

European issues

n°664

April 11th 2023

# The European Union's New Life

Jean-Dominique GIULIANI

European integration was launched in 1950, five years after the end of the conflict in Europe. The context was very particular. For all the states on the continent, it was a matter of survival, reconstruction and a means to overcome the trauma of the Second World War. The present context obviously cannot be compared to the problems of that period<sup>[1]</sup>.

Over the years and with the passing of the treaties, the Community, now the Union, has adapted by enlarging. Ten treaties have changed its institutions and common policies. The European Union is still not a State, but it has taken on some of its attributes in the areas of its exclusive competences (customs union, competition, currency, protection of the oceans, trade) but also in shared competences (internal market, agriculture, transport, energy...), or even competences reserved for the States (defence, taxation). Indeed, the latter are increasingly calling on the "European dimension" to resolve difficulties that they cannot solve alone. This was the case during the Covid pandemic. Today, it is the demand for policy to consolidate European industry. More and more sectors are concerned by these demands on the part of the States, which often match citizens' expectations.

The old recurrent quarrel between federalists and sovereigntists has largely been superseded. It is no longer adequate as a way to describe the European Union as it has evolved over many years. The Union is more intergovernmental than most sovereigntists ever hoped it would be, it is more federalist than most federalists ever dreamed of. Developments in the Union have proved that the vision of both sides is right. The states increasingly turn to the Union's institutions which

enjoy new and powerful means of intervention, but nothing is possible at European level without the agreement of the States – they still jealously guard their sovereignty, and yet are now fully committed to the European project.

The results are extraordinarily positive: peace, a prosperous internal market, organised solidarity, the world's second reserve currency, shared and asserted values in the face of the hardening of power relations on the international scene. The Union's gross domestic product represents 15% of the world's GDP, a share only slightly lower than that of the United States, and the GDP per capita averages more than €40 000. The EU has become the world's leading trading area, [the world's largest trader in services with 24.5% of the total, a thriving external trade representing 16.2% of world trade](#) (€4 500 billion) and a particularly dynamic internal trade representing almost €7 000 billion), or 61% of Member States' trade.

At the turn of the century the European gamble had succeeded beyond all expectations.

It had enabled Europe to remain in history despite a tragic 20th century punctuating a long journey through divisions and conflicts. Seventy-three years of European integration, i.e. organised cooperation between the nations of the continent, enabled the Member States to recover their wealth through stability and the development of peaceful relations between themselves.

Although the principles on which European cooperation was founded remain largely inspired by the same method, that of Schuman and Monnet, its face and attributes no longer have much in common with the original creation. Its

[1] This text is based on a contribution to the "Schuman Report on Europe, the State of the Union 2023", to be published by Marie B on 12 April.

transformation is accelerating in line with the rapid upheavals of a changing world.

It is therefore truly a new life in a new context that the European Union has already embarked upon.

Because for some years now, the 21st century has been challenging it.

The world has opened up to trade and this wealth is now shared more widely between nations. New players are enjoying growth and their demographics promise them a privileged place in the league table of world powers. And as the balance of power shifts, Europe faces new competition, especially from Asia. In addition, a nationalist revival, spurred on by states lacking ideologies, but which are intent on maintaining their autocratic regimes, is making its mark on the planet and is prompting withdrawal.

In many respects Europe no longer had any real enemies. But it is now discovering new ones with Russia, which rejects its achievements and ideals because it fears that its success will be "contagious"; it must compete with others such as China, which would like to embody the success of a totalitarian model; it is encountering provocative actors such as Türkiye, which dreams of its Ottoman past; it has to contend with often turbulent neighbours such as the United Kingdom; finally, it must maintain relations with strong allies with sometimes different interests, such as the United States.

At the same time, the European economy and society must adapt to a double digital and ecological revolution. Digitisation and its future quantum and artificial promises are a far more important revolution than the invention of the printing press. They are disrupting production processes, forcing the reinvention of a new form of marketing, and completely changing the way we communicate, and therefore also the way we exercise our rights and duties as citizens in democratic systems. This revolution is underway, but it has not yet finished producing new outcomes.

At the same time, Western public opinion is gradually becoming aware of the limits of an economic model

based solely on the exploitation of resources and, above all, of its implications for health, biological diversity, and natural areas. A powerful movement has arisen, particularly in Europe, supported by citizens' demands, which is pushing European governments and authorities to declare that they will be at the forefront of a new economic order which is more respectful of the environment. This has led to a number of regulations that Europeans are imposing on themselves, in the belief that they are setting an example. With this they run the risk of sometimes not taking sufficient account of the destabilising impact of these measures on economic competition, i.e. growth, employment and, therefore, the social policies to which people are attached.

The accumulation of these new challenges for the European Union constitutes a vital challenge. It must adapt as quickly as possible and indeed it has begun to do so. In a totally new global context, its future depends on it.

#### THE CHALLENGE OF EFFICIENCY

Citizens expect European cooperation to prove its effectiveness in rising to these new challenges. Although reflexes are still national, the European dimension has naturally and quickly asserted itself. The Covid pandemic is a good example: national measures did not last more than two months, and a vigorous European response helped Europe to become the leading producer and donor of vaccines, then to build a strong financial response to the resulting economic situation, the famous €750 billion post-pandemic recovery plan, *NextGenerationEU*. Europeans have been massively vaccinated, and the pandemic brought under control with growth surging as soon as restrictions were lifted. In retrospect it might be said that Europe, now fully awake, successfully countered the pandemic which too all of the world's leaders by surprise.

The European Union did not stop there and started to overhaul its economic support policies. The [General Block Exemption Regulation](#) has allowed exceptions to the rules on competition and state aid control. The establishment of the Important Projects of

Common European Interest (IPCEI) has opened the way to genuine industrial policy measures, making it possible to finance programmes in the field of batteries, hydrogen and electronic chips. Because this mechanism was exempted from prior European control the European Commission estimates that it has been possible for the states to decide on 91% of the aid distributed to address the crisis. It indicates that under this scheme €672 billion of aid has already been distributed by the Member States. The Commission now intends to go further by establishing a "[temporary crisis and transition framework](#)", a common aid fund for industries undergoing conversion, specific "anti-relocation" aid and authorising tax benefits, provided that all these actions contribute to promoting ecological transition.

Commissioner Thierry Breton has been creative in proposing an aid fund for the defence industry that will invest primarily in Europe, in launching a number of specifically European programmes to provide new generation electronic chips, to acquire clean space capabilities, to explore and anticipate quantum computing and to set up a sovereign wealth fund to fuel investment in the industries of the future. Its Clean Tech Act project aims to support industries deemed critical (solar, wind, etc.) to achieve the ecological transition.

These advances represent undeniable innovations in the nature and speed of response by the European authorities, even if their preparation did not obscure divergence between Europeans who do not share the same ideas about so-called industrial policies and do not always have the same short-term interests. On the other hand, they have demonstrated a long-term vision thereby highlighting the advantage of a European component in policies in adapting to the new context. The "*liberal software*", which has enabled Europe to build its single market, has been a real asset for the consumer. It is now being challenged by competing continent-states that generously subsidise their industrial champions. The return of "state logic" and public intervention has led to particularly proactive behaviour on the part of these large states, which demands a strong European response.

#### EUROPEAN SOVEREIGNTY RATHER THAN MERCANTILISM

The European Union is not a state. In many areas, it cannot act as quickly as large states can. Despite its efforts, which were unthinkable a few years ago, it must now acquire the agility that states are capable of in their responses to crises and show greater unity and speed in the solutions they provide.

Within the EU, divergence remains between some countries that are still overly attached to the outdated patterns of old economic rules, favouring the comfortable status quo, and others that are more restricted, favouring growth over discipline. The "*growth or discipline*" debate is raging and is not about to end soon.

The year 2023 is crucial in this respect. If the European Union succeeds in improving the way it demonstrates the effectiveness of its decisions to support its economy, in a way that is based on solidarity and shared between the Member States, this will be a milestone for future growth.

Several major challenges await it in this respect.

Will it be able to create the sense of belonging that might legitimise the principle of European preference? A "*Buy European Act*", equal to that of all states in the world, is being called for by some, who believe that European public money must first and foremost benefit the European economy. This is already a rule that has been adopted for the European Defence Fund; it should now become standard practice which borrows nothing from protectionism and everything from a logic of efficiency and political identification.

The Commissioner for the Internal Market intends to accentuate this approach for certain joint armaments programmes in which the Union's military industries would cooperate. The joint purchase of European-made ammunition for the Ukrainian army is an example of this, breaking with past doxa. The control of foreign investments is part of the same logic. While the European Union took specific measures in 2020 to prevent foreign groups subsidised by their public

authorities from taking ownership of European industrial assets because of the crisis, the Member States do not apply them in the same way. Germany, for example, let the Chinese state-owned company Cosco take a 25% stake in the container terminal in the port of Hamburg despite the negative opinion of six German ministries, the security services and the European Commission!

The European Union and its Member States must break with a blissful mercantilism that to date has refused to take on board the changing international context marked by the brutal return of power relations and competition. The future of the European Union depends on it.

#### GROWTH RATHER THAN CAUTION

This problem is also reflected in monetary policy equations.

Faced with the return of inflation, the European Central Bank has found itself under pressure to increase its key rates significantly. Using the strong reaction of the US Fed as a pretext, the usual supporters of coercive disciplines obtained rate hikes from the ECB, the effect of which has not been demonstrated. The formidable challenge for the European monetary authority is to combat inflation, largely caused by rising energy prices, without curbing growth. Here again, *ordo-liberal* ideology faces the new world. Yet only growth will help show citizens the effectiveness of the European dimension and, obviously, make debts sustainable and, above all, "repayable".

Boosting growth means allowing investments that are sometimes daring, like so many bets on the future; it means facilitating their financing by all means, in particular with accessible rates as well as financial, fiscal, and regulatory aid. Such will be the European debates of 2023, which will have to choose between caution and growth, the future or comfort.

Europeans are passionate about the fight against global warming and form the vanguard of this battle, which is the subject of a very broad consensus. This shows the degree of democracy and commitment of

European citizens, who can hold many other peoples to account and demand resolute action on the part of their leaders.

However, this must not lead to excessive caution and therefore excessive regulation. The European decision-making level must not only be one that sets rules, introduces bans and constraints. It must also be the level of opportunities, incentives, and perspectives. In this respect, the precautionary principle is the enemy of the future, and the European institutions should avoid falling further into a green regulatory frenzy.

Didn't the prudential rules imposed on banks after the 2011 financial crisis force them to manage their activities too cautiously, especially in the distribution of credit, which was insufficiently oriented towards innovation, and which perhaps required more genuine risk-taking?

Hasn't taxonomy, especially the green kind, become a hindrance to innovation and growth? Is it effective in restricting the financing of activities that meet urgent needs, such as security and defence or the transition from dirty fossil fuels to clean energy? Under the influence of the European Parliament, the European dimension seems increasingly to be taking the form of prohibitions and constraints, sometimes following the path of easy demagoguery, rather than that of rational and progressive planning - in any case - it still seems distrustful of economic actors, who are the only ones capable of successfully "greening" the economy.

It is time for the European Union to systematically accompany its environmental decisions with financial, fiscal or regulatory compensations and realistic implementation timetables allowing for successful ecological and digital transitions. Otherwise, these measures will be a factor of recession in an economy that is already weakened because it is changing and they would then certainly be rejected by the citizens.

More generally, the reluctance of certain States could be fatal to the whole of Europe, due to a lack of response, audacity and enthusiasm. In reality, in 2023, the European Union has the choice between an "*old man's*

*policy*", which is fairly consistent with its demography and a soft political consensus, and a "*youthful upsurge*" which enhances its assets, but requires risk-taking and gambling. In launching *NextGenerationEU*, the Commission has understood this. Going into debt to discover, to invest, to build, to achieve, going into debt together to strengthen European solidarity, asserting oneself on the international scene with European specificities is a necessity that Europeans must believe in. To be convinced of this and to do so is one of the major challenges that the Union and its national governments are now facing.

#### GEOPOLITICAL CHALLENGES

The horror of the Russian war, which is targeting civilians, including women and children, cannot be tolerated by Europe. It would otherwise inevitably spread, for the continent is still pieced together with scars cut by history. Reopening them with rape, deportation and execution is a criminal act. Putin's Russia can no longer be considered a responsible and credible power because it is reopening the chapter of the worst exactions committed in the "*Bloodlands[2]*" at Europe's very heart. Hence, the aggression in Ukraine represents an existential challenge to Europeans, whereas the legitimacy of the European project finds its origin and its strength in the promise of peace.

The European Union took up the gauntlet with surprising unity and unexpected effectiveness. Despite some differences, national governments have been able to show unanimity in taking unprecedented decisions. More than 1,473 Russian personalities and 205 entities are now subject to sanctions. These measures are working and have already led to a recession in Russia. In less than a year, European dependence on Russian energy supplies has been reduced to almost zero; alternative suppliers have been found; joint gas purchases have been scheduled.

On the diplomatic front, the European Union has been able to make itself indispensable alongside NATO and cooperation between the two has revealed effective complementarity. The sums committed to [Ukraine have exceeded €67 billion](#), an amount close to that of the

United States. European funds have mainly intended to help the Ukrainian state and its citizens survive, while military aid has come mainly from America. However, for the first time, the European Union, through its "Peace Facility", has financed arms supplies organised by the member states. It has committed nearly [€12 billion](#).

The European response has been the backbone of the Western approach, coordinated with our partners. It is a long-term approach and is designed to limit the impact on citizens. It has mobilised considerable resources, the scale of which no Member State has contested.

The war in Ukraine has been a real wake-up call for Europeans in terms of their security policies at a time when they were trying to take on more responsibility in this area. The adoption in March 2022 of a common analysis of risks and threats, a draft strategy, the "*Strategic Compass*", the implementation of the European Defence Fund, the adoption of regulations allowing progress towards more autonomy of decision making in trade matters as well as in the regulatory field, notably in matters of digital technology, all move in the direction of reinforcing the autonomy of thought and decision making. The return of NATO and the United States to the strategic issue of European defence does not leave the European Union much room for manoeuvre. It has to be admitted that it has made full use of this and that it has assumed the main economic and financial role in aid to Ukraine. It is now time to go further and become fully involved in the quest for global solutions to ensure the stability and security of the continent.

There is little doubt that this will only be possible once the Russian attempt to challenge its neighbours' borders and their freedom of choice, starting with Ukraine, has failed. Whatever the outcome of the conflict - and one can only hope that Ukraine will return to its internationally recognised borders - Europe must be a stakeholder in the quest for a stable and sustainable future security architecture for the continent.

This can only be done by demonstrating real strength that gives credibility to its own diplomacy. We are far from this. European military capabilities are insufficient

[2] Timothy Snyder « *Bloodlands, Europe Between Hitler and Stalin* », Basic Books, New York, 2019.

despite the general rearmament of nations and the conditioned national reflexes that are pushing for rearmament at national level which may even be counterproductive.

### ONLY DETERRENCE PROTECTS

Indeed, not all the lessons of the Russian aggression in Ukraine have been learned. The mass of conventional armies is not enough to deter a nuclear-armed aggressor like Russia. Only true military credibility based on nuclear deterrence can protect Europe from Russia and, later, from other global perils. Spending hundreds of billions on conventional equipment might revive the arms race without really deterring an enemy that already knows it is in a clear conventional disadvantage against NATO in Europe.

Apart from France, and despite its repeated overtures for several decades, Europeans rely on the US nuclear deterrent as a safeguard and cautiously camp under the protection of Article 5 of the North Atlantic Treaty. In the light of history, this is a risky gamble. The United States is a reliable ally to Europe, but is there really any guarantee that an American president would immediately and automatically put the security of his own citizens and territory at stake with his strike force if the independence or borders of a European member state of the Alliance were challenged? At the very least, he would think twice.

The NATO umbrella, the world's leading military alliance, an institution that has greatly facilitated the interoperability of European armies with each other and with our allies, can only be truly secure if Europeans take their full share of responsibility. An American president with little regard for courtesy has brutally and rudely reminded them of this already.

### A DEFENCE AGREEMENT IN EUROPE?

Could we not envisage, within the Alliance, a specific European commitment to guarantee European security of its closest neighbours and partners? A treaty, an agreement, a political declaration that would give substance to the mutual defence clause of Article 42-7

of the Treaty on European Union, which is deemed insufficient by Finland and Sweden, who have asked to join NATO? This could be done through a political agreement with the two European nations with the necessary resources, the United Kingdom outside the Union and France inside, which keeps calling in vain for its partners to join discussions regarding deterrence.

### ARTICLE 44 OF THE TREATY

Finally, in diplomatic and military matters, the European Union must decide to make the most of the complementarities of its member states without trying to force them all to contribute in the same way to Europe's assertiveness on the international stage. This is a difficult exercise. Some would like to challenge the unanimity required to take decisions in these areas. This would be neither in line with the European promise to respect national identities, nor desirable because it would marginalise the smaller or less influential states, which would weaken the whole. At most, the right of veto could be reduced to certain areas and its exercise to certain conditions.

Member States have different histories, traditions and political sensitivities, and their security is central to their sovereignty. Rather than vainly trying to share them, it might be possible to add them together. It would then be a matter of accepting that the Member States, after adopting a common strategy, would contribute, each according to their possibilities, to specific objectives. Article 44 of the Treaty on European Union allows this.

To put it plainly, let us not ask Germany to ignore its fundamental law and accept deterrence by repeated external interventions, nor neutral countries to be as pro-active as others on military issues. Instead, let us seek points of agreement on disarmament, peacekeeping, and even forceful intervention when necessary to defend common interests, with only those nations that are prepared to do so. The Treaty on European Union seems to allow for this. As for nuclear deterrence, it is possible to give a "*European dimension*" to the existing ones, recognising their contribution to maintaining Europe's own security. Dialogue on this subject is now urgent.

The conflict in Ukraine, already a driving force in the transformation of the Union and its policies, could thus be an opportunity for new European developments, a real new beginning made necessary by external constraints.

### POLITICAL CHALLENGES

#### An inevitable enlargement?

However, the political challenges that the Union faces should not be underestimated.

Foremost among these is its imminent and unavoidable enlargement. Europeans have promised their neighbours integration into their community, and this promise has long served as foreign policy at their borders.

Candidates have become weary of the difficulty and duration of the accession process. It makes them sensitive to the interested attentions of other powers such as Russia or China. It keeps them away with the help of Turkey, which intends to play its own part. Political pressure is so strong – on the part of the people – that in June 2022 the Europeans promised integration to Ukraine and Moldova.

Without changes to its institutions and decision-making procedures, the European Union runs a twofold risk: that of importing additional problems that it cannot solve on its own, and that of paralysing its ability to take decisions. In terms of the former, we remember the accession of Cyprus, which was supposed to provide a solution to the occupation of part of the island by Turkey; in terms of the latter, we must consider the current difficulties in getting reluctant Poland and Hungary to implement European law.

Treaty changes literally terrorise governments who do not believe they can persuade their citizens to adopt them. Will the European Union be able to do without them and will it continue to move forward by concluding treaties outside the Union, which are intended to be integrated into the European legal corpus, and thus make it even more complex?

In reality, the EU cannot escape a change in its governance and would be well advised to start working on this now. The conference on the future of Europe, held in 2021 and 2022, and opinion polls all point to an increase in support for the European institutions and a strong expectation on the part of citizens for the European dimension of public action. Will their leaders be bold enough to take courageous initiatives in this area? Experience shows that the example of the few can convince a majority of states to advance the integration of all.

Because the fundamental question remains of the citizens' support for the European project. They accept its logic and understand its rational necessity in the face of the upheavals now taking place. But we must recognise that few institutions, European procedures or decisions arouse enthusiasm and, above all, the pride of belonging that would contribute to move forward towards more integration.

It cannot be said often enough that the institutions' communication policy is insufficient and often miserable. As is often the case, these institutions engage in dialogue with each other, which is sometimes difficult, and neglect the public dimension, which is the only one capable of bringing about real reforms. This is an area where everything seems to need review, and no institution is immune to profound revisions.

Tackling these issues is even more urgent in that the war is spreading legitimate anxiety, the return of inflation is putting many households in difficulty and a general malaise has descended on all democracies, including in Europe. The often-ephemeral successes of populism bear witness to this. They never last, but they gain a foothold during the elections, disturbing minds and weakening the intermediary bodies that are part of Europe's democratic culture.

The need for reform is therefore more urgent than ever before. The European Union has understood this, but it still needs to convince its members, to gauge the necessary speed of action and to demonstrate its effectiveness.

## The European Union's New Life

---

The fact remains that the European Union has changed profoundly in a few months. In less than five years, the time of a mandate, it has acquired most of the tools it lacked to develop an industrial policy, organise solidarity in times of adversity, and a strategy of autonomy in economic and health matters.

It is even trying its hand at extraterritoriality as it exports its rules with the General Data Protection Regulation (GDPR), the Digital Markets Act (DMA) and the Digital Services Act (DSA). [It wants to extend its law on compliance and duty of care](#) (DCSDD) requiring the

respect of human rights in value chains. It is essential for its members and partners. Much remains to be done, particularly in military and diplomatic matters, to assume and deploy its power. But for the European Union, in 2023, a new life is beginning.

---

**Jean-Dominique Giuliani**

Chairman of The Foundation

Retrouvez l'ensemble de nos publications sur notre site :  
[www.robert-schuman.eu](http://www.robert-schuman.eu)

Directeur de la publication : Pascale JOANNIN

---

LA FONDATION ROBERT SCHUMAN, créée en 1991 et reconnue d'utilité publique, est le principal centre de recherches français sur l'Europe. Elle développe des études sur l'Union européenne et ses politiques et en promeut le contenu en France, en Europe et à l'étranger. Elle provoque, enrichit et stimule le débat européen par ses recherches, ses publications et l'organisation de conférences. La Fondation est présidée par M. Jean-Dominique GIULIANI.