

State of the European Union 2020

Summary

At this moment, the world looks different than when preparations for this *State of the European Union* started last February. Most member states had positive economic growth figures, unemployment was approaching a historic low and the main challenges for the EU appeared to lie mainly beyond its own borders. The focus was on the geopolitical Union, the EU was looking outward.

And then came COVID-19, a health crisis of unprecedented proportions that affected almost everyone. Elderly and vulnerable people who were concerned for their health, young people who were concerned about relatives and their own future, and of course healthcare workers who have been battling the disease under huge pressure, risking their own health.

Designing healthcare systems is to a large extent not a European matter. It is therefore understandable that member states' first response, primarily motivated by medical considerations, was nationally oriented. Containing the virus and providing sufficient medical supplies and personal protective equipment was the key concern of every member state. The public looked primarily to their own governments for protection.

Unilateral measures taken by member states temporarily curtailed one of Europe's most important achievements, the free movement of goods and persons. The closure of the Union's internal borders by a large number of member states enabled them to largely halt the spread of the virus, but it also disrupted supply chains and stopped trucks crossing borders, until the EU introduced green lanes. Furthermore, almost 600,000 EU citizens were outside EU-borders when the virus hit. Thanks to an unparalleled effort by the member states and EU institutions, almost all stranded travellers were repatriated to the EU, in the midst of the lockdown measures.

At the same time, we saw some member states using the COVID-19 crisis to restrict freedom, democracy and the rule of law – basic values that are firmly enshrined in the EU treaties and that form the foundation of European cooperation.

A health crisis of this magnitude, which calls for unprecedented measures to preserve jobs and business activity, is likely to trigger an economic crisis and subsequent recession throughout the EU. It is not yet clear how deep the recession will be, or how long it will last. In its spring

forecast the Commission predicted a 'U-shaped' recovery. This means that a historic contraction of 7.4% of GDP in 2020 will be followed by a substantial recovery of 6.1% of GDP in the EU in 2021, but it will take time before the European economy fully recovers. The forecasts are to a large extent uncertain, moreover. We do not, for example, know how the impact of the virus will develop until a vaccine becomes available.

Over the past few months all European member states have introduced exceptional measures, both nationally and jointly, to mitigate the financial and economic damage as much as possible. They will not, however, be able to prevent a rise in unemployment. The spring forecast envisages a rise from 7.5% in 2019 to 9.6% in 2020. Higher spending and lower revenues will also put pressure on member states' public finances, resulting in a budget deficit of 8.5% of GDP for the EU as a whole.

Against this backdrop, the Council and the European Parliament will have to agree this year on the Multiannual Financial Framework (MFF) for the period 2021-2027 and the recent Commission proposals for a recovery strategy. The Dutch government's focus is on expediting a sustainable recovery and promoting further economic growth, through European cooperation. The measures taken should strengthen member states and lead to a stronger and more resilient Union.

The huge financial and economic impact of the crisis has put the discussions in Brussels under enormous pressure, and appears to be magnifying the differences between north and south, and between 'new' and 'old' member states. There can be no doubt that, in this situation, European cooperation is more vital than ever. But what form that cooperation should take precisely, is a more complex issue. The same applies to European solidarity. Without solidarity, and the responsibility that goes with it, there is no community of shared European values, and without a community of values, there is no European Union and no single market.

To sustainably improve member states' economic resilience, the government believes it is important that they carry out structural reforms and that investments help strengthen their capacity for growth, in part by furthering ambitions for green and digital transitions, and thus bring about a lasting recovery in economic growth and employment. The functioning of the single market must also be restored and further strengthened as soon as possible. The importance of modernising the EU budget to ensure it is fit for the future remains undiminished, as does the need to keep European spending at a financially sustainable level, and to fairly share the financial burden of that spending. The COVID-19 crisis makes the challenge even greater.

The focus must be on ensuring that the EU emerges from the crisis stronger and more resilient, not only economically but also as an international player. External factors are having a growing impact on how the EU shapes its internal policies. The COVID-19 crisis has made this painfully clear, highlighting inadequacies in the security of supply of medical goods, for example. To prevent shortages of strategic goods in the future, it is vital that the EU investigate and, if necessary, address vulnerabilities in the system of relevant global value chains.

A more geopolitical and assertive EU is needed on the global stage because traditional partnerships can no longer be taken for granted to the same extent, and multilateralism and hence the rules-based world order are under pressure. Transatlantic relations remain as important as ever when it comes to tackling the crisis itself, and to taking a concerted approach to geopolitical challenges. Despite the US taking steps back, multilateral cooperation with the Americans remains highly important. At the same time, China is becoming more assertive, propounding its own state-led model as the answer to the crisis. And despite – or perhaps partly because of – the crisis, Russia will also continue to play a complex international role. Existing threats and tensions, including in the arc of instability around Europe, will be magnified as a result of the crisis. The geopolitical context therefore forces us to consider how the EU should position itself, particularly with regard to our leading role in tackling the climate issue, safeguarding the principles of the free market and fundamental values, the implications of far-reaching digitalisation and technological developments for Europe's competitiveness, and the role of the EU in the area of the Common Security and Defence Policy (CSDP). The COVID-19 crisis has made this all the more necessary.

An EU that is a geopolitically relevant player, and which firmly stands its ground, would directly help defend Dutch interests and values. But the reverse is also true: the Netherlands could also be harmed by an inability on the part of the EU to act as a global player. Examples include the growing foreign interference in the EU, the threat of the extraterritorial effect of sanctions imposed by third countries impacting European companies, limited capacity to help in conflict resolution around Europe's periphery, and unpredictable flows of migrants caused partly by insufficient cooperation on returns.

Over the past few years it has been apparent that the EU is vulnerable to external influences. The crisis is making this threat even more visible. Also in times of crisis, other geopolitical players do not hesitate to deploy instruments with the potential to weaken and divide the EU. Face masks and other scarce medical equipment have been used as means to exert pressure and conduct public diplomacy. There has also been an increase in attempts to influence public

opinion on European social media, with the emphasis on alleged division within Europe and a lack of solidarity between European countries over COVID-19.

The year 2020 has also seen the United Kingdom's departure from the EU become a reality. The government wishes the EU to achieve the broadest and most ambitious future partnership possible with the UK. However, whatever the outcome of the negotiations, the future relationship between the EU and the UK will inevitably be less deep and less close. Even if good arrangements are agreed for the future partnership, preparations for the changes after the end of the transition period will have to be made by all concerned: government, institutions, companies and citizens.

Brexit has also had a considerable impact on the balance of power within the EU. Since Brexit the EU has become more continental. This places demands on the Netherlands in terms of effort and resilience. The government will have to work harder – putting forward its own initiatives and forming new coalitions – to be heard on many issues, including the free market, the EU budget and transatlantic relations.

The UK's departure reminds us that public and political support for European cooperation cannot be taken for granted. This fact was already relevant before the crisis and has only become more so since. European and national policymakers are being forced now more than ever to think about how European policy can deliver results in policy areas where the public expect to see results. The Conference on the Future of Europe may help to make clear how that can be done.

In its 2019 report 'Thinking of the Netherlands', the Netherlands Institute for Social Research highlights the risk that, for many Dutch citizens, European issues evoke a sense of loss of control.¹ We must prevent ourselves from becoming a country of EU supporters and opponents. Now more than ever, it is up to the EU to deliver in areas where the shared interests of the member states are greater than their individual – sometimes conflicting – interests. The EU is more than a common market and a common currency. It is a community of values firmly anchored in international structures that offer stability and protection in an uncertain world.

To achieve concrete results, the EU must turn the momentum of the crisis to its advantage by working on a green and digital transition, strengthening the single market, bolstering the rule of law and ensuring the EU becomes a more confident actor on the global stage, in order to

¹ Thinking of the Netherlands. Social and Cultural Report 2019, June 2019

guide the Union through the crisis both sustainably and with unity. At the same time, the health crisis continues, making European coordination vital. COVID-19 does not stop at borders and there is no way of knowing how long the virus will remain among us. The member states will therefore have to continue to cooperate as much as possible to prevent, detect and tackle similar outbreaks, safeguard the supply of vital medical equipment and search for a vaccine.

The six thematic priorities – migration, security, the economy, climate, the EU in the world and a properly functioning EU – which the government set out in its State of the European Union 2019 have not lost any of their relevance.² These are pre-eminently the themes on which the EU can be expected to produce results. Over the past year the government has attempted to steer the European agenda towards these very issues. It notes with satisfaction that the European Council's Strategic Agenda of June 2019 largely reflects the priority areas identified by the Dutch government.³

The Green Deal presented by the Commission last December, for example, puts climate and sustainability at the top of the European agenda. The Commission takes the same approach as the Dutch national climate agreement, which stipulates that all sectors must play a role in making the transition to climate neutrality possible. The government's focus on tightening up the 2030 greenhouse gas reduction target is also reflected in the Commission's plans. In summer 2020 it will put forward a proposal to raise the 2030 target to 50-55%, on the basis of a thorough impact assessment. Recovery measures will have to contribute towards this objective.

The priorities in the European Council's Strategic Agenda have now been incorporated into the Commission Work Programme (CWP), an assessment of which was sent to the House of Representatives on 21 February.⁴ Understandably, the CWP did not provide all the answers we need in the current crisis. An adapted CWP was therefore published on 27 May. It is positive that the new CWP focuses on the EU's resilience. The Union will not emerge from the crisis more resilient if it restricts itself to addressing short-term exigencies.

The six headline ambitions in the CWP – a European Green Deal, an economy that works for people, a Europe fit for the digital age, promoting our European way of life, a stronger Europe in the world, a new push for European democracy and better legislation – are therefore still relevant and, the government would observe, coincide largely with the priorities identified in

² State of the European Union 2019, Parliamentary Papers 35 078, no. 1.

³ European Council Conclusions, EUCO 9/19, June 2019.

⁴ Assessment of the Commission Work Programme, Parliamentary Papers 35 403, A.

last year's State of the European Union. Building on this, the government has chosen to use the Commission's six headline ambitions as a framework for this year's State of the European Union.