

EXPLORING EU COALITIONS

Edited by
Josef Janning, Christel Zunneberg
& Christoph Klavehn



EUROPEAN
COUNCIL
ON FOREIGN
RELATIONS
ecfr.eu

ABOUT ECFR

The **European Council on Foreign Relations** (ECFR) is the first pan-European think-tank. Launched in October 2007, its objective is to conduct research and promote informed debate across Europe on the development of coherent, effective and values-based European foreign policy.

ECFR has developed a strategy with three distinctive elements that define its activities:

- **A pan-European Council.** ECFR has brought together a distinguished Council of over two hundred Members - politicians, decision makers, thinkers and business people from the EU's member states and candidate countries - which meets once a year as a full body. Through geographical and thematic task forces, members provide ECFR staff with advice and feedback on policy ideas and help with ECFR's activities within their own countries. The Council is chaired by Carl Bildt, Emma Bonino and Mabel van Oranje.
- **A physical presence in the main EU member states.** ECFR, uniquely among European think-tanks, has offices in Berlin, London, Madrid, Paris, Rome, Sofia and Warsaw. Our offices are platforms for research, debate, advocacy and communications.
- **Developing contagious ideas that get people talking.** ECFR has brought together a team of distinguished researchers and practitioners from all over Europe to carry out innovative research and policy development projects with a pan-European focus. ECFR produces original research; publishes policy reports; hosts private meetings, public debates, and "friends of ECFR" gatherings in EU capitals; and reaches out to strategic media outlets.

ECFR is a registered charity funded by the Open Society Foundations and other generous foundations, individuals and corporate entities. These donors allow us to publish our ideas and advocate for a valuesbased EU foreign policy. ECFR works in partnership with other organisations but does not make grants to individuals or institutions.

www.ecfr.eu



**EUROPEAN
COUNCIL
ON FOREIGN
RELATIONS**
ecfr.eu

EXPLORING EU COALITIONS

**Edited by Josef Janning, Christel
Zunneberg & Christoph Klavehn**

The European Council on Foreign Relations does not take collective positions. This paper, like all publications of the European Council on Foreign Relations, represents only the views of its authors.

The European Council on Foreign Relations does not take collective positions. This paper, like all publications of the European Council on Foreign Relations, represents only the views of its authors.

Copyright of this publication is held by the European Council on Foreign Relations. You may not copy, reproduce, republish or circulate in any way the content from this publication except for your own personal and non-commercial use. Any other use requires the prior written permission of the European Council on Foreign Relations.

© ECFR October 2017

ISBN: 978-1-911544-33-3

Published by the European Council on Foreign Relations (ECFR), 4th Floor, Tennyson House, 159-165 Great Portland Street, London, W1W 5PA
london@ecfr.eu

A publication by

RETHINK: EUROPE

Rethink: Europe is an initiative of the European Council on Foreign Relations supported by Stiftung Mercator. The essays of this publication, together with the project's seminal study on coalition-building in the European Union, continue our examination of the forces that shape cooperation in the European Union and its members' capacity to act collectively on the European continent and the global stage. The basis for the analysis and illustrations presented in this publication – the EU Coalition Explorer – is available free of charge at ecfr.eu/eucoalitionexplorer.



STIFTUNG
MERCATOR

Contents

INTRODUCTION: EXPLORING EU COALITIONS <i>Josef Janning, Christel Zunneberg & Christoph Klavehn</i>	6
In search of a credible asylum policy <i>Gerald Knaus</i>	11
Who matters on aid? <i>Richard Gowan</i>	18
Coalitions for cooperation: The key to a common foreign, security, and defence policy? <i>Jana Puglierin</i>	24
European policy on Russia: Unity for power, trade-offs for unity <i>Kadri Liik</i>	30
A common EU China policy: The divided, the ruled, and the united <i>Angela Stanzel</i>	36
Eurozone reform: Difficult choices for the Franco-German axis <i>Sebastian Dullien</i>	42
The beginnings of a beautiful friendship? The EU's energy and climate policies <i>Marin Lessenski</i>	47
About the authors	52

*Josef Janning, Christel Zunneberg &
Christoph Klavehn*

Introduction: Exploring EU coalitions

In the future, European action will increasingly follow the logic of a multi-speed Europe. Flexible coalitions are a way forward for a European Union whose members appear deeply divided. Varying constellations of forerunners will claim legitimacy for their action by referring to goals which are laid out in the European treaties. All member states accept these goals but have not achieved them because of a persistent lack of political consensus. Using the treaty clauses of enhanced cooperation or Permanent Structured Cooperation (PESCO) for security and defence initiatives, groups of member states have the option of moving ahead so as to overcome political gridlock within the EU.

Three clusters of policy challenges sit at the top of the flexible EU geometry agenda:

1. Effective control and policing of the EU's external borders

This is a key issue for all members of the Schengen area. A core group could: create a single border police and coast guard; deal with migration on the basis of common immigration and asylum laws; and establish a common fund to compensate participating countries for any asymmetries in burden. A joint budget created by and for participating countries would finance this initiative. The areas of law enforcement, intelligence-sharing, and crime prevention could also see initiatives of this type come forward.

2. Providing Europe with a credible common defence by integrating defence capabilities

- 6 Coalitions or cores could seek to merge key aspects of defence, such as: research, development, and procurement; command, control, and intelligence;

logistics and support, from airlift and transport to medical services; and the integration of forces under one command. As with the case of border security, the immediate benefits would apply to participating countries only. However, the wider impact of successful defence initiatives would benefit the EU and its members at large.

3. Economic governance for economic prosperity, social equality, and fiscal sustainability

These interdependent variables apply most of all to members of the eurozone. Here, a group of countries in the European monetary union could amend the rules on national budgets and make use of common financing instruments based on these rules. Tax harmonisation would make sense for participating countries, as would the establishment of a common budget, which would act as a transfer scheme for balancing budget asymmetries among members.

The list of topics covered by leading experts in this essay collection is not exhaustive, but they sketch out paths towards deeper European integration within these three key areas. (1) Gerald Knaus discusses the feasibility of a common immigration and asylum policy as well as a common border police and coast guard. Contributing to the current discourse around addressing the root causes of instability and migration on Europe's southern flank, Richard Gowan expands on common development assistance policy. (2) With the potential of the Trump presidency to galvanise greater European foreign and security cooperation, Jana Puglierin reveals unused coalition potential in the realms of foreign, security, and defence policy. Kadri Liik and Angela Stanzel offer new perspectives on Europe's (in)capacity to act with non-European actors and within specific geographical regions – Russia, Ukraine, and China. (3) In light of the eurozone reforms that French president Emmanuel Macron aspires to, Sebastian Dullien explains the working of the Franco-German axis in bringing about eurozone reform. And in the wider context of economic governance and in response to the potential setback posed by US withdrawal from the Paris Climate Agreement, Marin Lessenski analyses the preferences of EU member states in energy and climate policy decision-making.

Anyone looking to inform the debate on the future of European cooperation needs to understand this structure of interactions and the complex links between the political engine rooms of the 28 EU capitals. Which countries are perceived as cooperative and responsive, and which are not? Which sustain close contact with Europe's professional class? Do governments, in the eyes of their counterparts overestimate, or underestimate, their influence on EU

policymaking? And which are considered essential players within various policy domains? This kind of information has so far been a restricted body of knowledge, at best available in fragments, and much less to the wider public.

The authors draw on the findings of ECFR's EU28 Survey 2016, conducted across the 28 member states of the EU, and which reveals the web of interactions between European capitals. Hundreds of policymakers and expert observers participated in the survey, indicating on which of four levels of governance they would prefer specific policy action to take place: (1) the level of all EU member states, (2) in legally bound coalitions, (3) loose coalitions, or (4) exclusively on the national level. The authors' interpretations of the survey results discover patterns for future EU coalition-building in areas ripe for differentiated integration in the near future.

Three general observations emerge. Firstly, the overall figures signal significant potential for change: only 52 percent of all respondents would prefer to deal with issues at the level of all member states – a rather low number given the goals and commitments of member states under the EU treaties. The overall figure suggests that the professional class sees little chance of moving ahead collectively, even if many hold this as an ideal. One-third of respondents would like to see either formal coalitions, via legally bound groups (19 percent), or informal coalitions (15 percent). Given that these answers represent a clear departure from previous integration patterns, this approval rate for coalition working is quite high.

Secondly, however, the preferred level of decision-making generally differs depending on the nature of the policy issue. On matters relating to internal EU politics, member states are more inclined towards forming a legally bound core and working at a national level – more so than when it comes to external EU policies. A higher percentage of respondents from across the EU indicated their country would prefer action by a legally bound core within policy like governance of the eurozone rather than on EU affairs in general. Unlike in internal policy issues, on foreign policy matters the EU28 are inclined to include all members in decision-making and to form ad hoc coalitions. Views around Russia and Ukraine, border police and coast guard, and especially climate policy all illustrate a strong preference for EU-wide approaches as policies with a largely external dimension.

8 Lastly, in comparison to Europe's professional class, European citizens – in a representative survey conducted by Dalia Research on behalf of ECFR

across the EU28 countries – show a significantly stronger preference for the national level. This holds true across the board on the policy issues surveyed. Multi-speed Europe or loose coalitions generally win less approval than all EU members acting together. Public opinion, it seems, is less inclined to support the idea of coalitions than the political class is. Moreover, the actor level preferences of the different national audiences do not diverge as much as among expert communities in the different member states.

It is highly unlikely for ‘coalitions of the willing’ to take forward initiatives on the three groupings of policy challenges outlined above. Most will require legal, if not constitutional, adaptation among participating countries – legally binding commitments would therefore be needed to ensure cooperation. Participation could be based on material, legal, and procedural criteria derived from the requirements of the respective policy area targeted by deeper integration. It follows that the memberships of different core coalitions would not be identical. However, there will likely be a significant overlap, and political leadership would fall to those member states engaged in all areas of differentiated integration so as to facilitate the cohesion of initiatives within the EU at large. Informal coalitions in EU policymaking could play out better in sensitive areas of foreign policy. Here, the clout of individual countries as well as the informal nature of their cooperation appear helpful to the cause. Generally, informal coalition-building could become a strong tool in the agenda-setting and the political management of a diverse and otherwise fragmented EU.

Irrespective of policy area, coalition-building and flexibility are not ends in themselves. The fundamental motivation for a future EU of multiple speeds is not to create first class and second class memberships; it can neither be a Europe à la carte nor a Europe of the smallest common denominator. Rather than exclusivity, coalition-building’s overarching function is to enable constructive action – despite differences, to collectively work towards becoming a more cohesive and capable community.

Gerald Knaus

In search of a credible asylum policy

The European Union urgently needs a credible policy on asylum and border management. It must combine effective control of its external sea borders with respect for existing international and EU refugee laws. It must respect the fundamental ethical norm of the rule of rescue – not to push individuals in need into danger – which is at the heart of the UN Refugee Convention (its Article 33 states no pushbacks, or non-refoulement). A credible asylum policy should deter irregular migration, while treating asylum seekers in line with the many legal obligations assumed by the EU and its member states.

There has been no shortage of policy proposals put forward since early 2015. The European Commission presented a strategy on migration in spring 2015: commission president Jean-Claude Juncker presented four concrete ideas in his State of the European Union speech in September 2015. In spring 2016, the commission presented proposals for reform of the Dublin Regulation, a system that, for the past two decades, has determined which state has the obligation to evaluate the asylum claims presented by people who arrive in Europe. This succession of papers, proposals, speeches, and summit conclusions remains subject to two fundamental constraints, however: any future EU policy on asylum must, firstly, be embraced by EU member states and, secondly, it must then be implementable once it is official policy. The latter may seem an obvious point, but it remains the fundamental problem in current European debates around asylum policy.

Five common policy illusions

Five policy illusions illustrate the dilemmas within Europe's current debate on asylum, migration, and borders. These concern: the *reception* of asylum seekers; the *relocation* of refugees or asylum seekers within the EU; the *Dublin system* and its possible reform; the *readmission* of those without a

claim to remain in the EU; and plans to increase the *resettlement* of refugees from outside the EU.

It is an obvious priority for the commission to ensure that member states respect basic standards already agreed upon in the past, including the way they receive and treat asylum seekers. Therefore the commission began infringement procedures on 17 May 2017 against amendments to the Hungary's asylum law, arguing that the indefinite confinement of refugees (including minors over 14) in closed facilities in transit zones is in breach of the Charter of Fundamental Rights and of EU law on reception conditions, in force since 2013. Yet violations continue on a large scale. In the Bundestag on 11 April 2017, the German government explained that, due to the bad treatment of asylum seekers in Hungary, theyit was unable to apply other EU law (the Dublin Regulation) and would not send asylum seekers back to Hungary. Budapest is not the only guilty party, however. Reception conditions in Greece remain shamefully inadequate, despite hundreds of millions of euros in EU financial aid. As of yet there is no effective way to ensure that already agreed-upon standards on reception are actually implemented within individual member states.

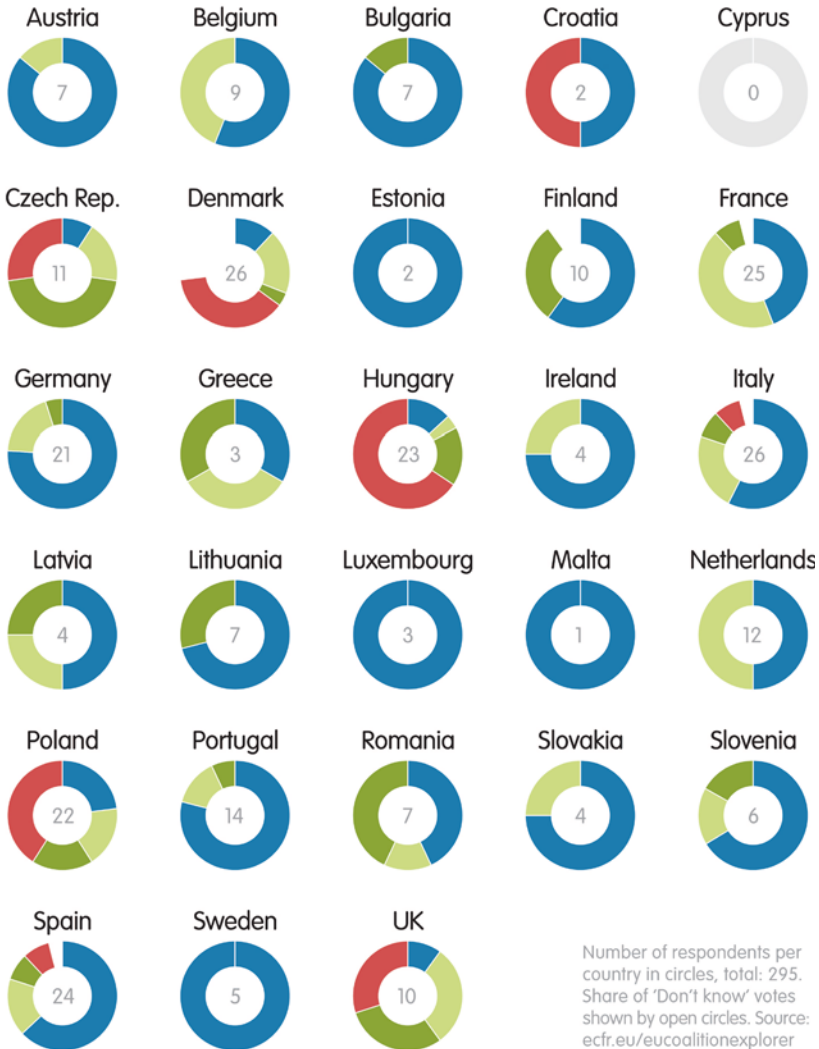
As humane reception conditions remain elusive, the most ambitious initiative proposed by the commission in 2015 – relocation – has proven similarly disappointing. In July 2015, member states agreed to relocate 32,000 asylum seekers from Greece and Italy, with an additional 8,000 cases to be finalised shortly after. In September 2016, another 120,000 were added (including Hungary as a beneficiary). Hungary refused to take part, with four member states – Hungary, Slovakia, Romania, and the Czech Republic – voting against the decision. The controversy over this policy was so fierce that few noted the more basic failure of a scheme designed so badly that it could never have worked. By the end of the two-year relocation scheme in September 2017, a total of less than 29,000 people had actually been relocated. The EU is, in fact, still working on the implementation of its July 2015 decision; it has not yet even got around to the massive increase it had announced with great fanfare in September of that year. A bitter political fight between member states appears in hindsight to be a struggle over a ghost policy that had no real-life application.

The failure of relocation overshadowed the commission's reform proposal made in spring 2016 concerning the Dublin Regulation, which today allocates

responsibility for asylum requests among EU member states. At the centre of these commission proposals is a permanent relocation mechanism, one even more ambitious than its predecessor. This was bound to be controversial, and remains so. But in light of the failure of the September 2015 relocation scheme, it also appears divorced from lessons about effective implementation. Implementation has always been the Achilles heel of the Dublin Regulation; in 2016, for example, Germany made 55,690 requests for Dublin transfers, but managed to carry out less than 4,000 of these. While Dublin did not work for Germany, it did not help Italy either, which transferred 1,864 people to other countries under the Dublin family reunification procedure in 2016, but received 2,086 from other countries in return. Such numbers are all the more remarkable given that, in 2016, more than 180,000 migrants arrived in Italy. Dublin is today an administratively demanding irrelevance. Yet the prospect of reform along lines suggested by the commission looks gloomy. The EU has a system it cannot implement and which it seems to be incapable of reforming.

The readmission of all those who do not have a claim to stay in the EU following an asylum procedure is obviously crucial for any functioning asylum system. This is a member state responsibility, which those states most concerned are struggling to implement. Two cases illustrate the dilemma: in 2016 more than 100,000 migrants arrived in Italy from six west African countries. Even though the majority of asylum claims by citizens of these countries were rejected, the total number of voluntary and forced returns of citizens of these states to their countries of origin in 2016 was 255. The same year, the total number of forced returns from Sweden (which saw the arrival of more than 160,000 asylum seekers in 2015) was less than 2,500. A key obstacle is the lack of interest on the part of these asylum-seekers' countries of origin in cooperating with the EU, which makes most readmissions impossible in practice. A second is the extremely slow asylum procedure in some member states. According to an annual report published about the situation in 2015 by SPRAR (an official network of reception centres) in Italy, the average length of an asylum procedure until the last instance in recent years was 1,718 days: almost five years. Such slow processing did not improve the quality of decisions, however – civil courts overturned 50 percent of decisions made by first-instance asylum commissions and the court of appeal overturned 69 percent of civil court decisions. In the end, almost all asylum seekers to Italy remain – whether protection is granted or not. This is a deeply dysfunctional system misallocating resources and creating a magnet for economic migrants.

Preferred Actor Level: Common immigration and asylum policy



This leaves the matter of the resettlement of refugees, which many governments and human rights groups agree is preferable to irregular arrivals. The total number of refugees who reached the EU in 2016 via resettlement was 14,200. This was described as a “significant increase” by the commission (it was less than 8,200 in 2015). In the same year Canada resettled 21,865 refugees.

This, then, is the current state of a broken system, compounded by an unfocused debate on how to reform EU asylum policy: the EU and its member states do not have the tools or the political will to enforce reception standards that were agreed upon long ago; they have not managed to implement the ambitious 2015 relocation scheme; member states have never really implemented the Dublin Regulation; there is no agreement in sight on the commission’s proposals for reform of Dublin (proposals which, if agreed, are as likely to fail as the 2015 relocation scheme and the previous Dublin system); and most member states still cannot ensure speedy asylum procedures, while failing to return the majority of those who end up without a claim to remain in the EU.

Against this background it appears to be of little consequence that Hungary is in favour of a national solution or that Austria is in favour of a European one, as ECFR’s EU Coalition Explorer illustrates. As long as the issues discussed are unlikely to ever be implemented, and as long as European institutions do not acknowledge this state of affairs, many political struggles appear removed from reality. In the meantime member states struggle on their own — while some are directly affected because of geography (Italy, Greece) or because they are preferred destinations for irregular migrants (Sweden, Germany, Austria), others seem willing to live with the current status quo. Amazingly, some in Brussels even maintain that the lessons of the past two years have been learned and that the EU is now better equipped to deal with future crises.

Wanted: A serious debate on asylum policy

The EU needs a new system to replace the Dublin Regulation, one that is effective, humane, and politically acceptable to majorities in key countries. Such a system must, as the commission recently put it, be “efficient, to be able to withstand migratory pressure ... in compliance with international law.”¹ Before the EU can hope to get there, however, it needs to draw lessons from what has (not) worked in the past two years.

¹ “Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the delivery of the European Agenda on Migration”, European Commission, 27 September 2017, available at <http://eur-lex.europa.eu/legal-content/EN/TEXT/?uri=CELEX:52017DC0558>.

In March 2016, the EU-Turkey statement laid a basis for tackling the refugee crisis in the Aegean. Although its implementation in Greece has been deeply inadequate, it had an immediate impact. Migrant crossings in the Aegean Sea fell from 115,000 in early 2016 to 3,300 by July 2016. The number of people who drowned in the Aegean fell from 366 people in the first three months of 2016 to seven between May and July 2016. This was achieved without pushing refugees to more dangerous routes and without any mass expulsions from Greece. In fact, more people were sent back from Greece to Turkey during the three months preceding the agreement (967) than in the first 12 months following its conclusion (918).

But more needs to be done in the Aegean. Quickly processing asylum applications is key for ensuring the continued success of the EU-Turkey statement, as are a decline in irregular arrivals in the central Mediterranean, and better reception conditions on the islands. This would require EU-supported asylum systems in Italy and Greece able to process claims within weeks, not years. In Greece, Turkey stands ready to readmit people who do not qualify for protection. In Italy those whose claims are rejected should then be returned to their countries of origin without delay. Here, too, lessons can be learned from the EU-Turkey agreement. African countries are understandably suspicious of readmission agreements under which they would have to take back an unlimited number of their citizens. Ensuring that Nigeria, Senegal, and other countries take back their nationals who do not qualify for protection after an agreed date should be prioritised in talks between the EU and African countries of origin. This would be similar to the commitment Turkey made to take back people who arrived in Greece after 20 March 2016 without delay. The EU should focus now on reaching such “take back” statements with African countries of origin. In return, the EU should offer these countries concrete benefits, from scholarships to visa facilitation and schemes for regular work migration. In parallel to bringing irregular arrivals under control, a group of EU member states should also support UNHCR to resettle a significant number of identified refugees to the EU directly. This would offer safe and legal solutions to those in need of protection.

What would the impact of such a policy on arrivals be? They would almost certainly fall sharply. Nigerians were the largest group of arrivals to Italy in 2016; with the probability of being returned to Nigeria within four weeks of arrival at almost 70 percent, the majority would not risk their lives crossing the deadly Sahara desert, an unstable Libya, and the central Mediterranean, all the while spending thousands of euros on people smugglers. Quick decisions and

rapid readmission based on “take-back” agreements with countries of origin would reduce the number of people staying in the EU after their applications are rejected. The number of irregular arrivals would become manageable, smugglers would have less business and there would be far fewer deaths at sea. The immediate and realistic aim should be to reduce the number of all irregular arrivals by sea to below 80,000: close to the average number of arrivals in the years 2009-14.

A humane and effective EU policy on asylum and borders is possible. The necessary first step is a serious and realistic debate on what has worked and what has failed. There is no such debate taking place today, however – in either EU institutions or within most member states. The question is when, if ever, this will change.

Richard Gowan

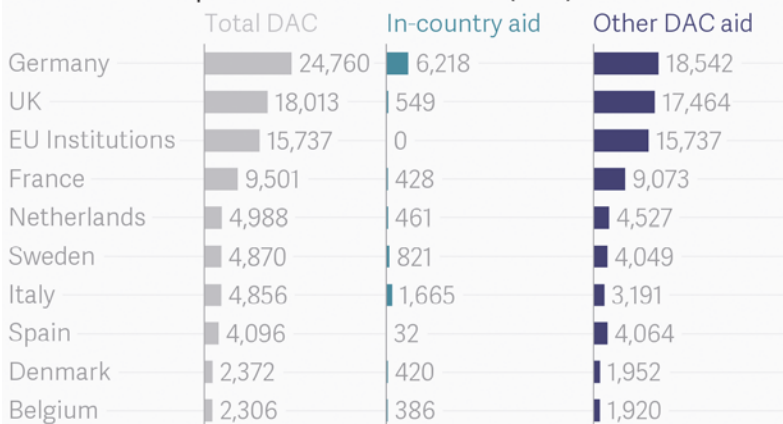
Who matters on aid?

The 2016 European Union Global Strategy boasts that “together we invest more in development cooperation than the rest of the world combined.”¹ But the union’s members put vastly different levels of resources into Official Development Assistance (ODA). According to figures collected by the Organisation for Economic Cooperation and Development (OECD), Germany and the United Kingdom disbursed roughly \$25 billion and \$18 billion in ODA respectively. By contrast, 17 of the bloc’s 28 members each put in less than \$1 billion. Development policy is a field in which there is a clear and quantifiable hierarchy of EU states. Eight of the bloc’s members with limited aid budgets do not even participate in the OECD’s Development Assistance Committee (DAC), the primary forum for Western donors.

Of the more serious ODA donors, virtually all the noteworthy EU players fall into the “Big Six” and “Affluent Seven” groups of states identified by the EU Coalition Explorer (Figure 1). (One exception is Ireland, which both spends a considerable amount in ODA in per capita terms, and is an energetic actor in aid debates within institutions such as the United Nations.) Nonetheless, there are also major differences within these groups. Of the Big Six, Poland is only a minor donor. France, Italy, and Spain all had to curtail their ODA spending after the 2008 financial crisis, and the Spanish aid budget in particular suffered drastic cuts from which it may never fully recover. By contrast, Germany and the UK continued to expand their aid budgets throughout the post-crisis period (Figure 2). While a quarter of German ODA is spent in-country refugee costs, Berlin has also ramped up aid spending beyond its borders.

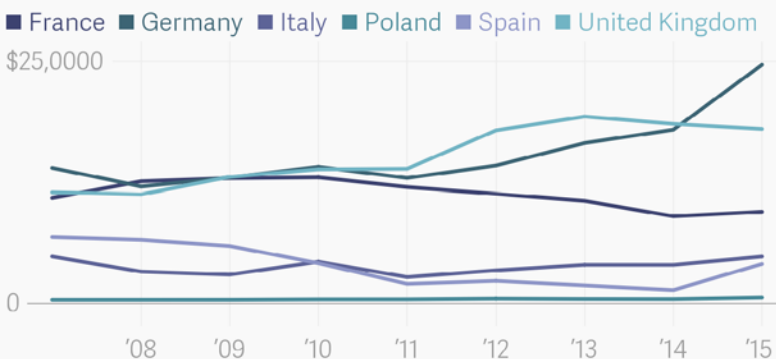
¹ “Shared Vision, Common Action: A Stronger Europe”, EEAS, June 2016, available at http://www.eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf.

Overseas Development Assistance in the EU (2016)



ATLAS | Data: OECD

Development aid among the 'Big Six' EU member states



ATLAS | Data: OECD

There have been similar divisions among the Affluent Seven. Whereas Belgium had to make sizeable cuts to ODA after 2008, and other members of the group have trimmed their budgets, Sweden has boosted its spending (although a fifth of Swedish ODA also goes to in-country refugee support). In the meantime, the European institutions have emerged as heavyweight donors in their own right, investing almost as much in developing countries as Germany does. As ECFR noted in its European Foreign Policy Scorecard, Brussels often stepped in with aid money for humanitarian emergencies while EU members were cutting funds during the euro crisis.²

² "The European Foreign Policy Scorecard 2016", ECFR, January 2016, available at http://www.ecfr.eu/page/-/ECFR157_SCORECARD_2016.pdf.

Inclusive versus selective approaches to ODA partnerships

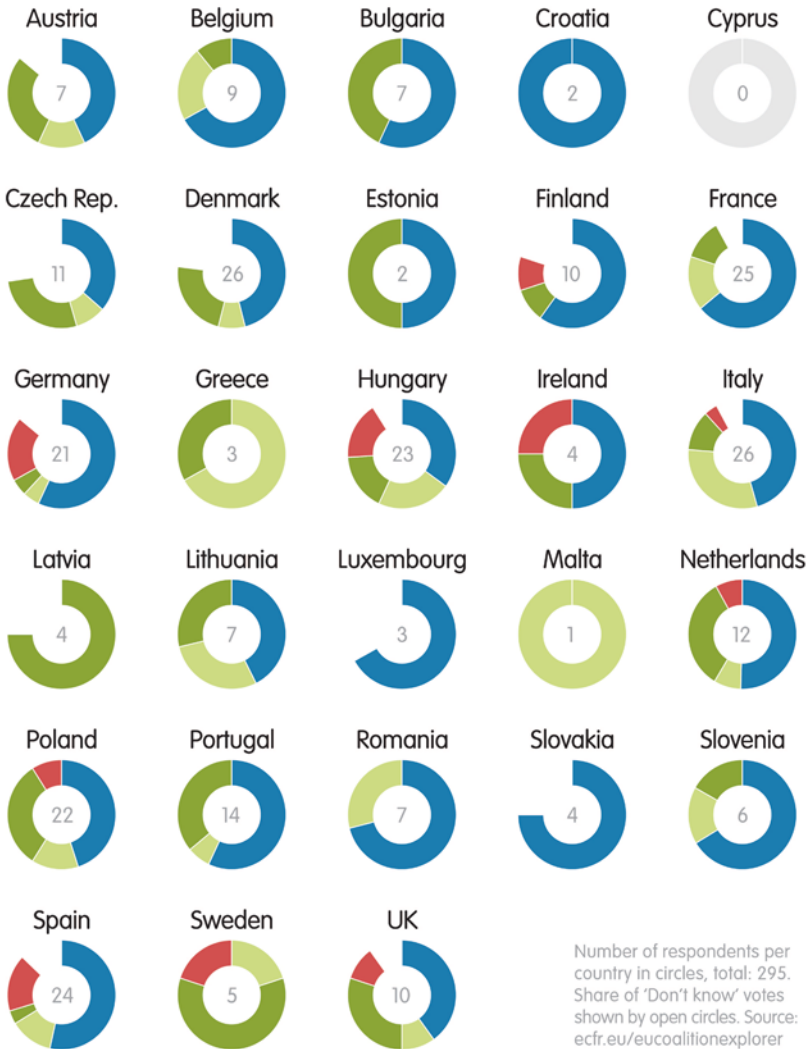
European ODA policy now faces multiple, simultaneous challenges. Firstly, Brexit will have a significant impact on the union's aid profile. Not only is Britain the second most generous member state after Germany, but British officials and think-tanks have often been instrumental in advocating innovative aid policies within the EU. Secondly, there is growing uncertainty over what the priorities for European ODA should be. The UN's Sustainable Development Goals set a target of eradicating extreme poverty worldwide by 2030. EU members support this ambition, but have also agreed to invest at least 20 percent of development spending in efforts to address climate change. More immediately, the conflicts in the Middle East and north Africa, and the refugee crisis have forced aid officials across Europe to concentrate efforts on assisting refugees on their own territories, to the detriment of other aid programming. A recent European Commission attempt to set out aid principles for its own spending and the bloc's as a whole was notable for the sheer number of different issues it tried to cover, and its lack of clear prioritisation.³

Given that ODA is a field in which a core group of EU member states and institutions already dominate policy-making, could a new coalition of members emerge to give clearer direction to aid policy? The EU28 Survey asked national experts, "which other EU member states does your government see as essential partners in foreign and development policy?" This was, presumably unintentionally, a loaded question as it implicitly coaxes respondents to see development policy as a foreign policy tool, rather than an independent sphere of action. Perhaps inevitably, Germany and France dominated the list of responses.

Nonetheless, it is notable that two of the Affluent Seven with strong stakes in ODA – the Netherlands and Sweden – also scored highly overall. Countries with strong commitment to ODA and multilateral cooperation, such as Ireland, the Netherlands, and the Nordic countries, rate each other highly as partners (although in the Nordic case this is more likely to reflect geographical and cultural proximity rather than ODA policies). Respondents from the Big Six, however, rank these aid advocates as significant but not crucial partners, suggesting that ODA was not a major factor in shaping their views.

³ "The Proposed New European Consensus on Development: Has the European Commission got it right?", Raphaëlle Faure and Simon Maxwell, Overseas Development Institute, February 2017, available at <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11263.pdf>.

Preferred Actor Level: Common development assistance policy



A more specific Coalition Explorer question about the desirable actor level for a common development assistance policy throws up more pronounced differences. Majorities of respondents in France, Germany, and Spain concluded that ODA should be a matter for all EU member states to agree. A plurality of Italian respondents also held this view. However, among states outside the Big Six with a strong interest in ODA, there was stronger support for more selective European alliances on ODA. In Sweden, for example, all respondents favoured either a coalition-based or national-level approach to policymaking. In the Netherlands and Ireland, 50 percent of respondents favoured these selective approaches – so did Denmark, to a significant extent. Middle- and small-sized EU member states with a strong stake in ODA appear to have a strong inclination to either “go it alone” or in small groups when it comes to the aid business.

There are a number of possible explanations for this. The simplest may be that those governments that see aid as a major source of leverage do not want to sacrifice this. Denmark, for example, has branded itself a “humanitarian superpower” and does not necessarily want to cede that brand to Brussels. It is also worth noting that many governments with a strong stake in ODA (like the Nordics, Dutch, and British) also pride themselves on their diplomacy at the UN and with partners such as the African Union. Officials working in these venues often want to build close working relations with non-European counterparts, and see EU coordination as an obstacle to this wider diplomacy. Within the UN framework, representatives of EU members often find that their friends from Norway and Switzerland have far greater leeway to bargain with non-European officials.

Whatever the reasons for the aid pioneers’ inclinations, it seems that effective cooperation over ODA will need to satisfy their independent-mindedness. The question that follows is what such a coalition should focus on in order to gain momentum.

Stability, prosperity, and ODA in Europe’s southern flank

One issue likely to inspire a select coalition of European states to work more closely on ODA is the need for long-term development strategies to stabilise the Sahel, north Africa, and the Middle East. Building order in these regions has become a common priority for the two nations that the Coalition Explorer suggests almost all Europeans want to keep happy: France and Germany. Soon after becoming president, Emmanuel Macron visited Mali to announce a new

stabilisation strategy involving development aid and governance support as well as military action. He added that he saw Germany as a key partner in this endeavour. Angela Merkel has made African stability and slowing migration across the Sahel twin policies, while all the main participants in this year's German election emphasised increased ODA was an important element of the nation's security strategy.

If north Africa and – changing political conditions permitting – the Middle East are to be major sites of Franco-German cooperation, other EU members with a stake in development are likely to want to join in, too. The Netherlands and the Nordic countries have already sent peacekeepers to Mali to back up the French intervention there – as has Germany. But they will typically prefer to offer aid rather than risk troops in large numbers. Countries with significant ODA portfolios can offer not only cash but the expertise that France and Germany may lack on post-conflict issues, as in cases like Mali. French aid policy, for example, has always placed much less emphasis on supporting good governance than the northern European ODA specialists have: a gap that clearly needs filling urgently across much of the Sahel.

There is already no lack of EU and multilateral initiatives to stabilise the Middle East and north Africa. But as the long struggle to build order in these regions continues, those European states that specialise in ODA will have strong incentives to pool their resources and knowledge. EU institutions, which have increasingly emphasised the need to link ODA to conflict prevention and state resilience, will be natural partners in this enterprise. There will be other areas of development policy – such as coordinating steps to help poor countries mitigate climate change – on which the EU has political incentives for maintaining a common front. When it comes to the practicalities of supporting development in conflict-affected regions, however, a smaller group of states may be better calibrated to work together on potentially risky and time-sensitive projects. A core group of ODA specialists already exists in the EU, and it makes eminent sense to work with this resource to get results in the field.

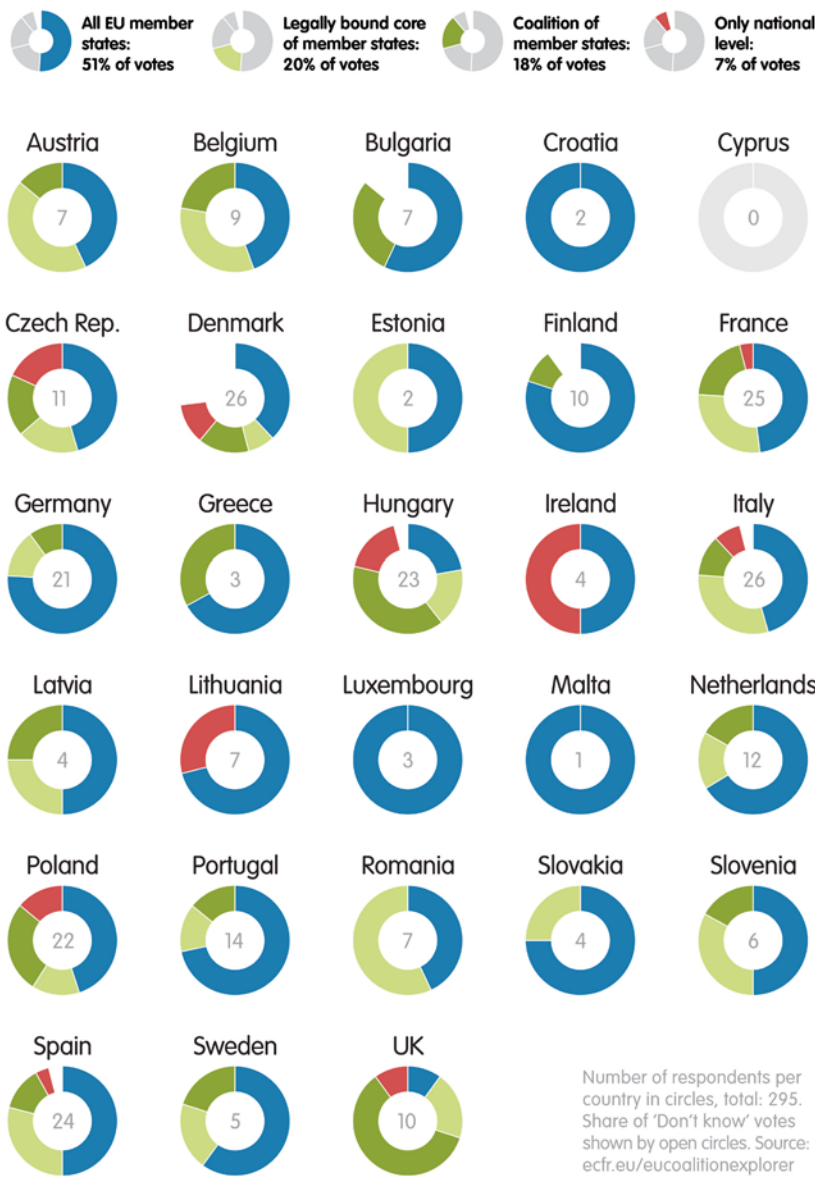
Jana Puglierin

Coalitions for cooperation: The key to a common foreign, security, and defence policy?

For almost 20 years, the member states of the European Union have (at least in their rhetoric) aimed to project a more unified front on foreign policy, as well as develop a credible European security and defence policy. However, efforts have so far been hampered by: persisting national reflexes; significant divergences in European strategic cultures; differing threat perceptions; a lack of consensus about the right level of ambition; shrinking defence budgets; and an overall lack of political will. Despite the incentives for joint action and ambitious initiatives put forth by the Lisbon treaty, a common European foreign, security, and defence policy remains largely embryonic.

Despite this lack of progress in recent years, things do now seem to be moving ahead. There have been several recent wake-up calls for Europe, resulting in an unprecedented confluence of security concerns that might serve as a catalyst for greater European foreign and security cooperation. Crises including state disintegration, bloody conflict, and economic hardship have swept through regions from north Africa to the Caspian Sea, displacing millions, and often towards Europe. Russia continues to destabilise the post-Soviet space. The threat of domestic terrorism has continued to grow. With the UK's exit, the EU is losing one of its strongest and most experienced military powers. Donald Trump's leadership has turned the United States into an altogether new source of uncertainty, prompting Angela Merkel to warn that the EU can no longer fully rely on its superpower ally for defence. Now more than ever it is important that member states stand together in this policy area and that the EU finally evolves into a strong agent in terms of foreign and security policy.

Preferred Actor Level: Integrated foreign and security policy



Momentum for joint action

The Coalition Explorer shows that this view is shared by professionals, 51 percent of whose answers to the question of an appropriate actor level for implementing an integrated foreign and security policy favoured engagement from all EU member states. This was followed by 19 percent advocating a legally bound core, and 15 percent favouring a coalition of member states. With regards to common defence structures, 40 percent supported joint action from all member states; 22 percent want a legally bound core; and 27 percent favour coalitions. Unsurprisingly, only the United Kingdom vote broke ranks both times, showing an overwhelming preference for coalitions of member states (60 percent in common policy and 80 percent in common defence structures) as an appropriate actor.

This call for joint action has been heard, at least on paper: the EU has further developed its consensus on security and defence within the Global Strategy for the EU's foreign and security policy presented by the high representative of the union for foreign affairs and security policy in June 2016. Individual member states, the European Council, the European Parliament and the European Commission have all come forward with concrete proposals and initiatives. The mere fact that the commission – until recently reluctant when it came to spending EU money on defence – launched a proposal for a new “European Defence Fund” indicates a significant change in mentality. Defence integration in the EU seems to be gaining speed. The establishment of a military planning and conduct capability, and the preparatory work necessary for activating a coordinated annual review on defence between member states, are supposed to pave the way towards a European Defence Union. However, some of the aforementioned initiatives like the European Defence Fund and the idea of a permanent structure of cooperation between a group of member states (PESCO) are explicitly built on the idea of “flexible integration”, which aims to enhance cooperation through “coalitions of the willing”.

Not all member states are enthusiastic about this. Countries like Poland want to avoid the emergence of an exclusive European defence core, where only a small number of countries, as Marcin Terlikowski from Polish think-tank PISM points out, “would run the most important defence cooperation programmes and industrial projects and practically govern PESCO, using the participation of others as a source of legitimacy”.¹ The EU Coalition Explorer

¹ Marcin Terlikowski, “PISM Spotlight: PESCO: The EU Deepens Defence Integration”, Polish Institute of National Affairs, 28 June 2017, available at: <https://www.pism.pl/publications/spotlight/no-31-2017>.

shows 59 percent of Poles express a clear preference for a joint approach by all member states in order to achieve common defence structures.

Franco-German differences

Germany and France have signalled a particular willingness to become the trailblazers of European defence. Both countries are the key drivers behind the EU's recent defence momentum. However, the devil is in the detail. While both Germany and France officially champion a differentiated approach to integration – one that grants more scope to push ahead to member states willing to integrate more deeply – both countries differ on its actual implementation, as was apparent during the negotiating process concerning PESCO.

Emmanuel Macron favours an exclusive core circle of member states led by France and Germany that would be at the forefront of efforts, but Angela Merkel is hesitant to support such an idea. Keeping in mind the concerns of less powerful EU countries that are suspicious of a stronger Franco-German partnership, Germany instead wants PESCO to be more inclusive. It sees PESCO as a potential tool for more European integration and is therefore reluctant to close the door; France, meanwhile, fears that an overly inclusive PESCO will be of no added value when it comes to enhancing the EU's military capabilities and striking power. The EU Coalition Explorer reflects these divergent views: while 57 percent of Germans think all EU member states should aim at common defence structures, only 20 percent of French respondents subscribe to this. In Germany, 19 percent favour a legally bound core and 24 percent prefer a coalition of member states; the numbers in France are significantly higher at 48 percent and 24 percent respectively. It remains to be seen if and how the German predilection for inclusiveness and the French emphasis on ambition can lead to a PESCO that is both “inclusive and ambitious” in practice. The initial compromise on entry criteria and binding commitments, struck at the Franco-German ministerial meeting in July 2017, is a small beginning.

During their ministerial meeting, both countries reaffirmed their intention to make real progress in European defence and announced a range of joint capability projects. Their intention was to send a strong signal for more European cooperation, thereby inviting other Europeans to join. While a strong Franco-German defence engine alone is not sufficient to provide greater European unity, resources, and robust mechanisms, it is certainly a precondition for these goals. The importance of the Franco-German axis is

apparent in the answers to who professionals consider “essential partners” for their government in security and defence policy: Germany and France are number one and two respectively, followed by the UK. The Coalition Explorer showed that all three countries were also widely seen as having been the most influential powers in overall EU foreign, security, and defence policy over the last five years.

This indicates the importance of including the UK in any kind of future European security and defence cooperation, as the EU will remain dependent on British diplomatic, military, and security capacity even after Brexit. Although EU officials often perceive Brexit as an opportunity to strengthen common defence structures among the remaining 27 member states, they should not forget that Franco-British cooperation is still more militarily significant for European security than any recent initiatives from the EU. Thirty-one percent of British respondents think that France is their government’s most essential partner in security and defence policy. Both sides have an enormous interest in, and potential for, cooperation after Brexit.

Cooperation among coalitions

Although there is a renewed drive towards a European Security and Defence Union with Germany and France leading jointly, a common foreign, security and defence policy, directed, and organised by all EU member states or the institutions in Brussels, is still a distant prospect. European security and defence policy is driven by national governments and their interests. Some EU member states still eschew the idea of a very strong European Security and Defence Union; in their eyes, it could dilute the leading role of NATO in European security.

However, when it comes to common defence structures, a large number of member states, over and above EU-wide action, seem ready to support cooperation among a legally bound core group of member states, or other less binding coalitions. In 11 out of 28 member states, more than 30 percent of respondents favoured a coalition of member states. For this approach to have any success, reluctant EU member states will need to be reassured they will not be pushed to the margins of European defence cooperation. France and Germany have to reach out to those smaller member states and to those who consider themselves primarily “Atlanticists” in terms of security.

European governments already tend to decide on a case-by-case basis which form of security and defence cooperation they want to follow. For some countries, regional formats are especially important; when asked which other EU member states were essential partners in security and defence policy for their government, one finds strong commonalities amongst the Baltic states, the Nordic states and the Visegrad group in the EU Coalition Explorer. European foreign, security and defence policy should therefore be seen as a tapestry of different coalitions, no matter whether they are regional, bilateral, or ad hoc; or whether they also include non- EU member states. The important thing is for all these coalitions to strengthen one other and result in an overall harmonious relationship. It is up to the governments of all EU member states to pave the way for coordinated action.

Kadri Liik

European policy on Russia: Unity for power, trade-offs for unity

Europe's conflict with Russia runs deep and revolves around the fundamental questions of the international rules of the game. Russia disputes the basic principles of the post-cold war European order, such as: its emphasis on democracy and human rights; the idea that countries have the right to choose their own alliances, including the European Union, and join, should they qualify; and a disinclination to think in terms of great-power prerogatives and spheres of influence.

Differences in approach have always been present, but they resurfaced dramatically in 2014 when Russia annexed Crimea and invaded eastern Ukraine. These actions were motivated by Moscow's desire to preserve their sphere of control and prevent Ukraine from 'falling into Western hands'. Through diplomatic exchanges, Moscow is still looking to preserve and, if possible, increase its influence over Kyiv's future decision-making.

One cannot say Europe was especially well-prepared to meet this challenge; its member states have always held widely differing views on Russia, based on their own perceived national interests. Also, despite efforts, the European External Action Service remains a somewhat clumsy mechanism, ill-suited to tackling fast-moving crises. Nevertheless, a closer look at its policy shows that, whether intentionally or accidentally, the EU has managed to combine different levels of actors – member states, coalitions of member states, and the EU as a whole – to achieve an outcome that is not bad under the circumstances.

Unanimity

For Europe, the only realistic way to go about influencing or changing Russia's behaviour on these normative questions is to act with unanimity. Only by sticking together can Europe have a say on the rules and norms of international life, as no European country has enough clout on its own. Also, only by acting collectively can the Europeans have enough leverage for their policies to translate into real impact on the ground.

The economic sanctions that Europe has imposed on Russia require unanimous reaffirmation every six months; it would take just one defector to discontinue the sanctions. There is a similar situation in terms of military involvement: this is the realm of NATO, but NATO's decision-making also relies on significant levels of intra-European coordination and agreement. Troop reinforcements in Europe's frontier states have been approved by NATO. Although the majority of troops are provided by a variety of individual countries under the leadership of one "framework nation" (this has led to some talk of the bilateralisation of European defence),¹ in reality it is the commitment of NATO as a whole that makes these missions possible, as well as credible in Moscow's eyes.

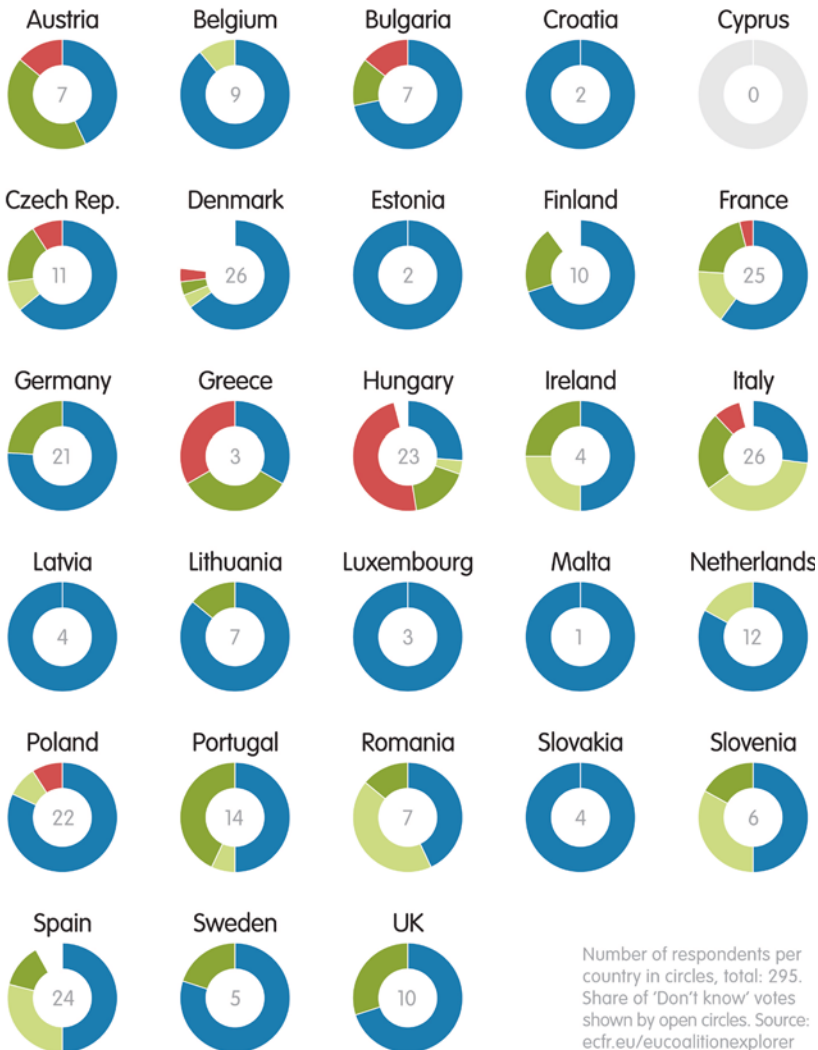
As ECFR's Coalition Explorer shows, there are also several relevant intra-European tendencies in defence issues, especially with regard to regional cooperation. The frontier states – the Baltic states, Poland, and Romania – are more open to cooperation among themselves, while the Baltic states (to a lesser extent Poland) also sustain strong links to the Nordic group, especially Sweden and Denmark. Quite naturally, all countries gravitate towards Germany, France, and the UK. But in this context – defence against Russia – all European coalitions are only a small part of the bigger picture. It is the political, economic, and military commitment of the United States and Canada that makes it a credible whole.

However, this unanimity is based on various trade-offs. Agreement from Germany, France, and the UK were essential in the EU passing economic sanctions on Russia. According to a European Commission official who worked on the sanctions in 2014, the commission had prepared a package that made "the big three" suffer proportionally: "once they felt the deal was fair, the other countries accepted it, too."²

¹ Hans Kundnani, "The 'East Asianization' of Europe?", Transatlantic Academy, 18 April 2017, available at <http://www.transatlanticacademy.org/node/1028>.

² The author's conversation with the official concerned, November 2014.

Preferred Actor Level: Common Russia policy



In NATO, the watershed was between the countries (the Baltic states, Poland, Romania) that prioritised containment of Russia, and those who emphasised dialogue (Germany and Italy). The trade-off allowed both sides to get what they wanted – the first group acquiesced to re-entering dialogue with Russia, once NATO had approved troop reinforcements for these frontier states; for the latter group, going ahead with military planning was a pre-condition of dialogue.

France and Germany

However, things get more problematic when one looks at the operational handling of Europe's Russia policy. Currently, the lead role here is played by France and Germany, two European nations that are part of the so-called Normandy group – the diplomatic format that also includes Russia and Ukraine – which focuses on the settlement of the Donbas conflict via implementation of the Minsk agreement. Implementation of the Minsk agreement, in turn, is the chief condition for lifting the bulk of European sanctions on Russia.

While few in Europe have complaints about how France and Germany fulfil their role here, many countries still feel left out. When it comes to the EU's Russia policy, the Normandy negotiations are the biggest game in town. Apart from that, there is not much going on in EU-Russia relations – and the EU has made implementation of the Minsk agreement a condition for moving ahead with the relationship. However, no other European countries or institutions have a role in these talks. France and Germany have done a good job of building up support for their efforts; Germany, in particular, has taken care of the concerns of the countries that are most vulnerable and sensitive to this situation – such as the Baltic states – by keeping them informed. Even so, some dissatisfaction is building up among the medium-sized countries that, while not disputing the essence of the policy, would like to play a bigger role.

ECFR's Coalition Explorer shows that, overwhelmingly, the preferred actor level for the EU's Russia policy is the EU as a whole (61 percent). There is some support for engagement on the level of coalitions of member states: 12 percent for legally bound member states (the Normandy format could be meant here) and 16 percent for ad hoc coalitions. In no country is the member state the preferred actor level, but it still enjoys meaningful support in Hungary (48 percent); Greece (33 percent); Austria and Bulgaria (both 14 percent); and the Czech Republic and Poland (both 9 percent).

These countries' (admittedly moderate) bilateralism is motivated either by economic interests, affinities between their leaders and those of Russia, or other disagreements with the EU mainstream – so far, however, none of them have thought it in their interest to break ranks. Interestingly, Russia – in its thus far not entirely forceful attempts to break or sway the European position – has also focused on the “big three” countries, instead. In its half-hearted efforts to erode European unity it has chosen to appeal to Germany's business interests, the UK's Brexit-related craving for international relevance, and France's views on Syria as well as its new president's need to make a good first impression.

Looking ahead

So far, European unity has weathered all manner of storms, but things could become more complicated in the future – especially if Vladimir Putin's proposal to send United Nations peacekeepers to Donbas results in a respective UN resolution, and actual deployment. Russia has so far opposed involvement of any international peacekeeping force in Donbas, and insisted on mediation of the conflict being carried out solely via the framework of the Minsk agreements, which favour Moscow. Accepting peacekeepers would therefore be a policy shift, although it is too early to say how profound it would be.

If Russia truly changes its policy and gives up on attempts to use Donbas as a Trojan horse for influence over Kyiv's future political choices, then the EU can congratulate itself; such a policy shift would vindicate the EU's firm stance. Combined with recent US policy – Donald Trump's unwillingness or inability to offer Russia a solution aligning with Moscow's terms – and the staying power demonstrated by Ukraine, it would have brought results.

But it could also present the EU with new questions that will be hard to answer. Is Moscow's policy change serious, or is Russia just playing for time? How to insure against potential policy reversals from Moscow, and the diplomatic traps it so skilfully sets? Is a frozen conflict in Donbas an acceptable development for Europe? If not, how to steer the UN process so that it would lead to the reunification of Donbas under terms that are acceptable to Europe – and not ones that favour Moscow? In diplomatic games, Moscow is a very professional player: Europe will find it hard to land on a common approach that could propel it towards being a worthy opponent.

Much of this negotiation will take place within the UN Security Council, where Europe is represented by permanent members France and the UK, alongside Sweden and Italy as the current non-permanent members. The one practical question that will nevertheless soon face the EU as a whole is that of sanctions. Should the EU gradually start to lift the sanctions in order to encourage Russian “good behaviour”, or should it keep the measures until Ukraine has regained full control of its territory (minus Crimea, which is related to another set of sanctions and therefore handled separately)?

Both approaches will find passionate advocates in the EU, and sometimes the fault lines will run within the countries themselves: for instance, Germany, the most influential shaper and coalition-builder within the EU’s Russia policy, may well face disagreements between the chancellor (who will probably suggest a conservative approach) and other political forces which may be inclined to reward Russia more quickly.

This points to a deeper problem facing Europe. The EU mobilised itself around a joint policy on Russia when it was confronted with an outright breach of the rules. But if the situation seems to be normalising, old differences within the EU will likely surface again. The EU countries have different takes on some fundamental questions, such as how to understand Russia’s political trajectory and what sort of relationship between Russia and the EU is possible, or desirable. These differences may be overcome by way of new trade-offs, but the EU should also invest in forging a deeper common analysis of Russia. This, however, will be a slow process; a common approach will likely only come about after European countries have accumulated more shared experiences in dealing with Russia.

Angela Stanzel

A common EU China policy: The divided, the ruled, and the united

During the last and 19th EU-China summit (1-2 June 2017) the European Union expressed its concerns about the human rights situation in China.¹ The authoritarian policy direction of Chinese president Xi Jinping has increased state control over Chinese civil society, at the cost of both freedom of speech and the rights of activists, lawyers and minorities. At the EU-China Human Rights Dialogue (22-23 June 2017), the EU raised these issues again, alongside its concerns around political prisoners, like Liu Xiaobo – even though only a few member states, Germany among them, campaigned for Liu's release.

In early 2017, eight EU countries, including Germany, France, and the United Kingdom signed a letter addressing human rights violations in China, such as torture and the detention of human rights lawyers. However, a veto from Hungary prevented it from becoming an official EU statement.² At the 35th UN Human Rights Council on 15 June, Greece vetoed an EU statement criticising the crackdown on activists and dissidents in China.³ It was the first time that the EU did not make a statement in the Human Rights Council regarding human rights violations in specific countries.

¹ "Remarks by President Donald Tusk after the EU-China summit in Brussels", European Council, 2 June 2016, available at

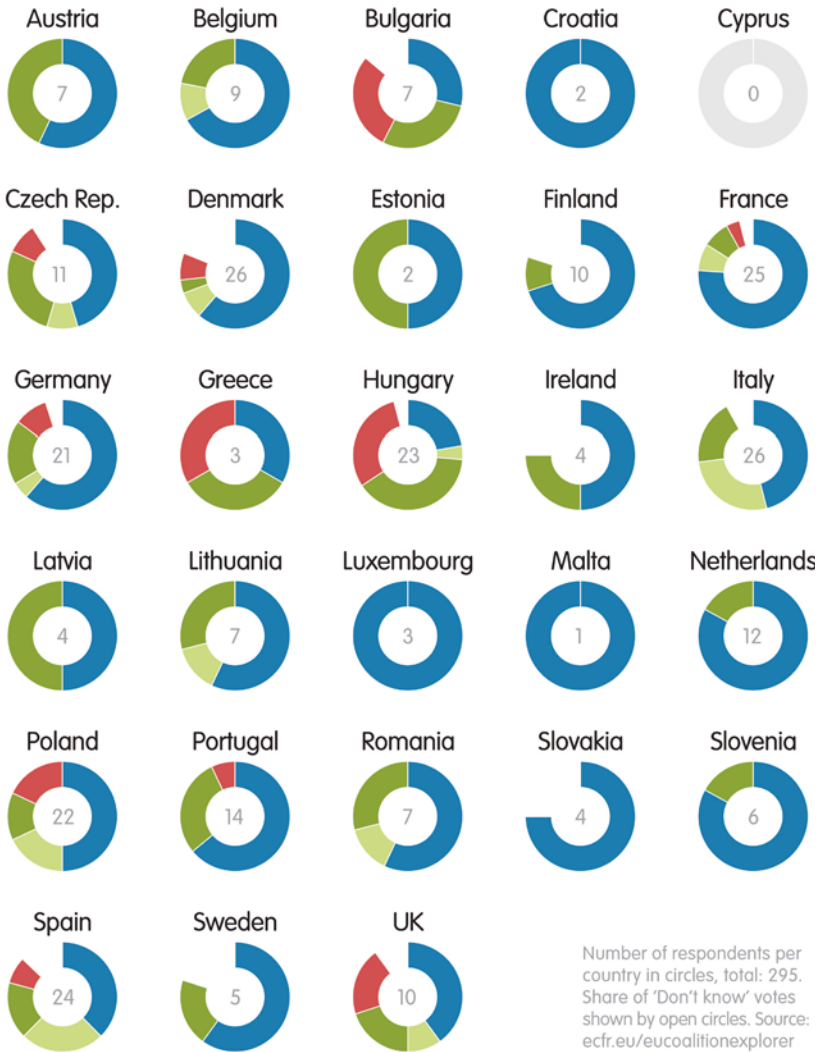
<http://www.consilium.europa.eu/en/press/press-releases/2017/06/02-tusk-remarks-eu-china-summit/>.

² Von Kai Strittmatter, "Brief gegen die Grausamkeiten", *Süddeutsche Zeitung*, 21 March 2017, available at <http://www.sueddeutsche.de/politik/china-brief-gegen-die-grausamkeiten-1.3429721>.

³ Helena Smith, "Greece blocks EU's criticism at UN of China's human rights record", the *Guardian*, 18 June 2017, available at

<https://www.theguardian.com/world/2017/jun/18/greece-eu-criticism-un-china-human-rights-record>.

Preferred Actor Level: Common China policy



“Divide and rule”

Divisions among member states on China have been nowhere as visible as in their dealings with the Chinese government on the issue of human rights. Human rights violations in China remain a sensitive subject for European governments to broach with Beijing. Consequently, only the EU's institutions and a few member states continue to openly voice their concerns. EU member states have never readily agreed on a common China approach, be it on human rights, foreign policy, or economic issues. This is partly because member states' interests in China vary from high to non-existent, and because some member states are more inclined to deal with China bilaterally. The economic factor comes to the fore here, as some member states have high stakes in China and often compete for Chinese investment. This means EU member states remain vulnerable to Beijing's “divide and rule” approach.

This factor is apparent in the responses gathered by the EU Coalition Explorer on the question of which actor level is appropriate when it comes to implementing a common EU China policy. A slim majority among professionals (55 percent) prefer a common EU policy on China at the level of all member states. In comparison, professionals stand more united on a common EU policy on Russia (61 percent). Most distinctively, respondents from the UK prefer a common Russia policy (70 percent) to a common China policy (40 percent). This is not surprising – in 2015, the then chancellor of the exchequer, George Osborne, had hailed a golden era in relations between the UK and China.⁴

The more attractive Chinese investment appears, the more EU countries have been reluctant to pursue a united policy approach. In the survey, Greece and Hungary have the lowest numbers of votes for a common China policy. Both countries have opposed a common EU line, particularly if it means disagreement with China's domestic and foreign policies.

Maritime disputes

Apart from human rights issues, another major area of concern for the EU is China's maritime disputes in the East and South China Seas. The EU's 2016 China Strategy stresses the need for China to adhere to international rules and norms. The latter mainly referred to the United Nations Convention on the

Law of the Sea (UNCLOS). The Permanent Court of Arbitration at The Hague had ruled in July 2016 that China had violated international law by turning reefs and rocks in the South China Sea into “islands”. In declaring it would not abide by The Hague’s ruling, Beijing disregarded UNCLOS. Following the ruling, the EU released a statement on China’s legal defeat but remained neutral regarding China’s territorial disputes in the South China Sea. Hungary and Greece (as well as Croatia and Slovenia) had objected to including a direct reference to China in the statement.

The European Commission’s China trade policies

On the other hand, the EU has a more unified front on economic and trade issues with China, enabled by member states’ support. The data in the EU Coalition Explorer reflects this, showing that a strong majority of the respondents in the large member states – notably France (76 percent), Germany (62 percent), and the Netherlands (83 percent) – favour a common EU28 policy.

Notably, Germany has changed its approach with regard to China and economic issues. Although it undermined the European Commission in its 2014 dispute with China over solar panels, today, Germany appears to endorse the EU’s China policies, particularly when it comes to trade and investment.

Germany, like other European economies, has long been frustrated by China’s new economic direction, such as: the lack of implementation of its economic policy decisions; unfair competition; and the lack of reciprocity, especially with regard to market access. The EU has often addressed such issues, not least in its 2016 EU China Strategy, which called for “more ambitious reforms in China towards liberalising its economy, reducing the role of the state-owned sector, and creating a level playing field for business”. It also stressed that “the EU expects Chinese Overseas Direct Investment in Europe to be based on free market principles”.⁵ The latter refers to increasing concerns among member states about the rise in investment from and company takeovers by Chinese (state-owned) firms.

According to an Ernst & Young report, 309 European enterprises were taken over by Chinese companies in 2016, compared to 209 such takeovers in 2015.⁶

⁵ “EU Strategy on China”, European Council, 18 July 2016, available at <http://data.consilium.europa.eu/doc/document/ST-11252-2016-INIT/en/pdf>.

⁶ “Chinesische Unternehmenskäufe in Europa”, Ernst & Young, January 2017, available at [http://www.ey.com/Publication/vwLUAssets/EY-ma-chinesische-investoren-januar-2017/\\$FILE/EY-ma-chinesische-investoren-januar-2017.pdf](http://www.ey.com/Publication/vwLUAssets/EY-ma-chinesische-investoren-januar-2017/$FILE/EY-ma-chinesische-investoren-januar-2017.pdf).

China invested more than \$85 billion in takeovers, of or shares, in European companies in 2016, which is roughly the same amount as the previous four years combined. Because of increasing concerns about selling their know-how and the lack of tools to protect their interests from China's sharply increasing acquisitions, in February 2017 Germany, France, and Italy presented the European Commission with a common position on screening investments. The joint letter asked the commission to review the capacity of member states to screen and block non-EU investment.⁷ Back in 2016, Berlin and Paris had also advocated a common approach to bolstering European trade protections.

Adding to the tensions between China and the EU is the EU's decision in December 2016 to deny Market Economy Status to China. Fifteen years after joining the World Trade Organization (WTO), a key clause entitling China to be treated as a market economy expired. The Chinese government followed with efforts to file a dispute with the WTO, which will likely take years to resolve.

How deep the division is became apparent during the last EU-China summit. The EU and China were expected to move closer during the summit around common concerns about the United States withdrawing from the Paris agreement and potentially from global free trade. Close cooperation had been expected in order to tackle the issue of climate change. However, in François Godement's evaluation, it turned out that "differences between the two biggest global trade players after the US cannot just be swept under the rug – tighter relations or no".⁸ Instead of tightening cooperation, ongoing frictions within the EU-China trade and investment relationship overshadowed the summit. Disagreements over trade policy issues between the EU and China – particularly steel overcapacity and Chinese dumping – also prevented a common statement on climate change. Chinese steel overcapacity is a major concern for the EU, as it is more than double the EU's total capacity. China has substantially increased its steel exports globally and has therefore been accused of dumping cheap steel onto the global market. During the summit, European Commission president, Jean-Claude Juncker, noted that they "must address growing excess capacity in certain sectors that is leading to the dumping of below-cost products".⁹

7 "France, Germany, Italy urge rethink of foreign investment in EU", *Reuters*, 14 February 2017, available at <http://www.reuters.com/article/uk-eu-trade-france/france-germany-italy-urge-rethink-of-foreign-investment-in-eu-idUKBN15T1ND?il=0>.

8 François Godement, "The EU-China Summit: searching for common ground", ECFR, 1 June 2017, available at http://www.ecfr.eu/article/commentary_the_eu_china_summit_searching_for_common_ground_7292.

9 Jean-Claude Juncker at the 12th EU-China Business Summit, Brussels, 2 June 2017, available at http://europa.eu/rapid/press-release_SPEECH-17-1526_en.htm.

The EU does not look like it will back off from defending its interests. Juncker reinforced the EU's position in the same speech: "when we have to, we will be sure to uphold fairness when it comes to trade. And we are backing that up by strengthening our trade defence instruments to make them fit-for-purpose".¹⁰

Breaking the impasse

The results of the Coalition Explorer on a common EU China policy largely reflect the trends of recent years. The Explorer reveals the discrepancies between the member states' willingness to take a tougher stance towards Beijing, and those willing to object to EU policies that cause friction with China. However, unlike the latter group of countries, it also illustrates that those frustrated about China's economic and foreign policy directions are more willing to act together on China. It remains possible to formulate a common China strategy collectively, despite such divisions.

What the results suggest needs to be done next is to convince the general public of the advantages of a common China policy. While the majority of professionals prefer a common EU-wide China policy, the general public does not share this view: just 48 percent of respondents believe the EU should pursue a common China policy, with a worryingly low 45 percent of the general public in large member states like Germany and France being in favour.

¹⁰ Jean-Claude Juncker, "Speech by President Jean-Claude Juncker at the 12th EU-China Business Summit", available at http://europa.eu/rapid/press-release_SPEECH-17-1526_en.htm.

Sebastian Dullien

Eurozone reform: Difficult choices for the Franco-German axis

One of the European Union's most pressing concerns is reform of the eurozone. Although economic recovery has removed the euro crisis from daily headlines, it is far from solved. The balance sheets hide significant risks: deficits and debt levels in some member states are still uncomfortably high. The German current account surplus (which many perceive as an impediment to balanced economic growth in the eurozone) is close to its record high, with no mechanism in place to incentivise Germany towards policy change.

The crisis could re-emerge if the business cycle deteriorates. For this reason, economists have long called for further reforms to the eurozone. Proposals include: a “fiscal capacity”, including a centralised investment budget and transfers between member states; a eurozone finance minister (or alternatively, an austerity commissioner); the completion of the banking union with a common deposit insurance scheme; an insolvency procedure for individual eurozone member states; and the introduction of bonds with a certain type of joint liability.

Collaboration and resistance

Recent years have not seen much progress. The 2015 Five Presidents' Report was arguably less bold in some of its proposals on fiscal and economic policy than the earlier Four Presidents' Report in 2012. The shortcomings of European monetary union governance have long been a central topic on the agenda of Emmanuel Macron, who has been clearly expressed his desire to collaborate with Germany on this issue. Chancellor Angela Merkel, meanwhile, signalled that she would be willing to discuss Macron's proposals.

This is a shift in tone compared to previous years, when François Hollande lacked domestic support for sweeping changes to the eurozone governance structure, and Angela Merkel was unwilling to consider such changes.

Fiscal policy reforms designed to make the eurozone work better will likely be met with resistance by some member states. In a number of EU countries, including some eurozone countries such as the Netherlands, politicians are reluctant to move ahead with further fiscal integration. To place this in context, one must recall that some EU member states have decided to opt out of the common currency, concerned both about a potential loss of sovereignty in key areas of their fiscal policy, and about the fact that the fiscal compact (a set of rules intended to improve budget discipline for eurozone countries) has not been signed by either the United Kingdom or the Czech Republic (even though a ratification would have no consequences for these countries' actual policymaking).

In addition, most proposals for improved eurozone governance only make sense if at least all of the eurozone member states sign up for them. Through the painful lesson of Greece, the eurozone learned that even a small member state (Greece's economy represents not even 2 percent of EMU GDP) can create existential problems for the currency union.

Eurozone-only reform versus EU-wide reform

These political and economic realities are reflected in the Coalition Explorer in the professionals' answers to the question of appropriate actor level for achieving better governance of the eurozone. Fifty-one percent of respondents said that a legally bound core of member states (here, that would be the eurozone countries) would be best equipped to tackle the issue. In no other policy field has the option of a legally bound subgroup of EU countries received a similarly high number of votes.

Most economists would agree with this observation. From an economic point of view, anything with the intention of making the euro work better should be implemented in all eurozone member states, but does not necessarily need to involve other EU countries. Yet the public remains unconvinced: among the general public, only around 14 percent of respondents say the improvement of eurozone governance should only be pursued by the subgroup of eurozone countries, while 50 percent would still like to see an EU-wide approach to making the eurozone work better.

The importance of the German-French axis in EMU governance reform is clear to read in professionals' responses to who they see as "essential partners" for their government in the area of fiscal policy. By an overwhelming majority, Germany is seen as the single most important member state when it comes to fiscal policy. On average, 78 percent of the respondents in each country mentioned Germany as an essential partner.¹ France is the second most important actor, with an average of 49 percent of respondents naming it an essential partner. Interestingly, the other two large eurozone countries, Italy and Spain, hold less relevance, with only 20 percent and 16 percent respectively deeming them essential partners.

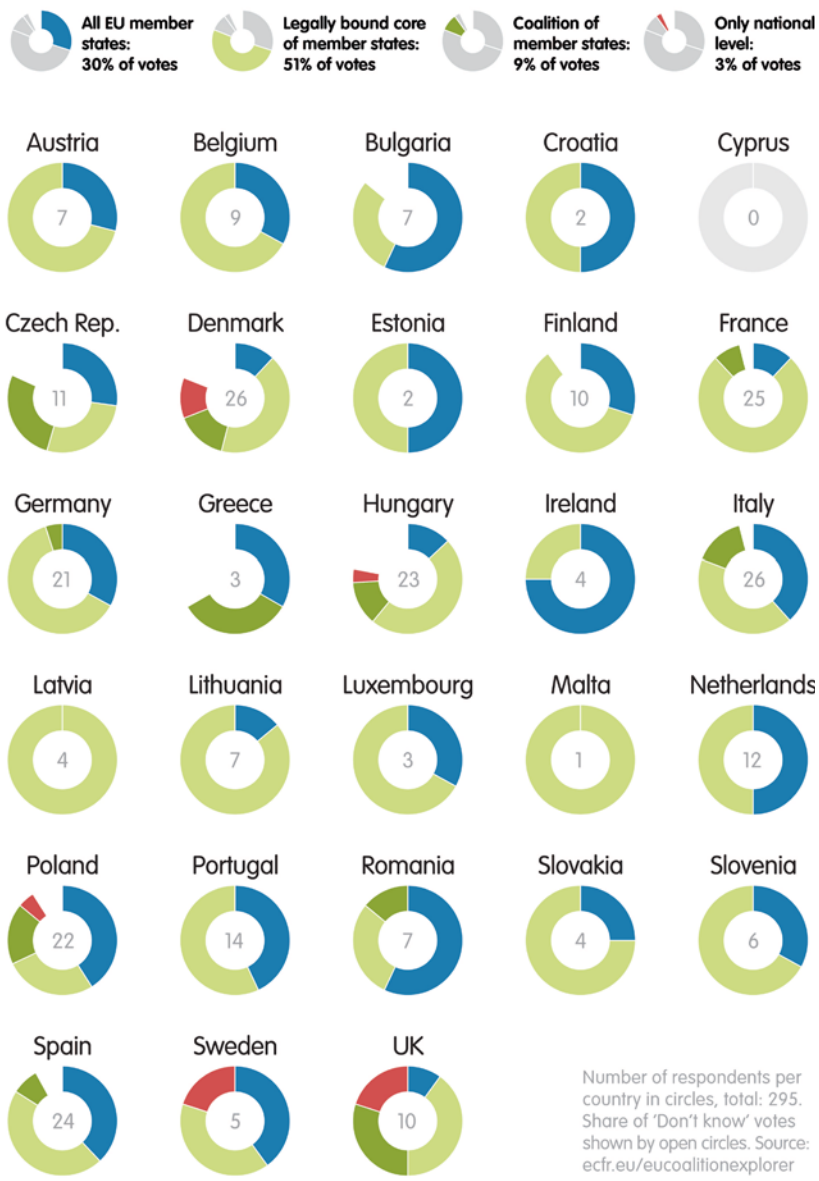
These results suggest that the specifics of further integration in fiscal policy and eurozone reform are more disputed than any other field of integration. Whereas some countries prefer to focus on the creation of fiscal policy space at a European level that could then conduct discretionary fiscal policy, other countries want to prioritise increasing pressure on national governments to limit their profligacy. Spheres of influence cluster around these two positions.

Two camps

Germany is clearly an important veto player for anything that will happen in the eurozone. It is difficult to imagine any important decision being taken against the explicit wishes of the government in Berlin. However, the EU Coalition Explorer data shows that winning Germany over might not necessarily trigger a reform process. Both the Netherlands and Finland are focal points of a camp sceptical of loosening austerity measures and of introducing more centralised fiscal policies. Interestingly, both countries are considered "essential partners" in fiscal policymaking to great extent, outranking Italy and Spain. The Netherlands (which has 13 votes in the European Council and a six percent share of the eurozone's GDP) is mentioned on average by 41 percent of the professionals interviewed in each member state, while France (which has 29 votes in the council and a 21 percent share of the eurozone's GDP) is mentioned just slightly more, with an average of 49 percent, and Italy (which has 29 votes in the council and a 16 percent share of the eurozone's GDP), has an average of only 20 percent.

¹ This figure is computed by taking the average of the share of all respondents in each country who see Germany as an "essential partners". This figure differs from the overall share of respondents who mentioned Germany in response to this question, as the respondents are distributed unevenly among the eurozone countries.

Preferred Actor Level: Better governance for the eurozone



The details reveal strong links between the Baltic states, Finland, Germany and the Netherlands, which see each other disproportionately as important allies. In the southern part of the Eurozone (Portugal, Spain, Italy, Greece), it is notable that France is viewed as a much more important partner than in the rest of the currency union. This configuration suggests any reform package agreed by France and Germany needs to cater to both camps; it cannot be a governance package lifted from a French script, nor merely a stricter enforcement of fiscal rules, as in the German approach.

Paths to economic growth

Linked to eurozone reform is the question of making the single market work better. On the one hand, completing the single market is seen as a remedy for the problems the euro crisis created. After the removal of any obstacles to the capacity of markets to adjust swiftly, falling wages triggered by austerity would lead to increased aggregate demand, hence a return to economic growth. Moreover, a growth impulse from market reforms would be highly welcome in a time of budget cuts. Some countries wary of enhanced fiscal power at the European level see the completion of the single market as a good substitute to costly eurozone budgets.

A logical solution could be a “grand bargain”: a package that on the one hand moves the single market further to completion — hence satisfying the more economically liberal-minded member states — and, on the other hand, creates a true fiscal capacity and a central eurozone level, satisfying the camp that wants to enhance policy space at the European level. Single market completion also has broader importance: it is the core economic project of the EU. Furthermore, many argue that moving forward with market integration for just a subgroup of the EU might damage it: it could be confusing for businesses if the same rules do not apply throughout the EU. The results from the Coalition Explorer underline this problem: 70 percent of all interviewed would prefer to complete the single market within the entire EU. Only 15 percent see a legally bound subgroup as the better option.

Any grand bargain for the eurozone, including significant market liberalisation, would therefore need the consent of all EU member states — not just the 19 eurozone members. France and Germany will have to do a lot of convincing if such a package is to become a reality.

Marin Lessenski

The beginnings of a beautiful friendship? The EU's energy and climate policies

Should the European Union invest more energy – figuratively and literally speaking – in its energy and climate policies to better address its member states' common concerns? These policies promise deeper integration; however, questions remain about whether efforts will deliver on that promise, or bring about further disagreement? “Energy security, solidarity and trust” is the first of the key five visions put forth by the EU's Energy Union.¹ The EU is clearly prioritising the building of solid relationships between its member states before it proceeds with the technical undertakings of energy policy. As such complex relations go, however, there are differing levels of commitment, partner preferences, and priorities involved. ECFR's Coalition Explorer provides unique insights into this “invisible web”² of interactions between member states with regard to EU energy and climate policies. These are policies that are taking shape surprisingly fast. In order to steer further developments, in 2015, frameworks for 2030 were announced for both the Energy Union, and for climate and energy. Building on the Lisbon treaty's provisions for an energy policy based on shared competencies, the five dimensions of the Energy Union – which has an ambitious climate policy at its core – were set out with secure, sustainable, competitive, and affordable energy in mind. It is billed as “a fundamental transformation of Europe's energy system across five dimensions: energy security; the internal energy market; energy efficiency; decarbonisation; research, innovation and competitiveness”.³ The 2030

¹ “A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy”, European Commission, 25 February 2015, available at <http://eur-lex.europa.eu/legal-content/EN/TEXT/?uri=COM%3A2015%3A80%3AFIN>. (Hereafter: “A Framework Strategy for a Resilient Energy Union”).

² Josef Janning & Christel Zünneberg, “The invisible web – from interaction to coalition-building in the EU”, ECFR, May 2017, available at http://www.ecfr.eu/publications/summary/the_invisible_web_from_interaction_to_coalition_building_in_the_eu_7289.

³ “A Framework Strategy for a Resilient Energy Union”.

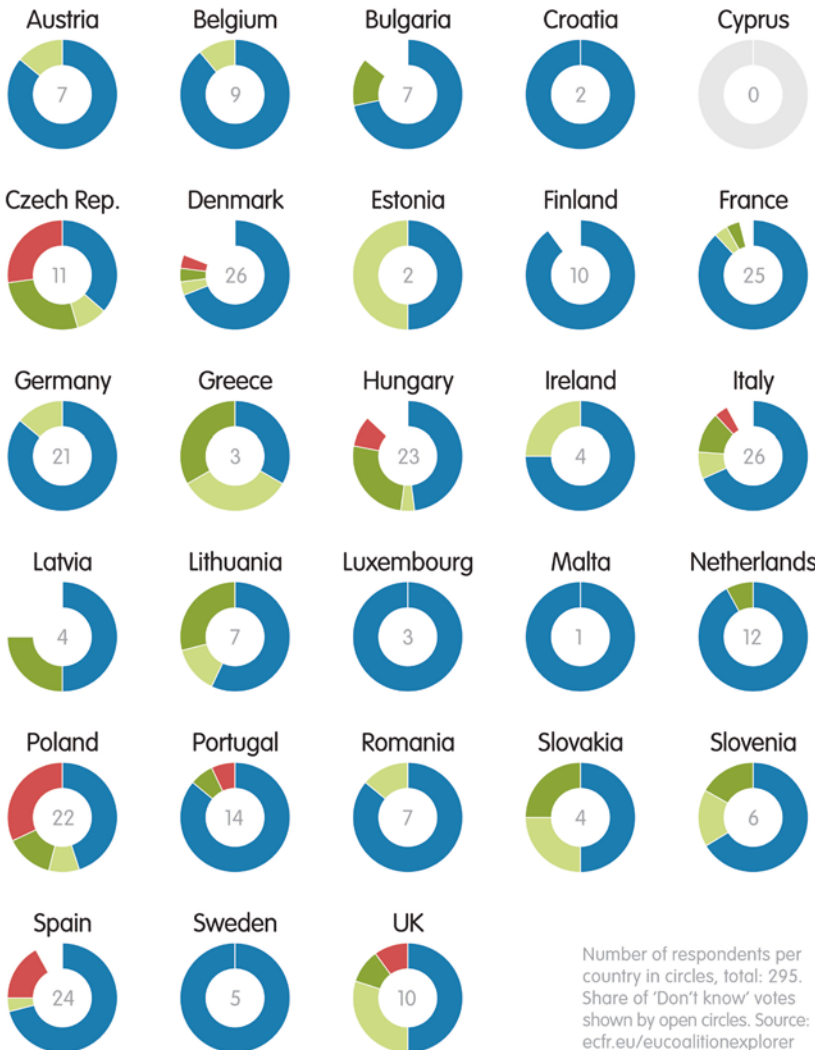
targets include reducing greenhouse gas emissions by at least 40 percent; improving energy efficiency by at least 27 percent with a proposal from the European Commission to upgrade it to a binding 30 percent at EU level; and reaching at least 27 percent renewable energy.⁴

Energy and climate policies are closely intertwined, but the diverse interests they represent often mean their implementation requires compromise and balance. Their transnational nature calls for an equally transnational level of response, especially as climate change is a truly global challenge. Energy is also the territory of security and foreign policy considerations, which inject into decision-making an altogether different set of issues. In the pyramid of perceived needs, climate policies vary in position from country to country. Political, economic, and social interests at the national level can often take precedence. Goals differ in urgency, too: countries in western and especially northern Europe place high value on climate policies, whereas competitiveness and affordability matter more to central and eastern European countries, with decarbonisation often seen as detrimental to industry and jobs. Paths towards similar goals, at least in the short term, could not be more different.

The Coalition Explorer indicates a variety of preferences, which will have different implications for the EU's energy and climate policies. Action at the national level would only have a slim chance of success in either energy or climate policy, with a 6 percent and 7 percent share of preferences respectively. Even among countries that comparably favour this, their priority areas may not overlap. For example, Poland, which has the highest preference for national action in climate (32 percent), has a higher (45 percent) preference for action by all EU members. Hungary has the highest preference for action at a national level in energy (22 percent), but has an identical preference for action by all EU member states, and a much higher preference for coalition action (39 percent). The Czech Republic prefers to act alone in climate (27 percent) and in energy, too (18 percent). The United Kingdom and Sweden would rather resort to national action in energy (both 20 percent), and Spain would prefer national action on climate policy (17 percent).

A legally bound core of member states would have some, but still a small, chance of success in energy policy, with 15 percent of member states preferring this route. For climate policy, this is only 8 percent.

Preferred Actor Level: Single climate policy



In energy, a legally bound core is most strongly preferred by Malta (100 percent), Estonia (50 percent), UK (40 percent), Portugal (36 percent), Greece (33 percent), and Slovenia (33 percent); it is much less favoured in Hungary (13 percent) and France (12 percent). Although this looks a promising grouping of big countries and some small, influential ones, each are too diverse in their respective national interests to be considered one bloc. A climate-themed legally bound core would include Estonia (50 percent), Greece (33 percent), UK (30 percent), Ireland (25 percent), Slovakia (25 percent) and Slovenia (17 percent). While they have similar preferences as to actor level, they may not necessarily share the same policy views.

The preference for action on the level of coalitions is relatively low, too, but it does enjoy high support in certain member states. Overall, 13 percent prefer coalition action on energy, and 9 percent do so in climate. Countries strongly in favour of coalition action on energy are Greece at 67 percent (its first choice), Slovakia (50 percent), Hungary (39 percent), Slovenia (33 percent), Ireland (25 percent), and Czech Republic (18 percent). At around or lower than 15 percent are France, Italy, Austria, Bulgaria, and Germany, among others. In climate, the list of potential allies includes Greece (33 percent), Czech Republic (27 percent), Hungary (26 percent), Slovakia (25 percent), Slovenia (17 percent), Lithuania (29 percent), Latvia (25 percent) and, to a lesser extent, Poland (14 percent), and Bulgaria (14 percent).

With regard to alliances, a few cases have potential; however, this is bearing in mind that, while the preferred level of action may match, interests and the capacity to lead have to align. Visegrad group countries show a higher propensity for either going it alone or entering coalitions; there is the likelihood of an “eastern coalition” for climate policy, and, to a lesser extent, in energy. But the group’s most active members, Poland and Hungary, have weakened their hand, mired as they are in disputes over the rule of law and democracy. While they often back each other, they still have diverging views on energy relations with Russia – Poland previously jumpstarted the Energy Union under Donald Tusk to relieve the EU from dependence on Russia.

The UK’s first choice is, somewhat surprisingly, for a legally bound core or action by all rather than to act alone. After Brexit, the UK will certainly seek to influence the EU, including through its allies within it. But, at the same time, it will likely align with the EU in global climate goals and energy policy. After all, the UK and like-minded member states from central and eastern Europe were

partly successful in altering climate and energy efficiency targets. Without the UK, reaching decisions may become more streamlined, but a counter-balance to the other big countries will have been lost. Another key external factor to consider is US policy. The US withdrawal from the Paris agreement could prompt the EU to reaffirm its leadership role, or equally encourage dissent among members. The US stance on shale oil and gas exports might impact diversification, while new sanctions against Russia, hampering Nord Stream II, could widen existing rifts among member states.

Action by all EU member states is the overall favoured course, enjoying 71 percent support in climate policy and 61 percent in energy. These are respectively, the highest and fourth highest among all surveyed policy areas and significantly above the average of 52 percent for all policy areas. In energy, 22 member states prefer action by all EU countries, with the majority above 60 percent. In climate, a majority of 25 countries are around or above 50 percent. These include France and Germany, which have a very strong preference for collective action in climate policy – 88 percent and 86 percent respectively – and less, but still high, in energy policy. While these countries are both essential, the track record of energy and climate policies show that many more countries are key players. The survey indicates that the majority of the most influential countries and groupings – the Big Six, Founding Six, Affluent Seven, Southern Seven, and most of the smaller member states – are for coalition-level action. There are high levels of unity on the issue within countries too, which makes it unlikely they will change course.

The results reflect a strong will for collective action at an EU-wide level, with a mandate for the current policies and pattern of reaching decisions. The upcoming National Energy and Climate Plans expected by early 2019 will reveal member states' plans, as well as serve as an instrument for coordinating policies at EU level. The Energy Union and EU climate policy have every chance of prompting deeper integration within the EU. As such, they could both benefit from improvement. This might include: a resolute “political centre” that nonetheless listens closely to individual member states; better implementation of policy mechanisms; and healthier alignment with EU foreign policy.

About the authors

Sebastian Dullien is senior policy fellow at the European Council on Foreign Relations (ECFR) and a professor of international economics at HTW Berlin, the University of Applied Sciences.

Richard Gowan is an associate fellow at ECFR, and a lecturer at Columbia University's School of International and Public Affairs.

Josef Janning is senior policy fellow and head of ECFR's Berlin office.

Christoph Klavehn is coordinator for the Rethink: Europe project at ECFR.

Gerald Knaus is founding chair of the European Stability Initiative.

Marin Lessenski is programme director of the European Policies Initiative at the Open Society Institute Sofia.

Kadri Liik is senior policy fellow on ECFR's Wider Europe programme.

Jana Puglierin is head of the Alfred von Oppenheim Center for European Policy Studies at the German Council on Foreign Relations.

Angela Stanzel is policy fellow on ECFR's Asia and China Programme and editor of China Analysis.

Christel Zunneberg is Research Assistant for the Rethink:Europe project at ECFR.

A publication made possible by

STIFTUNG
MERCATOR

ECFR/233
ISBN 978-1-911544-33-3