



THE TRILATERAL COMMISSION (EUROPE)  
39<sup>th</sup> EUROPEAN MEETING IN COPENHAGEN/DENMARK  
6-8 NOVEMBER 2015

A DAVID ROCKEFELLER FELLOW CONTRIBUTION<sup>1</sup>

**EUROPE'S NEW NORMAL:  
SIMULTANEOUS CRISES THAT THREATEN TO UNRAVEL THE EU**

**Not only *more* but a *better* Europe**

*“Two polar views remain prevalent. For some the system was fundamentally flawed from the start inasmuch as any monetary union requires a political union. The solution is thus ‘more Europe’. For others the system was not fundamentally flawed. A monetary union can work among sovereign states provided commitments are respected which was not to be the case. Hence the need for a ‘better Europe’. The challenge will be to explore ways combining ‘better’ and ‘more’ Europe.”*

Trilateral Commission Report on *Credible European Governance*, May 2014

**1. EUROPE AS THE “NEW NORMAL”?**

Many young Europeans – including ourselves – today feel as (or even more) attached to their European identity as to the national and local identities that defined earlier generations. We have criss-crossed the continent on trains or in cars. Ever since the Schengen agreement in the mid-1990s, we barely noticed when we crossed borders. Since 2002, we have been able to pay in the same currency on most of our European journey.

Some 2.5 million young Europeans under 25 have been able to study abroad with the help of the Erasmus exchange program. Younger people are also more likely to move to another EU country to work than previous generations.

Therefore, for many of us, especially those of us who have enjoyed the privileges of good education and professional prospects, a borderless and unified Europe has become the new normal. Given that after World War II, Europe was riven by mistrust and even outright hatred amongst many of its nations, such attitudes are an historical achievement. They are, however, by no means universal.

In recent years, frustration with the EU has been growing strongly also among younger people, and especially those who – be it because of lack of education or ill-functioning labour markets – have struggled to get a good start in life. Trust in, and support for, the European integration process declined dramatically during the economic and financial crisis, especially but not only in those countries hardest hit. And although support levels have been recovering

---

<sup>1</sup> By Katinka Barysch and Till Hoppe, with valuable contributions by Jonathan Holslag and Manuel Muniz

somewhat now that Europe's economies are stabilising<sup>2</sup>, eurosceptic sentiments have reached worrying degrees in some member countries. In France, for example, the *Front National* scored best among voters below the age of 35 in last year's European elections (approximately 30 percent of younger voters supported FN, according to a Ipsos-Steria poll). In Poland, 28.5 percent of those between 19 and 25 voted for the eurosceptic and nationalist *Nowa Prawica*. And the list goes on.

In most countries, the younger generation's general disengagement from politics also extends to the EU. In the European elections of 2014 just 28 percent of those aged 18 to 24 bothered to vote, compared with over 50 percent among their parents' generation.<sup>3</sup>

We see three major reasons for such frustration and disengagement.

*First, most of younger people tend to take the benefits and comforts the EU offers for granted. And why shouldn't they? Why should they feel grateful for a political project that has overcome war and devastation that for them (and even for most of their parents) lies in the distant past? Younger Europeans do not even remember what it was like queuing at European borders or having to change money several times on their Inter-rail journey. Therefore, instead of being grateful for peace, younger Europeans probably expect more concrete and near-term benefits from the EU.*

*Second, however, the EU is so complex that most people struggle to disentangle the benefits and downsides associated with it. In the UK, for example, only 7 percent of younger people feel they know a lot about the EU.<sup>4</sup> Since most of younger Europeans do not see the EU merely as a peace project or a guarantor of fundamental freedoms, for them the EU consists of a plethora of remote institutions and bureaucratic processes. If 'Europe' affects their lives directly, it is through disparate issues such as roaming charges or TTIP that are hardly conducive to creating an overall attitude. On its way to 'ever closer union', the EU has become almost impossible to understand for most but a few insiders and experts. This complexity and remoteness fuels the impression that European integration is basically an elite project that is easily abused by those strong enough to push for their own vested interests. The result is that hardly anyone outside Brussels knows what the process of trilogies entails but everybody believes to know that lobby groups rule Brussels.*

*Third, as expectations have risen and understanding has declined, the EU's apparent failure to solve fundamental problems such as unemployment has come to the fore. As we have noticed in the 2014 DRF paper 'Making Democracy Perform', presented at the Trilateral Commission's meeting in Belgrade a year ago, "there is a crisis of political performance, which inevitably leads to greater political distrust". This performance deficit was brutally felt during the euro debt crisis, and it keeps growing as new challenges are emerging.*

---

<sup>2</sup> According to Eurobarometer, the share of those between 15 and 24 years old who tend to trust the EU declined from 64% in spring 2007 to 41% in autumn 2012, rising to 48% in autumn 2014.

<sup>3</sup> The average among all eligible age groups was 42.5 percent. TNS Opinion, 'Post-election survey 2014'.

<sup>4</sup> 'Why do young Brits feel disengaged from the EU?', Channel Four, April 25<sup>th</sup> 2014.

## 2. THE NEW NORMAL UNDER STRESS

The economic crisis has seriously challenged the EU's promise of prosperity. The annexation of Crimea by the Russian Federation and the ongoing conflict in Eastern Ukraine have shattered the belief that war and the redrawing of borders by military force would never happen in Europe again. The massive influx of refugees has starkly revealed the limits of solidarity between member states. Antagonistic debates about "Grexit" and the looming "Brexit" referendum are undermining the very idea that European integration is irreversible.

This succession of crises is disconcerting for all European, but it affects younger people in specific ways.

**First, the economic crisis:** The worst seems to be over, for now. The European Commission predict EU GDP growth of 1.7 percent in 2015, and some hardest hit economies, such as Spain and Ireland, are now growth leaders. Labour markets, however, have been slow to recover, with 23 million people in the EU still looking for a job in the summer of 2015. This lack of job opportunities is hitting younger people much harder than older ones.

Although *youth unemployment* has declined somewhat from its 2013 peak, it remains scandalously high, at 20 percent in the EU on average, way above its pre-crisis low of 15 percent in the first quarter 2008. *People below the age of 25 therefore are twice as likely to be jobless as the average population.*

Even before the crisis, younger people appeared to be the losers in a job market under pressure from globalisation and technological change. The crisis has made things much worse. When businesses are under stress, they are less likely to hire newcomers who lack experience and often even basic skills as they emerge from *ill-functioning education systems*. In one survey in eight major EU countries, 27 percent of businesses lamented that they had to leave entry-level positions vacant because they simply could not find anyone with the necessary skills.<sup>5</sup> In many EU countries, *rigid labour market policies* – that protects full-time, permanent workers at the expense of part-time and temp jobs – make it near to impossible for younger people to gain a secure foothold. In Spain, almost seven in 10 young workers are on temporary contracts. In the eurozone as a whole, the share was over 50 percent.<sup>6</sup> In Europe, youth is a scare resource – we cannot afford to waste it.

The implication of **the second crisis, the Russia-Ukraine conflict**, for younger people is less obvious. Surveys have revealed no uniform generational split in attitudes towards the conflict.<sup>7</sup> Although consternation about Russia's actions diminished with growing geographic distance,<sup>8</sup> the EU28 have so far managed to hold together and unanimously impose economic sanctions. Thus the impact of the conflict on the EU's reputation is not so much the result of disunity but the EU's apparent inability to solve the crisis on its eastern border.

---

<sup>5</sup> McKinsey, 'Education to employment: Getting Europe's youth into work', January 2014.

<sup>6</sup> Sarah O'Connor, 'The New World of Work: recovery driven by rise in temp jobs', Financial Times, August 4<sup>th</sup> 2015.

<sup>7</sup> In some EU countries, younger people fear Russia more than older ones and want the EU to take a tougher line, in others, the reverse is true. Pew Research Centre, 'NATO publics blame Russia for Ukrainian crisis, but reluctant to provide military aid', June 10<sup>th</sup> 2015.

<sup>8</sup> Seven in 10 Poles say that Russia is a military threat to its neighbors, compared with 50 percent or less in France, Spain, Germany and Italy. Pew Research Centre, June 10<sup>th</sup> 2015.

The EU, led by Chancellor Merkel and President Hollande, pursued a strategy of diplomatic initiatives and economic pressure while refusing to provide military support to Ukraine (as favoured in particular by many US policymakers). Many experts praised the EU's approach of "strategic patience". The risk is, however, that this approach feeds perceptions of a EU hesitant and weak when it comes to the use of hard power. In this view, *Russia has smashed the Europe's core value of a cooperative security order and Europe seems to have failed to react adequately.*

**Third, the refugee crisis** then hit a EU that to many already looked both weak and incapable. EU leaders very publicly failed to agree on a fair distribution of rapidly growing numbers of refugees. Despite repeated meetings of the Justice and Home Affairs Council, the EU made only very gradual progress towards easing the burden of the countries most affected, including Greece, Austria and Germany. The persistent refusal of four countries, namely the Czech Republic, Hungary, Romania and Slovakia, to participate in the redistribution of 120,000 migrants triggered a rare majority decision in the Council on September 22<sup>nd</sup>.

*The refugee influx seems to test solidarity among the EU countries even more seriously than the euro crisis.* Immigration is a sensitive issue in most societies and many Member States remain reluctant to allow the EU even a modicum of control over who should be allowed to settle within their borders. Immigration of people from outside the EU evokes a negative feeling in 56 percent of all EU citizens. Among those under 25 years, this share is only slightly lower.<sup>9</sup>

Scepticism is particularly high in the Czech Republic (81 percent) and Slovakia (77 percent), two of the countries that still refuse to take in more refugees. Most Eastern European countries until today have very little experience with migrants from the Middle East and Africa. This lack of direct experience, combined with living standards that are still lower than in Western Europe, appears to have led to feelings of deep insecurity and denial.

Since the topic is charged with emotions, the massive pressure that the European Commission, Germany and others put on reluctant Eastern European countries triggered fierce reactions. Governments in Germany and elsewhere also decided to reinstate border controls to regain some control over the influx. Although the decision was in accordance with the Schengen Treaty (which allow for temporary border controls in the case of a serious threat to "public policy or internal security"), it fuelled concerns that such controls might become permanent. More generally, *the refugee crisis appears to be eroding one of the EU's most fundamental achievements: the freedom of movement.*

**Fourth, the EU's apparent inability to control its borders has strengthens already strong euroscepticism in the UK,** with an "in-out" referendum promised by the end of 2017. With the British Labour Party preoccupied by internal squabbles and the traditionally pro-EU LibDems in political oblivion, the eurosceptic wing of the Conservative Party feels free to push Cameron into an ever closer corner. Since other EU countries will be neither willing nor able to make substantive concessions for Cameron's promised "New Deal", the risk that the UK will vote to leave is significant.

---

<sup>9</sup> Standard Eurobarometer, May 2015.

For the UK and the EU at large, this would have severe consequences. It would most probably also further undermine the young generation's believe in the EU. If a country that was celebrated not too long ago as "Cool Britannia" – appealing and successful exactly because of its openness – turns into an inward looking, closed society, the conclusion for many will be that Europe's attractions are shrinking. A British "No" would also lead to calls for similar referenda in other countries, including most probably The Netherlands and France. Europe might then have to struggle with severe centrifugal forces at exactly the time when it needs to pull together to address internal and external challenges.

### **3. EUROPE SHOULD BE THE ANSWER – BUT HOW TO CONVINC THE EUROPEANS?**

Against the background of successive crises, the debate about how to preserve and extend the benefits of European integration is intensifying. We can see *three broad directions* in the debate, two of which would lead into a dead end, in our view.

***A first set of proposals aims at renationalising powers in the EU.*** Recent crises have played into the hands of those who argue that only a strong nation state can protect the interests of its citizens in difficult times. Both the euro crisis and the refugee influx, these forces argue, show the dangers of an integration process that has gone too far, too fast. The euro, they criticise, has left powerful supranational institutions (the ECB, the European Commission and the IMF) or a dominant neighbour (Germany) with too much control over the economic policies of other countries and therefore undermined their ability to manage the economy to the benefit of their own citizens. The refugee influx, meanwhile, can only be solved through strong controls of national borders, not through compromises at the European level.

***A second group of ideas evolves around splitting the EU into a Northern region and a Southern one.*** In the North, the hope is that a Euro that includes only 'stability-oriented' countries would be more sustainable. In the South, the argument goes that the cultural and historical preferences of Latin people would allow for a way of life less focused on efficiency, austerity and competitiveness than is currently being imposed by the North.

Both sets of ideas could flourish because of political shortcomings in recent years. But they cannot solve the problems they claim to address. It is hard to imagine, for example, that the countries most affected by the Euro crisis would have been better off had they to deal with their economic and financial problems by themselves. While the initial trigger for the financial crisis might have been external (the collapse of the sub-prime mortgage market in the US), the economic crises that followed in many countries were the result of years of unsustainable (private or public) spending and the inability of successive governments to improve labour markets, public administrations and the business environment.

The impact of the ensuing bailout programmes was in some cases more severe than necessary, because of a one-sided focus on fiscal consolidation. This realisation, however, does not mean that a bit more fiscal spending would be sufficient to address deep-seated problems in countries such as Greece, Portugal or Spain. Nevertheless, the conviction that the harsh austerity imposed by Germany and the institutions (formerly the Troika) was the reason for recession and unemployment has driven people to vote for the likes of Syriza and Podemos.

*We remain convinced that none of the crises Europe faces today can be solved by individual states acting on their own.* The turbulences in the eurozone have shown the need to back up the single currency with more common fiscal and economic policies. Economic sanctions against Russia would not work if only some EU member states imposed them, while others took the opportunity to do more business. The migration crisis has demonstrated that no country is an island and that even Germany, Europe's current powerhouse, can be overwhelmed within months without European burden sharing.

Therefore, *the only way forward for the EU is to continue to cooperate and integrate in areas where it faces common challenges.* That does not mean that 'Brussels' shall regulate every aspect of life. The EU must respect, and strengthen, the *principle of subsidiarity* so that local and national authorities can deal with issues that they are best suited to tackle.

While we are convinced of the value of further integration, we also see the difficulty of selling such steps to a tired, disengaged and sceptical electorate. Here is the EU's awful dilemma: We need fast and effective integration exactly at a time when many people in Europe are weary.

In this difficult situation, *it is imperative not to 'lose' the younger generations who will have to shape, support and live with the decisions that are now being taken about Europe's future course.* Here are some ideas on how this could be done:

#### ➤ **Make a difference**

While the EU's focus is on tricky issues such as fiscal institutions, foreign policy and refugee quotas, there are many areas where it does have clear and effective powers. Many of these areas matter greatly to the younger generations. *Climate change* is one example. If the EU manages to regain its role and reputation as a leader in the global fight against climate change, and if it contributes visibly to an ambitious outcome at COP21, it will surely rise in the esteem of an environmentally conscious generation.

Another area could be *digital goods and services*. Especially younger people would be thrilled if the EU made its digital single market initiative a success – which would mean enabling Europeans to use the full opportunities of the internet across borders and not only focusing on competition policy or data privacy issues.

#### ➤ **Go step by step**

The EU, in the past, has often had an unfortunate tendency to overpromise and under deliver. New projects were often launched by defining an ambitious end state (e.g. "Turn the EU into the most competitive knowledge-based society", "Ensure secure, sustainable, affordable and competitive energy for all citizens") that always appeared to stay out of reach. While a certain amount of ambition is needed to get a project going, the EU's heady promises have fuelled cynicism in some quarters.

The EU appears to have learnt that lesson. For example, when the Presidents of the Five large European Institutions presented their ideas on how to complete economic monetary union on 22 June 2015<sup>10</sup>, they came up with a pragmatic, step-by-step roadmap. The idea is to set an overarching framework so that concrete measures are seen as steps towards achieving a wider objective. More ambitious steps, such as establishing a eurozone ‘fiscal capacity’, are made dependent on first achieving certain conditions (‘convergence’).

Similarly, the Action Plan for the EU’s new Capital Markets Union shies away from defining ambitious objectives or launching a big package of legislative measures. Instead, it puts much emphasis on stocktaking, market-based processes, voluntary cooperation and evidence-based policymaking. Given how sceptical many Europeans are today of hasty and big integration projects, this approach strikes us as promising. Perhaps, one day, when Europe has regained sufficient legitimacy, the “big-package” approach will return.

### ➤ **Show restraint**

Of course, for the EU to function it needs strong and effective institutions. However, many Europeans have come to suspect that the EU’s institutions have become overly powerful and some think that they have even used the latest crises for a further power grab. Members of the European Parliament and the European Commission often claim that any problem could be solved better if only ‘the member states did not get in the way’ while being seemingly oblivious to their own legitimacy issues.

We feel that today, the inexorably logic of ‘ever closer union’ has few friends outside Brussels. Europeans do not take it as a given that each and every issue is better solved by transferring more powers to the EU. Therefore, some flow into the opposite direction might help Europeans to regain trust in the European process.

The EU should be prepared to devolve some powers back to the national and local governments. Perhaps, the British negotiations present an opportunity in this respect. For example, the British idea to give national parliaments a stronger say in EU policy making has much support across the EU, including in Germany.

### ➤ **Be transparent**

The negotiations about the Transatlantic Trade and Investment Partnership (TTIP) have demonstrated how easily political opponents can exploit a lack of transparency. The European Commission has kept on reassuring European publics that TTIP would not deliver genetically modified foods to European supermarket shelves or allow US companies to hollow out EU environmental and social standards. Critical politicians and NGOs could always claim the opposite, simply by referring to the fact that the negotiations take place behind closed doors and the Commission has been slow to make TTIP-related documents public. As a result, in Germany, Austria and some other countries, opposition to TTIP is now so strong that it has become a major obstacle to the agreement’s conclusion.

---

<sup>10</sup> [http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report\\_en.pdf](http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_en.pdf)

The lesson from the TTIP fiasco must be that *in the Internet age, policy making needs to be open and transparent from the beginning*. In some areas, such as security and trade, this will require difficult balancing acts between the discretion that is required for sensitive negotiations and the need to keep the public informed.

➤ **Improve communication**

The ways EU institutions communicate play a big part in this dialogue with the public. Traditionally, the EU institutions have basically prepared information from experts for experts. If and when the institutions open up, it can be confusing. The Commission's website is a vast labyrinth that is almost impossible to navigate for non-insiders. Digital natives in any case rely more on the constant stream of information their friends share on social networks like Facebook, YouTube or Twitter. They tend to trust this information because it comes from within their own community, but they also absorb a lot of information from questionable sources.

If the Commission does not move quickly to correct one-sided or wrong information for example on TTIP, it will see opposition growing. The Commission's efforts to be more present in social networks is laudable but much more can be done here, in simpler, more accessible language.