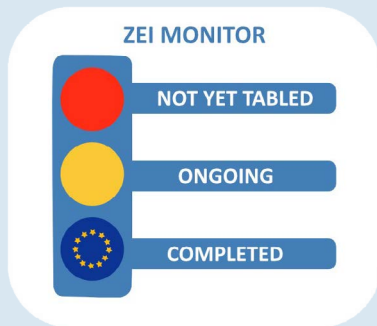




FUTURE OF EUROPE OBSERVER

Vol. 11 No. 1 March 2023

This issue of the ZEI Future of Europe Observer takes stock of the implementation of the annual work programs of the Von der Leyen Commission. It includes analyses on the progress being made within the Commission's six policy priorities, visualized by the ZEI Monitor traffic, and provides an outlook for the coming year.



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FUTURE OF EUROPE OBSERVER

accompanies the debate on governance and regulation in the European Union. Authors are ZEI Scholars, Master of European Studies Fellows, and Alumni.

TIME FOR THE EU TO PROVE ITSELF

The Russian invasion of Ukraine at the beginning of last year was no less than a shock to the European peace order. With all the consequences of a war in the middle of Europe, the European Union's sphere of action changed dramatically in 2022. All political fields prioritised by the European Commission under President Ursula von der Leyen were confronted overnight with completely altered facts and new challenges. As von der Leyen pointed out, it is not just a war against Ukraine, but a "war against our energy supply, a war against our economy, a war against our values and a war against our future" (von der Leyen 2022). In the wake of this new reality, certainties had to be discarded and solutions rethought. Be it in the management of new migration and refugee movements, the self-image of one's own foreign policy role or in the defence of European values through the supply of weapons. The consequences of Russian aggression, such as the dissolution of economic ties, enormous energy shortages and unprecedented inflation, required a joint response from European actors.

Alongside numerous sanction packages against Russia, the EU created a temporary crisis framework through which Ukraine has been supported. From the simplified reception and integration of refugees and asylum-seekers to financial assistance and Ukraine's candidate status, many aid measures were adopted in fast-track procedures under the pressure of the crisis. With a unity and speed rarely seen before, the EU reacted to the changed geopolitical situation, moved closer together on defence issues and tried to redefine its foreign policy role. However, the war was already the second shock, after the pandemic, during the term of office of the current Commission, which overlapped the original plans of the work programme. Thus, energy supply, especially gas supply, dominated,

where important coordination measures in the form of reducing demand, increasing storage capacities and capping gas prices succeeded. However, the actual major project of creating a climate-neutral Europe was somewhat pushed aside on the agenda. Although a prominent and significant step in this area was decided during the year with the end of conventional combustion engines by 2035, many measures of the Commission's work programme in this area have still not been decided or, in some cases, no concrete proposals have been made.

With this, the EU 2022 clearly demonstrates its ability to act in the area of acute crisis management, but at least for the time being fails to prove that it is capable of making major, comprehensive changes. Thus, forward-looking transformation processes of the EU, such as the completion of the Banking and Capital Markets Union or the adoption of the Migration and Asylum Pact, have still not taken place. The end of the Conference on the Future of Europe, which was supposed to shape the future of the EU, produced a surprisingly positive final report on paper with very concrete recommendations for action. Nevertheless, whether far-reaching changes will come about will depend on a new European Convention or on treaty changes, as have long been demanded.

This means that the EU continues to face major challenges this year, to which the 2023 Work Programme adds further projects. The Commission continues to seek to advance its six priority areas, which are covered by our authors in this issue. With the help of the ZEI Monitor, we track the EU's handling of the crises of our time and the political action of the EU institutions in implementing essential legal acts. The following provides an annual interim status of our work.

Henrik Suder, *Research Fellow at ZEI, University of Bonn.*

COMMISSION PRIORITY 1: A EUROPEAN GREEN DEAL

Goals and Key Players

The European Commission's work programme for 2022 continues to reflect an emphasis on its priority of overhauling climate and energy legislation by committing to economic growth and environmental sustainability under the European Green Deal. Of the 43 new initiatives set out in the work programme, over a quarter of the initiatives fall under the first ambition Ursula von der Leyen wants to achieve during her presidency as set out in her Political Guidelines (European Commission 2021a). The policy objectives for 2022 include a zero-pollution package, a climate measure package, a plastics package as well as initiatives regarding the pursuit of a circular economy, improved biodiversity and a revision of legislation on the Commission's Farm to Fork policy objective (European Commission 2021b).

The Commission's tentative planning regarding the goals set for 2022 was to revise the EU rules on the sustainable use of pesticides, including an impact assessment, under the policy objective of Biodiversity and Farm to Fork in the first quarter of 2022 (ibid.). The second quarter was marked for work on revision of Regulation (EC) No 1272/2008 on classification, labelling and packaging as part of the policy objective of the zero-pollution package; a review of EU rules on fluorinated greenhouse gases as part of the policy objective on the climate measure package; and to set up a non-legislative policy framework for bio-based, biodegradable and compostable plastics as part of the plastics package (ibid.). The third quarter was intended for a revision of lists on surface and groundwater pollutants for integrated water management as well as a revision of EU ambient air quality legislation, both as part of the zero-pollution package; moreover, an initiative on the right to repair as part of the policy objective of a circular economy was to be proposed (ibid.). For the fourth and final quarter of 2022, the Commission's work programme set out a focus on its climate measures and plastics packages. The former includes proposals for legislative acts for an EU framework for harmonised measurements of transport and logistics emissions, for reviewing the CO₂ emission standards for heavy-duty vehicles, and for carbon removal certification (ibid.). The latter includes a non-legislative act on the restriction of microplastics, as well as a legislative act on measures to reduce the release of microplastics into the environment (ibid.).

In addition to the above-mentioned revisions and proposals in their respective policy objectives, financing measures

is on the Commission's radar. Aside from the Social Climate Fund proposed as a supporting measure in the 'Fit for 55' package in 2021, a doubling of external funding for biodiversity is envisioned for 2022 and the Commission foresees green bonds to "play an increasingly important role" (European Commission 2021a).

The key players for the European Green Deal include a number of Commissioners across various policy areas, however front and centre is Executive Vice President for the European Green Deal Frans Timmermans. Commission President Ursula von der Leyen, especially in events that unfolded during 2022, continues to be a key player too for the further development of the European Green Deal. Also, Virginijus Sinkevičius, Commissioner for Environment, Oceans and Fisheries, as well as Kadri Simson, Commissioner for Energy, can be seen as key players for the European Green Deal in 2022. The Committee of the Regions, a body that must be consulted regarding proposals made by the European Commission, claims "[t]he European Green Deal will be won or lost in EU cities and regions, as local and regional authorities (LRAs) are responsible for its implementation" (European Committee of the Regions 2022). To this end, the Committee of the Regions had published a European Green Deal Handbook as part of its "Green Going Local" campaign and intends to support the implementation of measures at local and regional levels in a creative and interactive manner based on a Systems Innovation Approach (European Union 2022). Herewith, there is a shift from EU institutions to the European Green Deal becoming a reality within cities and regions.

Progress in 2022

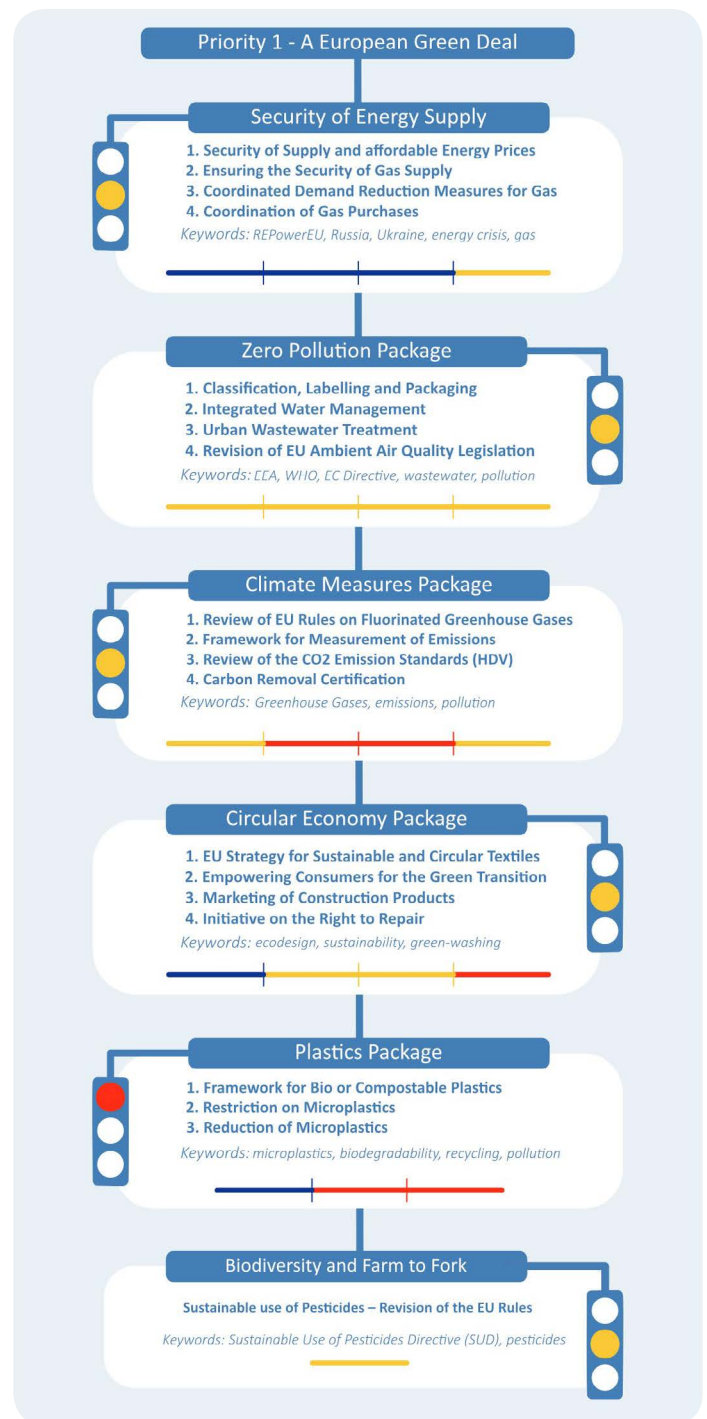
The work programme for 2022 had a clear focus on zero-pollution and emission measures and a continued role out of measures across the policy objectives in the pursuit of using the European Green Deal as an engine of sustainable growth in the post-Covid era. Early in 2022 the EU had to adjust its focus onto security of energy supply in light of the Russian invasion of Ukraine. REPowerEU became the first action by the European Commission and "proposed an outline of a plan to make Europe independent from Russian fossil fuels well before 2030, starting with gas" (European Commission 2022a). This was swiftly followed by "options to mitigate high energy prices with common gas purchases and minimum gas storage obligations" (European Commission 2022b), which includes a legislative proposal on setting an 80 per cent gas level storage to ensure security of supply for the upcoming winter as well as a Communication on possible market intervention at the European and national levels regarding increasing energy prices (ibid.). With regard to other policy

Commission Priority 1: A European Green Deal

objectives, the Commission presented a package on boosting a circular economy including making sustainable products the norm in the EU and to empower consumers for a green transition (European Commission 2022c). This was accompanied by a proposal for a Regulation on establishing a framework for setting ecodesign requirements for sustainable products.

Progress made by the European Commission during the first quarter of 2022 was mainly prompted by reactions to the Russian invasion with the Communication REPowerEU Plan presented during the second quarter in May with concrete measures on securing the EU's energy supply. In order to reduce dependency on Russian gas, oil and coal imports, the Commission proposed in its Communication REPowerEU Plan to accelerate the energy transition with the main actions to be taken including saving energy, diversifying energy imports, substituting fossil fuels with clean energy, smartly combining investments and reforms for faster permitting and innovation, and by reinforcing preparedness (European Commission 2022d). As planned for the second quarter, the European Commission presented two new Regulations to phase down fluorinated greenhouse gases and ozone depleting substances (European Commission 2022e). Furthermore, the Commission proposed to update and modernise the Industrial Emissions Directive in order to steer large industry into the direction of long-term green transition (European Commission 2022f). Catching up on planned proposals for the first quarter, the Commission proposed a Nature Restoration Law, intended to "restore damaged ecosystems and bring nature back across Europe, from agricultural land and seas, to forests and urban environments" as well as "proposes to reduce the use and risk of chemical pesticides by 50% by 2030" (European Commission 2022g). Also, during the second quarter of 2022, the European Commission joins the European Climate Pact, thereby pledging to become climate neutral by 2030.

The third quarter saw two proposals made by the Commission: one proposal on saving gas for the winter and one proposal on emergency market intervention to reduce energy bills. The proposal for a Council Regulation on coordinated demand reduction measures for gas aims to establish "rules to address a situation of severe difficulties in the supply of gas, with a view to safeguarding the EU security of gas supply, in a spirit of solidarity" (European Commission 2022h). This measure involves a 'Union Alert' that imposes a mandatory reduction in the demand for gas and in parallel the Commission has adopted a plan setting out measures, principles, and criteria for coordinated reduction while safeguarding supply for households and essential users (European Commission 2022i). The proposal for a Council Regulation



on an emergency intervention to address high energy prices aims to mitigate the effects by reducing consumption, capping market revenues, establishing "rules for a temporary solidarity contribution" for EU companies active in fossil fuel sectors to contribute to the affordability of energy for households and companies (European Commission 2022j).

Having set the regulatory wheels in motion with respect to safeguarding security of energy supply with various measures from reducing consumption to accelerating the transition to renewables, the final quarter of 2022 the Commission

ZEI Discussion Paper C 276 / 2023

Kritische Rohstoffe in der EU - Herausforderungen und Handlungsfelder - Simon Jerome Dietewich

The war in Ukraine reveals the EU's painful dependence on Russian oil and gas. This fact is sufficiently present in the media, but another threat is rising on a different raw material front. The EU is highly dependent on high-tech minerals, so called „critical raw materials“. These are needed to produce computer chips, rechargeable batteries or alloys that are indispensable for our everyday lives, the technological mastering of the climate crisis and defense technologies. Commodity exporting countries have already recognized their value and are using this for political reasons. This article provides an overview of the critical raw materials in the EU, the challenges of procurement and the action taken by the EU since 2008.



primarily set its sight on measures for its climate change and zero-pollution packages. Advancing in its goals for zero-pollution, the Commission proposed stronger rules for ambient air, surface and groundwater pollutants, and treatment of urban wastewater (European Commission 2022k). More progress was made regarding climate change measures with a proposal for a new Euro 7 standards to reduce pollutant emissions from vehicles and improve air quality; a proposal for a first EU-wide voluntary framework to reliably certify high-quality carbon removals; an agreement on new rules applying to the EU emissions trading system in the aviation sector; and an agreement to strengthen the EU Emissions Trading System (ETS) and by applying emissions trading to new sectors for effective economy-wide climate action (European Commission 2022l). With this, the Social Climate Fund, on the one hand is to provide dedicated financial support on a Member State level to help vulnerable citizens and micro-enterprise in energy efficiency measures, and on the other hand is to provide direct income support for the new national Social Climate Plans (European Commission 2022m). Further progress is also made in the Commission's policy objective for Biodiversity and Farm to Fork with a revised Action Plan, in accordance with the Biodiversity Strategy for 2030, with stronger measures against wildlife trafficking; the adoption of the Communication 'Towards a strong and sustainable EU algae sector' in order to fully harness the potential of algae; as well as provisional political agreement between the European Parliament and the Council on an EU Regulation to fight global deforestation and forest degradation driven by EU production and consumption throughout supply chains (European Commission 2022l). Finally, the Commission proposed new rules on packaging whereby bringing clarity to consumers and industry on bio-based, compostable and biodegradable plastics (European Commission 2022n).

Conclusion and Outlook 2023

As per usual European policy evolves rather by crises as opposed to necessarily design. Having adapted to one crisis in

the form of a global pandemic, von der Leyen's European Commission managed to leverage the European Green Deal to a top priority and an engine of growth for a sustainable and inclusive Europe. With a desire to continue this pursuit by setting goals for 2022 focussing on zero pollution and climate change measures, reality stepped in once more. The beginning of 2022 saw the European Commission, and world leaders in general, take a stance against Russia's invasion of Ukraine. Securing energy supply by shifting away from Russian gas, oil, and coal, clearly paved the way for a quick turn around to clean(er) and (more) sustainable energy sources. Most notably this has been the biggest development in the European Green Deal for 2022, albeit unforeseen when the year's work programme was drafted. This, of course, has had consequences for progress in the 2022 work programme with proposals being delayed and legislative acts lagging behind promised actions. The outlook for 2023 is thus to focus on the 'Fit for 55' reform package and to ensure those delayed proposals become legislative acts. Whatever the crisis will be for 2023, the European Commission, and specifically its European Green Deal, continue to pragmatically adapt to the current reality. Realising that the European Green Deal represents the best chance for lasting energy independence certainly reinforces the immediate importance of the transformation process. Nonetheless, for the European Green Deal to remain a virtuous cycle of sustainable and inclusive development for all European Union citizens policies benefits are to trickle down, be it from robust supply and affordable prices for energy to reformed waste management and resilient food systems.

Aiveen Donnelly

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"Class of 2016".



COMMISSION PRIORITY 2: A EUROPE FIT FOR THE DIGITAL AGE

Goals and Key Players in 2022

In 2022, the Commission continued to steer its course according to the *Digital Compass 2030*. In this context, major progress was made, particularly regarding digital infrastructure. The Commission's *Broadband Guidelines* (C(2022) 9343 final), were finally adopted on 12 December 2022, providing legal clarity and certainty for the future.

However, in 2022, the focus of the Commission turned to other fundamental aspects. On the one hand, the Commission focused on the resilience of the Single Market and the security of communications within the Single Market. In this context, the Commission launched an initiative on a *Single Market Emergency Instrument*. In addition, the Commission adopted measures to provide an *effective and secure satellite-based connectivity*.

On the other hand, the Commission addressed *competition in new digital markets*. Here, the focus is particularly on the mobility sector, where the advancing digitalisation leads to the development of new services, whose competitive provision requires a regulatory legal framework.

Progress and Achievements in 2022

1. Resilience – Protection of the Single Market

The initiative to establish a *Single Market Emergency Instrument* (SMEI) aims to strengthen the Single Market in times of crises. Recent crises such as the COVID-19 pandemic demonstrated the importance of the smooth functioning of the Single Market. The SMEI initiative is intended to secure the free movement of goods, services, and people in order to ensure the availability of essential goods and services to citizens and businesses across the EU in the event of future crises.

In particular, the SMEI initiative consists of a Commission Proposal for a Regulation establishing a Single Market emergency instrument (COM(2022) 459 final), published on the 19th of September 2022. The SMEI Regulation complements other EU legislative measures for crisis management like the Union Civil Protection Mechanism, as well as EU rules for specific sectors, supply chains or products like health, semiconductors or food security, which already foresee targeted crisis response measures.

The SMEI framework consists of two main phases the Commission can initiate in the context of Single Market surveillance - the Vigilance Mode (Art. 9 SMEI Regulation) and the

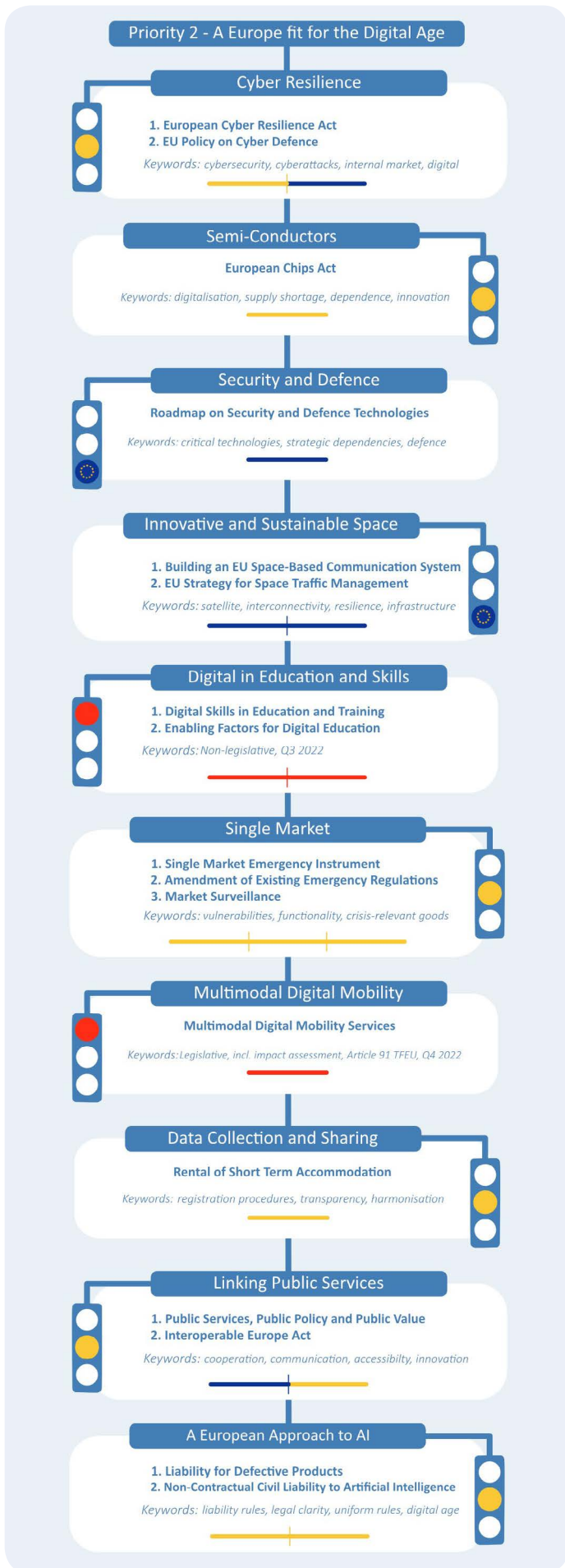
Emergency Mode (Art. 13 SMEI Regulation). Both modes relate to each other in a gradual manner and allow different measures in order to manage crisis-related disruptions in the internal market. The Vigilance Mode can be initiated in the event of a threat to the internal market (Art. 3 No. 2 SMEI Regulation) and provides the Commission with effective surveillance powers. If, on the other hand, there is a Single Market Emergency (Art. 3 No. 3 SMEI Regulation), the Commission can initiate the Emergency Mode, which enables the introduction of market-based measures as well as *ultima ratio* non-market-based measures. All in all, the SMEI Regulation establishes a well-balanced crisis management framework to identify different threats to the Single Market and ensure its smooth functioning.

2. Security – IRIS²: the new EU Secure Satellite Constellation

In order to ensure effective and secure connectivity, which is particularly important for the resilience of the Single Market, the Commission focused on the use of satellite-based communication systems. On 18 November 2022, the European Parliament and the EU member states reached a political agreement on the deployment of a new space infrastructure: The EU satellite system *IRIS²* (Infrastructure for Resilience, Interconnectivity, and Security by Satellite) shall provide more internet security in the future.

The background is a proposal for a Regulation establishing the EU's Secure Connectivity Programme for the period 2023-2027, presented by the Commission on 15 February 2022 (COM(2022) 57 final). The programme extends the EU's space capability, which currently consists of the European satellite navigation and Earth observation systems *Galileo* and *Copernicus*. The programme builds on the EU-GOVSAT-COM component of the EU's space programme.

The programme shall include, on the one hand, the establishment of a sovereign space-based secure connectivity system for the provision of secure, autonomous, reliable and cost-effective government satellite communications services to government users supporting critical infrastructure security, surveillance, foreign action, crisis management and applications critical to the economy, environment, security, and defence. On the other hand, it involves conditions for the provision of commercial services by the private sector to facilitate, inter alia, the further development of high-speed global broadband and seamless connectivity, including by closing gaps in communications coverage and strengthening cohesion between member states' territories, thus contributing to the achievement of the Digital Decade goals in Europe.



The programme will contribute to the competitiveness of EU industry, SMEs and start-ups in the field of satellite communications solutions and services by providing important drivers for innovation and broader commercialisation through technological advances and government utilisation.

3. Competition – Multimodal Digital Mobility Services

As digitalisation advances, the mobility sector is undergoing major changes. New types of mobility offers are being developed, which concentrate on the distribution level only (*Mobility as a Service*). The focus is particularly on *multimodal digital mobility services* (MDMS) that should enable users to combine tickets from different transport providers and transport modes in a uniform digital booking process. Thus, the Commission’s *MDMS initiative* (Ares(2021)6062336) aims at distribution competition in the mobility sector.

Planning and buying tickets for multimodal journeys is much too often cumbersome for travellers in the EU. Therefore, the Commission plans to support the deployment of MDMS through a legal framework. The Commission defines MDMS as “systems providing information about, *inter alia*, the location of transport facilities, schedules, availability and fares, of more than one transport provider, with or without facilities to make reservations, payments or issue tickets” (e.g. route-planners, online ticket vendors). They help both passengers and/or other intermediaries to compare different travel options, choices and prices, and can facilitate the sale and re-sale of mobility products from different operators within one or across several transport modes. By facilitating the access to information, booking, and payment of mobility services, these services will improve ecological sustainability, resilience, efficiency, and comfort of the transport system. MDMS play a central role in terms of transport policy. Advancing digitalisation as well as the offer of MDMS thus contribute to an innovative mobility sector with more demand-oriented and climate-friendly transport services, both regional and supranational.

To facilitate access to the various transport modes providers of MDMS integrate several transport modes and providers (railway companies, airlines, long-distance bus providers and means of urban and regional transport) into a single mobility app or online portal. For example, successive tickets for passenger rail transport can be combined with airline tickets, long-distance bus tickets, rental vehicles including car-sharing or rental bicycles.

MDMS are currently deployed in a fragmented manner, lacking a proper legal and market framework to develop more successfully and to provide a full range of offers across the EU. For long distances, few MDMS exist. Many issues remain, such as difficult co-operation between mobility opera-

ZEI Discussion Paper C 273 / 2022

Die Wirkung der Staatsschuldenkrise auf das Legitimitätsniveau der Europäischen Union - Henrik Suder

Along with the financial and economic threat of the sovereign debt crisis in the Eurozone from 2009 onwards, the crisis also posed a threat to the social acceptance of the European Union. This paper reviews the stability and efficiency of the EU for this period and analyses stabilising and destabilising factors. It focuses on the input and output dimensions of the Union's legitimacy during the crisis and their influence on the EU's legitimacy level, which is empirically tested with the help of Eurobarometer data.



tors and MDMS; complex and lengthy negotiations to obtain licences and distribution agreements; the lack of common standards and interfaces; and the lack of solutions concerning revenue sharing. In some cases, those distribution agreements between operators (both public and private) and mobility service providers are unbalanced, due to inequality of bargaining power in favour of incumbent operators.

Furthermore, different market realities exist for the distribution of transport products depending on the respective modes. In the rail sector, with its specific network structure which sometimes requires the use of multiple operators, the limited uptake of fair and transparent underlying private agreements between operators on journey continuation is also a barrier for selling combined journeys. Such agreements enable companies to ensure that passengers who miss a connection due to the late arrival of a previous train can be carried on a later train, reducing the risk to be stranded and making rail transport more attractive for a wider range of travellers.

One of the main risks is that incumbent MDMS providers adopt anti-competitive practices limiting the proper deployment of MDMS. In some cases, MDMS incumbents do not integrate other operator's offers leading to less transparency, less comparability, and fewer choices for users. This behaviour can especially occur when a vertically integrated MDMS provider is at the same time an operator, competing with other operators (e.g. large incumbent state-owned railway undertakings). In other cases, within the terms of commercial agreements, operators limit the ability of MDMS to compete on an equal footing by providing equivalent and relevant real-time information to passengers before, during and after the journey.

The proper deployment of MDMS thus requires a distribution-related regulatory regime, as many transport sectors are still characterised by vertical integration and market power asymmetries. Incumbents' unwillingness to cooperate hinders market entry, particularly for external mobility service providers.

The *MDMS initiative* aims at increasing the deployment and operational use of MDMS within and across passenger transport modes, with the intention to significantly improve

multimodality, inclusiveness and sustainability in the EU. In view of identified market imbalances, the initiative seeks to address market challenges hindering the deployment of MDMS. In doing so, the initiative aims to make mobility more sustainable and efficient, contributing to the *European Green Deal* and making *Europe Fit for the Digital Age*. The specific objectives are to:

- Provide certainty and transparency for business-to-business commercial agreements for services reselling mobility products, as well as for agreements on journey continuation.
- Prevent harmful market effects which may arise from discriminatory behaviour of MDMS against operators, and ensure that the deployment of MDMS is not hampered by discriminatory practices of Incumbent operators. This includes the establishment of minimum requirements, conditions of transparency and non-discriminatory access for MDMS to operators' real-time data and journey information (data-specific bottleneck Regulation).
- Ensure that MDMS enhance the efficiency and sustainability of the transport system.

Conclusion and Outlook: Europe's digital future in 2023

Overall, the Commission has progressed in 2022 supporting the ongoing digitalisation by contributing to a *resilient Single Market* and *secure satellite communication*. Furthermore, it prepared for the competitive development of a new market - the *market for MDMS*.

Further steps into the digital future are expected in 2023. Here, the Commission will, inter alia, take a look at virtual worlds such as the *Metaverse*. This virtual world, which is still elusive, is gaining increasing relevance in several sectors. For example, the law firm *Gleiss Lutz* recently opened its first location in the Metaverse (Gleiss Lutz 42-55 Decentraland).

Carlos Deniz Cesarano

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COMMISSION PRIORITY 3: AN ECONOMY THAT WORKS FOR PEOPLE

Goals and Key Players

The European Union operates as a single market consisting of 27 countries. In 2021, the total value of all goods produced and services provided, or gross domestic product (GDP), in the EU was 14.5 trillion euro. EU 27 accounts for about 14 per cent of world trade in goods and is one of the three largest participants in international trade, along with China and the United States of America.

Globally, especially looking at the USA, China and Europe - GDP and inflation, as key macroeconomic indicators, show the impact of two major crises during the legislature of the von der Leyen Commission (see tables) (Eurostat 2022; Statista 2022; Tradingeconomics 2022). Thus, the annual inflation rate of the European Union in December 2022 was 10.4 per cent. A year earlier, the rate was 5.3 per cent. The lowest annual rates were registered in Spain (5.5 per cent), Luxembourg (6.2 per cent) and France (6.7 per cent). The highest in Hungary (25.0 per cent), Latvia (20.7 per cent) and Lithuania (20.0 per cent). Food, alcohol and tobacco (+2.88 percentage points) made the largest contribution to annual euro area inflation, followed by energy (+2.79 percentage points), services (+1.83 percentage points) and non-energy industrial goods (+1.70 percentage points) (Eurostat 2022).

Gross Domestic Product (per cent)				
	2020	2021	2022	2023
Euro Area	-6.4	5.3	4.0	2.7
EU	-5.9	5.3	4.0	2.8
USA	-2.8	5.9	2.1	2.9
China	2.2	8.0	3.2	4.4

Inflation (per cent)				
	2020	2021	2022	2023
Euro Area	0.25	5.3	9.2	5.6
EU	0.3	5.3	10.4	6.4
USA	1.4	4.7	7.1	6.5
China	2.3	0.8	2.1	2.2

In general, macroeconomic data shows that the COVID-19 pandemic has significantly affected the economies of countries around the world. At the same time, data show that the global economy is experiencing a rise in inflation and a slowdown in GDP growth, caused by a rapid increase in the prices of energy and other raw materials. The war-induced shocks from Russia's invasion of Ukraine are hitting the economy both directly and indirectly, putting it on a path of

slower growth and higher inflation. The rapid rise in energy and food prices is fuelling global inflationary pressures, reducing household purchasing power and prompting a faster than previously thought monetary policy response.

Furthermore, significant disparities in GDP per capita (PPP) between European Union member states, ranging from 138,772 dollar in Luxembourg to 11,321 dollar in Bulgaria, remain a concern (International Monetary Fund, 2021). Effective economic and political coordination within the EU is important for solving the challenges posed by the pandemic and geopolitical situation. To help member states overcome the pandemic crisis, EU leaders agreed on various initiatives in order to overcome the effects of COVID-19 on the member countries' economies.

Progress in 2022

In light of the COVID-19 crisis, the top immediate policy priority was to ensure efficient use of Next Generation EU, a recovery plan combining loans and grants of about 5.5 per cent of EU GDP to support member states' recovery policies. Moreover, the ongoing war of aggression by Russia against Ukraine has resulted in not only untold suffering and destruction in Ukraine, but also economic repercussions. The sharp increase in inflation due to pressure on the prices of energy, food, and other raw materials has hit the European economy, which is still recovering from the pandemic. In this context, the rise in energy prices can be identified as the main factor of inflation. In addition, European gas prices rose to six-month highs at the end of the summer of 2022, raising fears of an economic recession. For example, the price of Dutch Title Transfer Facility (TTF) gas on the Dutch exchange rose by around 10 per cent to more than 250 euro per megawatt hour.

To address these challenges, coordinated actions have been implemented to ensure adequate and affordable energy supply, economic and financial stability while preserving the sustainability of public finances. Additionally, urgent action is needed to boost potential growth and the creation of jobs and to implement the green and digital transition. Economic policy coordination during the European Semester will help member states achieve these goals by setting priorities and providing clear and well-coordinated policy guidance for the coming years. The four priorities under the European Semester remain the same: promoting environmental sustainability, productivity, fairness and macroeconomic stability, with a view to fostering competitive sustainability.

The Recovery and Resilience Facility has a budget of 723.8 billion euro, which continues to be invested in European business, infrastructure and skills development. The long-term EU budget together with Next Generation EU is the

Commission Priority 3: An Economy that Works for People

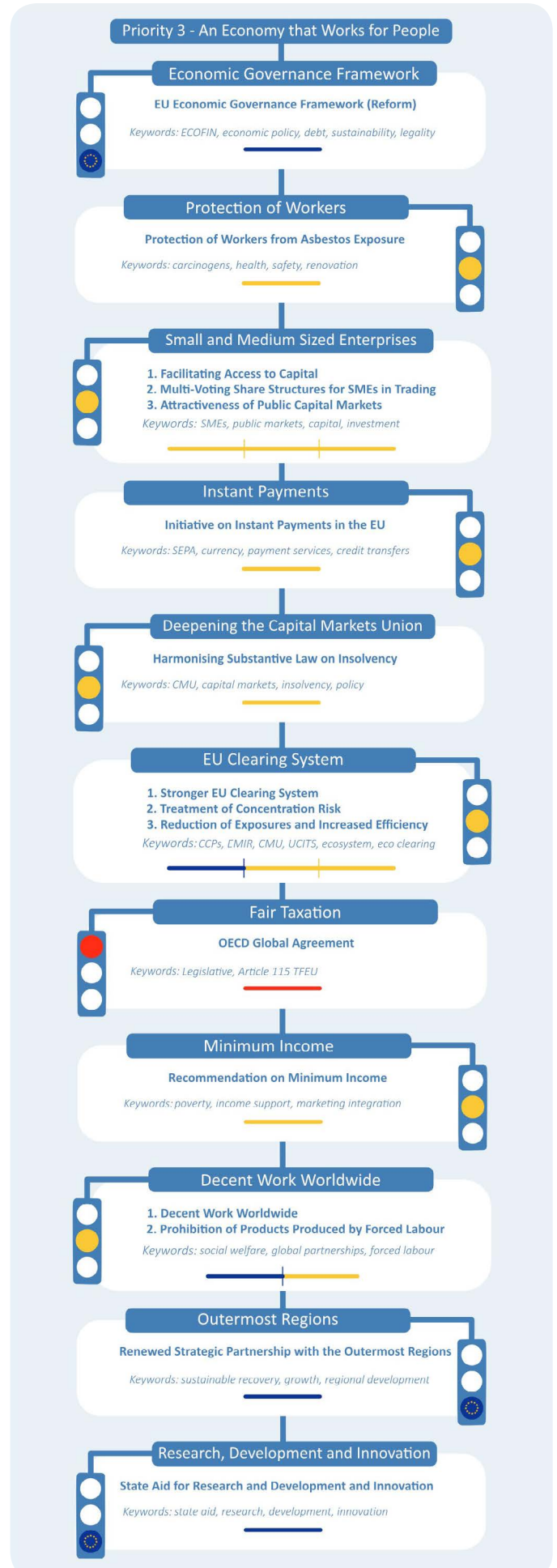
largest package of stimulus measures financed in Europe to date. A total of 2,018 trillion euro has been earmarked for the recovery of the European economy after COVID-19. The funds are used to solve the most important tasks in Europe and to support those who need help. After the start of Russian aggression against Ukraine, additional funds from the EU budget were mobilized to provide emergency aid and support in Ukraine and EU countries and to mitigate the humanitarian consequences of the war. Allocations are planned for the single market, innovation and digital, cohesion, resilience and values, natural resources and environment, migration and border management, neighbourhood and the world.

It is also necessary to ensure that workers in the European Union receive an adequate minimum wage. Given that the minimum wage is insufficient in most member states, the European Commission adopted a proposal for a Directive on adequate minimum wages (COM(2020) 682 final). The aim is to promote collective wage negotiations in the member states and to improve the implementation and monitoring of minimum wage protection established in each country. Progress towards achieving the objectives of the initiative will be monitored by a series of indicators related to the objectives of the initiative.

It is planned that the preferred package will lead to higher minimum wages in about half of the Member States. About 25 million workers could benefit from these increases if Member States with statutory minimum wages. Minimum wage increases would result in a reduction of wage inequality and in-work poverty of 10 per cent and a reduction in the gender pay gap by about 5 per cent on average (SWD(2020) 246 final). It is an ongoing activity. Member States will be asked to report to the Commission every two years on the level of the statutory minimum wage, and the share of workers covered by the statutory minimum wage.

The energy efficiency measures are not only key to achieve the objectives of the European Green Deal, but they also contribute to achieving the REPowerEU objectives by strengthening economy's resilience and reducing external dependence on fossil fuels. In this aspect, great attention is paid to buildings renovation works, which only very rarely consistently solve the problem of increasing the energy efficiency of buildings. The weighted annual energy renovation rate remains low, at around 1 per cent (European Commission 2023).

The COVID-19 crisis has strongly affected the entire EU economy, and especially small and medium-sized enterprises. State support measures have helped mitigate some of the damage, but the recovery shows mixed progress across Member States and across sectors. The purpose of the Re-



covery and Resilience Facility is to help SMEs recover and transition to a greener, more digital and more resilient economy. Around 30,000 SMEs are expected to benefit from digitalisation support initiative. For example, Czech will launch a call for tenders to deploy very high-capacity networks to maximise access to online services for citizens, enterprises, public administrations and institutions, especially in rural areas (European Commission 2022).

In December 2022, the European Commission published a Proposal for a Directive harmonising certain aspects of insolvency law (COM(2022) 702 final). The draft directive shows the desire to harmonise the essential elements of the corporate insolvency process in the EU member states. The harmonisation of these issues of national insolvency law in EU law shows a significant unification of insolvency law not only in the cross-border but also in the national insolvency process.

Conclusion

The superimposition of the agenda by the crises of our time is omnipresent. A high degree of uncertainty is related to the rapid adjustment of the EU and the world economy to the two extreme shocks. The biggest threat is negative changes in the gas market. In addition to gas, the EU remains directly and indirectly exposed to renewed commodity market shocks caused by geopolitical tensions. The adjustment of financial markets to the new high-interest rate environment also remains an important risk factor.

Uncertainty and risks depend on the evolution of the war, and COVID-19 remains a risk factor as well. The recent European economic situation and current challenges can be summarized up by Paolo Gentiloni, Commissioner for Economy, statement, which says Russia's invasion of Ukraine is causing untold suffering and destruction, but also hampering Europe's economic recovery. The war has driven up energy prices and disrupted supply chains, contributing to high inflation. Nevertheless, last year's strong economic recovery will have a long-term positive effect on this year's growth rates. It can also be noted that a strong labour market, post-pandemic recovery and NextGenerationEU should continue to support the European economy and help reduce public debt and deficits. However, the high uncertainty and risk closely related to the Russian war must always be taken into account at the moment, which is why other scenarios could occur in which growth could be lower and inflation higher than we forecast today.

Outlook 2023

The effects of the war will occupy the EU for a long time to come. But even apart from that, the Commission's work programme gives a preview of what is on the agenda for

the coming year. The Commission has declared 2023 the EU Year of Skills, and it is expected that a digital skills and education package will be delivered in February. This is linked to the skills shortage experienced by many companies as the IT sector is rapidly expanding on the EU market. According to an Eurostat report, more than 50 per cent of European Union companies face difficulties in recruiting IT-qualified specialists. In Germany alone, there is a shortage of 124,000 IT specialists, and in Hungary - about 30,000 (Budapest International College 2023). It is expected that the proposal will boost the economy, support small medium enterprises, growth, the digital transition, the environment and more. The European Commission continues to implement the SME strategy for a sustainable and digital Europe. To that end, it plans to support and empower SMEs of all sizes and sectors, from innovative technology start-ups to traditional crafts. Among the measures that contribute to the policy pillar of Smart, sustainable and inclusive growth, there are investments and reforms worth 44 billion euro identified as supporting SMEs, representing approximately 10 per cent of the total estimated recovery and resilience plans (RRP) expenditure. Overall, the scope of the SME measures included in the RRP covers a wide range of areas, from improvement of the business environment and access to public procurement, to digitalisation of SMEs and improvement of their environmental sustainability. A number of measures also aim at improving SMEs' growth and resilience through improved access to finance, reskilling and upskilling of their employees or strengthening their research and development capacities.

In the economic forecast published by the European Commission in May 2022, it is expected that the gross domestic product of the European Union in 2023 will grow by 2.3 per cent. According to this, EU GDP growth will remain positive throughout the forecast period. This is influenced by the re-opening of the economy after a period of lockdown related to the pandemic and the strong policy measures taken to support economic growth during the pandemic. Moreover, private consumption is expected to be boosted by post-pandemic resumption of customer-intensive services, a strong and improving labour market, lower household savings and fiscal measures to mitigate the impact of rising energy prices. Finally, investment should be stimulated by the full implementation of the Economic Recovery and Resilience Facility and the related reform agenda.

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COMMISSION PRIORITY 4: A STRONGER EUROPE IN THE WORLD

Goals and Key Players

When the current European Commission took office in 2019, hardly anybody was able to define the claim of the new leadership wanting to become a “geopolitical Commission”. Too many papers had been published over the years and too many strategies had remained contributions to wishful thinking. This could have also happened to the “Strategic Compass”, initiated by the von der Leyen Commission and prepared by a wide range of EU actors in 2021. When the “Strategic Compass” – a non-legislative act – was finally approved by the European Council on 21 March 2022, European security has been shattered by the Russian invasion into Ukraine, starting on 24 February 2022. Strategic thinking and strategic action were no longer a matter of choice for the EU. Strategic thinking and strategic action had become a matter of survival and self-defence.

A “Communication” published by the European Commission on 15 February 2022 on the EU’s contribution to defence was yet another declaration of intent. The document announced plans to invest 1.9 billion euro of the European Defence Fund into defence research and the development of better defence capabilities of member states. The document of intent was not backed by immediate action. Nor was the Communication on a Roadmap to provide a plan for better access to critical technologies for security and defence, also published on 15 February 2022. The security definition used in this Communication was broad and global. Overcoming inefficiencies in defence spending, advancing a single market for the procurement of military equipment and streamlining the multiple, yet often ineffective efforts to realise common EU defence projects seemed to remain a matter of decades. The Russian invasion in Ukraine changed the notion of time and space in EU defence and security policy. Foreign, security and defence policy are not about planning and talking. In the end, foreign, security and defence policy are about acting and projecting power. Hence, the four areas framing the “Strategic Compass” had to stand an immediate test of reality: action, investment, security, and partners.

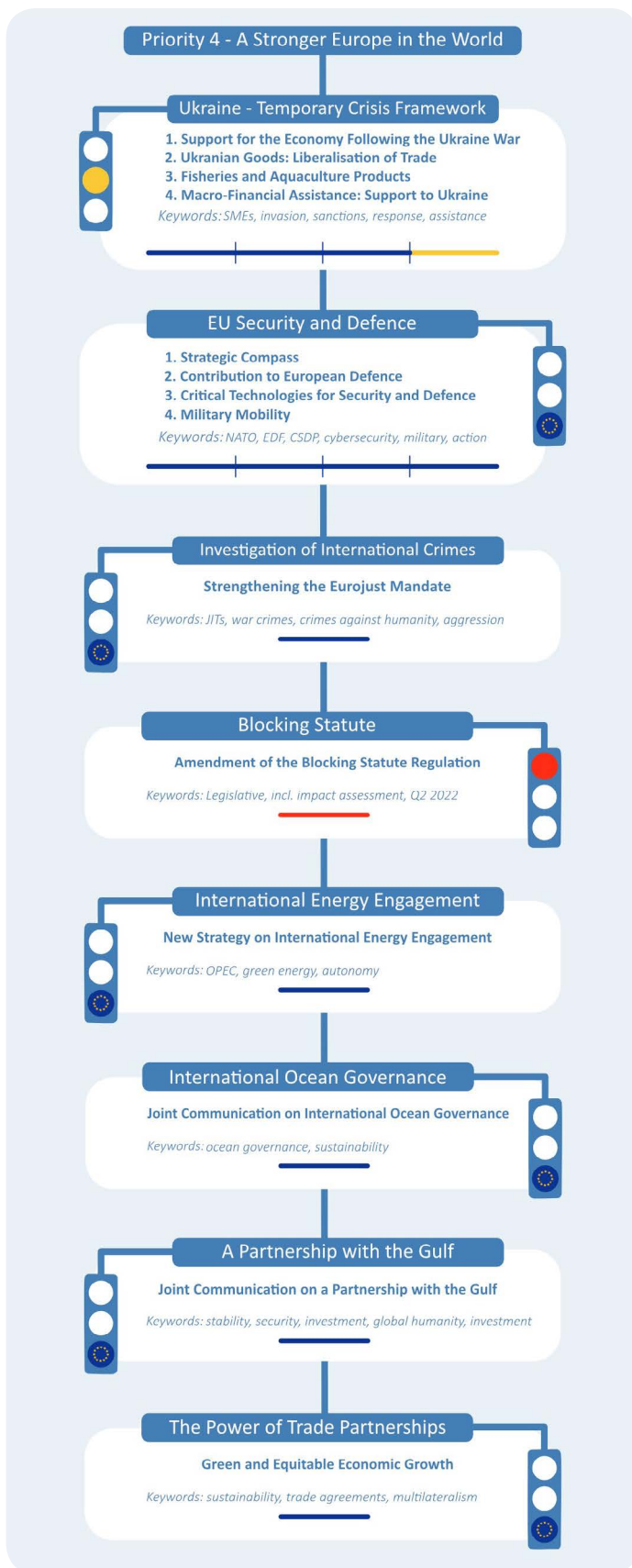
Progress in 2022

In a matter of days and weeks, the European Union decided and acted to the best of its capabilities: Traditional political diplomacy within the EU produced immediate consensus condemning Russia’s illegal and aggressive violation of international law. All EU member states immediately supported

the right of Ukraine for self-defence, territorial integrity and recognition of sovereignty in its borders recognized by international law. The EU stood firm and did surprise many of its critics. Moreover, the EU acted: Seven packages sanctioning Russia, measures to interrupt the broadcasting of “Sputnik” and “Russia Today”, excluding seven Russian banks from the SWIFT system, precisely targeting 160 Russian personalities involved in military decision-making, and establishing a price cap for Russian crude oil (23 February, 25 February, 28 February, 2 March, 9 March, 15 March, 8 April, 3 June, 6 October, 3 December 2022) speak to the ability of swift action if need be. The activation of the European Peace Facility (EPF) – established on 21 March 2021 – helping Ukraine to purchase weapons was a grave breach of past taboos: For the first time ever, the new extra-budgetary instrument – in the diplomatic jargon of the European External Action Service meant to contribute to the prevention of conflict, to the consolidation of peace and to the strengthening of international security – was used to proactively help to purchase weapons. In the course of 2022, 3.1 billion euro of the 5.6 billion euro EPF were spent on Ukraine’s self-defence. Other EPF means support Mali, Mozambique and the African Union. The “European Union Military Assistance Mission in support of Ukraine” (EUMAM Ukraine) – established on 17 October 2022 and launched on 22 November 2022 – trains 15,000 Ukrainian Armed Forces personnel in different EU member states. Vice Admiral Hervé Bléjean, the Director of the EU’s Military Planning and Conduct Capability (MPCC) serves as mission commander. Last, but not least, the decision of the European Council on 23 June 2022 to recognize Ukraine as a candidate country eligible for EU membership (along with Moldova) was a genuinely geopolitical act: On 28 February 2022, Ukraine had applied for EU membership and on 17 June 2022, the European Commission had expressed its support for the application. Future steps by the European Council will be taken once all legal conditions for the beginning of membership negotiations are fully met. The invitation of the European Union – initiated by the French rotating Council Presidency and issued by the EU’s permanent Council President – to the first-ever meeting of the intergovernmental “European Political Community” brought the political leaders of 44 European states together on 6 October 2022 in Prague (except for Belarus and Russia).

All in all, with rapid speed and unprecedented consensus, the European Union established and projected its geopolitical actorness. However, the decision to accept Bosnia and Herzegovina as a candidate country on 15 December 2022 did not overcome years of EU neglect in the Balkans. Nevertheless, in the course of 2022, the “Strategic Compass” has proven to be an effective compass to navigate whenever action is needed. For once, the European Union has woken

Commission Priority 4: A Stronger Europe in the World



up to the challenges it was facing for peace and stability, freedom and affluence. One other truth, however, is also evident. The territorial defence of the EU against a possible

total escalation of Russian aggression remains only imaginable under the nuclear umbrella provided by NATO. In other words, even a geopolitical EU is to remain junior partner of the USA.

This insight has implications for the language with which to frame EU global ambitions. While the idea of strategic autonomy seems to imply a complete independence in the pursuit of European interests, the concept of European sovereignty leaves room for interdependence and strategic cooperation. The EU clearly needs to distinguish between a policy of shaping interdependency and one of avoiding dependency on autocratic regimes. More importantly, the EU needs to act accordingly.

Several measures taken by the European Union in 2022, through the European External Action Service, the European Commission or the European Council, claim to advance the objective of European sovereignty in an interdependent world:

One legislative act took place in 2022 based on a proposal for a Regulation by the European Commission of 25 April 2022, the European Parliament on 19 May 2022 and the Council on 30 May 2022 adopted a Regulation titled “Investigation of Crimes against Humanity” (Regulation (EU) 2022/838). In doing so, Regulation (EU) 2018/1727 was amended with a view to upgrade the mandate of Eurojust in its role for the preservation, analysis, and storage of evidence in cases of genocide, crimes against humanity and war crimes.

Three non-legislative “Joint Communications” were published by the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy, addressing the European Parliament and the European Council: The comprehensive strategy on global energy engagement in a highly volatile world echoes the global energy impact of the Russian aggression in Ukraine (18 May 2022). The proposal for improved international ocean governance on matters of fisheries management, maritime pollution and regional sea conventions (24 June 2022) reflects the EU preference for rule-based multilateralism and regional cooperation. The latter idea also resonates in the proposal for an upgraded partnership with the Gulf region, including the Gulf Cooperation Council, on matters related to the impact of the climate crisis and the post-Corona recovery of the global economy (18 May 2022).

One “Communication” by the European Commission underlines the multidisciplinary focus of the EU: On 22 June 2022, based on a complex bureaucratic review process on the linkages between trade and sustainability, policy preferences and action points outline the perspective for green

ZEI Discussion Paper C 274 / 2022

Europas Sicherheit, die Zukunft der Ukraine und die „russische Frage“ - Ludger Kühnhardt

The Russian invasion in Ukraine has destroyed the illusions of a collective security architecture in Europe and globally, but has also strengthened resilience and defense in EU and NATO. The Russian dictatorship, led by secret services and increasingly totalitarian in nature, has closed the country towards Europe and reinforced its Eurasian orientation. In this ZEI Discussion Paper, ZEI Director Prof. Ludger Kühnhardt is assessing possible options for Russia and subsequent implications for the European Union and for Ukraine, including on matters related to membership in EU and NATO. Kühnhardt also analyses possible scenarios for an armistice which are more likely in coming years than a comprehensive and guaranteed peace accord.



and just economic growth through trade partnerships, as the document formulates.

While the policy preferences of the EU are clearly expressed, the implementation of the communications depends upon future political will within the EU. It also depends on international partners, which continue to increase their actorness across the globe. It is indicative for the complexity of the current global political arena, that the EU failed to present an amendment of the Blocking Statute Regulation of 2018 as announced in the Commission's work plan for 2022. The original Blocking Statute of 1996 (at the time designed with a focus on business with Libya, Cuba, and Iran) was amended in 2018 in order to protect EU companies from conducting business with Iran in so far as these business activities fall under US sanctions. The Blocking Statute is by nature a political rather than a legal instrument. One speculative reason for the postponement of a Commission proposal in 2022 for the renewed Blocking Statute was obvious. The need for closest possible transatlantic relations because of Russia's war in Ukraine and the Iranian support for the Russian aggression.

Conclusion and Outlook for 2023

Throughout 2022, the European Union was present at key international gatherings: G7 and G20 Summits, the COP27 Climate Convention Implementation Conference in Sharm-el-Sheikh and at several donor conferences for the reconstruction of Ukraine. The EU was part and parcel of the global scene. Whether others perceive the EU as a key geopolitical player is a different matter. The EU had to accept that the iconic President of Ukraine, Wladimir Selenskyi, undertook his first foreign visit since the beginning of the Russian invasion to Washington D.C. (21 December 2022). Up to this point, the USA had already given 20 billion US-dollar in military aid to Ukraine. About 2 billion US-dollar additional support were granted in the aftermath of the trip. Clearly, the USA was leading the Western support for territorial integrity, peace and sovereign freedom of Ukraine. But the EU was complimenting US leadership and NATO requirements more robust than ever expected by its sceptics.

In 2023, the war in Ukraine continues as the most serious attack on security and freedom in Europe since World War II. The collective security arrangements which accompanied the Cold War and the post-Cold War era are scattered: The Council of Europe, the Organization for Security and Cooperation in Europe (OSCE) and the United Nations Security Council. NATO and the EU, based on mutual and reciprocal defence guarantees and rule-based democratic political will, – have not only survived the storm on key parameters of peace, security, and freedom in the Atlantic civilisation. In 2022, NATO and the EU have been strengthened by the illegal and most atrocious act of aggression exercised by the Russian regime.

For 2023, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy were planning "Joint Communications" on substantial issues defining the future of rule-based multilateralism: the security and defence dimension of space; a new agenda for cooperation with Latin America and the Caribbean; an update of the EU Maritime Security Strategy. It is foreseeable that events related to the war in Ukraine will dominate the foreign, security and defence agenda of the EU throughout 2023. For the EU, the establishment of a High Representative of the Union for Defence is becoming increasingly a pressing requirement. However, the timing and implementing steps for this next geopolitical upgrade of the EU is still uncertain, as much as the outcome of the war in Ukraine. But one analytical category has been supported by the dramatic events unfolding in 2022: The EU grows and matures in crises. This will be a certainty for 2023, too.

Prof. Dr. Ludger Kühnhardt

Director at the Center for European Integration Studies (ZEI). In 2022 he has published a textbook in German titled „Das politische Denken der Europäische Union. Supranational und zukunfts offen“ and a two-volume compilation of his travel diaries between 1960 and 2020 „Verknüpfte Welten. Notizen aus 235 Ländern und Territorien“.



COMMISSION PRIORITY 5: PROMOTING OUR EUROPEAN WAY OF LIFE

SUBSTANTIAL PROGRESS IN VARIOUS RESPECTS, RAISING EXPECTATIONS FOR A FULL DELIVERY

Goals and Key Players

We are nearing the finish line of the von der Leyen Commission's term of office. That spot on the horizon means the heat is on to fulfil the objectives sketched in 2019 under the heading of 'Promoting our European way of life'. In the previous editions of this Observer, serious doubts were expressed on the (coherence of the) particular targets identified, which will not be repeated here. Worthy of note is nonetheless how, over the course of the last year, the war in Ukraine cast the ambitions into a novel light – as one may well argue that the assistance rendered to Ukrainians, and the plethora of measures adopted, constitute a separate means to pursue the central goals in the relevant portfolio: after all, coming to the neighbouring country's defence and striving to maintain its integrity are superb methods to underline the importance of the rule of law; the financial and military aid that has been provided, combined with the revival of plans for an integrated EU defence, ultimately reinforces the security of the Union's citizens; additionally, the generous reception of Ukrainian refugees demonstrates the keen solidarity characterising the European continent.

With regard to the key players, it would appear that the Commissioner for Promoting our European Way of Life, Mr. Margaritis Schinas has voluntarily or involuntarily been pushed somewhat to the background, clearly to the benefit of his colleagues entrusted with 'Values', 'Justice', 'Home Affairs' and 'Health and Food Safety' – respectively Mr. Reynders, Ms. Jourová, Ms. Johansson and Ms. Kyriakides. The momentum is credibly attributable to the substantial progress made in specifically these fields, ranging from the adoption of legal instruments and the issuing of soft law, to the modification of the mandates of several pivotal agencies. As before, the current brief offers merely a snapshot, highlighting the most salient developments from the past twelve months.

Progress in 2022

Unsurprisingly, the primary matter that merits our attention is how the safeguarding of the rule of law has remained an autonomous subject of interest. On the internal front, for several years now, two prominent 'problem dossiers' have been the status quo in Hungary and Poland, in view of the incremental dismantling of judicial independence there, the

erosion of civil and political liberties, exacerbated by rampant corruption practices. The situation sparked the adoption of the so-called Conditionality Regulation at the end of 2021, a framework allowing the EU to suspend funding to a member state that displays serious deficiencies in the aforementioned areas. Subsequent to the release of non-binding guidance for its operationalisation at the beginning of the year, the mechanism was finally deployed against Hungary at the end of 2022. The Commission had proposed to freeze 65 per cent of the allocated regional funds for the 2021-2027 period, amounting to 7.5 billion euro. A qualified majority vote in the Council resulted in a lowering of the suspension to 55 per cent or 6.3 billion euro. Simultaneously, the foreseen payments from the Recovery and Resilience Fund established during the corona pandemic were approved, yet subjected to a 'milestones approach' that was also adhered to earlier vis-à-vis Poland, demanding genuine reforms before actual disbursement might occur. While the strong stance taken by the EU, following on protracted wrangling and prevarication, certainly deserves to be praised, only the future can tell whether the strategies are truly able to deliver – inducing the Hungarian/Polish governments to cave in, act up, and start behaving with greater decency.

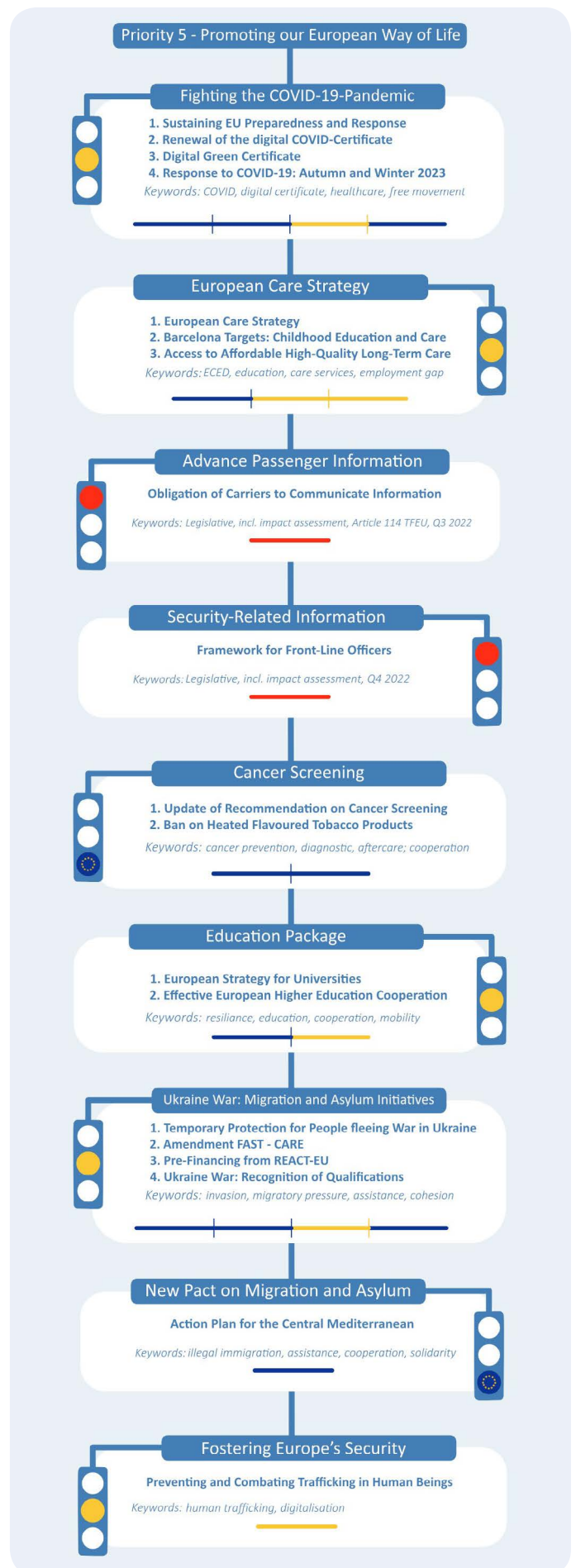
The EU's legal and policy structures related to migrants and migration have equally featured on the 'European way of life' agenda from the very start. Unfortunately, the grand pact launched in 2020, flagged in a previous issue of the ZEI Observer, continued to find itself stuck in the institutional machinery. If the Swedish and Spanish Presidencies do not manage to overcome the prevailing discord, it looks highly unlikely that great strides will be made here in 2023. In the margins, the European Commission did proceed to release an Action Plan for the Central Mediterranean, coupled with a Communication on attracting skills and talent to the EU. At the level of the agencies, apart from the turmoil that saw the director of FRONTEX take his leave, the formal installation of the EU Asylum Agency (EUAA), as the direct successor to the European Asylum Support Office (EASO), represented a rather positive development. Next, as part of the response to the war in Ukraine, we should note the impressively swift activation of the Temporary Protection Directive, handing a special safe status to the affected refugees. In connection, a general communication was published on the welcoming of displaced individuals, alongside a valuable Recommendation on the recognition of the qualifications of the persons fleeing the Russian invasion.

Concerning the themes of providing justice and security to EU citizens, four advancements may be reported. Firstly, in tune with the preparations undertaken last year, the mandate of EUROPOL was reinforced as expected, rendering it

Commission Priority 5: Promoting our European Way of Life

competent to process large and complex datasets, boosting its role in relation to R & D on law enforcement, as well as introducing measures to facilitate its cooperation with private parties. In close conjunction, in August 2022, a proposal was adopted to allow it to issue a new category of alerts under the Schengen Information System (SIS). Secondly and similarly, the Commission proposed a stronger mandate for the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), preferably transforming it into a European Union Drugs Agency (EUDA). The background idea is to let the body play a more effective role, for instance by alerting to the proliferation of novel dangerous substances, keeping an eye on the potentially addictive use of substances consumed in an ancillary fashion, and developing EU-level awareness campaigns. The third and fourth landmarks are probably less impressive, consisting of proposals still requiring Council and Parliament approval. For starters, there is a draft Regulation that seeks to bring legal certainty for parents in cross-border situations, and to reduce legal costs for families requesting recognition of cross-border rights. Controversially, under the prospective rules, court decisions on parenthood in one EU country (including LGBTQIA+ cases) should be recognised in other member states. A European certificate of parenthood is envisaged to prove the parenthood of a child when moving elsewhere in the Union. An adjacent proposal from the Berlaymont hones in on a completely different topic, aiming to revise the Directive on preventing and combating trafficking in human beings and protecting its victims. The updated rules, to be enacted in 2023, foresee complementary tools for investigating and prosecuting new types of exploitation, putting forward mandatory sanctions against companies for trafficking offences, alongside the creation of a European Referral Mechanism for early identification and support. Misdeeds are to be handled via two distinct regimes, one for standard offences and one for serious offences, requiring member states to collect and relay pertinent data to the Commission on an annual basis. It should moreover lead to a better tracing, freezing, managing and confiscating of proceeds, together with a streamlining of the functioning of the involved national bodies.

Perhaps the healthcare scene is the one where, over the course of 2022, we have been able to perceive a maximum of innovation. In the tentative aftermath of the COVID-19 pandemic, the EU believes to have laid down the main building blocks of a veritable Health Union, based on a design presented way back in 2020. To begin with, agreement was reached on extending the mandate of the European Centres for Disease Control (ECDC), buttressing its capacity to prevent, prepare for and address any outbreaks, identify gaps and provide science-based recommendations. Following the extension, it will also coordinate the standard-



ZEI Discussion Paper C 275 / 2023

The Evolution of the EU's Perception towards Ukraine - Kateryna Khalabuzar

Getting an EU perspective and a candidate status took Ukraine through a long, complex, and controversial integration path. Since the declaration of its independence in 1991, Ukraine has undergone tremendous changes in terms of political and nation-building processes that could not go unnoticed by the EU. From being 'terra malecognita' on the periphery of Europe, Ukraine has become a symbol of defending European values. Thus, to get a better insight of how the EU's perception of Ukraine has developed over time, it is also crucial to shed light on key turning moments and political developments in Ukraine, which brought fundamental changes to the EU's understanding of Ukraine.



isation of data collection procedures, validation, analysis, and dissemination at the supranational level, next to hosting a new excellence network of reference laboratories and a Health Task Force for rapid interventions in the event of major calamities. The mandate of the European Medicines Agency (EMA) underwent changes too, upgrading its crisis readiness, handing it the resources to manage a stockpiling of medicinal products and devices. Henceforth, it is specifically to cope with shortages, clarifying and smoothing procedures for joint procurement, including the possibility to limit parallel negotiation and purchasing activities of participating countries. In addition, a dedicated Regulation was adopted allowing the EU to better anticipate and react to serious cross-border health threats, purporting a robust contingency planning, integrated surveillance system, superior capabilities for risk assessment, and the devising of targeted remedies. Consequently, the Commission will be competent to officially recognise a public health emergency at Union level, triggering automatic intra-state cooperation. As icing on the cake, the European Health Emergency Preparedness and Response Authority (HERA), introduced in the previous issue of this Observer, was definitively established. Instead of being turned into an agency in its own right, HERA took the form of a Commission Directorate-General, equipped with a Health Crisis Board monitoring the supply of and access to medical countermeasures. Regarded holistically, the smorgasbord of EU interventions and instruments seems indeed to have construed a powerful foundation for the European Health Union, sizeably improving the EU's prowess in the vital areas of prevention, preparedness, surveillance, risk assessment, early warning, and response. Just to complete the picture for the period described, in order to avoid a sudden resurgence of the coronavirus, the Digital COVID-19 Certificate's validity received one temporary renewal, and the Commission issued a Communication in anticipation for the autumn and winter 2023. To top it all off, a wholly unrelated proposal was put forward for amending a Regulation that guarantees the quality and safety of blood, tissues and cells.

Conclusion

It may be concluded from the above that substantial prog-

ress was achieved in multiple respects: with regard to the rule of law, in the realm of migration, the twin fields of justice and security, but especially in the domain of health. In truth, the developments stretched out even further, with ostensibly even the spare time being found to produce a Communication on a 'European strategy for universities', claimed to constitute an essential component of our way of life. The results obtained within the confines of Priority 5 demonstrate anyhow that, at least in 2022, critical predictions of how the integration process is inevitably doomed to failure (a staple of the debate among Eurosceptics) should be qualified as misconceived, or egregiously myopic.

Outlook 2023

A couple of indications for the last full year of the von der Leyen Commission were given in the foregoing paragraphs already. With a view to unlocking the profitable grants and subsidies, a consistent application of the Conditionality Regulation might realistically see things starting to move in the Hungary/Poland dossiers in 2023. Novel frustrations and circumvention attempts cannot be ruled out though. For the Asylum and Migration Pact, the perspectives for next year seem extra gloomy, in light of the many deadlocks encountered hitherto. While the EMCDDA is likely to morph smoothly into the EUDA, considerably more energy will need to be invested to ameliorate FRONTEX's work practices, embedding human rights protection at its core, bringing an end to the pushback atrocities. Finally, we patiently have to await whether the proposals for improving the position of parents in cross-border situations, respectively the combating of the trafficking in human beings, eventually reach the end of the line; the former is surely bound to kick up a great fuss. Plenty of issues left, then, to return to in the next edition.

Prof. Dr. Henri de Waele

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COMMISSION PRIORITY 6: A NEW PUSH FOR EUROPEAN DEMOCRACY

WHAT HAPPENED IN 2022 AND WHERE TO GO FROM HERE?

Goals and Key Players

2022 was overshadowed by the war against Ukraine, in Europe's immediate neighbourhood. This went hand in hand with an (earlier call of) European citizens demanding change, and to 'work on improving Europe on their own terms' (European Commission 2022a). It is against this backdrop that the Commission President, Ursula von der Leyen called for a Conference on the Future of Europe already in her Political Guidelines of July 2019. This – together with a commitment to follow-up on the Conference results – is part and parcel of a vision for a 'new push for European democracy'.

Note that the Conference on the Future of Europe, which kicked off on Europe Day 2021 and ran for one year, was a cornerstone of making the EU more democratic, also in 2022. The Conference came to a close in 2022 and came up with a final report at the end of its deliberations that contained 49 proposals. The success of the Conference now hinges on the extent to which these proposals will be followed up, and in response, all three institutions already laid out concrete plans on how to do so.

Key players in 2022 – in the quest of making the EU more democratic and giving a new push to European democracy – included on the one hand all the players involved in the Conference. These reached from randomly selected EU citizens who took part in so called 'European Citizens' panels', to representatives of Civil Society, national parliaments and of course the three institutions involved in EU policy-making: the European Parliament, the European Commission and the Council of the EU.

As such, the Conference was composed of four main elements. On the one hand, the Multilingual digital platform provided an option for EU citizens to share ideas and submit contributions in all 24 languages of the EU. The above-mentioned, European Citizens' Panels were a central feature of the Conference. Four panels of 200 randomly selected citizens dealt with different issues reaching from a stronger EU economy & social justice, to climate change & the environment, to EU democracy & rule of law, to Europe in the world & migration. Additionally, several member states also organised national citizens' panels with randomly selected citizens. During the Conference plenaries, the plenary members debated the issues that came in via the different chan-

nels. The Presidents of the EU's three institutions (the Council, the European Parliament and the European Commission) acted as the Joint Presidency of the Conference.

According to the Conference on the Future of Europe Observatory, participatory democracy is 'here to stay.' The experience of the Panels has shown that citizens' input is ready to 'exceed the established silos of policymaking.' As such, the Conference should not be a 'one off experiment.' (Conference on the Future of Europe Observatory 2022, pg. 11).

The Conference was however not the only endeavour in the quest of enhancing European Democracy in 2022. The war against Ukraine also pertinently brought to the fore how important it is to ensure the freedom of the media. Addressing this issue was thus a key goal for 2022 (and beyond). On 16 September 2022, the European Commission published a Proposal for a Regulation on establishing a common framework for media services in the internal market (European Media Freedom Act) and amending Directive 2010/13/EU (European Commission 2022b).

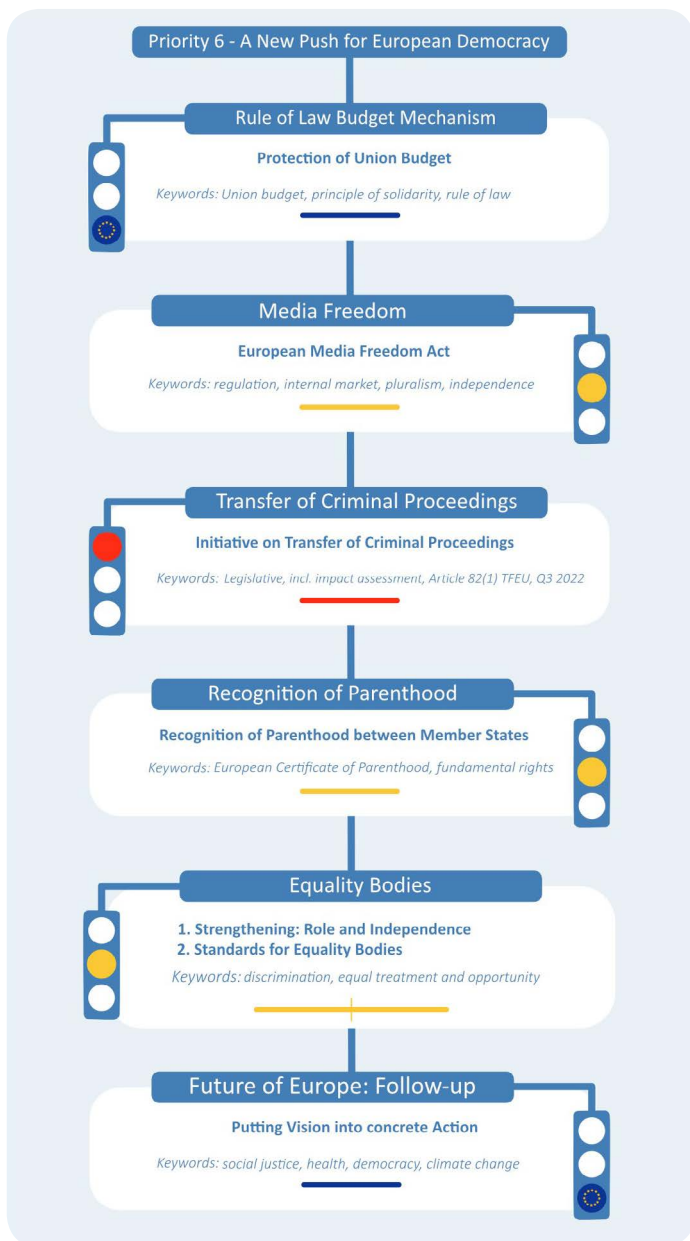
Progress in 2022

The final report by the Conference on the Future of Europe was presented to the Presidents of the European Parliament, the Council and Commission on May 9th 2022, Europe Day. All in all, 49 proposals were presented that are structured around 9 themes: reaching from climate change, the environment & health to European democracy, values, rights, rule of law, security. The three EU institutions then started to examine how to follow-up effectively on these proposals, each within their own spheres of competences and in accordance with the Treaties.

In June, the Commission presented a Communication offering a "detailed assessment of what is needed to follow up" on the Conference's proposals (Commission 2022). The 49 proposals are divided into the same thematic areas as those of the Conference and will be evaluated by the Commission area by sector. The Commission proposes four categories of reactions:

- **existing initiatives** that already deal with the subject matter of the proposals (e.g. the European Climate Law);
- **initiatives already proposed by the Commission**, which now need to be adopted by the European Parliament and the Council (e.g. the new Pact on Migration and Asylum);
- planned measures to implement the ideas and feed into the **new reflections from the Conference** (e.g. the Media Freedom Act);

Commission Priority 6: A New Push for European Democracy



- and new initiatives or areas of work suggested by the proposals which fall within the competence of the Commission (e.g. mental health issues) (Commission 2022).

It is noteworthy that the current Commission already announced that the European Citizens' Panels will be able to deliberate and make recommendations ahead of certain key proposals. The first panel will deal with the (very topical) issue of a Commission proposal on food waste. There will also be a feedback event to keep the citizens who have participated in the Conference informed.

The Council also started to look into the proposals put forward by the Conference. It started discussions based on a comprehensive preliminary technical assessment prepared by the General Secretariat of the Council. One of the

main findings of this assessment is that a large number of proposals are either in the process of being addressed or are already being addressed by the EU institutions: 'Digital transformation', 'Climate change and the environment' as well as 'Health' are seen as examples of this phenomenon. The preliminary technical assessment also highlights that in a large majority of cases the proposed measures could also be conducted within the current Treaty framework. In this context, existing measures could if necessary be harnessed. For instance, the European Semester process provides the possibility for further coordination of economic policy by member states and could therefore address a good number of proposed measures under the topic 'A stronger economy, social justice and jobs'. On the topic of 'Values and rights, rule of law, security', some measures aiming at making EU values more tangible to citizens could be covered through the enhancement of several EU funding programmes (General Secretariat of the Council 2022).

The EP on the other hand, adopted a resolution in June 2022, which (as opposed to the Council) calls for the Treaties to be changed. This includes the reform of decision-making processes in the EU, such as adapting voting procedures in the Council to enhance the European Union's capacity to act (for example by switching from unanimity to qualified majority voting, in areas such as sanctions). Moreover, the powers of the EP should be extended by providing Parliament with the right to initiate, amend or revoke legislation, and equip it with full rights as a co-legislator on the EU budget.

Another set of proposals, that in the view of the EP also call for Treaty change, propose to adapt and extend the EU's powers. This is especially seen to be needed in the areas of health and cross-border health threats and in the vein of the completion of the energy union (in line with international agreements on climate change), in defence, and in social and economic policies. Moreover, one is to ensure that the European Pillar of Social Rights is fully implemented and that the procedure to protect the EU's founding values is reinforced. The EU economy is to become more resilient, with special attention paid to small and medium-sized enterprises, to just give one example. Treaty reform should be preceded by a Convention that should comprise MEPs, Commissioners, MPs from the member states, and EU leaders (European Parliament 2022).

As mentioned above, the European Commission published a Proposal for a Regulation on establishing a common framework for media services in the internal market on the 16th of September 2022. This is to amend Directive 2010/13/EU. The backdrop against which this proposal is set, is that diverging national rules and procedures related

ZEI ideas in the final report of the Conference on the Future of Europe (No direct mention, but the spirit of the ideas is clearly reflected in the proposed measures)

EU in curricula

Page 71 (4):

ZEI idea: The EU needs to establish “European Studies” as a school subject (Marlene Wißkirchen, FEO Vol. 10 No. 2 and Online Platform)

Electoral reform and transnational lists

Page 88 (3):

ZEI idea: Reforming the EU electoral system (Henrik Suder, FEO Vol. 10 No. 2 and Online Platform)

ZEI idea: Elections to the European Parliament: With transnational lists to a ‘European Society’ (Lukian-Timon Ahrens, FEO Vol. 9 No. 2 and Online Platform)

Parliament and budget

Page 89 (4, sub-item 3):

ZEI idea: The democratic legitimacy of the European Semester should be improved (Henrik Suder, FEO Vol. 10 No. 2 and Online Platform)

Constitutional Convention

Page 91 (7):

ZEI idea: The European Union should decide in a European Constitutional Declaration (Prof. Dr. Ludger Kühnhardt, FEO Vol. 9 No. 2 and Online Platform)

ZEI idea: Realizing a decentralized European federal state (Dr. Robert Stüwe, FEO Vol. 9 No. 2 and Online Platform)

FRONTEX

Page 93 (2):

ZEI Idea: More Transparency with FRONTEX (Paula Fierdag, FEO Vol. 10 No. 2 and Online Platform)

Voting rights from 16

Page 98 (2):

ZEI Idea: European elections – Youth suffrage for a better Europe (Mara Nazaretyan, FEO Vol. 10 No. 2 and Online Platform)

to media freedom restrict the options of media companies to operate within the internal market. National media regulators also do not cooperate enough. This is the case for the European Regulators Group for Audiovisual Media Services (ERGA), whose scope for action is limited and includes solely audiovisual media services. The European Media Act is thus to “*improve the functioning of the internal media market*” by fostering cross-border activity and investment in media services. The main thrust of the proposal is accordingly to “*promote consistent approaches to media pluralism and media independence*”. The air allocation of economic resources in the internal media market shall be fair and transparent, also online. A Recommendation accompanies the proposal with the aim to lay out a catalogue of voluntary good practices for media companies. Note that member states will have, after the adoption of the Proposal, between 3 and 6 months to adapt their national frameworks to the legislative instrument. A first evaluation will take place 4 years after the new rules’ entry into force, and subsequent evaluations will be carried out every 4 years.

Conclusion and Outlook 2023

The Conference of the Future of Europe was definitely one of the cornerstones of enhancing EU democracy in 2022. The European Citizens’ Panels were a unique form of citizen’s participation at transnational level. Now it is up to the three EU institutions to implement these proposals. Their approaches differ however. The European Parliament sees that Treaty change is in order to give some of the proposed

measures shape. It calls on the European Council to decide to set-up a Convention (by simple majority.) The earliest opportunity for this, would be the EU summit on 23-24 June 2023. This option would be welcomed by the EP to ensure that citizens’ expectations are met and that the results of the Conference can be put to “*good use*”. The European Council on the other hand, does not see the need for Treaty change but sees that a majority of the proposals could be carried out within the existing legal framework.

The Commission has also put forward an ambitious proposal to enhance media freedom and the operation of media services within the single market. Here it is of course also up to the member states to implement this proposal correctly and in a timely manner. For 2023 the Commission’s work programme contains several other ambitious proposals in the realm of strengthening democracy. These include a Defence of Democracy Package, including an Initiative on the Protection of the EU Democratic Sphere from Covert Foreign Influence and an update of the Anti-Corruption Legislative Framework.

Prof. Dr. Christine Neuhold

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ZEI Master of European Studies Class of 2023



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