China summit this fall is an opportunity to **reassess and possibly fortify EU’s approach to China**. Beijing’s tactics to amplify Member States’ divisions during the pandemic revealed once again that China’s revisionist agenda thrives on a divided European continent. At the same time, the EU has an interest in cooperation and a rules-based economic relationship with China. The EU cannot overlook the Union’s wider regional strategic interests. In particular, the Commission’s call to diversify European supply chains has implications for EU’s trade and strategic partnerships in the region (e.g. with ASEAN), which need to be strengthened.

The US elections this fall will hardly alter US tendencies to disengage from Europe. The EU’s **united message to US partners on the federal and state level** needs to stress the mutual benefits of the transatlantic partnership, of EU–NATO cooperation, and of potential joint efforts in advancing the multilateral order. However, to prepare for a US void, the German Presidency rightly aims to **strengthen the EU’s ability to act in the context of the Common Security and Defence Policy (CSDP)**, and to foster defence initiatives, such as the Permanent Structured Cooperation (PESCO). The EU’s new Multiannual Financial Framework needs to support these priorities and at least allocate the recently proposed EUR 8 billion to the European Defence Fund. The German Presidency’s work on the economic recovery should **support the EU’s aim to enhance “economic sovereignty”**. In particular, the US’ use of secondary sanctions undermines the EU’s global role and calls for effective counter measures.

In a world on fire, Europe needs a ring of friends. The German Presidency should try to keep its attention on the neighbourhood despite and because of the COVID-19 challenge. It should **decisively support** the

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final stretch of **accession talks with Serbia and Montenegro** as well as a successful start to negotiations with the new candidate countries **Albania**

and North Macedonia. In addition, the dialogue channels with Turkey should be kept open. It is vital for Germany and the EU to **revive post-Brexit talks** with the UK and finalize a wide-ranging agreement on the future relationship, including a close EU-UK coordination mechanism on foreign and security policy. The **EU’s engagement with Africa** has become even more relevant with the need to fine-tune instruments to soften the economic and security impact of COVID-19 on the region. To win “the war of narratives” in Europe’s neighbourhood, the German Presidency should support **strong EU action to counter disinformation on COVID-19 and the EU’s management of the crisis**.