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"A divided continent in search of a common language"

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HENRIK LAX, MEP 2004 - 2009

THE EU IS FACING THE MOMENT OF TRUTH

Distinguished scholars, Ladies and Gentlemen,

It is a challenge for any one to address the threats which the European Union is facing now in a rapidly changing environment. It is a special honour for me, a practitioner, at this academic conference to have been entrusted with trying to enlighten what is at stake.

It is no exaggeration to claim that our EU and its values - the freedom of choice and the security of our citizens, our way of living - are under threat. The wake up calls are numerous and alarming. I shall highlight those arising from the instability of Russia, the flows of migrants and refugees, BREXIT, and the repercussions of the conflicting signals coming from Washington on the Transatlantic relations and the world trade.

In addition to the external threats, tensions have been growing within the union. Mistrust and absence of solidarity between Member States have even given cause to question whether the threats from the inside are more serious than those from the outside.

There is no time for complacency. Our social order, the respect for human rights, democracy and the rule of law are at stake, and need to be defended with determination. A particular challenge is to mobilise the support of the citizens, many of them now frustrated with the state of affairs, while "alternative facts" and easy solutions are on offer to solve complex problems.

This will bring me to discuss the need for an updated vision and an empowering narrative for the union, as well as the impact of some institutional constraints on forging an efficient leadership for it.

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Until now the the integration within the EU has been carried forward greatly by the force of crises. Are the leaders of the Member States ready to

recognise that the present threats and challenges are of a nature and magnitude which cannot be addressed by any single Member State alone? Will they have the courage and solidarity to bring about the necessary measures and tools to meet these challenges and to consolidate the union as an important actor in Europe and globally?

In order to get their citizens on board and to have their support for what has to be done, the national leaders will have to spell out in clear terms the dangers we are facing. Will they do that?

The late President of Finland Juho Kusti Paasikivi used to say that the beginning of wisdom comes with the recognition of facts. If the citizens are not aware of the roots of the crisis, the risk of the union losing power and even falling apart is imminent.

RUSSIA

How many Europeans and political leaders have realised that Putin's Russia has declared a full fledged war on the social order and the values of the EU and the West? Few appear to have realised how determined, systematic and comprehensive the launched attack is - covering military force, hybrid threats, disinformation, corruption and so forth.

It was indeed the prospect of an Association Agreement between Ukraine and the EU which triggered off Russia's annexation of Crimea. The European values are poison to the Putin regime, which Foreign Minister Sergey Lavrov very clearly spelled out at a press conference in Moscow in January. He blamed the foisting and export of the liberal values for the Arab spring, the turmoil in Syria and the war in Ukraine. This was a straight echo of the new Russian foreign policy concept signed by President Putin on December 1st 2016.

NATO is not that kind of a challenge to Russia. Putin knows very well that the alliance in reality is no military threat to Russia. The reason why Russia is against its neighbours joining NATO, is primarily because that membership would reduce the possibilities to put political, economic and military pressure on them.

In a critical analysis of the EU's Eastern Partnership presented here in Tartu in June last year, Vlad Vernygora claimed that the "EU's direct competition with Russia is of unavoidable and, until one of the two collapses, permanent nature". He deplored that EU has not recognised its nature of being a *de facto*

political empire and hence has no strategy on how to counter a strong Russia. Vernygora refers to the EU-Ukraine neighbourhood-building interaction as an example of EU's geopolitical disarray.

However, there is a growing insight within the institutions of the EU that Putin is seriously trying to destabilise the EU. This seems to pave the way to the recognition that successful diplomacy in relation to Russia also will require a back up of hard power. Putin looks at foreign relations as a zero sum game.

Nevertheless, the politicians and the public in the EU have a poor understanding of the logic and dynamics of the Russian society. For those living on the Mediterranean side of the union Russia is rather a non-issue (if not a teaser to lift sanctions). This adds to the demand for academic analysis and input to assist the EU leaders in shaping a sensible long term line of action in relation to Russia.

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Why has Putin chosen to be assertive and seek confrontation with the EU? The very short answer is probably twofold: to secure domestic support for the regime and to keep the values of the West away from Russia.

Russia is the victim of an institutional instability and deficiency, which is a key cause of the economic and social backwardness of the country. Much of this crisis stems from the lack of evident rules for an orderly succession in the President's office.

This deficiency has enabled the Putin regime to build up and reinforce an informal extractive (cleptocratic) power structure which now is dependent on confrontation with the West to fuel its domestic support and legitimacy. It is no longer only the Russians who have been taken as hostages by this system but we other Europeans as well!

A Russia with stable, independent and accountable institutions would be to the benefit of all Russians and make Russia more comfortable with itself and its neighbours. I have a dream that addressing this institutional instability one day would become a common goal uniting the reformists in Russia. It would be a good cause for the EU to try to promote that to happen.

1) Academics who have touched upon the institutional dilemma of Russia are i.a. my countryman Pentti Sadeniemi, author of *Political Succession in 21st Century Russia* (2014), Daron Acemoglu and James A. Robinson, authors of *Why Nations Fail - The Origins of Power, Prosperity and Poverty* (2012). Already in 2006 Jegor Gaidar expressed his worries in "Gibelj imperii. Uroki dlja sovremmenoj Rossii". In 2015 Vladimir Gel'man published "Authoritarian Russia: Analyzing Post-Soviet Regime Changes". Only a year ago Nikolaj Petrov found the problems turning perilous in his essay "Putin's Downfall: The Coming Crisis of the Russian Regime" (ecfr.eu).

REFUGEES, MIGRATION

We must recognise that major flows of refugees and migrants have come to stay. The pressure towards Europe will not wane, and we shall have to face unpredictable peaks. There is an imminent demand for a strategy providing a set of instruments and actions supported by a substantial input of financial resources to enable the EU to manage the problem in a feasible and humanitarian way.

A firm common policy on asylum and legal migration is a *conditio sine qua non* for a successful fight against the smuggling and trafficking of human beings as well.

The consequences of not being proactive and prepared are now terrifying the citizens and shaking their trust in the union, giving playground to political daredevils and adventurers. - The EU has failed to maintain the principle of ownership to its borders. People feel that their identity is under threat. This again has turned one of the union's monumental achievements, the Schengen Union, into jeopardy.

The EU Commission's initiatives in view of shaping a common asylum system have so far had little success with the Member States. Even a durable agreement on refugee quotas - a minimalistic solution indeed - would have made it easier to manage the peak of 1,2 million incoming refugees in 2015. Their number represents 0,24 per cent of the EU's 500 million inhabitants to be compared with e.g. Jordan and Lebanon hosting a share of refugees a hundred times bigger.

It is an advantage to be proactive compared to being reactive. For the leaders of the Member States, however, it will be a huge mental step to instigate a common border management, and a common policy on asylum and legal immigration. It will be equally difficult for them to address and prevent the root causes of displacement in countries of origin, and to support transit countries by improving reception and asylum capabilities.

The funding of these measures and mechanisms will be critical and politically difficult. However, the EU and its Member States are together the biggest development aid provider, bigger than the rest of the world combined. It is clear that the union has not been able to make full use of this potential yet. A revision of present aid programmes could be part of the solution.

Turkey (appearing in a Neo-Ottoman shape) is already a difficult partner for the EU and might turn out even less cooperative after the referendum on the constitution. It would be prudent to have a Plan B in case the present agreement with Turkey on hosting refugees from Syria would be cut short.

A common border management and policy on asylum and migration would also serve fighting terrorism and organised crime. In any case, efforts to improve police cooperation and extend exchange of intelligence must have high priority in order to enhance the security of the citizens.

It is ironic that the Member States have been able to agree on measures to fight collectively illegal immigration, but not to approve common criteria on legal immigration (and yet, there is a need for more immigrants in some Member States). - So far, the Schengen visa is the only concession the Member States have allowed from their prerogative to decide unilaterally who will have the right to enter their territories.

BREXIT

Brexit is a hard blow to the EU, particularly to its Crown Jewel the Single Market and its budget, at a time when the demand for the union to be a strong actor in the international community is bigger than ever.

With a population of 65 million people the UK is the third biggest Member State. In 2015 it was the second biggest contributor to the EU's budget (9,5 billion EUR) representing almost a fifth (18 per cent) of the GDP of the union. The unique financial centre of the City of London holds an even bigger share of the union's total financial assets (21 per cent) and the value added of UK's financial sector is 24 per cent of the EU total. UK has the strongest military capabilities of the Member States and is clearly in the forefront within higher education (six British universities ranked among the world's top 30, two from other EU countries).

The EU Treaties (Art. 50) will cease to apply to the UK two years after notifying its intent to withdraw to the European Council. This is the time frame in which the exit bill should be settled and the future relations between the EU and the UK should be framed.

Even if the negotiations can be kept free from attitudes of revenge and hard feelings, they will be utterly demanding, and hazardous too, due to the lack of precedent. We already know that an exit bill for some 50 or 60 billion EUR will be hard to accept for the UK. We also know that the EU will not consent to

any "cherry picking" and favours inducing other Member States to follow the British example to leave the union.

It would be important to know how the likely framework for the future relationship between the EU and the UK will be shaped. This will have a major impact on British foreign trade and access to the Single Market, i.e. on the prospects for the whole British economy. This framework will likewise be crucial for the future political cooperation in the field of justice and home affairs as well as foreign, security and defence policies.

Last December the House of Lords released six reports on what Brexit might really mean. Brexit will require re-erecting the structures and processes of the British state that the European integration had allowed Britain to abandon. Thousands of civil servants will have to be recruited, trained and housed. New regulatory authorities and agencies need to be created to fill the gap left by the departing European Commission, border and customs controls require reinforcement etc.

A delicate matter will be the relations with the Republic of Ireland entailing the management of the land border in Ulster. Scotland may also bring about a headache to the British government.

Cutting the ties to the EU means exhuming the nation state and jumping off a moving train.

The Lords' report raises the big question as to where the UK expects to end up after Brexit. The various existing models for EU's trade relations with third countries are dismissed by the Lords, who ask the government to investigate the Ukraine Association Agreement as a template for "a bespoke agreement". At the heart of the Ukraine agreement is a deep and comprehensive free trade area (DCFTA).

One conclusion to be made is that the UK cannot expect to have success in the negotiations unless and until it dares to define its preferred landing zone - or as Article 50(2) has it "the framework for its future relationship" with the union.

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PM Theresa May has been vague about her perception of this "landing zone" and reluctant to reveal it. She is apparently fearing that the disclosure of a road map leading to the goal, which she has (hopefully) defined for herself, would split her party.

Nor has she endorsed the Lords' request to provide the more than three million EU citizens now residing in the UK with legal clarity as to their future status. The greater the uncertainty, the less attractive the UK will be as a place to live and work - to the detriment of the economy.

Britons who continue to live in the 27 EU states will enjoy the status of third country nationals under EU immigration law; that protection will not be available for their EU counterparts who stay on in Britain.

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Strong mutual political and economic interests, as I have indicated, suggest that a common ground for a Post-Brexit entente between the EU and the UK can be found. Free trade and the Single Market must not be jeopardised. Cooperation in the field of fighting organised crime and terrorism, border control and defence must be intensified and so forth.

In a worst case scenario, however, contingencies or unexpected elements revealed during the negotiation process may lead to a situation where there will neither be an agreement between the two, nor a possibility for the UK to withdraw from Brexit.

I shall not here elaborate other consequences of Brexit like the need to adapt the EU institutions and budget to accommodate an EU27, and the changes in the distribution of powers and competences within the union.

I do hope that the Brexit negotiations will reveal, not only to the Britons, but also to the EU citizens how interdependent we are, and how important it is that we together defend and support our union to safeguard our freedom of choice and security - the core elements of our way of living.

TRANSATLANTIC RELATIONS, WORLD TRADE

Since WWII the West-Europeans have been privileged and become increasingly complacent counting on the US as the leader of NATO and ultimate guarantor for peace on their continent. US input, starting with the Marshall Plan, has paved the way for economic progress and the bulwark of stability, the European Coal and Steel Community, ultimately transformed into the European Union and the biggest single market of the world.

The collapse of the Soviet Union brought a radical change in the role of the European Community putting it to the test of reuniting and restoring a Europe torn to pieces by war. Not until Putin-Russia's return to power politics and

geopolitics were the Europeans reminded of their high dependence on the US in defending their positions in relation to Russia. The unclear position of the Trump administration is now a matter of serious concern in the EU: the prospects of carrying forward coordinated actions in EU's neighbourhood, on economic sanctions, military deterrence etc. are in danger.

One conclusion to be drawn is that the EU shall have to take much more responsibility for its own security.

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A liberalisation of the world trade has helped to foster growth of the global economy and of individual economies. Within the G 20 cooperation the US has for many years affirmed its commitment to free trade and to shaping a multilateral trade architecture. However, on the request of the Trump administration the usual reconfirming of counteracting protectionism was omitted from the declaration by the ministers of finance at their G 20 meeting in Baden Baden on January 17th.

This position of the new US administration raises concerns and questions: can the EU count on the US as a partner in shaping a fair global trade order promoting an ecologically, socially and economically attainable development? Is the US slipping away to a path more like the one of authoritarian regimes favouring geopolitics and bilateral deals? That would add to the instability and unpredictability of the world economy and leave the EU alone fighting for a fair distribution of the benefits of globalisation.

Additional hazards in the world trade are anything but wanted. They would harm the efforts of the EU and its Member States to get their economy in shape!

INSTITUTIONAL AND POLITICAL HURDLES

EU is a historic experiment and an institutional work still in progress. It is a hybrid of a union of states and a federative state. Unanimous decisions by the Member States are required in most foreign affairs matters, whereas decisions regarding the union's large supranational competences in internal affairs usually are taken by majority votes (ad hoc majorities). It is difficult for the citizens to understand who is responsible for which decisions and to exercise democratic control.

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Originally the core structures of the community were designed to be governed by the six founding Member States, and these structures have remained

basically the same to accommodate 28 (soon 27) EU Member States. Amendments have been made and competencies increased though, often driven by crises.

Ironically the principle of subsidiarity recognised by the Lisbon Treaty (Art. 5(3)TEU) has turned against its virtuous purpose. Instead of dispatching matters to the appropriate level of decision making in the union, it has enlarged the grey zone between the national and community competences!

The EU has ended up in an institutional patchwork resembling the Tower of Babel. People are confused, feel their identity and personal security is being threatened by the radical changes of society, by terrorism and wars. This is a fertile ground for populism and inward turning nationalism proclaiming easy fix solutions to complicated matters. - It can be argued that mistrust and split sprouting as a consequence might be the biggest danger to democracy and the future of the union.

Three major shocks have put this “patchwork” to severe tests: (1) the collapse of the Soviet Union, (2) an unprecedented global technological revolution affecting our society, its labour and working conditions, and (3) the flows of refugees and migrants.

If the union is not able to deliver adequate remedies, we cannot expect the citizens to recognise the legitimacy of its institutions. The citizens' loyalty lies rather with the national level of governance. Reluctance to build up and join a proper federative state is widely spread, and the hurdles are high for any one leader of a Member State to take the lead in that direction.

WHO WILL DEFEND THE TRUTH?

Jean-Claude Juncker is said to have declared: “We all know what should be done, but we do not know how to be re-elected if we do it!”, indeed a modern version of Niccolo Machiavelli’s depiction of the monumental difficulty in the introduction of a new order of things.

Numerous are the resolutions, road maps and policy documents in which the EU institutions have outlined and recognised the measures required to address the challenges I have highlighted here. Recent illustrations are the EU Global Strategy 2020 approved by the European Council last June, the resolution on adjustments to the current set-up of institutions passed by the European Parliament in February, and the EU Commission’s White Paper on the Future of Europe released on March 1st.

Sadly, not much of a serious debate on how these critical threats should be addressed has taken place in the Member States!

At the celebration of the 60 years anniversary of the EU in Rome on March 25th, the leaders of 27 Member States recognised the unprecedented challenges of the union, declared that they would make it stronger and more resilient and agreed to act together, at different paces and intensity where necessary, keeping the door open to those who want to join later. - It is not evident, however, on which issues eg. France, Germany, Italy and Spain could agree to speed up the pace of integration.

If the citizens' confidence in the EU shall be restored and their willingness to fight for its values be mobilised, two basic requirements have to be met:

- (1) People must be given a true picture of the threats and a reasonable chance to understand how these can be countered.
- (2) An up to date vision of an empowering mission for the union shall have to be shaped and carried by a trustworthy narrative illustrating the impact of our common values on our security, well being and freedom of choice - not forgetting the benefit for the union's neighbours. - The noble mission of reuniting and stabilising a Europe divided by WWII is far too remote, abstract, and not any longer fit to empower and mobilise people.

Both Vladimir Putin and Donald Trump are forcefully engaged in building up national narratives seriously in contradiction and competing with the values and interests of the EU.

I agree with Vlad A. Vernygora and believe that it would be important that the EU recognised itself as a *de facto political empire* in its external relations at large - and could act according to real strategies. The Rome declaration appears to acknowledge this aspect. Will it trigger a real change, or will it turn out to be merely another declaration?

Will there be solidarity and courage enough among the leaders of the Member States to confront their citizens with the true threats to our social order and the tough measures required to address them?

Who will be the visionary leader showing to the Europeans how they can make Europe great again - or will there be any one?