

21 APRIL 2020

Europe's path to strategic recovery: Brace, empower and engage

Giovanni Grevi



Credit: Hauke-Christian Dittrich / dpa / AFP

Table of contents

Introduction	3
1. A vulnerable Union	3
2. Four lessons to build upon	4
3. Towards a more strategic and autonomous Europe	4
3.1 Brace	5
3.2 Empower	6
3.3 Engage	6
Conclusion	7
Endnotes	7

ABOUT THE AUTHOR



Giovanni Grevi is the Head of Europe in the World programme and a Senior Fellow.

DISCLAIMER

The support the European Policy Centre receives for its ongoing operations, or specifically for its publications, does not constitute an endorsement of their contents, which reflect the views of the authors only. Supporters of the project cannot be held responsible for any use that may be made of the information contained therein.

Introduction

The impact of the coronavirus offers definitive evidence of Europe's vulnerability to global challenges and disorder. Its diffusion is the product of multiple governance failures at national and international levels. Geopolitical competition and nationalism have engulfed international affairs, undermining multilateral cooperation needed to manage interdependence.

EU leaders should measure up to the challenge and set the Union on the course of not only economic but fully-fledged strategic recovery.

The pandemic risks amplifying these trends. Countries are tempted to retrench behind national walls. The ongoing competition of narratives concerning the

virus compounds a broader competition of political and economic models. Under such conditions, the dysfunction of the global order may lead to irretrievable system failure, with dire consequences for all.

The main lesson of this unprecedented health crisis for the EU is that there is no safety without unity. Europeans should not only craft a decisive response to the pandemic but also use it as a springboard to reinforce the EU, strengthening their domestic power base to carry more weight on the global stage. Given the nature of the current health emergency and the breadth of its implications, Europe will need a flexible approach to deal with uncertain developments. However, clear choices need to be made to set the direction of the path to recovery. The post-COVID-19 world will require the EU to be more strategic and, where needed, more autonomous, in order to defend its interests and enhance international cooperation. EU leaders should measure up to the challenge and set the Union on the course of not only economic but fully-fledged strategic recovery.

1. A vulnerable Union

The complex construction of the EU – consensus among member states required for major decisions and limited powers to take action in various fields (e.g. health, foreign policy) – is particularly exposed to the shockwaves of the pandemic. At the same time, there is no doubt that, as in previous crises, **only the EU can offer the scale and clout for Europeans to cope with the effects of major transnational shocks.**

With every successive shock since the onset of the financial crisis over a decade ago, the EU's political skin has become thinner.

At the beginning of the COVID-19 pandemic in Europe, member states failed to coordinate, and the EU's performance has been disappointing. Important steps have since been taken to cope with the massive economic impact of the pandemic, chiefly the European Central Bank (ECB)'s bond-buying Pandemic Emergency Purchase Programme (PEPP) and the loosening of spending constraints for eurozone members under the Stability and Growth Pact (SGP). Other measures to support health- and unemployment-related expenditure

have been envisaged, and a temporary framework allowing member states full flexibility under state aid rules has been adopted.

However, if the PEPP buys time to define a fully-fledged, shared response to the economic crisis, the steps taken so far fall short of paving the way to sustained recovery. In particular, the toxic debate on whether and how to mutualise risks to generate massive financial firepower, thereby enabling all countries to work their way out of a recession, has sharpened familiar divides among member states. With every successive shock since the onset of the financial crisis over a decade ago, the EU's political skin has become thinner.

At first sight, this is a paradox. The more EU member states adopted policy remedies to contain (financial, economic, migration) crises, the more political rifts deepened within and between countries. The reason is twofold. For one, perceptions matter, and are easily exploited by Eurosceptic forces. Policy measures may help in practice but, if they are seen as the bitter outcome of agonising negotiations, they can feed mutual distrust. For another, **firefighting is harder and more costly than forest management.** European leaders have mostly delivered reactive measures to strengthen the resilience of their shared political, economic and security order instead of taking preventive ones.

2. Four lessons to build upon

The core message of the pandemic to Europe is that it is time to bolster its integration. A severe health risk set to last for months, a deep global recession hitting Europe particularly hard, a massive spike in unemployment, the disruption of trade and many industries, and the political impact of all these developments require a different level of ambition from Europe when it crafts a comprehensive response.

Part of the problem with buttressing joint action lies in the constraints of national politics and particularly the pressure of nationalist forces on their respective governments. However, that is not the whole story. The spread of the virus in Europe also showed that national reflexes have become mainstream, with governments taking unilateral action and failing to frame the current crisis in larger, more strategic and European terms. The bigger picture has been lost.

The decision on a strong economic recovery fund is not about finance but rather ‘grand strategy’.

There is a consensus that this crisis will carry far-reaching implications for global affairs. Even though the long-term impact of COVID-19 is hard to anticipate, many argue that it will accentuate great power competition, in particular between the US and China; accelerate power shifts; splinter globalisation; and aggravate the crisis of the international order.¹ These trends may also further destabilise Europe’s fragile neighbourhood, worsening geopolitical standoffs and conflicts that already affect local populations and hurt the EU’s interests.

3. Towards a more strategic and autonomous Europe

In the coming days and weeks, EU leaders and institutions must scale up their response to the pandemic. They should equip the Union with adequate and shared financial means to relaunch growth and reassert political cohesion among member states. They should also agree on a coordinated if differentiated strategy to phase out lockdowns, minimise the risks of renewed outbreaks and prevent more disjointed, unilateral action. A substantial package of economic and safety measures will strengthen Europeans’ ability to confront the broader strategic implications of the crisis

In the face of systemic challenges, the debate in Europe is framed in the wrong way. The decision on a strong economic recovery fund is not about finance but rather ‘grand strategy’ – the mobilisation of all necessary domestic resources to achieve big, systemic goals, both at home and abroad.

In this context, socioeconomic recovery is the fuel of political cohesion, which in turn is the engine of a stronger Europe in the world. A more powerful Europe is the only vehicle geared to protect EU citizens from manifold external challenges and project Europe’s interests on the global stage. Therefore, when taking big strategic decisions this spring, EU leaders should be mindful of four major lessons. These lessons predate the pandemic, but the spread of the coronavirus has underscored them.

1. Europe will not be safe in a world where power politics, nationalism and authoritarianism are gaining ground, disrupting cooperation and weaponising interdependence.
2. Such detrimental conditions will prevail unless strong action is taken to not only counter the challenges to Europe and manage competition, but also bolster a stable, rule-based international order.
3. While the EU and its member states cannot shape such an order on their own, they can join forces to defend their interests and make a decisive contribution to international cooperation, in partnership with others.
4. The EU will lack the credibility and resources to do so if Europeans fight rear-guard battles between themselves instead of strengthening their cohesion, resilience and domestic power base.

and the many challenges that pre-existed and will outlive it.

A more competitive and unstable strategic context demands that Europeans learn to speak the language of power, as EU foreign policy chief Josep Borrell put it. If a more robust posture is necessary to defend EU interests, however, it is not enough to define Europe as a political community nor power. **The EU and its member states must prepare to cope with power politics without endorsing its logic.**² As Borrell also remarked, “How can

we prevent power politics from becoming the organising principle of international relations? The answer is clear, through multilateral rules.”³

To affirm its interests and its commitment to rules-based cooperation, Europe should simultaneously brace for turbulence, empower joint action and engage on the international stage.

Charting its course between geopolitics and multilateralism, Europe should become more strategic and autonomous.⁴ **Europe’s strategic autonomy is about setting objectives and mobilising the necessary resources in ways that do not primarily depend on the decisions and assets of others.**⁵ The pandemic has provided more evidence that Europe needs to become more self-reliant. Strategic autonomy, however, is not an escape to isolationism but a stronger platform for cooperation, whenever possible. Neither is it about achieving elusive independence in an interconnected world, but rather a further degree of control over Europe’s choices and future. Finally, it is not an alternative to key partnerships, in particular the strategic one with the US that remains critical to Europe’s security and prosperity, but a condition for the EU to be a more effective partner, based on a sustained dialogue over respective interests and priorities.

The pandemic makes progressing towards strategic autonomy both necessary and harder. The crisis will shrink financial resources, severely stress social bonds and make Europe’s politics more volatile, potentially leaving EU countries more exposed to foreign influence. Besides, the risk of renewed health emergencies cannot be excluded until a vaccine is available. This is precisely the reason why a business-as-usual approach would take the Union down the path of decline and fragmentation, and a step change is indispensable.

Of course, even an ambitious response to COVID-19 would not erase all the differences and gridlocks between member states overnight. However, it would send a powerful signal of renewed self-confidence, which could trickle down and inform decisions across a variety of fields. Progressing towards strategic autonomy requires an approach that encompasses economic, technological and security dimensions, as contemporary global competition applies to multiple domains at once. To affirm its interests and its commitment to rules-based cooperation, Europe should simultaneously brace for turbulence, empower joint action and engage on the international stage.

3.1 BRACE

Bracing means strengthening Europe’s cohesion and resilience to multidimensional competition, transnational crises and deliberate attacks.

Completing the Economic and Monetary Union (EMU) and better enforcing the rules of the Single Market is essential to shield member states against global economic volatility and shocks. The EU should also step up its trade defence instruments and shared arrangements to screen foreign investment in critical sectors, to cope with geo-economic competition.

The activation of any solidarity mechanism requires a quick and truly European political reflex.

The pandemic has exposed various shortcomings in Europe’s internal crisis management mechanisms. On 26 March, the European Council tasked the Commission with “[putting] into place a more ambitious and wide-ranging crisis management system within the EU.”⁶ Just like the current pandemic, future transnational crises, be they natural or man-made, can quickly spill over from one policy sector to another. There is, therefore, a need to both review distinct policy arrangements and ensure their better integration, not least with a view to effectively implement the so-called Solidarity Clause foreseen in the EU Treaty. Above all, the activation of any solidarity mechanism requires a quick and truly European political reflex.

Civil protection mechanisms and the protection of critical infrastructure are areas of primary focus. Distinct approaches should be tailored to different sectors. However, cross-cutting questions concern preparedness; the review and upgrading of national capabilities; the exchange of information among member states; early warnings; and the capacity to quickly back up national capabilities through joint assets, when necessary.⁷ Among other challenges, since digital technologies enable the functioning of all other critical infrastructures, advancing cybersecurity is a top priority and will require tighter coordination among national authorities and stronger arrangements at the EU level. At the same time, Europeans need to invest more in countering disinformation, which will entail increasing dedicated institutional resources and leveraging Europe’s rich civil society, business and media networks through bottom-up initiatives. The EU should also take a more proactive approach to strengthen the resilience of its neighbours – beyond the fact that transnational crises ignore borders, this would also reinforce rules-based partnerships with these countries.

3.2 EMPOWER

Empowering Europe means leveraging the untapped potential of the EU and its member states' joint action to carry their full weight on the global stage.

Reinforcing the EMU is the starting point to expanding the role of the euro – a crucial component of Europe's global influence – in the international financial system. The EU must complete the Single Market (particularly for services, digital and capital markets), to not only withstand competition but also unleash opportunities for European companies and consolidate Europe's regulatory power.⁸ Against the bedrock of the Single Market, the EU should foster ongoing efforts to achieve a rules-based level playing field with economic partners and competitors. This includes addressing concerns around foreign subsidies and market access in third countries.

The digital and industrial strategies adopted by the Commission in, respectively, February and March 2020 (alongside a White Paper on Artificial Intelligence and a European strategy on data) point to several milestones to strengthen, as these documents put it, Europe's strategic autonomy, technological sovereignty or sovereignty *tout court*.⁹ Among these priorities, the EU and its member states must create the conditions for a thriving European data economy and AI applications that advance competitiveness while respecting citizens' rights. Europeans should boost joint investment in research in strategic areas, including future and emerging technologies and disruptive innovation. Europe should also create a more favourable funding and regulatory environment for ambitious high-tech start-ups – an area where it seriously lags the US and Asia.

Europeans cannot afford to have the economic impact of the crisis weaken their security by crippling defence investment. While cuts in defence budgets can be expected, cooperation will be all the more essential to maximise joint output.¹⁰ Defence cooperation at the EU level is at an early stage but can make a significant difference to the enhancement of operational capabilities, as long as member states clearly define their level of ambition and invest in large scale, joint projects that fill clear capability gaps. Maintaining a sizeable European Defence Fund under the new Multiannual Financial Framework (MFF) will be critical to support this cooperation. Europeans will also need to deliver a much stronger crisis management capacity to stabilise a turbulent neighbourhood before crises get out of hand and foreign powers fill geopolitical voids. This is about Europeans becoming more viable security providers alongside partners, such as through NATO and the UN, or on their own, if necessary.

3.3 ENGAGE

A stronger Europe should also be a staunch advocate for engagement to uphold rules-based cooperation and reforming the international order. Multilateralism is not just a set of procedures but a

mindset; it is about elevating the power of the rules over the rule of power. In a contested strategic landscape, where major powers take a utilitarian and selective approach to international cooperation, multilateral solutions are often out of reach. Nevertheless, the EU should continue to pursue them while taking a flexible, pragmatic approach to cooperation that operates at multiple levels simultaneously.

This applies, for example, to trade matters. The EU should continue to invest in the reform of the World Trade Organization (WTO) and comply with its rules. At the same time, it should also work with variable coalitions in those areas where WTO rules are currently lacking, find temporary solutions to the gridlock of the WTO dispute settlement regime, and pursue ambitious trade deals. Most recently, the EU has outlined a multilevel, 'Team Europe' global response to COVID-19, working through bilateral, regional and multilateral channels to provide emergency response, strengthen health systems and deal with the socioeconomic consequences of the pandemic.¹¹ This approach should be taken forward and necessary resources made available.

Establishing multilateral norms, working through like-minded coalitions and managing differences will coexist in the EU's approach to international engagement.

In coming years, a particular effort will be required to expand global governance arrangements to cover fast-evolving technologies (e.g. digital, nano- and biotechnologies) and their extensive applications. This should be done in parallel with proactive engagement with partners in global standard-setting, while also strengthening Europe's science diplomacy. The Commission has announced that it will roll out a Global Digital Cooperation Strategy by 2021. This is about combining policy developments at the EU level with a strong commitment to global dialogue and cooperation.

Of course, in this field as well as others, this will be a very difficult exercise, fraught with trade-offs and uneven results. This is, however, the new normal of international cooperation. Establishing multilateral norms, working through like-minded coalitions and managing differences will coexist in the EU's approach to international engagement.

Conclusion

The EU and its member states' response to the COVID-19 crisis will say a lot about them, and their future. If EU leaders measure what is at stake, and measure up to the challenge, they can create new momentum for European integration. Progress will require sustained political focus and flexibility over time, but this is the moment to send a definite political signal of European unity, matching words with deeds. Upcoming decisions on a financial recovery package for Europe should be seen not as a point of arrival, but one of departure. That should become the bedrock of a more strategic and autonomous Europe, determined to not just overcome the pandemic but close ranks in the face of various other challenges. If, however, EU leaders fail, the ensuing political crisis will take Europe down the alternative road of progressive fragmentation and strategic dependence.

Upcoming decisions on a financial recovery package for Europe should be seen not as a point of arrival, but one of departure.

Ultimately, this is a matter of credibility vis-à-vis both EU citizens and international partners. **For Europe, credibility requires consistency and capacity.** Consistency means, first and foremost, showing that sharing sovereignty and pooling resources work. When

discussing a recovery fund, the Union's MFF, the Green Deal, the European approach to digital matters, eurozone reform or the reform of Europe's asylum and migration policy, Europe's credibility is on the line.

Europe's influence in its neighbourhood and beyond ultimately rests on its economic success, political values, a fair society, environmental sustainability and multilateral engagement. However, these core assets need defending. Consistency and capacity cannot be delinked. Any positive agenda needs to be backed by adequate means to confront competition, implement Europe's choices and advance international cooperation.

- ¹ See e.g. Haass, Richard, "[The Pandemic Will Accelerate History Rather Than Reshape It](#)", *Foreign Affairs*, 07 April 2020; Wright, Wright, "[Stretching the International Order to its Breaking Point](#)", *The Atlantic*, 04 April 2020; Legrain, Philippe, "[The Coronavirus Is Killing Globalization as We Know It](#)", *Foreign Policy*, 12 March 2020.
- ² Grevi, Giovanni, (2019), "[Strategic autonomy for European choices: The key to shaping power Europe](#)", Brussels: European Policy Centre.
- ³ Borrell, Josep, "[Speech by High Representative/Vice President Josep Borrell](#)", Raisina Dialogue 2020, 16 January 2020.
- ⁴ See Lippert, Barbara; Nicolai von Ordanza and Volker Perthes (2019, eds.), "[European Strategic Autonomy: Actors, Issues, Conflicts of Interests](#)", Berlin: German Institute for International and Security Affairs; Leonard, Mark and Jeremy Shapiro (2019), "[Strategic sovereignty: How Europe can regain the capacity to act](#)", European Council on Foreign Relations; Grevi (2019), *op.cit.*
- ⁵ Grevi, Giovanni, "[Rules first: The way forward for 'shaping power' Europe](#)", in "[Yes, we should! EU priorities for 2019-2024](#)", *Challenge Europe*, Volume 24, Brussels: European Policy Centre.
- ⁶ European Council, [Joint Statement of the Members of the European Council](#), 26 March 2020, Brussels.
- ⁷ Boin, Arjen and Martin Lodge (2018), "[Enhancing the EU's transboundary crisis management capacity: Recommendations for practice](#)", London: TransCrisis; Backman Sarah and Mark Rhinard (2018), "[The European Union's Capacities for Managing Crises](#)", *Journal of Contingencies and Crisis Management*, Volume 26, Issue 2, pp.261-271.
- ⁸ Harbour, Malcolm and Johan Bjerckem (2019), "[Making the Single Market work: Launching a 2022 masterplan for Europe](#)", Brussels: European Policy Centre.
- ⁹ European Commission (2020a), [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: A New Industrial Strategy for Europe](#), COM(2020) 102 final, Brussels; European Commission (2020b), [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Shaping Europe's digital future](#), COM(2020) 67 final, Brussels. See also Bjerckem, Johan and Marta Pilati (2019), "[An Industry Action Plan for a more competitive, sustainable and strategic European Union](#)", Brussels: European Policy Centre.
- ¹⁰ Becker, Sophia; Christian Mölling and Torben Schütz (2020), "[Deterrence and Defence in times of COVID-19: Europe's political choices](#)", Berlin: German Council on Foreign Relations.
- ¹¹ European Commission and High Representative of the Union for Foreign Affairs and Security Policy (2020), [Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Communication on the Global EU response to COVID-19](#), JOIN(2020) 11 final, Brussels.

The **European Policy Centre** is an independent, not-for-profit think tank dedicated to fostering European integration through analysis and debate, supporting and challenging European decision-makers at all levels to make informed decisions based on sound evidence and analysis, and providing a platform for engaging partners, stakeholders and citizens in EU policymaking and in the debate about the future of Europe.

The **Europe in the World Programme** scrutinises the impacts of a changing international system on Europe and probes how the EU and its member states can leverage their untapped potential to advance their interests and values on a regional and global level. It thus examines the evolution of EU relations with major powers, such as the United States, China and Russia, and how Europe can contribute to a rules-based global order. Second, the Programme focuses on the role of the EU in fostering reforms, resilience and stability in neighbouring regions. It looks closely at the developments in Turkey and Ukraine. Third, the Programme examines how the EU can strengthen its security in the face of terrorism, jihadist radicalisation or hybrid and cyber threats. It also seeks to advance the debate on Europe's defence policy.

With the strategic
support of



King Baudouin
Foundation

Working together for a better society



With the support of
Europe for Citizens Programme
of the European Union