

Briefing

4th and 5th of May 2017

EIN joint seminar with Instituto Francisco Sá Carneiro and the Konrad Adenauer Foundation on «The Future of Europe»

Porto, Portugal, the town of bridges, is a reference of entrepreneurship, cosmopolitanism and progress, will host and EIN joint seminar to discuss the future of Europe. When compared to the rest of the world Europe might be seen as a safe haven but for Europeans, times have been better: huge debts, great unemployment rates, low economic growth, an inflow of migrants that almost no one wants to handle... altogether they make the «seed of hatred» between the north and the south, the east and the west.

The Brexit, the French and the German elections or the Commission's «White Paper on the Future of Europe», might make 2017 one year of major decisions, and major chances. Not counting with some external challenges and threats that might have great influences in the decision making process. «Long story short» the EU might be forced to pave new ways through this uncertain future.

Future of Europe and Brexit

By the daybreak of the 24th of June most of Europe woke up with a mix of feeling that went from shock to sorrow. The Brits decided to leave the EU, though not for much, a not very expressive 51.9% against 48.1%, still resulting in a complete setback for the Prime Minister David Cameron.

A new Prime Minister arrived at Downing Street, however keeping the promise of respecting the people's will. «Brexit means Brexit» said Theresa MAY. But what does that mean in practice? Especially on two key issues: how British firms do business in the EU and what curbs are brought in on the rights of EU nationals to live and work in the UK.

After triggering article 50 the clock started ticking and now the UK has until the summer of 2019 to negotiate a new *modus vivendi* with the EU: an extreme task for the *Three Brexiteers* - the veteran Conservative MP David Davies, the former defence secretary Liam Fox and London's former mayor, Boris Johnson - perhaps too extreme. First they, and the European negotiators have to agree on what should be negotiated first, and the EU's team, led by the French Michel BARNIER does not seem take rush decisions.

Finally, and strongly related to the future of the EU as a Union, Scotland and Ireland. The first already called for a new independence referendum. The second might be pressured for the long lasted reunification, or the return of violence to the streets.

The clock is ticking.

Welfare State and Competitiveness

In all European countries, fiscal policy is increasingly about redistribution, or in other words, to support the «Welfare State». But what are the costs of it, especially when economies face greater international competition? Is the «Welfare State» a design of Europe or a burden? Some say it causes losses of competitiveness. And the word can be used without any ambiguity as relative unit labour costs or, equivalently, as relative price if imports. When in times of economic crisis and several countries facing large debts, or at least low growth rates, how to manage this relation - welfare *versus* competitiveness - became a fundamental issue.

On the one hand, the «Welfare State» has become less efficient at redistributing wealth, making tax reforms less progressive and less redistributive, as a result a long lasting crisis that put our systems of social protection are under pressures barely seen before... When governments are asked to make fiscal consolidation reforms, some question the very existence of a strong, sophisticated system of social protection. In some European countries, a profound downsize of the «Welfare State» has been on its way. This protection, however, is crucial for millions of citizens. However, is it possible to preserve a strong social protection compatible with the constraints of fiscal consolidations while enhancing countries' competitiveness, in an ageing society?

Does it need to be drastically remodelled? What should be made to turn it more cost-effective? Are this generation decision makers willing to take this kind of decisions?

Transatlantic Relations, Security and Defence

The twenty-first century seems to be presenting the EU and the USA with remarkable opportunities for them to help mould the world's future. Despite the absence of the old Soviet threat, the two sides of the Atlantic North continue to share long-term interests and face common challenges both in Europe and beyond. These challenges are so many and diverse that neither the US nor the EU Member States can properly address them alone, especially in light of increasing domestic restrictions on the implementation of foreign policy. Thus, to hook these remarkable opportunities, promote shared interests and manage common threats might not be enough, we might need a broader and more comprehensive transatlantic partnership than in the past. However, are we willing to embark down this path?

Nonetheless one thing is sure: after Donald Trump's election, the relation between the European Union and the United States somewhat cooled. Europe's general preference was with Hillary Clinton, and it was no secret. If we add to the equation the supposed ties between Donald Trump and one of Europe's most feared enemies - Russia - we might understand the tension, especially in the eastern, ex-Soviet Union countries. This new approach to the US's foreign policy, both unexpected and innovative puts everybody from this side of the Atlantic in alert, waiting to see what is coming next. During so, the transatlantic relations run like before.

If business runs as usual, what does this changes mean in the fields of security and defence? Even during the campaign Donald Trump stressed how obsolete the North Atlantic Treaty was, and how most

European allies were not complying with the Treaty, with expenditures of 2% of the GDP of the defence budget. The organization, one of the last remnants of the Cold War, was useful for invading Iraq, but is it still now? From our point of view, having the American muscles on our side can be pretty useful, but what is the benefit for them? Especially now that they don't want to keep on paying their hegemony? Are the European allies really free riding on defence?

Populism and Nationalism across Europe

The consequences of the economic crisis as well as the migration crisis were not only limited to the economy but also had an effect on the society and politics of several European nations. The rise in unemployment and poverty and the decrease in standards of living along with a large amount of refugees and migrants that flee and hope to settle in Europe - this twenty-first century *el dorado* -, adding to the terrorist attacks that have been occurring across the continent, resulted in a sharp rise of populism and nationalism in several nations of the European Union.

Numerous analysts and politicians as well as ordinary citizens are worried that this is a reflection of the 1930s as both times have several points in common. What is worrying about this similarity is that the consequences could be the same as the 1930s, a destructive and devastating global war.

Certain citizens, especially those affected by the economic crisis want a radical change in the economy and society that would differ from the policies led by the main parties that have been in power for years.

How will governments tackle this new wave of populism and nationalism that is forming across member states? How will parties convince its citizens effectively that populism and nationalism is a threat to European and democratic values?