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A STRONGER EUROPE IN THE WORLD

REGIONAL ASPECTS

◗ EU-CHINA

When a Chinese investor bought German robotics manufacturer Kuka in 2016, politicians across Europe woke up from their slumber to a new reality in which China was no longer seen purely as an economic powerhouse, but also as a security risk. Since then, most EU countries have started to pay attention to Chinese activities within and outside the EU and have become more conscious of the potential political and security implications of doing business with China. This new outlook has resulted in passing the EU regulation of foreign direct investment (FDI) screening which allows member states and the EU Commission to evaluate non-EU investors and block any projects which could pose security threats. Nevertheless, a shared EU policy on China is still missing, despite Brussels' attempts to come up with a common ground in approaching China. The united European approach should (among other things) cover the following aspects:

Create a comprehensive EU policy on China reflecting interests of all member states (old and new; big and small). Previous attempts to come up with an EU-wide policy on China were unsuccessful mostly due to internal EU divisions and differing interests of the member states. Only as a united group can the EU deal with the challenges posed by the growing power and influence of China. Member states need to recognise that there are differences between them and overcome the differences by formulating a policy reflecting the needs of as many states as possible, not only of the largest ones.

Foster a unique "Europe/ EU" brand akin to China's Belt and Road Initiative (BRI). In most world regions, the EU has been a far more important development actor than China. Yet, the EU suffers from a lack of visibility. While generally becoming more assertive and action-oriented, the EU needs to promote its existing activities in low and middle-income countries by fostering a unique brand akin to China's Belt and Road Initiative.

Promote a rapprochement of the EU and Chinese corporate governance structures. Chinese state-owned enterprises (SOEs) constitute one of the main obstacles preventing China and the EU from agreeing on an investment agreement. The EU does not seem to be the main prohibiting factor in crafting a successful agreement since it has shown to the world that it can carry out fruitful bilateral agreements with several countries in Asia, such as South Korea and Japan. Preferential market access for Chinese SOEs and private enterprises is key to their undue competitive advantage globally. Recently, Chinese growth has been seemingly altered mainly by domestic impediments such as the slowing reform progress in state-owned enterprises. Although certainly not easy, equal

market access for EU companies in China and a reform of Chinese corporate governance structures bringing it closer to the global/ European standard are important steps that need to be taken before an investment treaty with China can be signed. At the same time, the EU should not be afraid to strictly enforce its rules against those Chinese companies whose presence in the single market poses a security threat.

EU to accelerate accession of the Balkans and Eastern Partnership countries. The growing Chinese presence in the Western Balkans (WB) and Eastern Partnership countries (EaP) poses a challenge to both regions as well as to the EU. Chinese unsustainable investment practices and lack of interest in promoting the rule of law can affect the ability of the Balkans and EaP countries to integrate into the European Union. By fostering ties with local politicians, China can then use the ties to promote its interests in the EU (once the WB and EaP countries become members). Becoming an increasingly important actor in international relations, China is increasingly able to influence international standards and norms which in turn allows China to secure its spot as a global leader. To minimise the growing impact of Chinese economic presence in these regions, the EU must offer a clear path to EU membership for the WB and EaP countries.

◗ EU-US

Since World War II, transatlantic relations have undergone a structural change in several respects. **Firstly**, the current confrontational stance of the US vis-a-vis China is putting significant pressure on the transatlantic relationship with Europe being caught between China and the US. **Secondly**, the US has started explicitly questioning the terms of the security partnership with Europe. Thirdly, the US is, perhaps for the very first time, openly hostile towards the EU while trying to establish a special relationship with the UK. This is however to the detriment of the relationship between the UK and the EU.

One of the current challenges for the transatlantic relations is related to the rise of isolationism led by the Trump administration in the US, complemented with their scepticism about the importance of international institutions/cooperation. Simultaneously, Europe is experiencing a rise of populism as well as quasi-authoritarian tendencies of some national governments. In addition, Chinese and Russian influence and interference in the domestic affairs within the EU and the US should not be underestimated.

Those challenges heighten potential risks affecting transatlantic relations, including the possibility of an EU-US trade war. The diffusion and split of power in the Western world can allow other malign actors to prevail in the international arena. Taking into consideration the fact that the EU was created under the US' "supervision", potential fragmentation of the Transatlantic Alliance could be damaging for Europe and the prevalent peace

and freedom, and further encourage separative tendencies.

Hence, the EU should take a proactive role, allocate resources, and work with the US to develop common approaches to major challenges, including relations with Russia and China, democratic decline, migration, corruption and money laundering, social media regulation, and economic prosperity in the transatlantic space. Europe should show a stronger financial and shared commitment to defence and security, international diplomacy, and international development to complement. To achieve this, US and EU diplomats should be driven to collaboratively draft a shared agenda.

◗ EU-RUSSIA (INCL. EASTERN PARTNERSHIP COUNTRIES AND THE ARCTIC)

In March 2016, five principles were agreed to guide EU-Russia relations, namely 1) full implementation of the Minsk agreements; 2) closer ties with Russia's former Soviet neighbours; 3) strengthening of the EU's resilience against Russian threats; 4) selective engagement with Russia; and 5) support for people-to-people contacts.[1] Implementation of each of these principles faces significant challenges. The implementation of the Minsk agreements remains stalled and the situation in Eastern Ukraine continues to deteriorate. In addition, Russia has been accused of interference in national elections and political processes across the EU, as well as in Eastern Partnership and Western Balkans countries. Some EU member states worry that projects such as the Nord Stream 2 pipeline will further boost external influence of Russia in the EU and hence they are calling for the suspension of the project. Member states are divided on whether the EU should start reconceptualising its relations with Russia, with a group of French-led allies calling for a reset of EU-Russia relations; and the Baltic states, Poland and Romania showing caution as regards Russian intentions.[2] At the same time, both EU and Russia face challenges that could be better addressed jointly, such as transnational terrorism, environmental degradation, conflict in the Middle East, or irregular migration.

Re-evaluate the five guiding principles for EU policy towards Russia. The newly appointed European Commission offers an opportunity for the EU to re-evaluate the 'five principles' outlining the EU's position on Russia announced in 2016, especially considering their implementation has been uneven. While sanctions should remain in place until Moscow fully complies with its commitments under the Minsk agreement, the new Commission could seek selective engagement with Russia on foreign policy issues where the EU has a clear interest, such as counterterrorism. The EU could also be more engaging in people-to-people contacts and provide support to Russian civil society. Despite the sensitive and contested nature of this, Russia could also be considered a strategic partner in containing Turkish offensive in Syria, as well as President Erdogan's threats to release millions of refugees into Europe.[3]

Renew and strengthen the EU Arctic policy. The melting of the Arctic will not only impact global climate but also global economy. The EU needs to renew and strengthen its Arctic policy, as well as to develop a clear strategy on how to collaborate with Russia in the Arctic region. EU and Russia should attempt to develop a more intensive dialogue and closer cooperation on non-military security issues, such as emergency response, search and rescue, and joint action on the protection of the fragile Arctic environment.

FUNCTIONAL ASPECTS

◗ CLIMATE

In her Agenda for Europe, Ursula von der Leyen, the new president of the European Commission, established climate change as a top priority, promising to deliver the European Green Deal in her first 100 days in office. This highly ambitious proposal contains about 20 different policies, including:

- ▶ Sustainable Europe Investment Plan
- ▶ Emission reduction and Carbon Border Tax
- ▶ Circular economy and clean technologies
- ▶ Green financing, Just Transition Fund
- ▶ Cutting-edge research and innovation
- ▶ European Climate Pact
- ▶ Protecting the Ecosystem[4]

In addition to the tools and initiatives defined by President von der Leyen in her political guidelines, the following two measures deserve special attention:

Wise use of public procurement. The EU should consider combining supply-side measures (such as the Sustainable Europe Investment Fund and research and innovation grants) with demand-side measures, including public procurement (which accounts for over 14% of EU GDP)[5] and green regulation.

Making defence policy and peacekeeping operations greener. While working towards the creation of the European Defence Union, minimising environmental impact (from both manufacturing and end-user perspective) throughout the military equipment value chain should be a priority. The highest environmental standards and best available technology must be applied and the Defence Union itself should be responsible for bearing full costs of the emissions from production to use of, for example, aircrafts or maritime fleets.

The European Defence Union, once established, must also have special provisions to enforce Articles 35 and 55 of the Geneva Conventions which prohibits "to employ methods or means of warfare which are intended, or may be expected, to cause widespread, long-term and severe damage to the natural

1   The EU's Russia Policy: Five Guiding Principles, EPRS, February 2018, http://www.europarl.europa.eu/RegData/etudes/BRIE/2018/614698/EPRS_BRI(2018)614698_EN.pdf
2   https://www.euractiv.com/section/europe-s-east/news/eu-divisions-over-russia-mount-as-france-germany-seek-peace-in-ukraine/; https://www.baltic-times.com/lithuanian_pm_sees_no_grounds_for__reset__in_relations_with_russia/; https://www.reuters.com/article/us-usa-poland/poland-not-ready-to-push-russia-reset-button-idUSTRE6B75VK20101208
3   Erdoğan threatens to send 3.6m refugees to Europe, Guardian News, 10 October 2019, https://www.youtube.com/watch?v=4NCX1r1GBaA
4   This comprises air pollution, food, waste, climate, deforestation, biodiversity, plastic usage, circular economy.
5   Single Market Scoreboard: Public Procurement, European Commission, https://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm

environment." Furthermore, during the direct involvement of the future Defence Union in armed conflicts and/or peacekeeping, even stricter standards for protecting the natural environment should be introduced. Finally, the European Defence Union should require all such practices to be implemented by its partners, e.g. NATO and the UN.

SECURITY & DEFENCE

In the last few years, Europe has witnessed multiplication of security threats and defence challenges, ranging from terrorism, cyberattacks and space weapon proliferation to unprecedented migration flows and Turkish intervention in Northern Syria. Europe is weaker than ever due to some of the world's major security challenges hanging on its doorstep. The proximity and impact of these challenges put a political spotlight on Europe, deeming it a leading voice in the global political, diplomatic and military discussions, without overreliance on the United States.

Europe has a weak position on common security and defence policy, and key foreign policy issues in general (as most recently shown by the absence of Europe as a serious voice in the discussions with Turkish President Erdogan after his decision to repel the Kurds from Northern Syria). Only the US and Russia came out as credible mediators. At the same time there is an open access channel to EU member states for malign actors aiming at destabilising the Union. Europe's limited military capacity at a continental level is resulting in the inability to project any great power status. The absence of a coordinated industrial policy for disruptive technologies for military purposes (on the US DARPA model) would provide Europe with a scaling capacity for growth-enabling technologies in the defence industry.

The challenges outlined above could cause political reaction from Eurosceptic movements, denouncing the threats of a greater European integration in industrial, defence, and foreign policy to national sovereignty. These problems could fuel anti-EU political sentiment and condemn the EU discussions on security and defense to a stalemate, particularly in countries historically sceptical towards policy integration (e.g. the Netherlands). The inability of Europe's industrial (Germany) and military (France) powers to agree to dilute their respective affluence in favour of a greater European integration could lead to destabilisation attempts from foreign powers. Countries which would feel threatened by a stronger and unified Europe on defence and foreign policy issues could be the biggest drivers of destabilisation campaigns.

Hence, the EU should foster European strategic autonomy and lay the foundations of a common foreign and defence policy on key strategic issues, such as border security, "European Blue Helmets", EU military contingent for strategic operations aimed at upholding border security, cybersecurity for critical infrastructure, outer space strategy, etc. To achieve this, EU members will need to increase their defence budget spending and modernise their defence capabilities, not just in weaponry but also in IT systems and critical infrastructure. The EU will need to better synchronise its policies and coordinate with NATO to a larger extent. Greater EU autonomy in defence will only be conceivable if considered and deployed in the NATO context.

AI, DISINFORMATION & CYBERSECURITY

The 2019 EU Parliament elections together with national elections and referenda across the EU demonstrated the need for member states to better coordinate their efforts to address the threat posed by external interference. Psychological and disinformation campaigns are increasingly merged with cyberattacks including data breaches, hacks and leaks. Advances in machine learning (ML) and artificial intelligence (AI) are altering the ways in which disinformation can be produced and disseminated, automating malware and offensive cyber capabilities, and enabling adversaries to evade detection and defensive measures in place.

Given the growing sophistication of cyber-enabled threats, **the new EU Commission should consider classifying election systems and processes as critical infrastructure** to ensure that electoral infrastructure can enjoy all the benefits and protections of critical infrastructure that the European Directive on Security of Network and Information Systems (the NIS Directive) has to offer.[6] In addition to the reinforcement of the EEAS StratCom Task Force, the EU Hybrid Fusion Cell, and the EU Cybersecurity Agency (ENISA), the EU should provide more funding for the intersection of AI and disinformation, particularly to improve algorithms and their ability to detect false content.

Considering the uncertainty of Brexit, it is key for the EU to **maintain a close relationship with the UK when it comes to cybersecurity**. The EU should strive to maintain intelligence sharing and crime-fighting agreements with the UK and should allow it a special status in European Cybercrime Centre (EC3) within Europol.

In order to increase the resilience of citizens to cyber-enabled threats, the EU should scale up media literacy initiatives (such as the EU Media Literacy Week) and activities in the area of cybersecurity education (such as the European Cybersecurity Month).

Private companies' underinvestment in cybersecurity amplifies the issue, with data breaches affecting millions of customers. Associated reputational damages lead to underreporting of attacks by companies which in turn limits the flow of information to cyber insurance markets whose products might underestimate risk. The EU should **develop a system for mandating cybersecurity certifications for government suppliers** since they are close to sensitive information held by the state. Such regulation would set standards for private sector stakeholders as well.

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6   The NIS Directive requires those companies that have been identified by Member States as 'operators of essential services' (namely energy, transport, banking, financial market infrastructures, healthcare, water and digital infrastructure) to take appropriate security measures and notify serious security incidents to the relevant national authority. See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L1148&from=EN

The financial sector deserves additional attention due to:

▶ its high-level of integration across countries, implying that a vulnerability in a small bank in one country can spread to the broader financial system,

▶ the potential of cyberattacks to block all economic activity by, for instance, targeting payment systems and,

▶ the potential of cyberattacks to trigger panic in the population (as witnessed in Bulgaria where a cyberattack triggered a bank run[7]).

Attacks on financial services can be used by state actors as part of a hybrid attack targeting the stability of a country as a whole. **The EU should strive for harmonised mandatory regulation on cybersecurity for financial institutions**, covering prevention, testing, reporting and recovery. Up until now, there has been a combination of guidelines and ad hoc regulatory requirements, published by both national and European institutions. Moreover, the EU should ensure that alternative sources of liquidity are provided to markets in case of a large-scale attack. Additionally, member states should have a well-defined communication strategy, coordinated among financial institutions, governments and regulatory agencies.

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7   See, for instance, https://www.bloomberg.com/opinion/articles/2014-07-01/bulgaria-s-a-soft-target-for-bank-runs

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