



# EUROPE NEXT PROJECT

SEPTEMBER 2019

## Abstract

Europe NEXT Project Report contains arguments in defence of a united Europe and an impetus for a new stage in the European Union's journey, with a renewed emphasis on respecting and reflecting the different views, interests, needs and ambitions of the member states. In our view, Europe NEXT Project should provide cohesion and competitiveness, while maintaining Europe's position in the world, and representing its citizens with accountability. Building on the Sibiu Summit and the Romanian Presidency of the Council of the EU, this document aims to contribute to the upcoming Presidencies (Finland and Croatia), as well to the new Commission and European Parliament resulting from the recent European elections.

Aspen Institute Romania  
aspeninstitute.ro

## The Europe NEXT Project

### A new political ambition for Europe

Aspen Initiative for Europe (AlfE), a consortium comprising of the eight European Aspen Institutes (France, Germany, Italy, Central Europe, Romania, Spain, Ukraine, UK).

Since the Great Recession the social and economic gaps between North and South have widened, but anti-establishment and anti-EU political parties have been particularly successful in core member states such as France, Italy, Germany and, most spectacularly, in the United Kingdom. Despite its fast economic recovery, the Eastern periphery has experienced systemic challenges to its political status and traditionally integrationist positions against the background of unfulfilled social development aspirations. Indeed, the convergence of views and capacities towards a renewed integrationist line seems more elusive than ever.

The debate on managing convergence and divergence in the EU, as well as on the future of the Cohesion Policy are essential in the context where there are still significant differences in economic and social development. The European project and the European budget have to deal with both “old” and “new” issues, Northern and Southern Europe, as well as increasing disparities at subnational level against the background of proliferating disagreements. At stake is nothing less than the capacity of the Union to close the widening gaps between the political, economic and social understandings of the future of the European project.

This report on the Europe NEXT Project aims to contribute to the coming European Council in Sibiu, the Presidencies of the Council of the EU (Romania, Finland, Croatia) as well to the new Commission and European Parliament resulting from the recent European elections. It contains arguments in defence of a **united** Europe and an impetus for a **new stage** in the European Union’s journey, with a renewed emphasis on respecting and reflecting the different views, interests, needs and ambitions of the member states, and citizens.

CURRENT CONTEXT .....	4
EUROPEAN PERSPECTIVES.....	5
<b>Cohesion and Unity in European Politics .....</b>	<b>5</b>
Convergence trends.....	6
Social Compact .....	7
<b>European Competitiveness.....</b>	<b>10</b>
European Added Value .....	11
Investments .....	12
Digitalisation & AI .....	14
<b>Europe’s Relevance in a Changing World.....</b>	<b>17</b>
Migration .....	18
European Defence .....	20
Multilateralism .....	21
<b>Citizens’ Voice and Rights in the European Union .....</b>	<b>25</b>
Legitimacy.....	26
Political Polarization .....	28
ROMANIAN PERSPECTIVES .....	30
<b>Romania’s Presidency of the Council of the European Union.....</b>	<b>30</b>
Context and Expectations.....	30
Main themes and progress.....	31
Contentious issues.....	0
Looking Forward .....	2
<b>Romanian Votes in the European Parliament .....</b>	<b>3</b>
Budget & Investments .....	4
Energy Policy.....	14
Digitization and Automation .....	19

# CURRENT CONTEXT

Europe is facing a variety of challenges, as recent developments have opened debates on the future shape and direction of the European Union. From a diminishing economic dominance in world markets, to contentious politics within and among member states, the EU faces both current and specific challenges (e.g. Brexit, European Parliament elections), as well as the need to reassert its identity, and what it aims to achieve in the medium-term.

A series of overarching themes emerge from the diagnostic of the current challenges of the EU. First and foremost, there is a persistent lack of convergence between European regions and, increasingly, between different elements of the public. The challenge of internal convergence is amplified by a larger trend of catching-up in the world economy, between developed and emerging markets. Europe must demonstrate its ability to produce shared prosperity within the Single Market, as new economic growth models emerge elsewhere.

The second overarching challenge is the design of the intergovernmentalism or multilevel governance in the European Union. Given the various transnational or sectorial challenges that arise, the idea of a multi-speed Europe seems difficult to apply. Nevertheless, the principle of subsidiarity, the limits of the national powers, and the depth and spread of European powers are all subject to current deliberations.

The current Trio Presidencies of the Council of the European Union comprised Romania, Finland and Croatia stands as it stood at the crossroad between the end of term of the Juncker Commission and the instalment of the new executive. At the beginning of 2019, a common 18-month programme has been published for this Trio. The Programme is based on the former Strategic Agenda and comprises objectives on security, migration, growth and jobs, digital market, energy union, social policies and democratic legitimacy. Some of these issues have been included in the draft of the Future Strategic Agenda presented at the Sibiu Summit in May 2019, and will likely be pursued further in the Finish and Croatian Presidencies of the Council of the EU.

This report presents a dual perspective: that of Europe as a whole, and that of a member state that just concluded the Presidency of the Council of the EU—Romania.

# EUROPEAN PERSPECTIVES

## Cohesion and Unity in European Politics

If the European Union is to survive and thrive it has to put forward a comprehensive plan to deliver shared prosperity to its citizens and regions. Cohesion has been one of the primary goals of the European Community and it still remains one of the top priorities.

New division lines appear in the European Union, without having necessarily resolved the historical disparities of development between the member states and regions. Divisions within the different categories of the public across Europe and within member states are currently just as important as the traditional divides across member states.

Regional divisions are persistently present in the EU, and they no longer align to the classical old vs. new member states categories. Newer member states are facing challenges of convergence, or catching up, as many have been recently labeled by the European Commission as “lagging regions”. However, despite the fact that CEE is still struggling with low incomes in some of its regions, high economic growth rates have been recorded across the region, as opposed to older member states, in Southern Europe (i.e. Portugal, Spain, Italy and Greece) whose lagging regions are marked by low economic growth<sup>1</sup>. Many of the EU member states have seen a growing regional inequality<sup>2</sup>, as convergence has stalled during and after the economic crisis<sup>3</sup>.

Social divisions have become increasingly more apparent according to the various Eurobarometer data of the past decade. The values and beliefs of European citizens reflect new division lines on top of the persistent socio-economic ones, as the economic crisis in the Southern Europe and its strong negative social impact, or the current migration crisis amplify social insecurity across Europe. Capital cities are increasingly behaving very differently from rural areas in elections (e.g. Poland, Hungary, Bulgaria, UK), according to different alignments of values: as capitals remain predominantly liberal and cosmopolitan, the rural areas are increasingly turning to traditional or even fundamentalist values.

Economic divisions were meant to be tackled with from the very early existence of the cohesion policy and the integration process. Still economic grievances persist and amplify social and cultural insecurities.

There are two levels of intervention for delivering cohesion in the European Union: policies and politics. Mechanisms of coordination between national and European policies such as the European Semester have proven to bring about harmonization between member states

<sup>1</sup> European Commission (2017) Economic Challenges of Lagging Regions.

<sup>2</sup> See the Index of Regional Inequality in Pike, A., Rodríguez-Pose, A., & Tomaney, J. (2017). Shifting horizons in local and regional development. *Regional Studies*, 51(1), 46-57.

<sup>3</sup> Farole, T., Goga, S., & Ionescu-Heroiu, M. (2018). Rethinking Lagging Regions: Using Cohesion Policy to Deliver on the Potential of Europe's Regions. World Bank Report on the European Union.

and the European Commission, yet Country Specific Recommendations (CSR) often fail to be implemented over long periods of time.

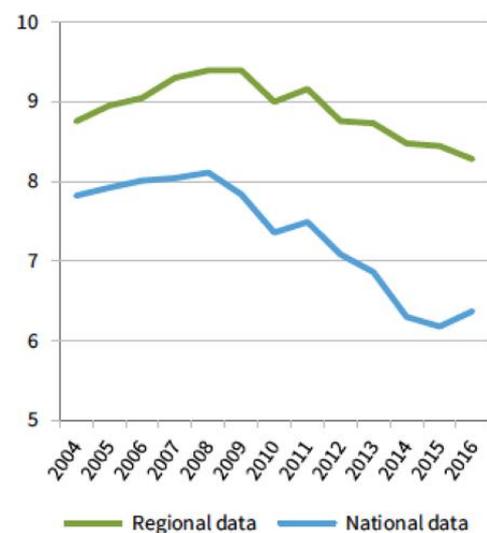
It is obvious that a better fit between national and European measures should be developed in the next budgetary cycle. However, in terms of political will, we see many member states eager to play national agendas so as to mobilise their electorate at home, rather than agree upon common ways forward for the entire Union. With rising challenges, both in new and older member states, the European budget becomes ever more stretched.

## Convergence trends

The studies find that in the area of employment, between 2000 and 2017, there was upward convergence of the Member States in the indicators of labour market participation, such as activity and employment rates, and labour market exclusion, with a reduction of unemployment rates. There was also an increase in the average performance of the EU as a whole, and an overall reduction of disparities between Member States in most living conditions indicators, such as poverty and social exclusion.<sup>4</sup>

With regards to socioeconomic convergence, there has been an overall EU trend of convergence during the same period, this is shown in disposable household income and national minimum wage measures. At the same time, income inequality in the EU population has increased considerably, with growing differences between Member States – this reflects the severe and uneven impact of the economic crisis.<sup>5</sup>

However, the positive trends in convergence between member states are not necessarily reflected at subnational level. Disparities in labour market indicators have been larger across EU regions than across EU Member States: there was convergence of Member States in relation to the employment rate over the 2004–2016 period, and yet divergence was recorded at subnational level (see Figure).<sup>6</sup>



Surprisingly, the Eurofound data on convergence trends shows clearly that the trend is higher in the case of countries that fall outside the eurozone, than for those that have adopted the single currency. This can be attributable to several elements. First, there is the component of risk sharing within the eurozone: as Southern member states have had very poor macroeconomic performance since the economic crisis, and the burden was shared with the northern member states from the eurozone. Secondly, new member states have had a

<sup>4</sup> Eurofound (2018), Progress on convergence in employment, Publications Office of the European Union, Luxembourg.

<sup>5</sup> Eurofound (2018), Progress on convergence in the socioeconomic area, Publications Office of the European Union, Luxembourg.

<sup>6</sup> Idem 4.

much larger development deficit, and their catching up process was significantly supported by the European integration and the single market. Finally, the most significant share of convergence funding (i.e. cohesion and agricultural policies) have been channelled to newer member states whose regions were in the less developed category, as opposed to more developed regions from the Eurozone.

The New Strategic Agenda 2019-2024 restates the commitment to achieve upward convergence amongst member states.

## Social Compact

EU is currently undergoing a deep social transformation, with a changing labour market and welfare state, a greater role for new actors and social innovation and a crucial need to strengthen the European social model for all generations.

The meaning of “social compact” can be defined in two ways. Both a bottom-up and a top-down perspectives are necessary to understand the stakes of social reform in Europe.

In a bottom-up perspective, the social compact should provide such elements as shared prosperity, or a decent standard of living. The Single Market has been one of the most powerful drivers of integration—without a level of shared prosperity, the commitment to the European project and shared values is threatened. It was to a certain extent the economic failures that populist parties used to mobilize much of their electorate<sup>7</sup>.

In a top-down approach, the social compact in the European Union has a much more strategic role: to provide social peace, medium- and long-term (political) stability, consensus—leading to limited use of force, etc. Both are equally important for the European project today. Arguably the most important achievement of the European project so far has been that of peace and stability. While frequently overshadowed by issue related to economic integration or border security, the form and implementation of social policies will be equally important in upholding the main achievements of the EU.

The social compact can and should be deployed both at the European and at the national level. At each level, there is a different set of opportunities in the current context. At European level, the social compact could actively help bridge the East-West divide. As such, it could effectively translate the process of integration into economic and social convergence. More generally, it is a move towards *equally* shared prosperity among countries. At national level, there are certain distinctive features between old and new member states. In Central and Eastern Europe, the recovery after postsocialist economic chaos meant a return on the trajectory of tangible socio-economic development. As such, the social compact is a means of catching up to the living standards of Western countries.

One of the more stringent issues related to the social policies in Europe has been that of workers’ mobility and rights. Workers should earn the same pay for the same work in the same place. Steps in consolidating the European Pillar of Social Rights have been taken recently with the reform of the Posting of Workers rules (benefiting approximately 2 mil. workers temporarily posted in other member states) and the newly established European

<sup>7</sup> Hopkin, J. (2020). *Anti-System Politics: The Crisis of Market Liberalism in Rich Democracies*. Oxford University Press.

Labour Authority. The latter will support cooperation between EU countries in the cross-border enforcement of relevant Union law, including facilitating joint inspections, and access for individuals and employers to information on their rights and obligations as well as to relevant services.<sup>8</sup>

If the European project is to move forward convincingly, it has to address certain persistent challenges for the CEE periphery.

In the short-term, the low wage model is withering away under the pressure of demographics and mass outmigration. The main reason for this spectacular population movement was and remains the wide pay gap between local and Western labor markets, a gap maintained by high taxes on labor relative to capital. Today, CEE has the world's fastest shrinking population and countries such as Poland, Latvia and Romania face mass migration phenomena without precedent in Europe during the past four decades. While this has been positive by putting upwards pressure on wages, it has also dampened the region's long term growth prospects, threatened pay as you go pension systems and deprived the high migration region of optimistic economic prospects.

Given onshoring, the whooping productivity increases in ECE and the large wage gaps between core and periphery, there is considerable room to increase real wages without threatening cost competitiveness and to shift the debate towards a more comprehensive social package based around the ILO's decent work agenda and the concept of a living wage. Thus, poor public transport, extreme levels of urban congestion, lack of social housing and the high share of rent costs relative to wages translate into low mobility for potential workers stuck in high unemployment rural regions whose choice is between migration and low paying (usually seasonal) work. Even assuming that vocational and dual education enrollment would skyrocket, the chance of graduate "leakage" to better paying Western markets is bound to remain high.

Convergence with the EU "core" should entail tax change, wage policies and industrial relations leading to a similar balance between capital and labor in GDP

In the medium- and long-term, there is another perspective to be considered. Even though it is definitely not the case yet, a "middle-income trap" scenario is a likely possibility for the future. The decades long strategy to compete on low cost resulted in the concentration in lower and medium value-added products. Dealing with this problem would require structural changes for professional training systems, social dialogue, R&D spending and sectoral policies in CEE economies

However, a win-win scenario in which all of Europe has core-like features is rather illusory, even in theory. Any attempt at effectively dealing with tough issues such as transfer pricing policies would immediately expose major European-level tensions that are now played out in terms of "excessive" wage growth and ineffective national-level policies in the periphery.

The unvirtuous circles represented by chronically weak tax collection and the ample tax planning strategies deployed by firms to minimize their tax footprint have led to the

<sup>8</sup> European Commission (2019) Top 20 EU Achievements 2014-2019.

undersupply of public goods needed to deal with the demographic crisis, work automation and the emerging climate catastrophe.

## European Competitiveness

Enhancing the productivity and competitiveness of the EU economy requires attention to be paid to innovation, including investment in intangibles, particularly skills, as the EU is falling behind peer economies in this regard.<sup>9</sup>

The most recent efforts of the European institutions with regards to European Competitiveness have focused on improving the functionality of the single market, while promoting a smart economy based on research, development and innovation (RDI) and digitalisation.

Achieving competitiveness at EU level should not be a zero-sum game amongst its member states or regions. Since 2010, the European Commission compiles a EU Regional Competitiveness Index to compare and contrast the ability of a region to offer an attractive and sustainable environment for firms and residents to live and work. The differences between European regions in terms of competitiveness remain very large. The regional competitiveness follows to a large extent the overall level of development of the member states, with the top ten performing regions coming from Germany, Netherlands and Sweden, while the bottom ten belonging to Romania, Bulgaria and Greece.

Ensuring the full potential of the Single Market also requires safeguards for capital and the financial system. As such, the European Union has been committed to a series of measures that targeted the development of new tools for investment, as well as safeguarding the economy against potential imbalances. Amongst the main recent accomplishments, one can cite the European Plan for Strategic Investments, the 'New deal for consumers' package legislation, or the European Systemic Risk Board.

There are three elements that could be the foundation of a new age of European Competitiveness. Firstly, there will be a larger application of the concept of European Added Value (EAS) so as to prioritise European projects over national ones. This approach has the downside of making it more difficult for member states to fund local investments, but it will bring a much needed efficiency to the use of a relatively modest EU budget.

Secondly, the new Multiannual Financial Framework (MFF) 2021-2027 will bring forth an encompassing approach to financing European investment through the InvestEU umbrella fund.

Thirdly, digitalisation is a key area for Europe. 64 to 75% of Europeans believe that digital technologies have a positive impact on our economy, society and quality of life<sup>10</sup>. Digital transformations bring numerous opportunities for EU's competitiveness in the world, but they also pose the challenge of creating fair, safe and effective regulation. Europe should strive to be a global norm leader in AI or blockchain.

<sup>9</sup> EIB (2017) From Recovery to Sustainable Growth.

<sup>10</sup> European Commission (2017) Special Eurobarometer 464b - Europeans' attitudes towards security.

## European Added Value

The concept of „European Added Value“ is now a cornerstone of the budgetary philosophy of the European Commission. It is defined as the value resulting from an EU intervention which is additional to the value that would have been otherwise created by Member State action alone. It may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities.<sup>11</sup>

One of the first areas in which it was introduced as a key concept was European Research, Development and Innovation (RDI) programmes<sup>12</sup>. Key elements of the concept of European Added Value are: scale (i.e. projects are too big for member state to handle alone), efficiency (i.e. joint approach is financially advantageous), quality (i.e. EU-wide competition), or driver of integration (e.g. cohesion, unification, coordinating national and EU programmes)<sup>13</sup>. Building upon the innovation framework, European Added Value (EAS) is now a core element of European investments.

The logic of efficiency in prioritizing projects with European Added Value (EAS) is very much dictated by the limited resources available at EU level, compared to the economic output intended. One way of creating a stronger connection between the allocation and usage of resources is to link the payments to specific projects in connection with the country-specific recommendations (CSR) made by the European Commission<sup>14</sup>.

In the future Multiannual Financial Framework (2021-2027), the EU added value plays an important role and it refers to the areas where the Union budget can have a bigger impact than public spending at national level could. Examples in this direction given by the European Commission can include cutting-edge research projects that bring together the best researchers from across Europe, or empowering young people and small businesses to take full advantage of the opportunities the Single Market and the digital economy offer. Using the European Added Value, the European Commission wants to rebalance the budget and to focus on areas where this added value is the highest. This presents both an opportunity and a challenge for new member states whose investment needs are high, yet absorption capacity is sometimes low.

The intention of the new EC proposal for the future MFF is to improve the management of the EU budget by direct and shared management for as many programs as possible. This would avoid the simple substitution of national funding with European one, as it happened after the crisis. However, national institutional capacity (e.g. better planned succession of funding programs) is the key to the new vision of the European budget management.

<sup>11</sup> European Commission (2011) The added value of the EU budget.

<sup>12</sup> European Commission (2014) European Added Value of EU Science, Technology and Innovation actions and EU-Member State Partnership in international cooperation.

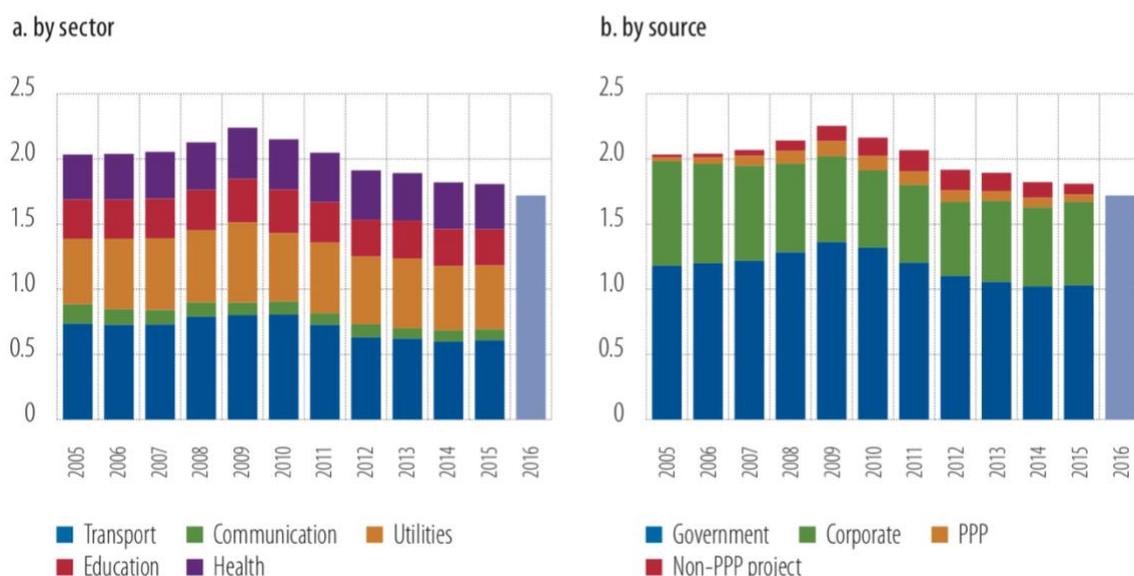
<sup>13</sup> Idem fn. 12.

<sup>14</sup> der Gesamtwirtschaftlichen Entwicklung, S. Z. B. (2018). *Vor wichtigen wirtschaftspolitischen Weichenstellungen. Jahresgutachten 2018/19* (No. 2018/19). Jahresgutachten.

## Investments

The investment conditions in Europe thanks to a more favourable economic situation and public interventions such as the European Fund for Strategic Investments (EFSI)—the heart of the Juncker Plan. However, there is still a sizeable investment gap in Europe, with investment levels 15% to 20% lower than pre-crisis levels, and 34% of European municipalities say infrastructure investment is below needs<sup>15</sup>. As such, most EU countries slashed capital spending and financed parallel increases of current expenditure, resulting in large contractions of government investment financing.

Infrastructure investment by sector and source (%GDP) (2005-2016)



European Investment Bank (EIB) shows that the investment in infrastructure in the EU has been decreasing over the past years, since the financial crisis. The sectorial distribution is relatively constant over the years, with the highest percentage of GDP being allocated to transport and utilities infrastructure. Also, as shown in the figure above, the governmental investments cover the largest share of infrastructure development in the EU, even if before the financial crisis public-private partnership projects were starting to develop more.<sup>16</sup>

The InvestEU Programme will bring together under one roof the multitude of EU financial instruments currently available and expand the successful model of the Investment Plan for Europe, the Juncker Plan. With InvestEU, the Commission will further boost investment, innovation and job creation, triggering at least €650 billion in additional investment.<sup>17</sup> At its core is the European Fund for Strategic Investments (EFSI) whose objectives were three-fold:

<sup>15</sup> European Investment Bank (EIB) (2018) What is EFSI?.

<sup>16</sup> EIB (2017) From Recovery to Sustainable Growth.

<sup>17</sup> European Commission (2018) What is the InvestEU Programme.

removing obstacles to investment, provide visibility and technical assistance to investment projects, and mobilising private investment via a public guarantee<sup>18</sup>.

The InvestEU Programme will bring together under one roof the existent investment tools for investment ( 14 different financial instruments). While designed to make investment projects simpler and more efficient, there is still some lack of clarity with respect to the actual implementation of Invest EU during the future MFF 2021-2027. The EU Parliament and the Commission have adopted congruent positions early on, while the Council of the EU has reached an agreement later on, under the Romanian Presidency.

The InvestEU fund has several promising features. Firstly, it seeks to encourage projects among 3 countries or more, by incentivizing their respective National Development Banks to collaborate.

Secondly, it provides a member state department, which makes it possible for EU member states to transfer EU structural funds into a member state department which can be used by national development banks to leverage domestic and private resources and to lend to more risky activities

Thirdly, the general structure of the Juncker plan, which is to be maintained to some degree, is the use of EU structural and regional funds as revolving financial instruments, which are channeled by pooling expertise and capabilities of the EIB and national development banks. This is beneficial as local/national knowledge is combined with the financing capacities at the EU level, where the credit rating is often better than at the national level. Also, the financing of smaller projects operating at the national level brings with it the possibility to use more local knowledge.

The need to act in a concerted fashion by different development banks/institutions and the EU is possibly the most important lesson learned over the course of the last 6 years, which should be maintained.

Capital markets union (CMU) is the Commission's plan to create deeper integration of capital markets in EU, to mobilise capital and channel it to specific growth generating investments, especially in SMEs and infrastructure. Despite a downward trend over the past years, the EU is still a net exporter of capital with the outflows of foreign direct investments being larger than its inflows<sup>19</sup>.

Given that the most prominent capital market in the EU is unlikely to be part of the CMU after Brexit, the overall potential of the CMU at global scale will be limited. However, CMU can be seen as a much as a Europe-wide growth initiative, in a context in which both the national and the supranational level lack effective traditional expansionary capacities, be it in the form of fiscal policy, wage coordination or competitive devaluation <sup>20</sup>. The limitations of member states to apply such macroeconomic tools are curtailed by the Stability and Growth Pact, while the EU has not received powerful attributions beyond those to monitor and enforce budgetary discipline at national level.

<sup>18</sup> European Commission (2019) Top 20 EU Achievements 2014-2019.

<sup>19</sup> Eurostat Statistics on FDI (last accessed on 07.08.2019).

<sup>20</sup> Braun, B., Gabor, D., & Hübner, M. (2018). Governing through financial markets: Towards a critical political economy of Capital Markets Union. *Competition & Change*, 22(2), 101-116.

There is also an emergent policy nexus between the Investment Plan for Europe (Junker Plan) and the Action Plan on Building a CMU, as part of EU's strategy of governing the economy through financial markets. This brings forth the role of public development banks, including the multilateral European Investment Bank (EIB), as these state-owned financial institutions have moved into a key position in the recent evolution of the European financial system and economic governance.<sup>21</sup>

## Digitalisation & AI

The Digital Single Market is one of the key strategic priorities of the EU. The Strategic Agenda 2019-2024 reiterates that EU must work on all aspects of the digital revolution and artificial intelligence: infrastructure, connectivity, services, data, regulation and investment, while at the same time being accompanied by the development of the service economy and the mainstreaming of digital services<sup>22</sup>.

Digital transformations are at the core of the development objectives of many EU member states. Digitalization is having a considerable global impact. Technological progress seems to be accelerating and it is driven by large companies and innovative startups alike. Recent advances in software, deep tech, big data and artificial intelligence (AI) lead to a leap forward in such areas as health or energy consumption.

The current developments under the broad label of the 4.0 industrial revolution impose significant strains on the EU both in terms of competitiveness, and regulation. Disputes with multinational giants in the digital sector have brought to light a new regulatory stance of EU authorities. The development of artificial intelligence (AI) programmes is highly reliant on data collection, which in turn imposes new responsibilities of regulation with concern for both data privacy, and competitive potential of EU companies in comparison to companies from USA or China. The biggest limitation for EU in this regard is the poor integration of databases across member states—a limitation that is not applicable to its competitors. As such, a recent report proposes the developed of shared, cleaned-up European data bases for research as a measure to surpass European vulnerabilities in the field of AI<sup>23</sup>.

Europe is currently in the process of establishing itself as a global norm leader in AI and blockchain. Through the General Data Protection Regulation (GDPR) process, the EU has had a global impact on data-sharing norms<sup>24</sup>. Following the positive experience of standard setting with GDPR, it has recently put forward a Draft Ethics Guidelines for Trustworthy AI<sup>25</sup>. This guidance forms part of a vision of enabling Europe to become a globally leading innovator in ethical, secure and cutting-edge AI. These have to be backed by an ambitious

<sup>21</sup> Mertens, D., & Thiemann, M. (2018). Market-based but state-led: The role of public development banks in shaping market-based finance in the European Union. *Competition & Change*, 22(2), 184-204. Gabor, D., & Ban, C. (2016). Banking on bonds: The new links between states and markets. *JCMS: Journal of Common Market Studies*, 54(3), 617-635. Mertens, D., & Thiemann, M. (2019). Building a hidden investment state? The European Investment Bank, national development banks and European economic governance. *Journal of European public policy*, 26(1), 23-43.

<sup>22</sup> European Council (2019) A new strategic agenda 2019-2024.

<sup>23</sup> ECFR (2019) Strategic sovereignty: How Europe can regain the capacity to act.

<sup>24</sup> Mark Leonard and Jeremy Shapiro (2019) Strategic Sovereignty: How Europe Can Regain The Capacity To Act. ECFR

<sup>25</sup> European Commission (2019) Draft Ethics guidelines for trustworthy AI.

industrial policy plan to raise EU's competitiveness in this field. The combination of competitiveness and high standards is difficult to achieve if one considers that the EU is lagging behind the US and China in terms of R&D, patents, market uptake and implementation in Artificial Intelligence<sup>26</sup>.

While Industry 4.0, digitalization and artificial intelligence offer effective solutions for a number of actual challenges, they also raise concerns about their social impact, employment, education, and last but not least, about governance. As announced in the Single Market Strategy and Digital Single Market Strategy, in 2017 the Commission adopted a comprehensive package of measures to further improve the application and enforcement of intellectual property rights, and to step up the fight against counterfeiting and piracy. It is necessary to use intellectual property in local production processes, so that its competitiveness does not deepen the disparities.

Central and South East European countries are the most dynamic within the EU. Their fastest convergence is happening in digitalization. The region's digital infrastructure is relatively well developed, as Central and South East European member states are almost on par with the EU15 in terms of internet access and mobile broadband usage. Well-performing high-tech companies in CEE today are the ones that nurture collaborations with local university centres and startups.

What is important to realise in the context of the StartUp Europe initiative is that the majority of the tech start-ups are born globals (i.e. companies rapidly become players on the global stage)<sup>27</sup>. Many European tech companies are moving up on the value chain, shifting from mobile apps to deep tech. As such, necessary but not sufficient conditions to perform are access to capital (i.e. larger markets such as USA, UK, or Japan), and access to skilled human resources—computer engineers, and connected business specialties. As more than the sum of its parts, European tech start-ups need a prolific ecosystem to perform and be competitive on the global markets. In order to properly reflect the current dynamics and challenges of the tech sector in Europe today, it is important to involve business accelerators in the policy-making process currently shaping the entrepreneurial environment in the EU<sup>28</sup>.

The competitiveness of the digital sector raises some new challenges of its own in fiscal matters. Until recently, a company's tax base was established according to headquarters location. Multinationals have tended to pay lower taxes than small and medium enterprises (SMEs) on average. The European commission's report "A Fair and Efficient Tax System in the European Union for the Digital Single Market", published in 2017, reveals that digital businesses are paying an effective tax rate about half that of traditional businesses in Europe. As such, traditional international business models pay an effective rate of 23.2% vs 9.5% for their digital counterparts.

The EU is stepping up plans for an EU wide digital tax on tech giants, such as Google, Apple, Facebook and Amazon. These moves have been championed especially by large consumer

<sup>26</sup> Gros, D. et al (2019) Global Trends 2035, European Parliamentary Research Service (EPRS) Report; Digital Transformation Monitor, January 2018.

<sup>27</sup> Moen, Ø., & Rialp-Criado, A. (2018). European SMEs and the Born Global concept. In *The Routledge Companion to European Business* (pp. 79-90). Routledge.

<sup>28</sup> See for example Spherik Accelerator in Romania as a Startup Europe Ambassador.

countries, such as France and Spain. The prospects of such a digital tax have specifically grown with recent EU Commissions proposed a 3% tax on revenues of tech giants with more than €50m revenue in the EU and €750m worldwide. Brussels estimated that this proposal would affect 150 tech giants and would yield as much as €5bn per year. In the mean time, France has put up a digital services tax of 3%, while UK is proposing its own 2% tax on revenue earned by social media sites, search engines and online marketplaces.

## Europe's Relevance in a Changing World

While the European Union has a common voice in foreign affairs under the High Representative, member states still have a variety of interests and plurality of visions regarding the changing world order. As the multilateral consensus is seemingly left aside in current day international affairs, rising bilateralism and regionalism gain ground instead.

Facing numerous internal and external pressures, Europe is as constrained as ever to draw strength from unity. There are also opportunities to be considered. Europe as a whole can be an important economic and geopolitical actor on the world stage, in a manner in which none of the member states can be no longer. As such, the concept of “strategic sovereignty” comes up as a measure of change both within the EU (i.e. substituting nationalistic tendencies with a shared European identity) and outside the EU (i.e. representing itself effectively in international affairs)<sup>29</sup>. Furthermore, there is increasing overlap between external and internal pressures as exemplified by the migration crisis derived from a failed international management of the conflict in Syria. EU is currently faced with a number of contentious issues that have to be managed swiftly and effectively, from neighbouring wars and conflict (e.g. Ukraine, Libya) to common security threats (e.g. Russia in energy, China in trade or technology such as 5G<sup>30</sup>).

The migration crisis is one of the far reaching challenges that Europe is facing today. On one hand it raises the question of managing the surge in migratory inflows, at home, on route, and once they reach European member states. On the other hand, it raises cultural anxieties amongst European citizens that are already in a precarious position due to globalisation and the economic crisis.

With wars and conflicts building up in the European periphery, there is clearly an increasing need for a stronger system of ensuring European defence. EU citizens are disposed towards collective action by the EU in questions of foreign, security and defence policy, which may facilitate EU's agency in these areas.

Europe continues to be committed to the global multilateral agenda. Its position on world markets is strengthened by a unity and openness to trade. However, it is important to mediate the effects of globalisation at home, so as to ensure the equitable distribution of economic benefits.

<sup>29</sup> Mark Leonard and Jeremy Shapiro (2019) Strategic Sovereignty: How Europe Can Regain The Capacity To Act. ECFR

<sup>30</sup> Daniel Gros (2019) Europe's 5G Wake-Up Call, Project Syndicate.

## Migration

The migration crisis has presented Europe with a dual problem. One is that of humanitarian proportions of dealing with the massive inflow of persons that came through the Mediterranean (and not only) due to prolonged and escalating conflicts in the European periphery (e.g. Syrian civil war). The second problem is that of cultural anxiety within the European Union, where many still feel the economic downturn of the 2012 financial crisis and see the migrants as competitors to the jobs and social services they themselves aspire to<sup>31</sup>.

Migration is a challenge on the EU agenda as there are still record levels of displacement, human suffering, or complex political uncertainties in many countries. From 2014 to December 2017, the EU Member States accepted almost 3.7 million first-time asylum applications, three times more than from 2010 to 2013<sup>32</sup>. About 1.6 million asylum seekers were granted some sort of international protection.

Over the past years refugees and illegal migrants have entered the EU in large numbers through the Mediterranean sea. The peak was recorded in 2015 when more than a million persons arrived in Europe, while last year the figure decreased to a tenth<sup>33</sup>. Some progress has been made so far, as by the end of 2017, irregular arrivals on the Central Mediterranean route were down by 67 %<sup>34</sup>.

Current initiatives regarding the strengthening of EU's external borders target FRONTEX (i.e. the EU's border and coast guard agency) by adopting a broader mandate to meet new security challenges, as well as additional staffing of 10,000 corps by 2020<sup>35</sup>. Joint border control and surveillance operations were also instituted in the Mediterranean, called 'Triton' and 'Poseidon'<sup>36</sup>. Frontex is also expected to become more involved in 'joint return operations' and to create a dedicated returns office to organise return operations.<sup>37</sup>

Efforts with regards to the advancement of the asylum policy are equally important, as well as the body of the European Asylum Agency.

One of the measures that led to this overall decrease in migration flows was the EU-Turkey Statement that meant providing humanitarian assistance to refugees; EU supported refugees in Turkey with €3 billion in 2016-2017 and already made €1.2bn of a further €3 billion instalment<sup>38</sup>.

The €4.2 billion Emergency Trust Fund for Africa is another way to tackle the root causes of migration. It is designed to fund migration related programs in home countries, but also wider

<sup>31</sup> Bremmer, I. (2018). *Us vs. them: The failure of globalism*. Penguin.

<sup>32</sup> CEPS (2018) *Global Trends to 2035 - Economy and Society*, p. 22-23.

<sup>33</sup> UNHCR (2019) *Operational Portal Refugee Situations*.

<sup>34</sup> European Council (2018) *The European Council May 2016 to June 2018, Vol.2*.

<sup>35</sup> European Commission (2018) *A strengthened and fully equipped European Border and Coast Guard, State of the Union Factsheet*.

<sup>36</sup> Carrera, S., Blockmans, S., Gros, D., & Guild, E. (2015). *The EU's Response to the Refugee Crisis: Taking Stock and Setting Policy Priorities. CEPS Essay, (20/16)*.

<sup>37</sup> *Idem* fn. 36.

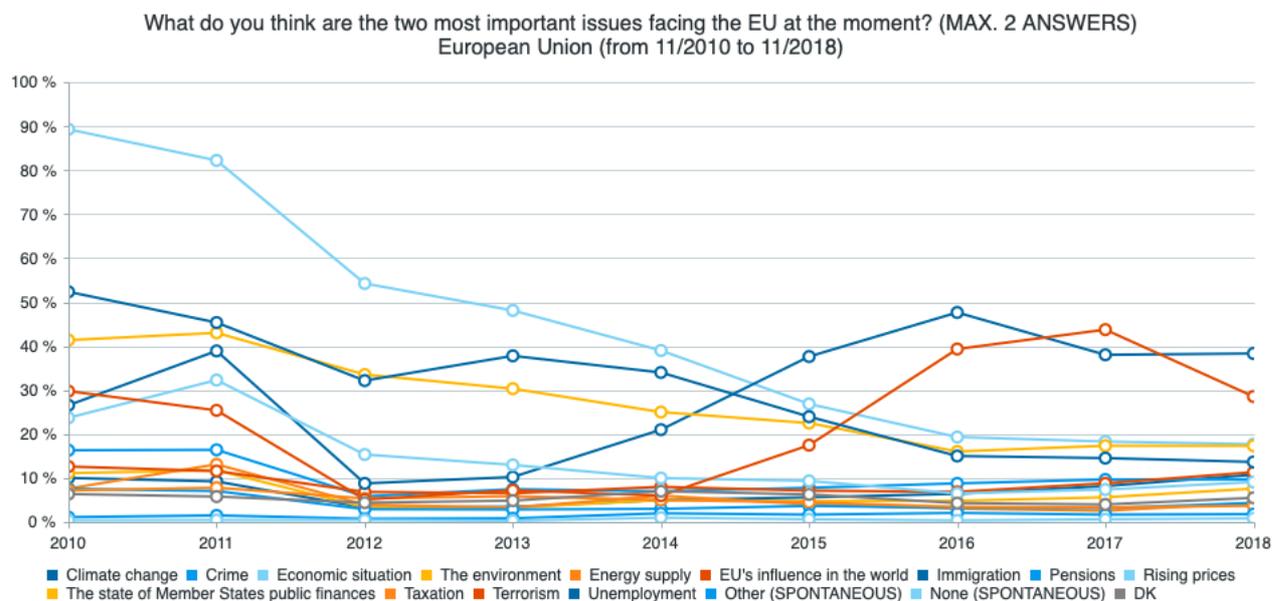
<sup>38</sup> European Commission (2019) *Top 20 EU Achievements 2014-2019*.

economic development and good governance. It will be paired with External Investment Plan set to mobilise over €44 billion in both public and private investments by 2020 in Africa and in the EU neighbourhood.<sup>39</sup>

As of 2018, the UN Global Compact for Safe, Orderly and Regular Migration (GCM) is another layer of mobilization at international level, to manage the migratory inflows in a coordinated manner. It aims at tackling the issue in a holistically, given that root causes in home countries have to be addressed more effectively before European policy measures can measure up to the task at hand.

Still, despite all these efforts, thousands die every year in the migration process, and the challenges of integration remain very high, given that the access routes involve southern member states that are going through their own economic challenges.

Nowadays, migration is listed on top of European citizens' concerns, rising from merely 10% on 2012, to almost 40% in 2018. According to the Eurobarometer data, immigration is currently the main concern of EU citizens. It is also clear that populist politicians have exploited the issue to their advantage<sup>40</sup>.



The debate on this subject is centred in the European context on addressing the different needs and interests without forgetting about the human rights. As the European Commission admits in 2018, migration continues to dominate much of the political agenda and achieving a sovereign, comprehensive approach to migration management remains one of the biggest challenges ahead.<sup>41</sup> To help Member States deal with the asylum claims, while regaining full control over common European borders, and sustaining public order and security, the European Commission has proposed in 2018, through the next Multiannual Financial

<sup>39</sup> Idem fn. 38.

<sup>40</sup> Krastev, I. (2017). *After Europe*. University of Pennsylvania Press.

<sup>41</sup> European Commission (2018) State of the Union 2018: Our Destiny in Our Hands.

Framework, tripling the budget for external border management, migration and asylum (around 35 billion euro intended for this area).

## European Defence

The European project is at cross roads also in the field of security and defence. The wars and conflicts that are developing in its periphery (i.e. Ukraine, Syria, Libya)<sup>42</sup> clearly show the increased necessity for EU's own capabilities for defense and security.

Moreover, there are a number of assertive global powers with military capabilities and will to use military instruments (e.g. Russia). The total military expenditure of EU member states declined from 1.81% to 1.40% of GDP during 2005–2015. At the same time, Russia increased its military spending from 3.3% to 5.4% of GDP between 2008 and 2015. In absolute terms, from 2005 to 2015, Russia increased its defence spending by 110% and China by 170%, while the EU decreased its spending by 12% and the US by 2%<sup>43</sup>.

The development of the EU's Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) has been an incremental process. Nevertheless, the EU has managed to carve out a role for itself in both foreign and security policy.<sup>44</sup>

Lack of cooperation between Member States in the field of defence is estimated to cost between €25 billion and €100 billion every year<sup>45</sup>. As such, under the the Common Security and Defence Policy (CSDP) the Permanent Structured Cooperation (PESCO).

The European Defence Fund is another notable achievement, with first projects fostering cross-border investments in state-of-the-art and fully interoperable defence technology and equipment in areas such as encrypted software and drone technology.<sup>46</sup>

Increased geopolitical competition and climate change have security implications. Yet we should not down play globalization and interdependent as key "factors" shaping the world around us.

EU's 2016 global strategy on foreign and security policy emphasises the security of the Union as the highest priority of the EU's external action<sup>47</sup>.

The EU Global Strategy on foreign and security policy also a deeper cooperation between the EU and NATO, and as a result it has EU and NATO agreed to expand cooperation in seven areas: countering hybrid threats; operational cooperation, including at sea and on migration; cyber security and defence; defence capabilities; defence industry and research; exercises; support to our Eastern and Southern partners' capacity-building efforts<sup>48</sup>. Furthermore, a 'European Centre of Excellence for Countering Hybrid Threats' has just been established in

<sup>42</sup> Council on Foreign Relations (CFR) Global Conflict Tracker, Last updated August 13, 2019.

<sup>43</sup> Tuomas Iso-Markku, Juha Jokela, Kristi Raik, Teija Tiilikainen and Eeva Innola (eds.) (2017) The EU's Choice: Perspectives on deepening and differentiation. FIIA Report No. 50.

<sup>44</sup> Matti Pesu, Tuomas Iso-Markku and Juha Jokela (2019) Towards an EU Security Community? Public Opinion and EU's Role as a Security Actor. FIIA Briefing Paper no. 266.

<sup>45</sup> European Commission (2019) Top 20 EU Achievements 2014-2019.

<sup>46</sup> Idem fn. 45.

<sup>47</sup> European External Action Service (EEAS) (2016) EU Global Strategy.

<sup>48</sup> European External Action Service (EEAS) (2019) The European Union's Global Strategy Three Years On, Looking Forward.

Helsinki. The Centre represents a joint effort by several EU and/or NATO member states and aims to support both organizations as well as national authorities, which still bear the main responsibility for responding to hybrid threat.<sup>49</sup>

The future of transatlantic security relationship is central to the issue of European defence. On the one hand we have an increasing US presence in Europe and a dedicated defense budget for Europe; this is all in the logic of building deterrence. On the other hand, we have the politics of the Trump administration highlighting European defence spending increases; and some of the statements have casted a shadow over the US commitment in European defence. Yet we should bear in mind that transatlantic security cooperation is not just defence, it is also close cooperation in security and foreign policy.

Europe faces a tough challenge in the years ahead. On the one hand it should work to strengthen the transatlantic bond, but it must also prepare for longer term change. This is however a long term project for the Europeans, as building capabilities and improving efficacy and strength of EU foreign policy is a long term project which is often punctuated by crisis.

EU's ability to contribute to the security of its citizens forms a key part of a new emerging narrative for the Union. In general, EU citizens are disposed towards collective action by the EU in questions of foreign, security and defence policy. Support for the CFSP and CSDP has remained high and strikingly stable. Moreover, there seems to be a nascent sense of solidarity and unity among Europeans, which may facilitate the EU's agency in these areas.<sup>50</sup>

## **Multilateralism**

The European Union is by definition a promoter of multilateralism in international affairs. While it is yet to establish the balance of power on which it will act internally in the coming years, it is much more clear that externally it will continue to support a multilateral approach on the world stage. Main areas in which the EU plays a leading role in the multilateral consensus and common action are the Agenda 2030 for sustainable development and Climate Change.

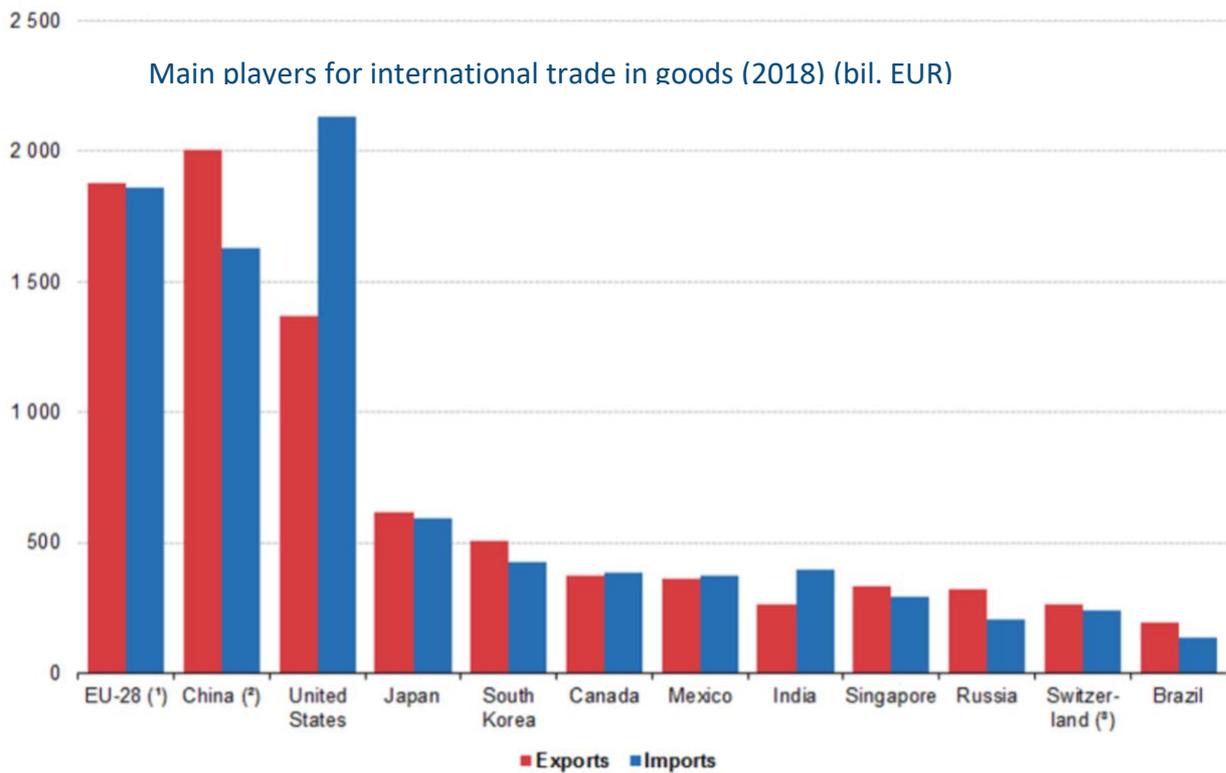
In terms of trade, there is an important shift in the structure of of the international economy. Technological innovation, and know how transfers, as well as increasing margins of profitability in international trade have produced a large convergence between developed and developing economies<sup>51</sup>. For years now, the rise of the emerging markets like China and India have proven the benefits of a multilateral global trade system. However, the competitiveness of EU is especially important in the context of what is generally referred to as Trade Wars (i.e. increase in protectionism, and contestation of multilateral liberalization).

<sup>49</sup> Idem 42.

<sup>50</sup> Idem 47.

<sup>51</sup> Baldwin, R. (2016). *The great convergence*. Harvard University Press.

Externally, the EU loses ground in international trade, competitiveness of its MNCs or innovation, and there is yet to be achieved consensus on how to tackle these threats to European growth and development. The main EU partner for exports in 2018 was the United States and for imports China. And yet, with the United States and Europe increasingly pulling back from multilateral agreements on the grounds of unfulfilled reciprocity, and seem to favour bilateral relations or protectionist measures in various sectors, the future of the international economy might look very different in the near future.



The EU is the world's largest trading block, the world's largest trader of manufactured goods and services, and it ranks first in both inbound and outbound international investments.<sup>52</sup> However, there are signs that its dominant position is decreasing, as in 2018, EU accounted for 15.8% of global exports of goods, while China surpassed it accounting for 16.9%.<sup>53</sup>

In this context, the EU should develop a very clear strategy of what are the sectors and markets in which it can outperform other economic powers, and what are the areas in which it will continue to pursue a multilateral agenda. For example, machinery and transport equipment accounted for more than 41% of EU exports and 31% of EU imports in 2018.

A quarter of the European Union's trade with outside partners is realised by Germany alone. One of the main elements of the trade performance of Germany is its own market. It has some of the largest multinational companies in the world while also having a large and dynamic SMEs sector. Sustained economic growth in Germany is also maintained through

<sup>52</sup> EU position in World Trade.

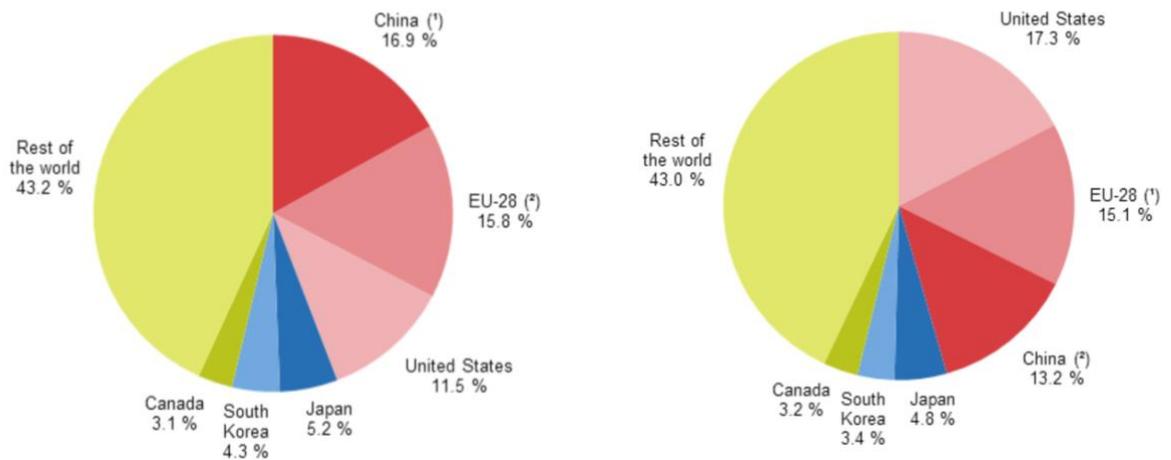
<sup>53</sup> Eurostat (2019) International Trade in Goods.

technological innovation, having substantial public and private funding allocated in this direction, and high value- added products as a result.<sup>54</sup>

(% share of world exports)

(% share of world imports)

Share in the world market for exports and imports of



The bilateral approach in EU’s trade policy is reflected in the recent EU-Japan Economic Partnership Agreement, signed by President Juncker in July 2018, which aims to create new opportunities for selling European goods and services to the fourth biggest economy in the world. This agreement creates an open trade zone covering over 600 million people and nearly a third of global Gross Domestic Product. EU’s annual exports to Japan are expected to increase by 13.2%, overall.<sup>55</sup> The EU-Japan Economic Partnership Agreement is the biggest trade agreement ever negotiated by the EU and the first ever trade deal to include a commitment to the Paris Climate Agreement, and it was complemented by a mutual adequacy arrangement with Japan that created the world’s largest area of free data flows, based on a high level of protection<sup>56</sup>.

Recent important new generation free trade agreements (i.e. covering a large set of issues beyond trade itself) that entered into force are the ones with Canada and Vietnam. Significant progress is being made also with Singapore and other ASEAN countries, as well as with Australia and New Zealand. Negotiations with China proceed on the track of investment, and the April EU-China Summit marks a move forward in this direction. In addition to the existing Deep and Comprehensive Free Trade Areas (DCFTAs) with some of the Eastern Partnership countries (i.e. Georgia, Moldova and Ukraine), and EU is also involved in similar negotiations with other periphery countries (i.e. Armenia, Azerbaidjan, Morocco and Tunisia).<sup>57</sup>

Across the continent there is a palpable apprehension about the benefits of trade, even though one third of the EU’s income comes from trade with the rest of the world. For many

<sup>54</sup> Volintiru, C., & Drăgan, G. (2019). “Nous Choisissons L’Europe”: EU’s Economic Development and Current Challenges. In *Development in Turbulent Times* (pp. 59-71). Springer, Cham.

<sup>55</sup> State of the Union Speech (2018) THE HOUR OF EUROPEAN SOVEREIGNTY.

<sup>56</sup> European Commission (2019) Top 20 EU Achievements 2014-2019.

<sup>57</sup> European Commission (2018) Overview of FTA and other trade negotiations.

Europeans, globalization has become linked to job losses, lower standards for safety, health and the environment, and an erosion of traditions and identities.<sup>58</sup>

The EU also proposes a multi-level approach to tackle the opportunities and challenges of globalization: at European level (e.g. FTAs, measures to address tax avoidance, evasion, and erosion, promotion of globally relevant regulatory standards, European external investment plan), at member state level (e.g. national investment plans, development assistance, active labour market policies, infrastructure spending), at regional level and at local level (cluster policies and smart specialization, regional funding and development, integration of migrants). Such measures are important to address the challenges of global integration and ensure shared prosperity for European citizens.

<sup>58</sup> European Commission, “Reflection Paper on Harnessing Globalisation,” May 10, 2017, [https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation_en.pdf).

## Citizens' Voice and Rights in the European Union

The European Union has always faced critique from the point of view of its the democratic deficit. However, never before have so many external and internal threats attacked the trust citizens have in the European project.

Challenges to the democratic and participatory mechanisms of the EU and its member states include such factors as: shrinking civic spaces, bias introduced by misinformation, new forms of illiberalism and growing challenges to EU values.<sup>59</sup> Disinformation from outside the EU is considered to be at considerable scales. An Action Plan was recently put forward by the European Commission and High Representative to counter such threats to democratic processes. Regarding internal threats, the poor delivery on the elements of the social contract and the growing disparities make citizens feel detached from the decision-making process.

For citizens from new member states, the primary role of the EU is to improve economic growth, while in older member states, citizens what the EU to be primarily focused on promoting values and democracy across Europe.<sup>60</sup> This diverging vision on what the EU should be reflects the persistent disparities between its citizens and regions.

An integrative new project for Europe has to reflect in a unitary manner the different visions of citizens from different member states. This means tackling deeper issues of what EU is and its fundamental institutional construction. And indeed, European citizens expect that from the national and European decision-making bodies, as a recent poll shows that 90% of EU citizens feel that the EU should be more than just a single market<sup>61</sup>.

The European Union is trying hard to maintain both a legitimacy of output, judged in policy results, as well as a legitimacy of process, judged by the manner in which decisions are taken. A series of measures have been adopted recently in this respect, but there is a inherent tradeoff between the two. The very choice between further integration and national sovereignty is at the core of this institutional dilemma.

Citizens' voice is best reflected in electoral choices and the new European Parliament reflects an imerging polarization between new and traditional political families.

<sup>59</sup> European Economic and Social Committee (EESC) (2017) rEUnaissance: Dare a Sustainable Europe, p. 3.

<sup>60</sup> EuropeMatters Survey (2018).

<sup>61</sup> Idem fn. 60.

## Legitimacy

European institutions suffer from a 'democratic deficit'<sup>62</sup>. It is based on an inherent trade-off between the legitimacy of output (i.e. swift decision-making and policy delivery) and the legitimacy of process (i.e. proper delegation of interests based on electoral mechanisms and principle-agent theory). Given the multitude of challenges the European continent faced since the dawn of the EU project, the majority of its accomplishments can be legitimised through the results and not the due process. The European Commission makes efforts to address both the throughput and output legitimacy.<sup>63</sup>

Between 1979, the date of the first direct vote for the EP, and 2014 there was a continuous decreasing trend of voter turnout. One exception to this rule were the 2019 elections in which slightly more than 50% of the electorate participated. Elections were appealing to fewer people every electoral cycle. One explanation for this descending trend of participation was the distance between the parliamentary party groups and citizens, directly derived from the fact that people do not vote for them, but for the national parties that make those large entities. Another explanation is the fact that European elections were and continue to be second-order, considered by voters as less important.<sup>64</sup> Through these elections, citizens held the national governments accountable and are often more inclined to vote for protest or fringe parties. This behaviour resulted in an important presence of anti-establishment and Eurosceptic parties in the EP. Some of these parties succeeded only in European elections and the vast majority had considerably better results in this type of elections compared to the national elections. The presence in the EP of a large number of political parties contesting the legitimacy of the European project can damage both the decision-making process and the image of the institution.

Given the increasing complexity of the European decision-making process, and the goal of achieving a stronger voice in the international arena, leaders in Brussels have sought more agile and responsive policy tools. In 2019, the Commission considered necessary to take a step forward in ensuring the EU has agile and flexible decision-making tools through the return of the 'Passarelle clauses' from the Lisbon Treaty. It essentially allows for a transition from voting by unanimity to qualified majority voting in specific policy area. So far, concrete proposals on moving from unanimity to qualified majority voting were made for specific areas of the Common Foreign and Security Policy (CFSP) (i.e. human rights violations, sanctions, civilian missions)<sup>65</sup>, and fiscal<sup>66</sup> and social<sup>67</sup> policies. Some of the other policy areas to which the Passarelle clause could be applied are: judicial cooperation in civil matters, environmental

<sup>62</sup> Moravcsik, A. (2002). Reassessing legitimacy in the European Union. *JCMS: journal of common market studies*, 40(4), 603-624. Majone, G. (1998). Europe's 'democratic deficit': The question of standards. *European law journal*, 4(1), 5-28. Follesdal, A., & Hix, S. (2006). Why there is a democratic deficit in the EU: A response to Majone and Moravcsik. *JCMS: Journal of Common Market Studies*, 44(3), 533-562.

<sup>63</sup> For an extensive discussion about the types of legitimacy, see Schmidt, V. A. (2013). 'Democracy and Legitimacy in the European Union Revisited: Input, Output and Throughput.' *Political Studies*, 61(1), 2-22.

<sup>64</sup> Reif, K., & Schmitt, H. (1980). 'Nine Second-order National Elections – A Conceptual Framework for the Analysis of European Elections Results'. *European Journal of Political Research*, 8(1), 3-44.

<sup>65</sup> European Commission (2018) State of the Union 2018: Making the EU a stronger global actor. Press release.

<sup>66</sup> European Commission (2019) A gradual transition to more efficient and democratic decision-making in EU tax policy. Fact Sheet.

<sup>67</sup> European Commission (2019) More efficient decision-making in social policy. Fact Sheet.

policy and the Multiannual Financial Framework.<sup>68</sup> Shifting to qualified majority voting has been shown to change negotiating dynamics in the EU.

However, one of the frequent criticisms against the decision-making process in the EU is that it is ultimately unelected bureaucrats in the Commission who design the policies that affect the population. As such, fast-tracking decision-making—which would *de facto* increase the competences of the European Commission over those of the more representative bodies (i.e. European Parliament and European Council), could further decrease the legitimacy of the decision-making bodies at EU level.

In contrast, to increase the legitimacy of the decision-making process, the European Citizens' Initiative (ECI) was launched in April 2012 with the aim to provide people a voice in the decision-making process of the EU.<sup>69</sup> Its requirements set the bar quite high to avoid the cramming of the Commission's agenda with a large number of initiatives. It has a strong participatory component both at individual and organizational level. More precisely, it enhances the involvement of civil society organizations, which have to coordinate the collection of signatures required for the ECI to succeed. Until 2019, more than nine million Europeans have supported an ECI and the Commission has taken concrete action, including by proposing legislation, to follow up on initiatives that gathered at least one million signatures<sup>70</sup>. An online collaborative platform was set up to provide advice and allow citizens from across Europe to get in touch to prepare their initiatives.

There are two main problems with the ECI. On the one hand, it does not deliver what it promises. Although it is promoted as a citizens' initiative, it lacks the power of such a direct democracy tool. Instead, it takes the form of a petition submitted to the European Commission with the main purpose of bringing to the attention of decision-makers some issues that are salient for the population. After submitting the ECI to the Commission there is no pressure on the institution to adopt the legislation. As such, the instrument can bring legitimacy in theory but in practice rarely does so. For example, the use of ECI does not contribute to a more positive perception of citizens about the EU mainly because people do not understand how this tool gives them an effective voice.<sup>71</sup> On the other hand, only a limited number of ECIs made it on the Commission's table. Although there were several tens of initiative since its launch, only five met the required criteria. This happened due to a poor coordination of the civil society involved in the initiatives and to the fact that people get involved only under special circumstances. Research shows that citizens are likely to sign an ECI when they perceive a personal benefit as opposed to sharing the common values of the European project as initially envisaged.<sup>72</sup>

<sup>68</sup> European Commission (2019) A Union that Delivers Making Use of the Lisbon Treaty's Passerelle Clauses. European Political Strategy Centre (EPSC) Brief.

<sup>69</sup> Bouza Garcia, L., & Del Río Villar, S. (2012). The ECI as a Democratic Innovation: Analysing its Ability to Promote Inclusion, Empowerment and Responsiveness in European Civil Society. *Perspectives on European Politics and Society*, 13(3), 312–324.

<sup>70</sup> European Commission (2019) Top 20 EU Achievements 2014-2019, available at: [https://ec.europa.eu/commission/sites/beta-political/files/euco-sibiu-annex-iii\\_en.pdf](https://ec.europa.eu/commission/sites/beta-political/files/euco-sibiu-annex-iii_en.pdf)

<sup>71</sup> Gherghina, S., & Groh, A. (2016). A poor sales pitch? The European Citizens' Initiative and attitudes toward the EU in Germany and the UK. *European Politics and Society*, 17(3), 373–387.

<sup>72</sup> Kandyla, A., & Gherghina, S. (2018). What Triggers the Intention to Use the European Citizens' Initiative? The Role of Benefits, Values and Efficacy. *Journal of Common Market Studies*, 56(6), 1223–1239.

The legitimacy of the EU elected representatives is sometimes also affected by disinformation. To this end, the EU officials have recently adopted an Action Plan against Disinformation designed to counter impact of fake news on the democratic procedures.

## Political Polarization

The 2019 European Elections demonstrated once again that Europe faces severe polarization. Not only have the voting patterns been consistent with existent socio-economic cleavages in Europe, but they highlighted new dividing lines. While traditional parties and political families have lost both at home and at European level, new forces emerged. 63% of the current members of the European Parliament are new MEPs. Within some of the largest member states the renewal rate has been highest: Romania 75% of MEPs are new, France 73% of MEPs are new, Spain 69%, Poland 63%, Italy 62%, and Germany has also more than half of its MEPs elected for the first time—52%<sup>73</sup>. This raises both a problem of polarization of political forces, but also raises doubts about the professionalization of MEPs. The newcomers lack experience in European politics and will require a certain time for adaptation to the new institutional settings; political careers at national level may help, but an adaptation period will still be necessary.

The biggest national parties within the European Parliament after the 2019 elections are also relatively new. Most of these national parties can be categorised as nationalist or Eurosceptic, and highly reliant on the leader persona: Nigel Farage's Brexit Party (29 seats), Salvini's Lega (28 seats), Kaczynski's Law and Justice (26 seats) and Marine Le Pen's Rassemblement National (22 seats). On the political centre, Angela Merkle's CDU won 29 seats, and Macron's En Marche came second in France with 21 seats. The Green Party also had a notable win in Germany with 21 seats bringing up the total for this European political family to 77 seats. In contrast to national results where nationalist parties seem dominant, at aggregate level, in the European Parliament, the centrist political families still hold the majority of 59% of the votes through a super grand coalition between S&D (154 seats), Macron's new political group Renew Europe (108 seats) and EPP (181 seats). This majority is largely due to Southern and Eastern European votes that consolidated the position of the traditional political families. In contrast, Western Europe went for either progressives or nationalists.

Significant divergences of opinion in the European Parliament are likely to occur, especially with regards to social policies, internal market and consumer protection, environment and public health. As usual, these dividing lines are not only between political families, but also between the delegations of the member states. For example, on the commitment to transatlantic partnership and free trade, Eastern European member states are most supportive, while Western counterparts grow increasingly reluctant. In contrast, on support for environmentally progressive policies, the situation is reversed.<sup>74</sup>

In Europe, there is also a party system transformation driven by the rise of anti-system parties claiming to challenge the neoliberal cartel<sup>75</sup>. Inclusive growth generally maintains the political

<sup>73</sup> Votewatch analysis.

<sup>74</sup> *Idem* fn. 67.

<sup>75</sup> Hopkin, Jonathan and Blyth, Mark (2018) *The global economics of European populism: growth regimes and party system change in Europe* (The Government and Opposition/Leonard Schapiro Lecture 2017). Government and Opposition. 1– 33.

status quo, while a combination of inequality and poor growth is a good predictor of an increased anti-establishment votes<sup>76</sup>. In Eastern and Southern Europe, the informal linkages between the political representatives and their supporters allowed for a much longer survival of the political cartels even in the absences of a healthy macroeconomic outlook<sup>77</sup>. Clientelistic distribution of goods and services can often substituted the Western-type social policies in transitioning democracies<sup>78</sup>.

<sup>76</sup> Idem fn. 69.

<sup>77</sup> Volintiru, C. (2016). *Clientelism and cartelization in post-communist Europe: the case of Romania* (Doctoral dissertation, The London School of Economics and Political Science (LSE)).

<sup>78</sup> Gherghina, S., & Volintiru, C. (2020) Party Organization and Clientelism in Transition Countries: Evidence from Georgia, Moldova and Ukraine. *Acta Politica*. Forthcoming; Volintiru, Clara, Gherghina, Sergiu, Knott, Ellie and Muşetescu, Radu (2017) *Preventing Corruption and Promoting Public Ethics at the Local and Regional Level in Eastern Partnership Countries*. Committee of the Regions Report <http://www.lse.ac.uk/business-and-consultancy/consulting/assets/documents/preventing-corruption-and-promoting-public-ethics.pdf>

# ROMANIAN PERSPECTIVES

## Romania's Presidency of the Council of the European Union

### Context and Expectations

The Romanian Presidency of the Council of the European Union (the Council) has successfully managed to close a relatively large number of files. According to the latest data available, by the end of May 2019, under the Romanian presidency of the Council, approximately 90 files have been closed, which is the highest number for any presidency in the legislative cycle that just ended.

The main challenge for the Romanian Presidency was also an opportunity: the nearing end of term of both the European Parliament and the European Commission. The fact that European Elections took place during the Romanian presidency meant that the time for effective negotiations and deliberations in the European Parliament was restrained to approximately two months before the start of the electoral campaign. In contrast, the fact that the European Commission is coming to the end of its term meant that it had a vested interest in preserving its political legacy and seeing many files through, and as such offered the Romanian Presidency valuable support in concluding negotiations.

The Romanian Presidency of the Council was also constrained by the sequencing of its activities with respect to the preceding and succeeding presidencies. From the preceding Austrian Presidency, the Romanian officials had to take over the status of negotiations. In some key areas, little progress was reported under the Austrian presidency, leaving the Romanian counterparts in charge of negotiations. This created delays in conclusions. A prime example of this takeover was the negotiation box for the Multiannual Financial Framework (MFF 2021-2024)—one of the key pending issues at this moment. Had the Austrian Presidency advanced more with the MFF 2021-2024 related negotiation, one could have expected a political agreement by the Sibiu Summit, but this was not the case.

Similarly, the Romanian presidency is embedded in its own Trio, with the succeeding Finnish and Croatian Presidencies. At the beginning of 2019, a common 18-month programme has been published for this Trio. According to it, the main priority at the beginning of the Romanian Presidency was the finalization of the still outstanding files of the current Strategic Agenda and in particular those listed in the Joint Declaration on the EU's legislative priorities for 2018-19. These totaled 65 files in 7 key areas: (1) better protecting the security of our citizens, (2) reforming and developing our migration policy in a spirit of responsibility and solidarity, (3) giving a new boost to jobs, growth and investment, (4) addressing the social dimension of the European Union, (5) delivering on our commitment to implement connected digital single market, (6) delivering on our objective of an ambitious Energy Union and a forward looking Climate Change Policy, and (7) further developing the democratic legitimacy at EU level.

The outline for the Strategic Agenda 2019-2024 focuses on four major themes: (1) protecting citizens and freedoms, (2) developing our economic base: the European model for the future, (3) building a greener, fairer, and more inclusive future, and (4) promoting Europe's interests and values in the world.

Following the elections that took place throughout the European Union between May 23 and 26, 2019, during turbulent times for the EU, where a Member State is about to leave the group, the highest ballot was recorded in the last 2 decades of European Parliament elections, strengthened by a first-ever increase in the number of voters since the first European elections in 1979. Once completed, the European elections and, in particular, their results lead us to a political battlefield. The ensuing negotiations will redesign the future of the European Union for at least the next 5 years.

The architecture of the future European Union lies between two paradigms: national sovereignty—that would involve the fragmentation of Europe for the sake of power, in which Member States become the poles of power in the new European design, and federalization—that would involve building a political pro-European majority in terms of values, one that can achieve the transversal policies and measures that those commissioned to lead the European Union will have to put into practice.

As mentioned earlier, the elephant in the room is Brexit and the future relationship between the European Union and the United Kingdom after Theresa May's resign. There are various scenarios concerning the future Prime Minister, but the favorite seems to be Boris Johnson, a former foreign secretary and leader of the 2016 referendum campaign to leave the EU. With the extension for the Brexit until October 31, 2019, the UK will have to decide upon this matter. But until then, a second referendum can take place, or a no-deal Brexit can happen. Because until now the British MPs have shown three times that they do not agree with EU's conditions.

## **Main themes and progress**

It is hard to define the progress indicators for a presidency of the Council, as circumstances and file content differ greatly. For the Romanian Presidency one can choose as progress indicator either the number of resolved files—more than 90 files, or the difficulty to close some of those files (e.g. gas directive). Additionally, the success of any presidency should be weighed against its ability to serve as an “honest broker” (i.e. objectively manage deliberations, so as to achieve consensus and close negotiations). There is always a large temptation for national representatives to pursue national interests in various files, either by advancing negotiations in files of interest, or by delaying the process for contentious issues. By all accounts, Romania acted as an honest broker, which means that it closed many of the files that were important to other member states (e.g. migration, digital market). It remains to be seen if and how this political capital can be used later on in future negotiations.

With the extension to the Brexit process in October — or a revocation of Article 50 before then, while French President Emmanuel Macron was reluctant to grant the UK an extension to the process, the European Union's chief Brexit negotiator insisted Britain's next leader would not be able to reopen Mrs May's divorce deal. Even if the next Conservative leader was not chosen, concerns have arisen that EU capitals will block any future attempts coming from a new British prime minister to ask for another extension to renegotiate the overall

Brexit package. Foremost the Slovakia's foreign minister vowed not to grant another extension to a British prime minister trying to reopen the withdrawal agreement.

Apart from being concerned about the safety of EU 27, the leaders of the EU have to finalise the negotiation on the Multiannual Financial Framework (MFF) for 2021-2027, the seven-year agreement that regulates the European Union's budget. The agreement on the EU's finance will be concluded after European elections, as they were considered they could become an unnecessary distraction that prevented any agreement that could have satisfied the Multiannual Financial Framework. In the last Council about this matter, from May 2019, ministers focused on the proposals from the European Commission related to the European Development Fund and the European Neighbourhood, discussions that shall be continued in the June Council.

While the Multiannual Financial Framework 2021-2027 negotiation box will continue to be an issue on the agenda in the months to come, the Romanian Presidency has cored notable progress in the area of the Common Agricultural Policy (CAP) procedures. The post-2020 Common Agricultural Policy (CAP) reform package includes three regulations: on CAP Strategic Plans, on the financing, management and monitoring of CAP and on common market organisation of agricultural products. All three represent a move towards a more integrated, and competitive approach to financing agriculture from the EU budget. It is especially the Regulation on the rules on support for strategic plans to be drawn up by Member States that will force national governments to address both pillars—direct payments and rural developments, as well as environmental objectives.

Still in the field of the Agrifish Council Configuration, an notable achievement has been the update to the 2018 Bioeconomy Strategy aiming to accelerate the deployment of a sustainable European bioeconomy so as to maximise its contribution towards the 2030 Agenda and its Sustainable Development Goals (SDGs), as well as the Paris Agreement.

In general, the majority of the economic objectives revolve around the future MFF, but also fiscal issues and the resilience of the financial system. With regard to the latter set of objectives, a number of measures have been successfully adopted under the Romanian Presidency of the Council of the EU. The set of revised rules aimed at reducing risks in the EU banking sector comprises two regulations and two directives concerning bank capital requirements and the recovery and resolution of banks in difficulty.

With an eye to risk reduction, and one to the development of the Capital Markets Union, a Regulation was also adopted on improving the existing regulatory framework applying to the over-the-counter (OTC) derivative market; it simplifies the European Market Infrastructure Regulation (EMIR) and addresses disproportionate compliance costs, transparency issues and insufficient access to clearing for certain counterparties. Still part of the Capital Markets Union provisions, under the Romanian Presidency of the Council, a Regulation targeting SMEs' access to capitalization. Of the 20 million SMEs in Europe, only 3,000 are currently listed on stock-exchanges. This is partially due to high compliance costs on the one hand and insufficient liquidity on the other. The proposed rules therefore aim at reducing the administrative burden and cut red-tape faced by smaller companies.

Amongst the main achievements of the Romanian Presidency of the Council of the European Union one can also cite the adoption of the Action Plan against Disinformation. Eu officials have long been concerned with the impact of fake news on the democratic procedures, and

in the run up to the European elections, the presidency updated ministers on ongoing activity on securing free and fair elections and on countering disinformation. The Action Plan responds to the calls of the European Council in June and October 2018 to develop a coordinated response to the challenges in this field, especially in view of the forthcoming European elections. It focuses on how to deal with disinformation both within the EU and in its neighbourhood. Efforts to strengthen the Strategic Communication Task Forces of the European External Action Service will play a key role here. Other actions aim to strengthen coordinated and joint responses to disinformation, to mobilise the private sector to make sure that it delivers on its commitments in this field, and to improve the resilience of society to the challenges that disinformation creates.

One of the important achievements of the Romanian Presidency of the Council of the European Union is the agreement to enhance the mandate of the European Border and Coast Guard (Frontex). As such, EU can improve the protection of its external borders as part of its comprehensive approach to migration. The European Border and Coast Guard Agency (Frontex) is being strengthened in terms of staff and technical equipment. It is also being given a broader mandate to support member states' activities on border protection, return and cooperation with third countries. The proposed new rules will incorporate the European Border Surveillance System (EUROSUR) into the Frontex framework, to improve its functioning. The new mandate also foresees the setting up of a standing corps to respond to situations of crisis, with up to 10 000 operational staff by 2027.

Enlargement is a divisive issue on the European agenda nowadays. However, for Romania it is important to support the advancement of enlargement and cooperation programmes in EU's periphery, as this shifts the burden of border country from Romania itself. On one hand, important progress has been achieved in the enlargement negotiations over the course of the Bulgarian and Romanian Presidencies of the Council of the European Union, albeit pending contentious positioning (see below). On the other hand, EU's relationship with third parties in the Black Sea region, such as China has become increasingly structured—an objective of Romania's Presidency of the Council. The recent EU Strategy on Central Asia means that EU can enhance policy effectiveness and regional positive-sum games by cooperating with other external partners, while maintaining European standards for infrastructure development.

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
AGRIFISH (Agriculture and Fisheries)	Common Agricultural Policy (CAP) Common Fisheries Policy Bio-economy Innovation and agricultural research Plant health Bio-security	Reform of the Common Agricultural Policy (CAP) Preserving farming competitiveness Consolidate farmers' position in the agri-food supply chain Finalizing the multiannual management plans and achieving progress on the future European Maritime and Fisheries Fund and the Control Regulation Single strategy on monitoring and protecting animal health on EU borders	Post-2020 Common Agricultural Policy (CAP) reform package (Regulation on CAP Strategic Plans, Regulation on the financing, management and monitoring of CAP and Regulation on common market organisation of agricultural products) Directive on Unfair Trading Practices Regulation on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks Update on the 2018 Bioeconomy Strategy
COMPET (Competitiveness)	European single market Horizon Europe Tourism	Full functionality of the European single market Advance the negotiations on the New Deal for Consumers package and on supplementary protection certificates for medicines	The directive on better enforcement and modernisation of EU consumer protection rules ('Unfair Commercial Practices Directive'), within the context of the 'New deal for consumers' package, is still under discussion within the Competitiveness Council

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
		<p>Substantially advance the negotiations on Horizon Europe</p> <p>Promoting a smart economy</p> <p>Promote a Strategic Agenda for research and innovation in the Black Sea region</p>	<p>The issue of dual quality was raised as it concerns products with the same name and labelling that are sold in different EU countries, often by the same producer, but that have different composition and quality. Therefore in March 2019, within the Competitiveness Council was agreed upon a directive that covers a wide range of topics and it amends the unfair commercial practices directive 2005/29/EC, the consumer rights directive 2011/83/EU, the unfair contract terms directive 93/13/EEC and the price indication directive 98/6/EC. Together with a proposal on representative actions for the protection of the collective interests of consumers, it is part of the 'New Deal for Consumers' launched by the Commission in 2017</p> <p>The revision of EU company law rules, ensuring they remain fit for purpose in the digital age and create the conditions for EU businesses to grasp the opportunities of digital technologies</p> <p>Horizon Europe shaped – the EU’s framework programme for research and innovation between 2021 to 2027</p>

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
ECOFIN (Economic and Financial Affairs)	Fair and effective taxation Economic and Monetary Union Banking Union Capital Markets Union Structural reforms and investment	Modernize the VAT system, especially the VAT regime for e-commerce Common corporate tax base Taxation of the digital economy Updating the EU list of non-cooperative jurisdictions Regulation on financing border control equipment as a priority Regulation on Customs post-2020 Regulation on Fiscalis post-2020 Risk reduction process European Stability Mechanism as a backstop for the Single Resolution Fund European Deposit Insurance Scheme FinTech action plan 2019 European Semester Process InvestEU programme	Package of New Rules for VAT on electronic commerce (Directive on value added tax obligations for supplies of services and distance sales of goods, Directive on the common system of value added tax, and Regulation on administrative cooperation and combating fraud in the field of value added tax) EU list of non-cooperative jurisdictions Preliminary agreement on InvestEU
ENVI (Environment)	The Paris Agreement	CO <sub>2</sub> emission standards for new heavy-duty vehicles	The Romanian Presidency concluded Europe's first-ever CO <sub>2</sub> emission reduction targets for

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
	<p>The 2030 Agenda for sustainable development</p> <p>Biodiversity</p> <p>The Marine Environment Strategy</p>	<p>Coordinate the active participation of the EU and Member States in several meetings on the subject, such as the international negotiation session in Bonn (17-27 June 2019) regarding the Paris Agreement or the fourth meeting of UNEA from Nairobi, 11 - 15 March 2019</p> <p>Advance the negotiations on the LIFE Programme</p>	<p>trucks. The new rules will ensure that between 2025 and 2029, new trucks will emit on average 15% less CO<sub>2</sub> compared to 2019 emission levels. From 2030 onwards, they will be required to emit on average 30% less CO<sub>2</sub>. The new rules close a gap in European environmental legislation</p> <p>The rules on the most lasting and polluting chemicals were toughened under the RO Presidency as to ensure the protection of human health and our environment, ensuring safe and clean drinking water and improving access to water, as well as updating LIFE programme and ensuring appropriate funding for nature, biodiversity, climate action and the transition to renewable energy and increased energy efficiency</p>
<p>EPSCO (Employment, Social Policy, Health and Consumer Affairs)</p>	<p>European Pillar of Social Rights</p> <p>European Employment Strategy</p> <p>European Labour Authority</p> <p>Labour mobility</p>	<p>Promoting the labour mobility principle as a driver for competitiveness on the single market</p> <p>Consolidating mobile workers' access</p> <p>Encouraging cooperation between public employment services and</p>	<p>The EU is working to make the rules for returning irregular migrants more effective</p> <p>Adopted new rules which ban certain single-use plastic items and aim to reduce plastic pollution and marine litter (MS have agreed to achieve a 90% collection target for plastic bottles by 2029, and plastic bottles will have to contain at least</p>

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
	<p>Gender equality</p> <p>Patient mobility</p> <p>Antimicrobial resistance</p> <p>Innovative, safe and easily available medication</p> <p>Healthcare digitisation (e-Health)</p>	<p>labour inspectorates in the Member States</p> <p>Pursuing with the implementation of Directive 24/2011/EU on the application of patients' rights in cross-border healthcare</p> <p>Ensuring equal opportunities for women and men</p> <p>Guaranteeing access to healthcare for all European citizens</p>	<p>25% of recycled content by 2025 and 30% by 2030.)</p> <p>Adopted a regulation which improves ten EU environmental legislative acts by simplifying reporting obligations</p> <p>EU ambassadors meeting in COREPER on 20 March 2019 have confirmed the common understanding reached by the Romanian Presidency with the European Parliament on the LIFE regulation</p> <p>Work-Life Balance Directive - promoting gender equality across the EU by encouraging the participation of women on the labour market and the equal sharing of care responsibilities between women and men</p> <p>Continue negotiations on the proposal for a Regulation amending Regulation (EC) No 883/2004 on the coordination of social security systems and Regulation (EC) No 987/2009 laying down the procedure for implementing the former</p>

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
<p>EYCS (Education, Youth, Culture and Sport)</p>	<p>European Education Area Key-skills learning Erasmus+ Programme High-quality early childhood education and care systems European Solidarity Corps Creative Europe Programme (2021 – 2027)</p>	<p>Strengthening the European identity through education and culture Promoting training, multilingual and cultural awareness Promoting the active participation of the young, including those from disadvantaged areas, in the European Union’s actions Promoting the increase of the adaptability of young people to challenges faced in finding a job It will emphasise the importance of preserving cultural heritage Maximizing the European cultural and creative potential for the benefit of all European citizens Supporting the review of the World Anti-Doping Code and International Standards that accompany it</p>	<p>A regulation that aims to ensure that: ongoing learning mobility activities under Erasmus+ programme which have started at the latest on the date on which the Treaties cease to apply to the UK will not be disrupted; Erasmus+ participants from EU-27 and the UK will not lose their academic credits and will not be obliged to repeat their academic semester or year</p>
<p>FAC (Foreign Affairs)</p>	<p>EU enlargement process Consistency of the EU’s policy in its neighborhood</p>	<p>Combating hybrid threats and enhancing strategic communication</p>	<p>Commission and the High Representative adopted the Joint Communication setting out an “Action Plan against Disinformation”</p>

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
	Maintaining the rules-based international order	<p>Strengthening ongoing CSDP initiatives and the EU-NATO partnership</p> <p>Black Sea and the EU-Central Asia Connectivity Strategy</p> <p>Implementation of the sustainable development goals/SDGs</p> <p>New partnership with African, Caribbean and Pacific (ACP) countries</p>	<p>Opening of accession negotiations with Albania and North Macedonia</p> <p>New EU Strategy on Central Asia</p>
GAC (General Affairs)	<p>Multiannual Financial Framework 2021-2027</p> <p>EU enlargement process</p> <p>Brexit</p>	<p>Advancing with the negotiations for the Multiannual Financial Framework 2021-2027, with a special focus on the cohesion package</p> <p>Adopt unitary Council Conclusions on enlargement</p> <p>Macro-regional strategies and review process for the EUSDR Action Plan</p> <p>Advance negotiations on a comprehensive partnership with UK</p>	
JHA (Justice and Home Affairs)	<p>Improving judicial cooperation</p> <p>Fight against terrorism</p>	<p>Adoption of the interoperability package</p> <p>Initiatives in the field of police cooperation pursuing the use of</p>	<p>Council adopted two regulations establishing a framework for interoperability between EU information systems in the area of justice and home affairs (PE-CONS 30/19, PE-CONS 31/19)</p>

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
	<p>Manage migration</p> <p>Police cooperation</p>	<p>technology and closeness to the community</p> <p>Monitor the progress made on the EU policy cycle for organised and serious international crime for the period 2018-2021</p> <p>Monitor the progress made in the implementation of the Action Plan 2017-2020 under the EU Drugs Strategy</p> <p>Reform package on the Common European Asylum System</p> <p>New proposal to strengthen the operational capacity of the European Border and Coast Guard Agency (Frontex)</p> <p>E-evidence legislation package</p> <p>Proposal for a Directive of the European Parliament and of the Council on the protection of persons reporting on breaches of Union law</p>	<p>Stronger mandate for the European Border and Coast Guard (Frontex)</p> <p>Council agrees its position on rules to appoint legal representatives for the gathering of evidence (E-evidence package)</p> <p>Directive on the protection of whistleblowers (6631/19)</p> <p>Funding for migration, border and security policies</p> <p>Council adopted conclusions on Securing free and fair European elections</p>
TTE	EU Strategy for the Danube Region	Incentivise connectivity and mobility in the Danube region	Directive of the European Parliament and of the Council on copyright in the Digital Single Market

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
(Transport, Telecommunications and Energy)	<p>Connecting Europe Facility (CEF 2.0)</p> <p>Digitalisation</p> <p>The Energy Union</p> <p>Clean Energy package</p> <p>Natural Gas Directive</p> <p>Connecting Europe Facility</p>	<p>Ensure a more competitive and safer mobility</p> <p>Continue the negotiations on Mobility Package I</p> <p>The revision of the Combined Transport Directive</p> <p>Advancing negotiations on legislative files such as the re-use of public sector information, Digital Europe Programme, or CEF-Telecom</p> <p>Creating the European Cybersecurity Industrial, Technology and Research Competence Centre</p> <p>Promoting the participation of women in the tech sector -'Women in tech – towards a cultural change'</p> <p>Improving connectivity and energy security</p> <p>Starting the discussions regarding the Conference on Physical Protection of Nuclear Facilities of 2021</p>	<p>- a unified set of laws governing intellectual property rights in the European Union</p> <p>Adopted a directive amending Directive 2009/73/EC concerning common rules for the internal market in natural gas following a first-reading agreement with the European Parliament. The Bulgarian delegation abstained. (8089/19, PE-CONS 58/19)</p> <p>The Council formally adopted an amendment to the so-called gas directive which aims at closing a legal gap in the EU's regulatory framework and boosting competition in the gas market. The overall objective of the amendment to the gas directive is to ensure that the rules governing the EU's internal gas market apply to gas transmission lines between a member state and a third country, up to the border of the member state's territory and territorial sea. Among the main elements of the EU gas market rules, which are set out in the so-called gas directive from 2009, are ownership unbundling, third-party access, non-discriminatory tariffs and transparency requirements</p>

COUNCIL CONFIGURATION	ROMANIAN PRESIDENCY PRIORITIES	KEY OBJECTIVES	NOTABLE ACHIEVEMENTS
			<p>Simpler rules on seafarers' training and certification (will bring also safety at sea and prevent pollution)</p> <p>Adoption of the files on electricity market and Agency for the Cooperation of Energy Regulators</p> <p>The creation of the first EU space policy programme for the years 2021-2027, securing EU leadership in space activities, fostering innovative industries, safeguarding autonomous access to space and simplifying governance</p> <p>Started talks on establishing a top knowledge base for cybersecurity called the European Cybersecurity Industrial, Technology and Research Centre and setting up a Network of National Coordination Centres</p>

## **Contentious issues**

### **Enlargement**

According to the Romanian Presidency Programme, the EU enlargement process is amongst its priorities. Special attention must continue to be paid to the Western Balkans, in order to ensure the stability, security and development of the EU's immediate neighborhoods.

At a leaders' summit in Berlin in April, French President told Albania, Bosnia and Herzegovina, Montenegro, North Macedonia, Serbia and Kosovo, six western Balkan nation's aiming to join the EU in the nearby future, that they would need to provide "political stability" in their countries before joining the EU. The relatively cold stance towards enlargement on the part of president Macron can be attributed to his vision of a strengthened core (i.e. Two-speed Europe), as well as an endeavour to swing voters away from the Front Nationale in internal elections. However, the European Commission issued a recommendation on opening EU accession negotiations with the Republic of North Macedonia and Albania, while it rests with the Member States to decide thereon in the Council. The GAC of June 25, 2019, might have on its agenda the enlargement discussion, being the last change under the Romanian Presidency to make progress and facilitate the political decisions on the enlargement partner countries.

### **Strengthening ongoing CSDP initiatives and the EU-NATO partnership**

The dual focus of the Romanian Presidency on both the Common Defence and Security Policy (CSDP) has been put to a test by current geopolitical circumstances in which there is an increasing tension in the transatlantic relationship, and implicitly in the NATO alliance. Reforms in the CSDP field are obviously designed as a central component of an increased EU global role, through the strengthening of the existing mechanisms and ensuring the synergy of new instruments (e.g. Coordinated Annual Review on Defence/CARD – European Defence Fund/EDF - Permanent Structured Cooperation). However, the cooperation agenda in the EU-NATO partnership can be constrained by weakening political commitments on both sides of the Atlantic.

### **MFF**

The Romanian Presidency continued the work on the negotiations for the next MFF, with an intention to present a reviewed and updated document before the June European Council. Apart from the intensive work of the Member States delegations at the technical level, the General Affairs Council (GAC) had regular meetings on the topic. For example, at the GAC meeting on May 21, 2019, the national delegations exchanged views on external dimension of the proposed MFF (the Neighbourhood, Development and International Cooperation Instrument) and the controversial issue of the budgeting of the European Development Fund. Both the GAC discussions and the content of a draft Negotiating Box show that the differences of opinion on many aspects remain significant. For example, opposing views persist as to the overall MFF size, funding of the CAP and cohesion policy, climate mainstreaming, link with the European Semester and the new instrument supporting economic and monetary union. Therefore, despite the progress made in the framework of the GAC meetings, many aspects of the future MFF are likely to require political guidance from the EU leaders.

### **Fiscal consolidation in the EU**

The fiscal reform package supported by the French Commissioner (i.e. Business Taxation 21) includes three objectives: designing a proper tax system to capture current business models where companies can operate without physical presence and to tax new realities of value creation (i.e.

digital tax), (2) putting a floor to tax competition and limiting profit-shifting, especially for highly mobile income (i.e. minimum corporate tax) and (3) ensuring a simple and stable business environment and avoiding distortions and double taxation inside the single market. While for the digital tax progress has been recorded under the Romanian Presidency of the Council so far, for the latter two much less support has been achieved.

EU Tax policy makes a substantial contribution to the fight against tax fraud and supports revenue collection for the EU and Member States' budgets. However, during the Romanian Presidency there was no notable advance on the Fiscalis post-2020 cooperation programme enabling national tax administrations to create and exchange information and expertise. Similarly, on the Customs 2020—an EU cooperation programme which provides national customs administrations with the possibility to create and exchange information and expertise, limited progress was recorded.

### **FinTech action plan**

The plan will help the financial industry make use of the rapid advances in technology such as blockchain and other IT applications and strengthen cyber resilience. This will benefit consumers, investors, banks and new market players. The Action Plan is part of the Commission's efforts to build a Capital Markets Union (CMU) and a true single market for consumer financial services. It is also part of its drive to create a Digital Single Market. The Commission aims to make EU rules more future-oriented and aligned with the rapid advance of technological development. The FinTech action plan has not been adopted yet, as the specific mechanisms that would make it serve the higher purpose of European competitiveness remain to be agreed upon. FinTech also presents challenges such as cyber-related risks, data, consumer and investor protection issues and market integrity issues.

### **European Deposit Insurance Scheme**

Completing the Banking Union with an European Deposit Insurance Scheme (EDIS) would bring new instruments of risk management on the table of European decision-makers. However, the extent to which member states are willing to enact risk sharing is relatively limited. For example, Italy's loose fiscal policy means that Germany now rejects a European Deposit Insurance Scheme (EDIS), fearing German depositors would have to bail out Italians if Italian banks got into trouble. This is emblematic of the way in which national and regional disparities continue to stall further integration.

### **Common Agricultural Policy (CAP)**

Despite notable progress on the post-2020 CAP reform package, there are still pending issues related to the allocation of CAP funds and design of policy instruments. Amongst this criticism, it is the tension between large industrial producers, and small farmers. The latter seem to be the main focus of the post 2020 interventions, but it is questionable the extent to which agricultural producers can remain competitive globally with lesser support measures, at a time when the global context of trade wars can place European producers at an advantage. Also, large sums have been used for sale promotion of certain products such as wine that due to market composition place a significant advantage on large producers.

## EU Strategy for the Danube Region (EUSDR)

The Danube region is important for Romania's strategic agenda, and it could provide a useful platform for the development of transnational projects with European added value of the type envisioned as eligible for funding in the future MFF. Following 8 years of joint efforts for a more prosperous and cohesive common European space, the Danube Strategy faces a revision phase, which started under the Bulgarian EUSDR Presidency, now taking the final phase under the Romanian EUSDR Presidency. A new Action Plan for the Danube region can more effectively facilitate joint efforts, especially with regards to cross-cutting topics (e.g. climate protection, infrastructure development, digitalisation). The endorsed timeline considers the drafting process of EU's cohesion programs for the years 2021 to 2027. The first draft of the new Action Plan has been finalised under the Romanian Presidency, but further national consultations will take place over the summer with relevant stakeholder, expecting a final endorsement in the autumn of 2019.

## Looking Forward

In the coming months, there are two stakes for Romania: advancing its policy agenda, and maximising its political leverage in key positions in the European institutions.

In terms of its policy agenda, Romania has very clear objectives in some areas such as the cohesion policy and the common agricultural policy (CAP). In these areas, Romania's interest is twofold: to maximize the overall level of allocations, and to ensure a smooth as possible procedure for drawing these funds. The latter seems at this moment much harder to achieve than the former. Due to the fact that Romania still has all its regions in the "less developed" category (with the notable exception of Bucharest-Ilfov region), it will most likely benefit from similar allocations to the current MFF 2014-2020. This is an important advantage in a context in which the EU budget is going through a downsizing exercise, with a particular focus on diminishing the funding for cohesion and CAP. However, a number of conditionalities and new procedures can restrict significantly Romania's capacity to benefit from the future allocations, and as such the negotiations of the Partnership Agreement and the Operational Programmes will likely be more important than that for the overall amount of the future MFF 2021-2027.

Other policy objectives for Romania are joining the Schengen Area, convergence assistance for adopting the euro, such as the Reform Delivery Tool, or policies targeting the youth, labour mobility and social services. In general terms, Romania is invested in promoting and implementing policies related to further integration in the Energy Union, the Digital Union, and common security and defence programmes.

Concerning the political game, Romanian delegations should focus on capitalising on the Romanian Presidency of the Council of the European Union, as major positions are in play across the leading European institutions. From the European Elections, the Romanian political groups win positions of relative influence in each of their respective political families: PSD will be the third largest national group in S&D, PNL will be the third largest group in PPE, and USR will likely be the largest in the "ALDE-Macron" group. Therefore, our country has a say in the positions for which the real political struggles are beginning to take place: the President of the European Commission, the President of the European Parliament, the High Representative of the Union for Foreign Affairs

and Security Policy, the President of the European Central Bank and, last but not least, the President of the European Council. In this context, the political capital the Romania holds collectively is very high and should be focused on specific national priorities in key areas, such as energy, digitalisation and innovation, security, and enlargement.

## Romanian Votes in the European Parliament

The 2019 European elections are generating a situation without precedent for the EU, resulting in a Parliament more fragmented than ever. At the same time, the European Council is preparing EU's Strategic Agenda 2019-2024, which will guide the actions of the future Executive (Commission) during the new political cycle. The key question is how concrete can this agenda be and how much of it will prove feasible in the new political context.

What are the implications for this new balance of powers between political forces that have contrasting opinions on how the competences should be shared between Brussels and the national Capitals? How can Romania defend its interests in this new European political framework?

The changing political composition of the European Parliament after the 2019 elections will affect the level of support for key policies. In particular, the losses of left-wing groups (taken as a whole) will lead to a decrease in the level of support for progressive social and fiscal policies, which is likely to hold back current proposals of stronger EU harmonization of fiscal and social security systems. From a different perspective, the losses of left-leaning groups will also make it easier for the forces that promote faster digitization and automation of the EU economy to get traction for their proposals, although this trend will be nuanced by the rise of right-wing nationalist forces, which share some of the concerns over the social impact and side-effects of the technological revolution. On other topics, such as the size of the EU budget and the agricultural budget in particular, or the geopolitics of energy, differences among the countries are more visible, ie. the balance of power is less likely to change substantially after the elections as is in these cases the political colors of the MEPs matters less (while nationality matters more).

Overall, this mapping (as well as previous studies) highlights that MEPs are more likely to vote (and take positions) along ideological (political group) lines rather than national ones, ie. Romanian social-democrats are more likely to vote as social-democrats from countries like Germany, France, etc, rather than in the same way as the Romanian EPP MEPs. European political groups tend to have a strong cohesion, in particular the Christian-Democrats, the Social Democrats, the Greens and the Liberal & Democrats. The behavior of Romanian members tends to follow these overall trends, which makes it difficult, in some cases, to clearly define a certain direction as being "the national interest". However, Romanian MEPs do occasionally go against their political groups when voting on issues that strongly affect their home country.

Concretely, Romanian members are more likely to vote in the same way (regardless of different political affiliations) on issues such as the size of CAP budget or Nord Stream II: all (or almost all) Romanian MEPs back a bigger EU agricultural budget and want to block the Nord Stream II project. However, when it comes to specific regulations of the internal market, we observed divergences

in the views of Romanian MEPs on issues concerning digitization, automation, social and fiscal policy. Romanian parties tend to follow the lines of their European political groups on these matters. For instance, Romanian Social Democrat members support the proposed reform of the coordination of social security systems of the Member States, whereas the National Liberals (PNL) opposed it. On the other hand, the PNL members have endorsed a proposal to strengthen e-commerce, while the PSD has opposed it.

This following pages analyse some of the priorities that Romania aims to promote at EU level and show which are its allies and opponents, among the political forces of the other EU member states. This provides us with insights into the room for maneuvering that the national leaders will have during the next years when defending the Romanian competitive advantages in the EU decision-making.

The analyzed here are placed among the Romanian priorities set out in the expert studies, which have been cross-checked with the availability of decision-making data from the European Parliament:

- Common Agricultural Policy and European funds: the budget for agriculture, easier access to funding, the greening of conditionality, access to the European Investment Bank's funds;
- Energy policy: electricity interconnection, North Stream II, support for biofuels;
- Digitization and automation: development of e-commerce, taxation of robots, EU cyber-defence;
- Social and fiscal policy: the harmonization of taxation systems, the common minimum wage, the coordination of social security systems;

## **Budget & Investments**

Budgetary discussions are sometimes seen as a zero-sum game by the participating negotiators. Politicians coming from net-paying countries to the EU budget are often very defensive when it comes to budgetary increases, as they have to provide their electorate with more justifications of the added value of additional expenditure. Conversely, being one of the poorest members of the EU, Romania has a clear interest in supporting a bigger budget for the EU. However, while the uneven geographical allocation of EU financial resources leads to budgetary clashes between the interests of the richest and poorest countries, decision-makers are more likely to split along ideological lines when it comes to how the money should be spent, as different political forces put forward different priorities (economic growth, environment, social cohesion, etc...)

### **Size of CAP (Common Agricultural Policy) budget**

Agricultural funding is the biggest item of expenditure of the EU budget, although its share has decreased over time.

The debate on the size of the CAP budget features a recurrent clash between net contributors and net recipients of agricultural funding. Net contributor countries are critical of the money spent for agriculture, in particular as the weight of agriculture in the EU economy has decreased over the decades. However, most other countries argue that the CAP is still relevant in order to support agricultural production and security of food supply. Romania is one of the biggest net recipients of agricultural funding, whereas the biggest net contributors are found among Germany, the UK and the Netherlands. Countries with a lower level of national investments in this sector (e.g. Romania, Bulgaria and Lithuania) would be more severely affected by potential cuts in the CAP budget.

Net contributors would like to cut CAP budget (as well as the EU budget as a whole) after Brexit. The UK has been a net contributor, hence its departure would lead to a shortfall in the EU budget. However, a majority of forces within both the European Parliament and the EU Council would like to increase CAP budget in the next Multi Annual Financial Framework, or at least, to maintain it at the same relative level (and to keep up with inflation).

#### Balance of views at EU level

Those who oppose cuts in CAP budget can count on the support of a majority of members of each political group, with the exception of the liberal ALDE group and the British Eurosceptics. In this case, most members of the European Parliament tend to vote along national lines on this matter. For this reason, the balance of power on this matter will not change dramatically after the EU elections. While the political forces that are less keen on higher CAP spending (liberals and right-wing nationalists from net contributor countries) are gaining ground, the re-distribution of seats in the European Parliament after Brexit will mainly strengthen national delegations that are supportive of more money for agriculture: Spain, France and Italy.

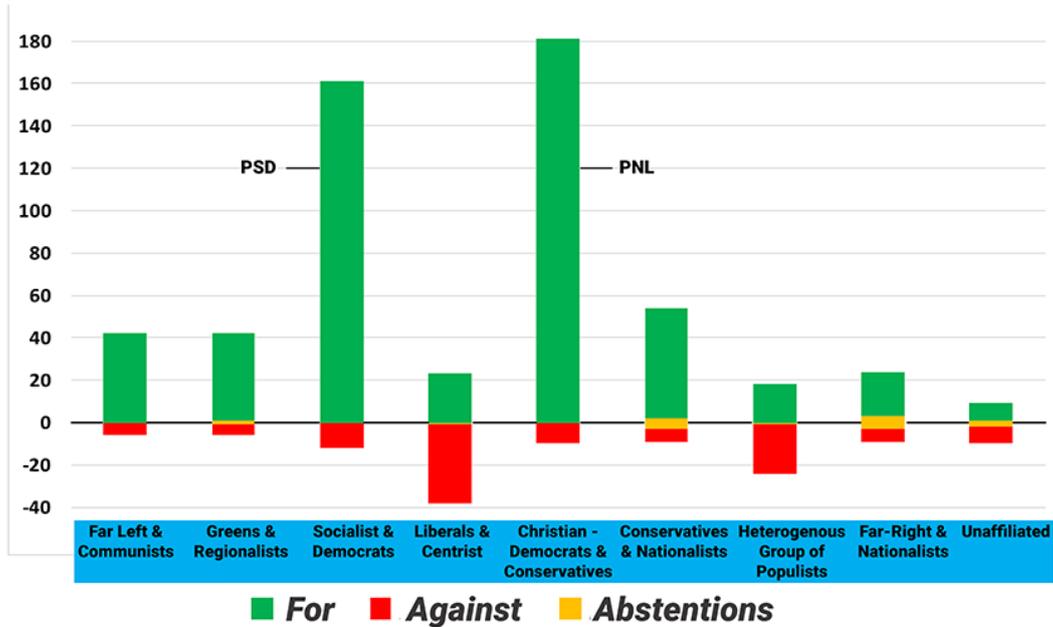
The analysis of votes on this subject in the European Parliament highlights that political groups are not highly cohesive when it comes to the size of CAP funding. All Romanian members, regardless of the political group, have thrown their support behind the push for a bigger CAP budget. Likewise, all (or almost all) Italian, Polish, Spanish members support more agricultural funding, regardless of political affiliation. Conversely, all (or almost all) Dutch, Swedish and Danish members want a smaller CAP budget. The German and British delegations seem to be more divided, although these countries are the biggest net contributor to CAP spending in absolute terms. The German and British members of ALDE and right-wing nationalist groups are opposed to a bigger CAP budget, whereas the German and British members of the other political groups seem to be more supportive.



## Support for increasing or maintaining CAP funding



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

www.votewatch.eu  
/VoteWatchEurope  
@VoteWatchEurope

**Final results:**  
For **547** (81%)  
Against **113** (17%)  
Abstentions **18** (3%)

### Greening of CAP

Environmental forces have been leading the calls for aligning CAP spending with climate and environmental objectives, in particular following the Paris Agreement on Climate. These initiative also aims at making food production more sustainable and discourage overproduction. This would attach further conditions on the recipients of EU agricultural funds, who would have to meet additional requirements on 'green' production practices, possibly bearing additional costs. These proposals are also opposed by the biggest recipients of agricultural funding (such as Poland and

Romania), whereas they are seen more favorably by some of the net contributors to the EU budget (e.g. Sweden and the Netherlands).

#### Balance of views at EU level

Opposition against a strict green conditionality of CAP funds is currently majoritarian within the European Parliament and the EU Council. This majority is likely to further increase after the European Parliament elections, as the left-wing forces advocating for a strict green conditionality will lose ground vis-à-vis more conservative ones.

The opponents to a stricter green conditionality on CAP funding can rely on the support of free-market oriented political families (ALDE, EPP and ECR), as well as right-wing nationalists forces. Left-wing GUE/NGL and Greens/EFA groups are in favour of more green conditionality, whereas S&D group and the Italian 5 Star Movement are also in favour, but have more moderate views. For instance, the S&D group supports lifting the exemptions from climate requirements for small and medium sized farms, although it opposes more radical proposals.

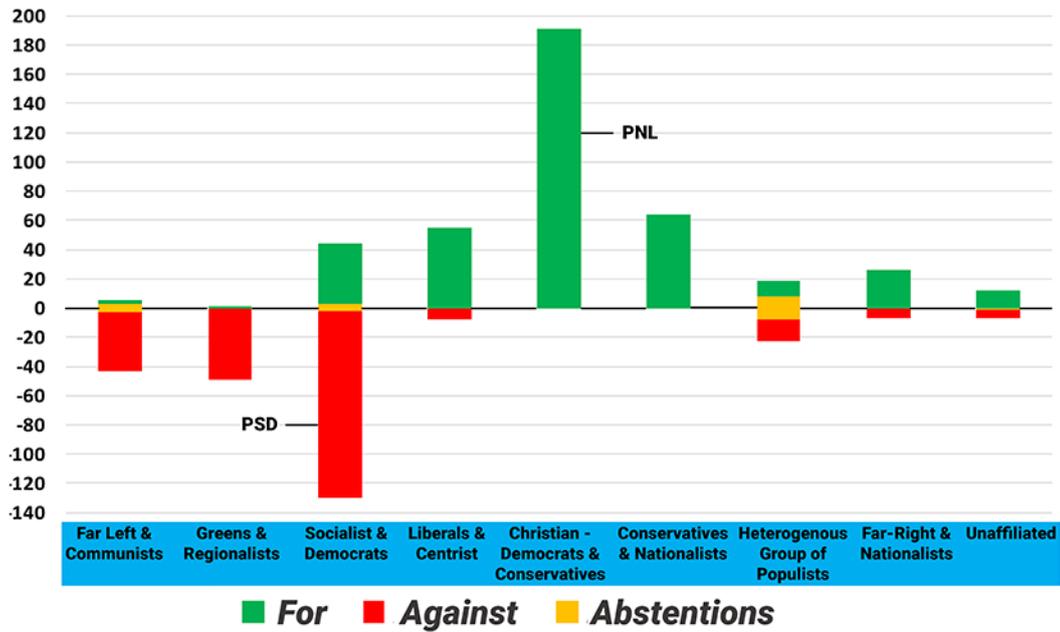
Romanian MEPs tend to vote alongside their political groups on this matter, meaning that most Romanian members would vote against strict green conditionality of CAP funding, with the exception of Social Democrat MEPs. For instance, Romanian PSD voted alongside S&D in supporting the lifting of the current exemptions (from climate and environmental measures) for small farms. However, other political parties from other countries tend to disagree more with their political groups on these topics. For instance, Italian and Spanish members (who also come from countries that receive a substantial amount of funds) tend to be opposed to lifting exemptions from climate rules, whereas some of the Dutch and Swedish members (who come from net contributors countries) tend to go against their group in backing stricter rules on agricultural spending.



## Support for maintaining climate requirements exemptions for small farms



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **403** (59%)  
 Against **253** (37%)  
 Abstentions **28** (4%)

## **MFF quota for climate action funding**

Since Member States have to approve the 7 years-long Multi Annual Financial Framework by unanimity, the exact outcome of the negotiations is not always easy to predict and multi-faceted compromises are needed in order to get each government on board with the proposal.

8 national governments have proposed allocating at least 25% of MFF funding to projects that contribute to reaching the targets of the Paris Agreement. These governments are mostly from Northern and Western Europe (France, Belgium, Denmark, Luxembourg, the Netherlands, Sweden), as well as the left-leaning governments in Iberia (Portugal and Spain). The other governments that are part of the so-called Green Growth Group (Finland, Germany, Austria, Italy, Slovenia and UK) are also seen as supportive, but their views are more moderate, as they have not backed the more recent proposals by the other 8 hard-line governments. Changes in the composition of governments in these countries have diluted their position, as it's the case of Italy. In the European Parliament, some political forces advocate for having at least 30% of MFF expenditure dedicated to climate change.

However, such diversion of funding is likely to negatively affect Central and Eastern European countries (including Romania), since allocating the funding based on this criterion would imply the diversion of funding away from other spending items (agriculture, cohesion, etc.). For this reason (as well as the Polish reliance on carbon-intensive sources of energy), the Polish government is among the staunchest opponent to a higher quota.

### **Balance of views at EU level**

Only a minority of members of the European Parliament and the EU Council are in favour of a 10% increase (from 20 to 30%) in the share of MFF expenditure to be dedicated to climate goals. In this regard, we do not expect big changes in the balance of power on this issue after the elections, as the left-wing forces that are advocating for setting a minimum quota of at least 30% are set to make limited gains after the elections.

The opponents to a higher share of MFF climate spending can count on the support of free-market oriented groups in the European Parliament (ALDE, EPP and ECR), as well as the right-wing nationalists and part of the Social Democrats. There are clearly some nuances, as both the Social Democrats and the Liberal and Democrats support the proposed 20% share of MFF expenditure, whereas EPP, ECR and the right-wing nationalists are more critical. Conversely, left-wing Greens/EFA and GUE/NGL are pushing for diverting more funding towards climate action.

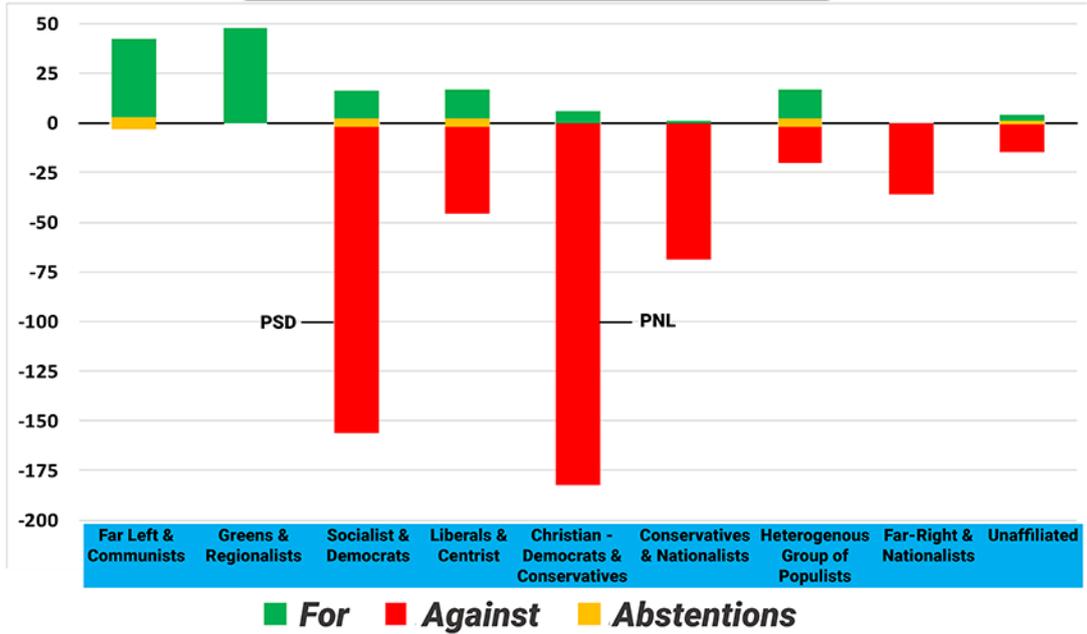
While political affiliations play an important role in this case, voting data also sheds light on key national cleavages. For instance, several Swedish and Danish members (and to a lesser extent Dutch and Finns) are more supportive of a 30% minimum quota of climate action funding than their political groups' colleagues from other countries. Conversely, very little support for such proposal is found among Romanian MEPs, as they all oppose it (with no exceptions in this case).



## Support for at least 30% share of next MFF expenditure to be dedicated to climate goals



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **141** (21%)  
 Against **517** (73%)  
 Abstentions **20** (3%)

## Greening of Cohesion Fund and European Regional Development Fund (ERDF)

In addition to the overall increase of the share of the MFF to be dedicated to climate action, there is a strong push to transform the Cohesion Fund and the European Regional Development Fund into a “greening instrument”. In particular, Nordic countries and left-leaning forces support the introduction a minimum quota of 40% of the ERDF to be allocated to climate objectives and as much as 45% of the Cohesion Fund expenditure to be destined for the same purpose.

However, these proposed new rules would divert funding away from other infrastructural projects within net recipients of cohesion money. This explains why higher quotas for climate objectives are not supported by most Central and Eastern European governments. During the period 2014-2020, Romania was allocated over 20 billion euros from the ERDF and Cohesion Fund.

### Balance of views at EU level

A small majority within the European Parliament, and the EU Council, oppose the most ambitious proposals of a 40% minimum quota of ERDF funding and 45% quota of Cohesion Fund to be dedicated to climate objectives. We expect opposition to a faster greening of the Cohesion funding to slightly increase after the elections, due to the gains of right-wing nationalist forces (that tend to be skeptical of the need for climate policies), which will compensate the losses of other right-leaning groups, such as the EPP.

Those who oppose higher quotas (of 40% and 45%) can count on the support of free-market oriented EPP and ECR, as well as right-wing nationalist groups. Conversely, left-leaning groups S&D, Greens/EFA and GUE/NGL, as well as Italian 5 Star Movement back higher green quotas for cohesion funding. The centrist ALDE group is split on this matter, although the increasingly influential French members are in favour of diverting more funding towards de-carbonization.

While, overall, MEPs tend to follow their political groups on this matter, national divisions are also observed. For instance, we observe stronger support among Danish, Swedish, Dutch and Belgian MEPs for a bigger focus on climate action. Conversely, Romanian members tend to be among the most opposed within the European Parliament. Romanian Social Democrats tend to vote against their political group on this matter, therefore opposing higher green quotas within the cohesion budget, the only exception being Tapardel. The Romanian EPP members also oppose the proposal, in line with the position of their political group.

## Easier funding from European Investment Bank

The European Investment Bank plays a key role in injecting funding into infrastructural projects across the EU as beyond. Over the past 5 years, the EIB has financed projects for over 300 billion euros. Clearly, the funding is not evenly distributed across the EU, with Italy and Spain being the bigger beneficiaries during the period 2014-2019. One of the key issues is what conditions should be attached to funding from the EIB. In particular, some political forces would like to introduce a stricter environmental conditionality on EIB financing and exclude support for projects such as biorefineries, steelworks, regasification and gas storage facilities, and motorways. There are also calls to make EIB support conditional on the sharing of fiscal and financial information by companies.

However, stricter conditionality could severely affect countries that are still catching up with regards to their infrastructure, as well as make the process to borrow money more burdensome and bureaucratic. Since Romanian infrastructural system has still to reach the same level as Western European ones, the country would need to ensure that there are not too many strings attached to EIB funding.

### Balance of views at EU level

There is currently a large majority within both the European Parliament and the EU Council that rejects the introduction of a stricter conditionality on EIB loans. We expect support for a stricter conditionality to increase after the EU elections, mostly because of the gains of fringe political forces (both on the far-left and far-right of the political spectrum) and the losses of the more established parties.

The opponents to a stricter conditionality on EIB loans can count on the support of free-market oriented political families (ALDE, EPP and ECR), as well as the Social Democrats. Left-leaning Greens/EFA, GUE/NGL and the 5 Star Movement are the most supportive of a stricter conditionality. Right-wing nationalists have more nuanced views, although they lean towards supporting a stricter conditionality.

Generally speaking, ideological views seem to trump national cleavages on this topic: most far-left wing members of the European Parliament support a stricter conditionality, as this would ensure that taxpayers money is spent for project that comply with very high standards.

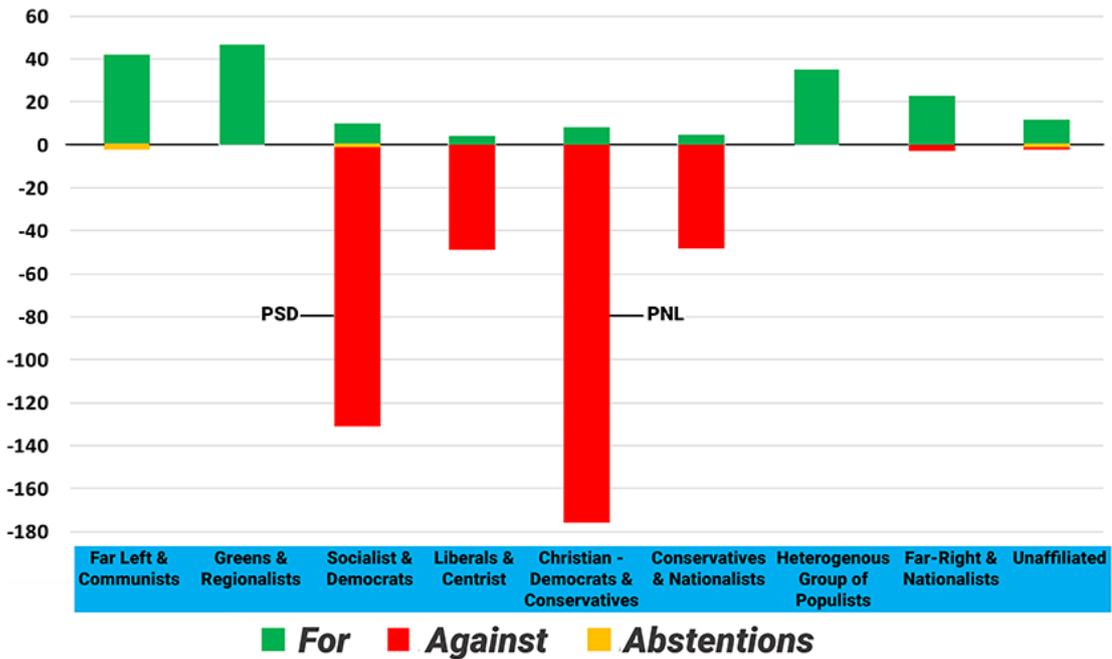
Romanian MEPs have similar views on what is Romania's interest in this matter, almost all of them expressing opposition to linking EIB financing to the environmental impact and financial disclosure.



## Support for stricter rules on environmental and social conducts of EIB beneficiaries



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **183** (31%)  
 Against **467** (68%)  
 Abstentions **7** (1%)

## Energy Policy

The debate on energy policy often encompasses a plurality of interests, as energy decisions have economic, environmental and geopolitical implications. While environmental groups are leading a push towards phasing out the use of polluting sources of energy, other political forces are more concerned about energy security. The discussions are further complicated by the different geopolitical interests and energy preferences of EU Member States. With a growing economy that still needs to catch up with those of the other EU countries, Romania tends to focus more on the security of energy supply (abundant supply of cheap energy is needed for economic growth) and prioritizes the development of the pan-European gas infrastructure which it could exploit. On the other hand, the country is also worried about the predominance of oligopolistic sources of energy and tends to oppose projects that would strengthen the hand of energy superpowers such as Russia.

### Electricity interconnection

A fully integrated electricity market is one of the requirements to build a European Energy Union, as it would decrease the isolation of the electricity grids of individual Member States. However, the 10% target of electricity interconnectivity between Member States set in 2002 has not been reached in all countries: the problem of “energy islands” and the weak support of both some political forces and some national governments have slowed down the process of reaching the targets. Romania is part of the countries with the highest difficulties on this area but, according to the Commission’s 2017 Report, Romania should still be able to reach its target by the deadline. The other countries that are more isolated are Spain, Portugal, Italy, United Kingdom and Poland.

#### Balance of views at EU level

While additional funding would help the lagging countries, only a minority of members of the European Parliament and the EU Council are willing to support further financial incentives to increase the interconnection of EU Member States. Opposition is due to the fact that some forces in the countries with higher electricity interconnection levels do not necessarily have an interest in promoting investments in this regard and would rather prefer to allocate investments elsewhere (for instance in the clean energy transition).

The supporters of the request to allocate more funds for reaching the 10% target of electricity interconnection can find allies among the Social Democrat members and right-wing nationalist ENF. However, MEPs from other groups are not highly supportive (for different reasons). Both free-market oriented ALDE and EPP, as well as left-wing Greens/EFA, GUE/NGL and 5 Star Movement tend to be on the opposing side.

The analysis of voting behavior reveals that some MEPs voted along national lines, although the picture is quite nuanced. In the case of Romania, MEPs mostly followed the lines of their political

groups, with PSD voting in favour of additional support, whereas most EPP members voted against (with the key exception of Muresan and Marinescu). Conversely, Spanish and Portuguese MEPs (the Iberian Peninsula being another peripheral region with regards to electricity interconnection) tend to be much more supportive of strong support for investments and they tend to vote against their political groups when necessary.

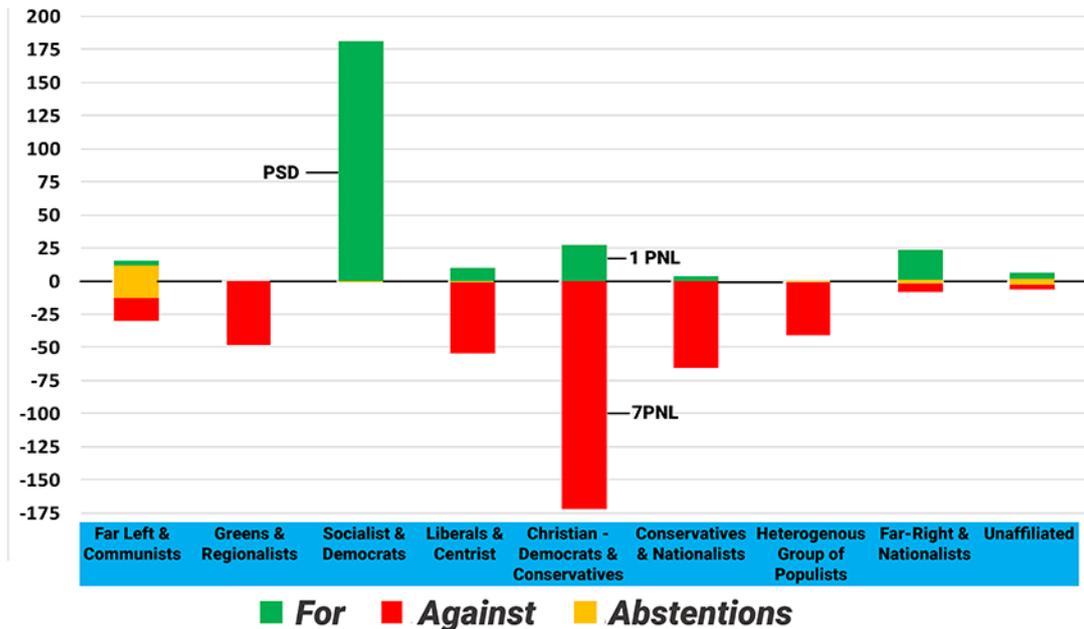
**VoteWatch Europe infographic**



## Support for more funding to reach the 10% interconnection electricity target by 2020



Based on **actual votes** in the European Parliament



**To discover how MEPs voted, contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)**

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For 252 (36%)  
 Against 406 (59%)  
 Abstentions 36 (5%)

## Support for biofuels

While some political forces endorse the production of energy from biomass as a viable alternative to traditional energy sources (e.g. fossil fuels), biofuels are also criticized for diverting agricultural production away from the supply of food and promoting de-forestation.

While the debate often assumes ideological connotations, national cleavages are also observed, since the production of biofuels is unevenly distributed across the European continent. While Romanian production of biofuels is still lower than those of other EU countries, there is a strong potential to increase production in the country.

### Balance of views at EU level

The proposals to crack down on the production and use of biofuels are supported by only a minority of members of the European Parliament and the EU Council. However, the level of support for stronger limitations on the use of biomass for energy purposes is expected to increase since the fringe forces that are keen on these proposals (the Greens, the far-left and most right-wing nationalists) are set to grow in strength and size after the EU elections in 2019.

Those who want regulators to support the use of biofuels can count on the support of free-market oriented groups EPP and ALDE. The strongest opposition comes from left-leaning groups, Greens/EFA, GUE/NGL and the Italian 5 Star Movement. The Socialist and Democrats are also keen on supporting certain types of biofuels, but are worried about those that contribute to deforestation. Conversely, right-wing nationalists have also nuanced views on the matter: these political forces are not keen on public support for biofuels, but they tend to be less concerned about the environmental impact of biofuels (e.g. deforestation).

Our analysis of voting behavior shows that most MEPs tend to follow the lines of their political groups on these matters, although there are significant exceptions, Romanians being one of them. While Romanian EPP members are aligned with their political group, which is rather supportive of biofuels, some Romanian S&D members are willing to defect from the position of the S&D group, when needed, and still support the use of biofuels. Apart from Romania, Bulgarian and Polish members also display stronger support for biofuels than their political group. At the opposite end, Dutch and Belgian members seem to be less keen on incentives for biofuels than other national delegations within the same groups.

## Construction of Nord Stream II

The debate on the doubling of the capacity of Nord Stream pipeline focused on the geopolitical implications of the project, rather than its environmental and economic impact. The project would allow Russian gas to by-pass countries with which Russia has less friendly relations (such as Ukraine and Poland) and to export more gas directly to Germany and Western Europe.

The project is backed by countries such as Germany, Austria and Netherlands, whose economies would benefit from a bigger supply of natural gas. The project would also reduce the disruptive impact of a conflict between Russia and Ukraine on the supply of gas to Western Europe. Conversely, countries such as Poland and Romania are concerned about the Russian alleged 'divide et conquer' strategy and its efforts to diversify its supply routes to Western Europe.

### Balance of views at EU level

While the Council tends to be more divided (based on different national priorities), there is a bigger majority in the European Parliament against the project. The balance of power in the European Parliament will not change substantially after the elections, although the gains of right-wing nationalist forces that tend to be more sympathetic towards Russia is set to increase the level of support for the project.

The opponents to the project can count among their allies most political groups in the European Parliament: both free-market oriented groups (ALDE, EPP, ECR) and left-leaning groups (S&D and Greens/EFA), whereas Nord Stream II is mostly supported by the political groups that tend to be more friendly towards Russia (ENF and GUE/NGL), whereas the Italian 5 Star and the British Eurosceptics tend to be more neutral.

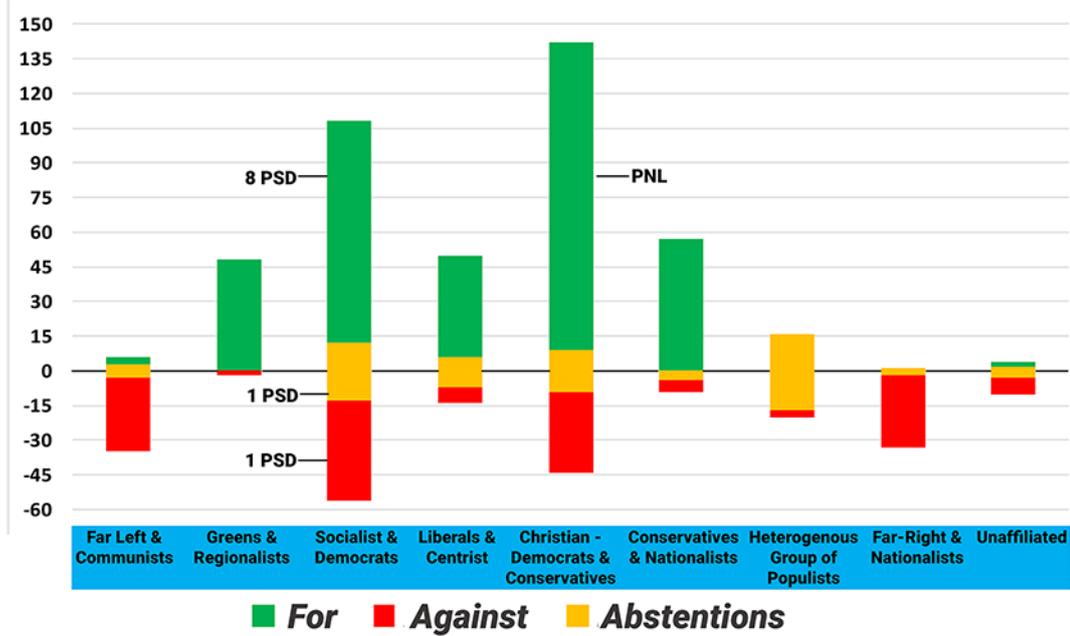
Differently from other issues, Nord Stream II tends to generate splits within some of the political groups, as MEPs belonging to different countries do not necessarily see eye-to-eye with their European group's colleagues. For instance, German, Austrian and (to a lesser extent) Dutch members tend to be more favorable towards Nord Stream II. For different reasons, Greek and Bulgarian members are also more supportive, probably because of their close political and cultural relations with Russia. Not surprisingly, Romanian MEPs tend to vote cohesively against Nord Stream II, regardless of political affiliation.



## Support for stopping the Nord Stream II gas project



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **383** (58%)  
 Against **165** (25%)  
 Abstentions **107** (16%)

## Digitization and Automation

The economic and social consequences of the expansion of new technologies, in particular digitization and AI, are increasingly under the scrutiny of political decision-makers. While innovation can hardly be stopped, politicians are debating to what extent public authorities should intervene in regulating the use of these technologies. Some countries, such as, arguably, Romania, are trying to encourage digitization and automation in order to make their country more appealing for businesses and investments. Other countries, as well as political forces, tend to be more concerned about some of the negative social and economic impact of the digital revolution.

The digital dimension is becoming ever more important for the performance of social, economic and even military activities. For this reason, cybersecurity ranks high in the list of priorities of EU decision makers. However, whether the remit of European Cyber-security Industrial, Technology and Research Competence Centre should be strengthened to also include defence-related projects turned out to be highly controversial, also because this touches upon the debate on the EU competencies and its role in defence matters.

While some EU countries (such as France) are seen as leaders in cybersecurity commitments and investments, Central and Eastern European countries have still to catch up, including Romania. Stronger EU coordination and investment in this field would help the countries to strengthen their defence against cyber threats. However, those who do not trust the EU are less keen of supporting its involvement in security and defence matters.

### Balance of views at EU level

Overall, a large majority of policymakers within both the European Parliament and the EU Council is in favour of funding research on defence and other defence-related purposes as part of the remit of the dedicated cybersecurity agency. However, the size of this majority is set to decrease after the European Parliament elections, which boosted the strength of fringe forces on both the right and the left parts of the political spectrum.

The main supporters of funding military defence research or other defence-related projects on cybersecurity can count on the support of ALDE and the EPP. Conversely, the main opponents can be found among left-wing Greens/EFA and GUE-NGL (which oppose military research on pacifist and, to some extent, also geopolitical grounds) and right-wing nationalists forces, which are against any EU role in defence policy (although there are some exceptions, such as Italian Lega, which is in favour of EU funding for defence research). Other groups tend to have more nuanced positions, such as the Conservative ECR, which is currently sitting on the fence. S&D group leans towards including defence research into the remit of the new agency, but does not have currently a strong common view on whether the EU budget should be used for operations having military or defence implications.

Our analysis of voting behavior shows that political affiliations are a stronger predictor than nationality of MEPs' when it comes to their views on EU cyber-defence. There are a few exceptions, though, such as the case of Irish members: coming from a neutral country, Irish members are more wary of an increase of EU's role in defense matters. With regards to Romanian MEPs, they tend to

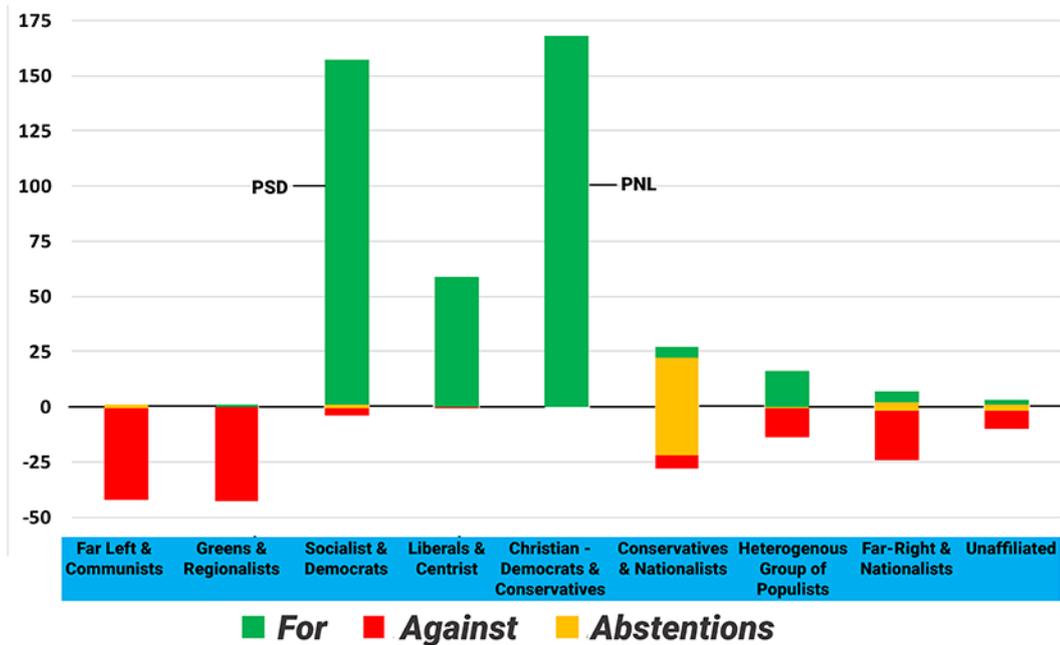
vote alongside their political groups. All Romanian members tend to be supportive of extending the remit of the new agency, regardless of political affiliation. However, Romanian S&D members tend to follow the middle-ground position of their European group with regards to the use of the EU budget for operations having military or defence implications, whereas Romanian EPP members do not seem to have reservations in this regard.



## Support for establishing cybersecurity projects with military purposes in the EU



Based on **actual votes** in the European Parliament



**To discover how MEPs voted, contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)**

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For: **412** (68%)  
 Against: **137** (23%)  
 Abstentions: **56** (9%)

## Taxation of robots

The new technologies linked to Artificial Intelligence are increasingly changing the European society and economy. While AI is likely to help companies increase their productivity, there are concerns with regards to its impact on the job market. Some policy-makers are concerned about the occupational status of the social categories that are more likely to be made redundant by the development of AI and go as far as proposing a tax on robots in order to support the social security system. This proposal is highly controversial though, as it could further slow-down the development of AI in the EU at a time where the EU seems to be lagging behind the US and China when it comes to Artificial Intelligence.

### Balance of views at EU level

Currently in the European Parliament, there is a small majority against the proposal of a tax on the use of robots, whereas the EU Council is even more skeptical (generally speaking, EU governments are not fond of EU interferences on taxation matters).

According to Eurostat, Romania ranked in 2018 among lagging countries that use robots in industrial processes or in services. The very low density of industrial robots means that more investments are needed in this sector, which would be deterred by the introduction of a dedicated tax. On the other hand, the rise of automation in Western Europe can be seen as a threat in Eastern Europe, since it would become less profitable for Western companies to relocate part of their production to lower-wage countries in Central and Eastern Europe.

The level of opposition to the introduction of taxes on robots is likely to increase after the EU elections, due to the losses of the progressive forces that are keener on taxing automation. However, this trend will partially be compensated by the gains of some right-wing nationalist forces, that tend to be critical of the extensive use of AI and automation, such as the Italian League.

Overall, the forces that oppose taxation of robots can count on the support of free-market oriented groups (ALDE, EPP and ECR). Not surprisingly, left-wing groups tend to be more favourable towards a robot tax (S&D, Greens/EFA, GUE-NGL and the Italian 5 Star Movement). In this case, most right-wing nationalists tend to sit on the fence, as several parties have not made up their minds yet. These political forces are afraid of crippling their national economies by introducing such a tax, but they are also wary of the side-effects of the AI revolution on a substantial part of their electorate: blue collar workers and small entrepreneurs (who have less resources to invest in AI).

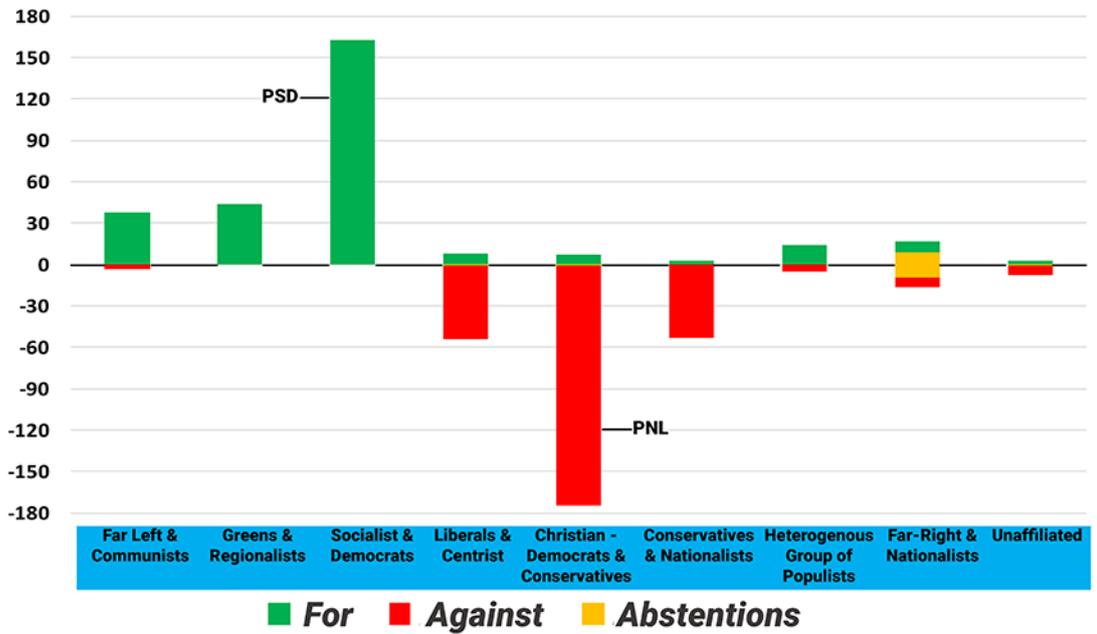
Our analysis of votes on the matter show that about half of Members of the European Parliament oppose taxation of AI. These votes highlight stronger ideological cleavages rather than national cleavages, meaning that most members tend to vote alongside their political groups. This is also the case of the Romanian members of the European Parliament: Romanian EPP members tend to be more opposed to the tax, while Romanian S&D members tend to be more supportive.



## Support for levying a tax on the work performed by robots



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **288** (47%)  
 Against **302** (49%)  
 Abstentions **22** (4%)

## Development of e-commerce

While policymakers tend to agree on the benefits of e-commerce for consumers, they do not necessarily agree on whether policymakers should remove regulatory obstacles in order to support the expansion of e-commerce to new sectors and products. In particular, some political forces are concerned by the disruptive economic and social impact of e-commerce. They deem e-commerce to favour big digital players to the detriment of smaller shop-owners. The debate can also assume a national dimension, since the digital revolution allows transnational e-commerce giants to outsell local businesses. However, there are concerns about the EU lagging behind the United States and China with regards to e-commerce (as well as the rest of the digital sphere), which also entails that US and Chinese digital companies tend to be more competitive than the European ones.

The online shopping sector is currently underdeveloped in Romania and public support might be needed for its development. According to UNCTAD B2C E-commerce index, Romania is close to the bottom of the ranking with regards to online shopping frequency from among the EU countries.

### Balance of views at EU level

The support for further promotion of e-commerce, which entails the removal of barriers and obstacles that remain for consumers and businesses, is majoritarian within the European Parliament and the EU Council, since a majority of policy-makers believe in digital innovation as a tool to make the EU economy more competitive. We expect the side in favour of promoting e-commerce to remain majoritarian after the European Parliament elections, also because of the losses of the progressive forces that are particularly concerned about the side-effects of e-commerce.

The stakeholders who have an interest in encouraging the e-commerce revolution are likely to find allies among the free-market oriented political groups in the European Parliament (ALDE, EPP and ECR), whereas left-leaning S&D and Greens/EFA have more reservations. The fringe groups have a more nuanced position, in particular right-wing nationalist parties. While these political forces agree on the need to reduce barriers for businesses and consumers, they do not want the EU to actively support the expansion of e-commerce.

Our analysis of votes in the European Parliament shows that MEPs tend to vote alongside their political groups, including the Romanian MEPs. PSD seems to share the concerns of their European group (S&D) on the social impact of e-commerce, whereas centre-right wing Romanian MEPs from EPP and ALDE are more supportive of the free promotion of e-commerce.

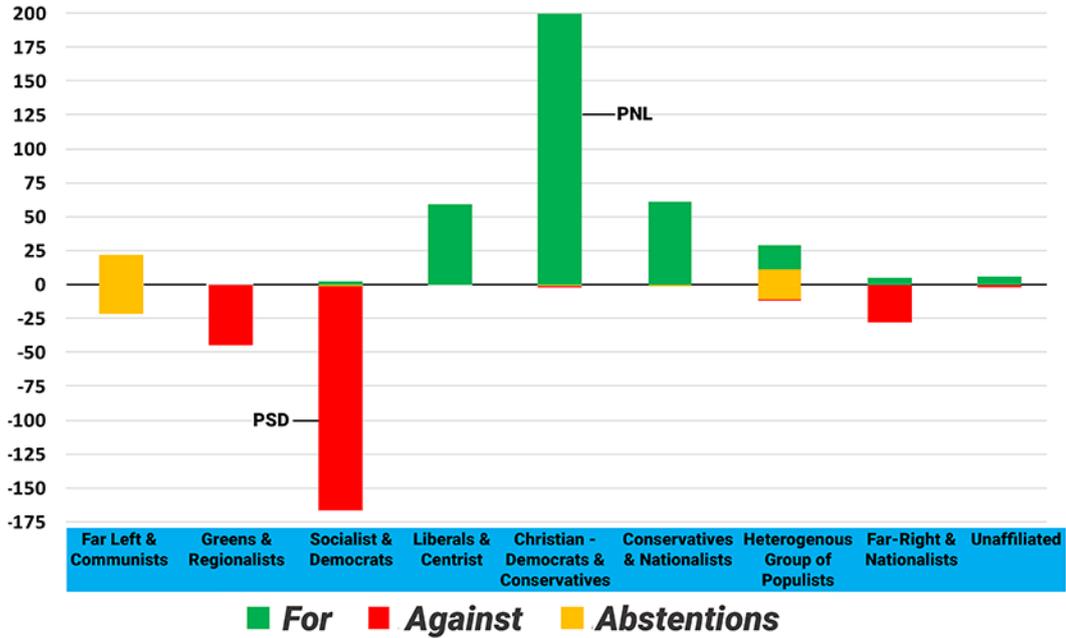
As the debate on e-commerce regulation will deepen, we expect stronger national cleavages to emerge between the national groups that are in favour of a more gradual approach and those that support stronger incentives for this new sector.



## Support for stronger promotion of e-commerce in the EU



Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **351** (53%)  
 Against **243** (37%)  
 Abstentions **69** (10%)

## Social and Fiscal Policy

Over the past few months, calls for increasing harmonization of social and fiscal policies of EU Members States have become louder, in particular during the electoral campaign. Some of these proposals are not welcomed by some the governments, including in the Central and Eastern European, which are afraid of having to adopt rules that are more in line with West European social standards, as doing so could take a toll on their growing economies.

### Revision of rules on CSSS (Coordination of social security systems)

The proposal for a stronger coordination of social security systems (CSSS) is one of main cornerstone of the European Pillar of social rights. However, the current proposal turned out to be so controversial that the EU legislators could not find an agreement on the text by the EU elections, despite the efforts of the Romanian Presidency of the EU Council.

This proposal aims to clarify where benefits can be claimed with regards to cross-border workers. The Commission wants to make it easier for frontier workers (who live in one country, work in another country, and go home at least once a week) to get benefits in the country where they worked. This explains why the proposal is strongly supported by countries such as France and Italy, since their high number of frontier workers who work in Switzerland (in case of Italy and France), Luxembourg and Germany (in case of France). It would also allow workers to export their benefits for longer, which could be seen as beneficial for the highly mobile Romanian workers. However, the proposal also aims to crack down on companies that act as posting platforms (also called by their critics, 'letterbox companies'), which explains the strong opposition of Poland and other Central European countries.

#### Balance of views at EU level

Opposition against the revision of the CSSS is likely to get stronger after the EU elections, mainly because of the losses of left-wing political forces that are pushing for a revision. On the other hand, the departure of the UK might have the opposite effect, tilting the balance of power in favour of the national groups that support the reform.

The proponents of the revision can rely on the support of the left-leaning political forces (S&D, Greens/EFA and GUE/NGL) and some the right-wing nationalists (depending on the country), whereas the opponents can count on the free-market oriented groups (which are also less keen on promoting reliance on welfare benefits): ALDE, EPP and ECR, as well as the other right-wing nationalists.

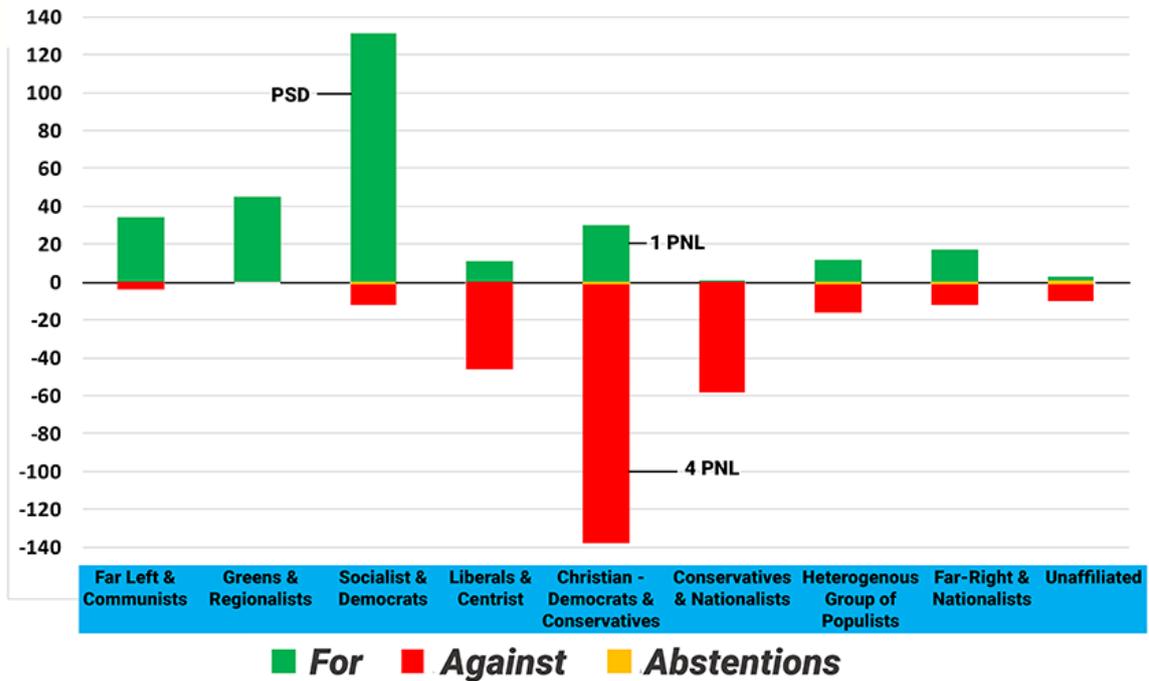
However, political groups tend to split long national lines on these matters, given the strong views of some national delegations. The initiative is supported by almost all Italian, French and Spanish members, even in the case of right-wing nationalists (e.g. Salvini and Le Pen's parties). Almost all Polish, Czech, Dutch and Danish members oppose the revision, regardless of political affiliation. Other national groups are split along ideological lines and tend to follow the line of their political groups, as in the case of Germany and Romania. This means that Romanian Social Democrats tend



## Support for stronger coordination of National Social Security Systems



Based on **actual votes** in the European Parliament



To discover how MEPs voted, contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

Final results:  
 For **284** (49%)  
 Against **291** (50%)  
 Abstentions **6** (1%)

to support the revision, alongside their political group, whereas Romanian EPP members are less supportive of the proposed revision.

## Common minimum wage

Similarly, the introduction of a common EU minimum wage may take a toll on countries with a relatively low statutory minimum wage (or possibly not statutory minimum wage at all). The opponents of this proposal argue that the companies operating in these countries could lose competitiveness, since wages could increase irrespective of productivity. On the other hand, workers would be in a better position to cover their living expenses which would result in an increase in consumption levels in the country's economy. Here too, some national cleavages are visible, since countries that have already introduced relatively high statutory minimum wages could benefit from bigger harmonization at the EU level.

Since Romania has one of the lowest minimum wages (in absolute terms) in the EU, the implications for Romanians would be greater. However, the impact of a common minimum wage depends on how it is calculated. For instance, the current Romanian minimum wage is already relatively close to the median wage of the country, although it is also relatively close to the poverty level.

### Balance of views at EU level

Currently, the support for a Union-wide minimum wage is minoritarian within both the European Parliament and the EU Council. Several national governments, as well as nationalist forces, are wary of allowing the EU institutions to decide on such a delicate topic and they oppose the push by the left for further harmonization. Additionally, liberal, free-market oriented forces tend to be critical of minimum wages and their impact on the competitiveness of the EU economy as a whole.

Since the elections have strengthened both the nationalist forces and the centrist liberals, the balance of power is likely to evolve in favor of the opponents in the immediate post-elections landscape, despite the vigorous campaign by the forces advocating for a more social and progressive Europe.

The political forces that oppose a Union-wide minimum wage can count on the support of free-market oriented groups in the European Parliament (ALDE, EPP and ECR) and the right-wing nationalist forces. Even far-left GUE/NGL and the Italian 5 Star Movement tend to endorse the common argument that the EU does not currently have the needed regulatory powers to pursue such an initiative. Conversely, Social Democrats and Greens/EFA are of the opinion that the EU should do more in this regard, with the exception of the Nordic and British Social Democratic members, who are more concerned about potential extension of the EU regulatory powers.

Nevertheless, we observed a stronger majority in favour of recommending Member States to ensure that their minimum wage levels are equal to or higher than 60% of their average wages. Such proposals are supported by the left-wing groups (S&D, Greens/EFA, GUE/NGL, the 5 Star Movement), but also most members of the EPP. Free-market oriented ALDE and ECR, as well as right-wing nationalist forces are more likely to reject these recommendations, as some members deem high minimum wages to be harmful for the economy of their countries.

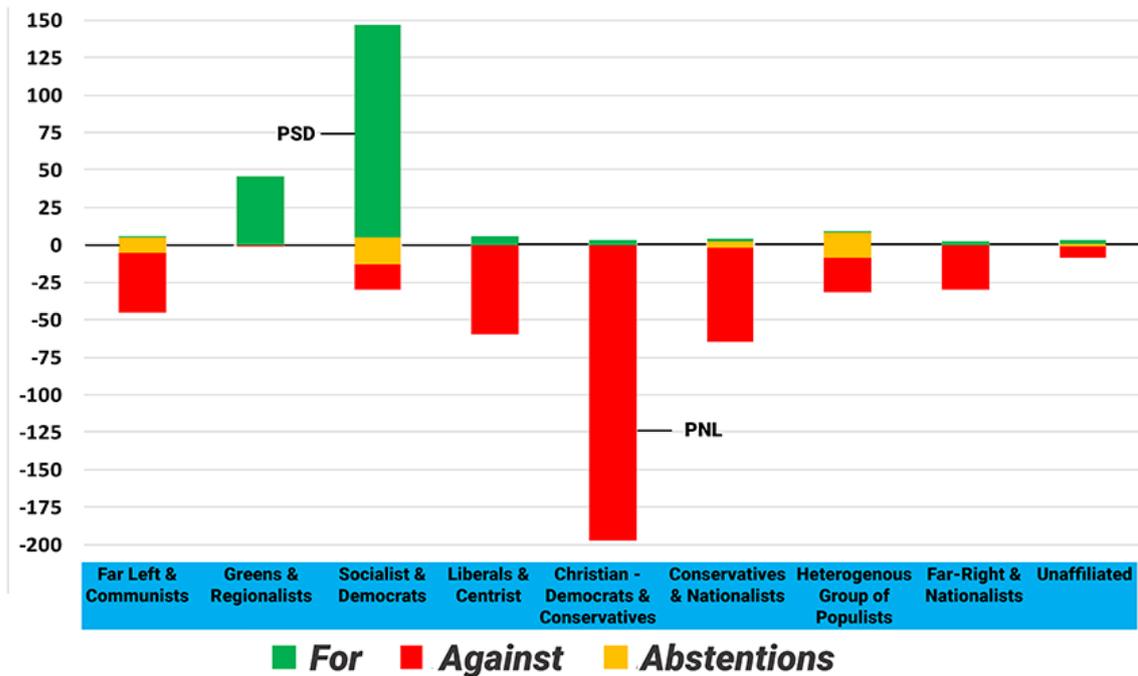
The members of Romanian PSD tend to follow the line of their group in supporting a common EU-wide minimum wage. Romanian EPP members are more skeptical and would rather support a more nuanced approach, such as recommending Member States to ensure a minimum wage of at least 60% of the average wages. Some national groups tend to be more critical on common policies on minimum wages, among which, notably, the British and Nordic members.



## Support for introducing a common minimum wage



Based on **actual votes** in the European Parliament



To discover how MEPs voted, contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

**Final results:**  
 For **205** (29%)  
 Against **439** (63%)  
 Abstentions **51** (7%)

## Common Minimum Corporate Tax Rate

Debates on taxation often tend to split policymakers along national lines. Countries with low corporate tax rates have less incentives to support a minimum common corporate tax rate, as this would force them to increase taxes on companies, therefore making their economy less competitive vis-à-vis European countries that already have higher corporate tax rates. As Romania is one of the EU countries with a low corporate tax (16%), the establishment of a higher common minimum corporate tax could be inconvenient from the point of view of attracting foreign investments. On the other hand, a more predictable (even though higher) tax rate would strengthen the fiscal revenues of the country, therefore allowing bigger public investments. This also explains why some national groups are internally divided on the matter.

### Balance of views at EU level

Currently, the support for common minimum corporate tax rate is minoritarian within the European Parliament and even more so within the Council of the EU, since national governments are wary of losing the power to cut their corporate tax rates at will and, in doing so, to boost the inflows capitals and investments. However, there are clear national differences. The governments of countries with high corporate tax rates such as France and Belgium tend to support a high minimum common tax rate, as this would allow them to gain relative competitiveness.

The balance of power is unlikely to change after the EU 2019 elections, as the left-wing forces that advocate for such proposals are set to lose steam, whereas nationalist right-wing forces (which tend to defend more vocally the national interests and are less inclined to compromise on transnational solutions) will make significant gains.

The political forces that oppose a common tax rate can easily find allies among both the free-market oriented groups in the European Parliament (ALDE, EPP and ECR) and the right-wing nationalist forces. Conversely, the supporters are found among the left-wing groups (Greens/EFA, GUE/NGL and the 5 Star Movement). The position of the centre-left Socialist and Democrats is more moderate than the positions of the other left-wing forces. However, the S&D group joined the other forces on the left in supporting a common minimum corporate tax rate of 20%, which is higher than the one adopted by Romania and several other countries.

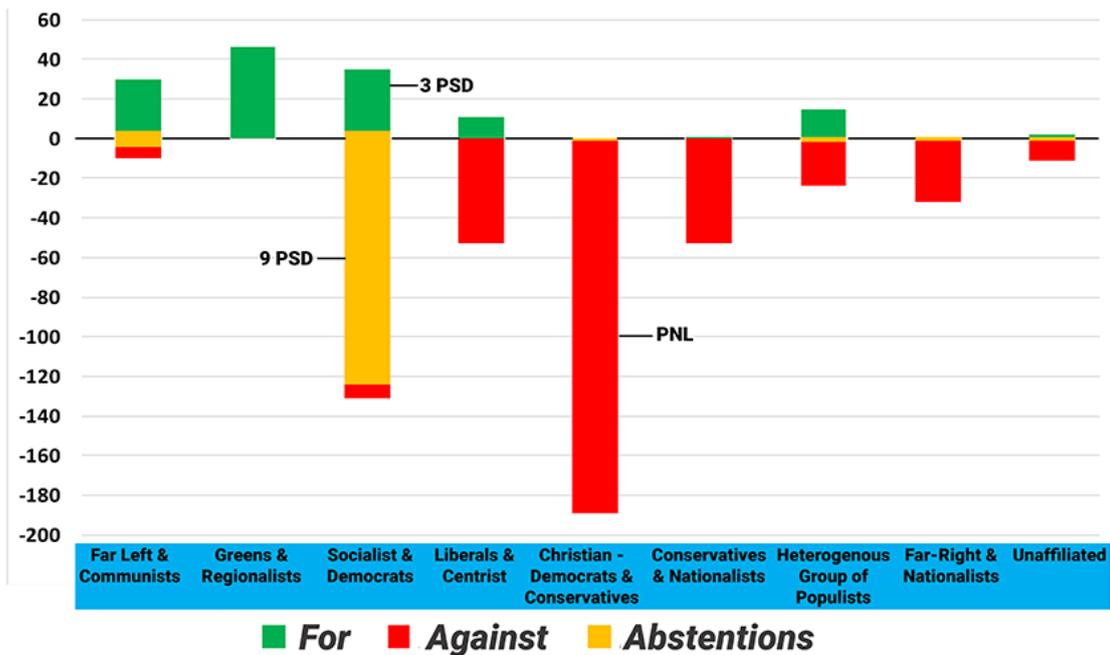
The analysis of the voting behavior reveals that significantly more than half of Members of the European Parliament oppose a common minimum tax rate. On this subject, most members tend to vote alongside their political groups. In the case of Romania, Social Democratic members follow the line of their centre-left group and do not oppose the proposal for EU harmonization. On the other end, Romanian EPP members oppose the proposal (also in line with the majoritarian EPP position).

Interestingly, other national groups are less aligned with the views of their political groups. For instance, we found that several members of the Socialist and Democrats from Sweden, Bulgaria, Malta and Cyprus are against such an initiative.



## Support for introducing a European minimum common effective corporate tax rate

Based on **actual votes** in the European Parliament



To discover how MEPs voted,  
contact us: [secretariat@votewatch.eu](mailto:secretariat@votewatch.eu)

[www.votewatch.eu](http://www.votewatch.eu)  
[/VoteWatchEurope](https://www.facebook.com/VoteWatchEurope)  
[@VoteWatchEurope](https://twitter.com/VoteWatchEurope)

Final results:  
 For **130** (20%)  
 Against **370** (57%)  
 Abstentions **144** (22%)

## ABOUT THE AUTHORS

**CLARA VOLINTIRU** is Associate Professor in the Department of International Business and Economics (REI), at the Bucharest University of Economic Studies (ASE). She graduated a PhD from the London School of Economics and Political Science (LSE) and has been involved in various international research projects in the field of behavioural studies, good governance, informal exchanges and political economy. She has been a consultant for international organizations such as the World Bank, European Commission, Eurofound, Committee of Regions, Partnership for Research in International Affairs and Development. Her recent publications appeared with Oxford University Press, in *European Political Science Review*, *Eastern European Politics*, or *Research & Politics*. Synthetic versions of her work are available in videoabstracts or such online platforms as Forbes, EUROPP, IPI Global Observatory, Emerging Europe, Global Policy or Huffington Post.

**DORU FRANȚESCU** is co-founder and director of VoteWatch Europe, the most followed policy platform by the EU Parliamentarians in Brussels. A seasoned EU affairs and strategic communication expert, Doru Frantescu is the main author of widely-disseminated reports that use quantitative and qualitative analysis to shed light into the actual voting behavior of Parliamentarians and Governments in the EU decision-making. His work is regularly quoted by reputed institutions and the international media (such as Euronews, CNN, Financial Times, BBC).

**CORNEL BAN** joined City, University of London in January 2018 as a Reader in political economy. Prior to this he had worked as an assistant professor at Boston University and research fellow at Brown University in the United States. He was also a visiting researcher at the European University Institute and a visiting associate professor at Copenhagen Business School. Professor's Ban's work is situated at the intersection of international relations, comparative political economy, sociology and economic history. He wrote two books and a dozen articles and book chapters on the politics of economic expertise and income distribution, macroeconomic policy shifts and organizational shifts in international financial institutions and capitalist diversity in Brazil, Spain and Romania. His most recent book (*Ruling Ideas: How Neoliberalism Goes Local*, Oxford University Press, 2018) received the political economy award for 2017 of the British International Studies Association.

**MATTHIAS THIEMANN** is an Assistant Professor of European Public Policy at Science Po. In his work, he studies pre-and post-crisis dynamics of financial regulation in Europe as well as the rising importance of national development banks. He focuses on the one hand on the detrimental effects of national regulatory competition within European financial markets and on the other on the possibility of a positive interaction effect between national development banks, the EIB and private finance to channel abundant financial liquidity into the "real economy". His latest book *The Growth of Shadow Banking* was published in 2018 with Cambridge University Press.

**MARIA-FLORIANA POPESCU** is Lecturer at the Bucharest University of Economics Studies – Faculty of International Business and Economics. She is currently involved in teaching activities, having seminars on subjects such as European Economic Integration, International Commodities Exchanges, International Negotiation, International Marketing etc. At the same time, Maria-Floriana has published and presented more than 10 articles in international journals from Romania and abroad; she is also co-author of the book named "Commodity Exchanges - Commercial Markets". In 2015, Maria-Floriana was awarded for outstanding results obtained in the scientific

research carried out within the project “Performance and Excellence in Doctoral and Postdoctoral Research in Economics in Romania” carried out between June 2014 and May 2015. Between October 2015 and August 2016, Maria followed a traineeship in the European Commission Representation in Romania as an economic assistant of the European Semester Officer.

**MARION LABOURE** is an Associate of the Department of Economics at Harvard University. Prior to this, she worked as an economist at the Luxembourg Central Bank, European Commission and Barclays. Marion holds a PhD in Economics from the Ecole Normale Supérieure, and a Master’s degree in Economics from the London School of Economics, as well as a Master in Finance from the University of Paris Dauphine.

**JURGEN BRAUNSTEIN** is a fellow at Harvard Kennedy School’s Belfer Center. He is a member of the Sovereign Wealth Community of Practice, Collaboration for Development (C4D) platform at the World Bank Group. Prior to that Juergen coordinated the New Climate Economy Special Initiative on financing the urban transition under the leadership of Nick Stern and Felipe Calderon at the London School of Economics (LSE) Cities. Juergen led the engagement program between the LSE and the International Forum of Sovereign Wealth Funds in London. His areas of expertise include financial instruments, emerging markets and state-owned enterprise reform and Sovereign Wealth Funds (SWFs). He was a researcher at the Kuwait Programme on Development, Governance Globalisation in the Gulf States, where he worked on one of the first databases on SWF equity investments in OECD economies. His work on SWFs appeared in the *Review of International Political Economy*, *New Political Economy*, *Journal of Economic Policy*, *The Financial Times* and *Forbes*. He has a B.A. from the University of Vienna and a masters and doctorate from the London School of Economics.