

UNCHANGED AND UNANSWERED CHALLENGES AHEAD OF STORMY PERIOD

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Abstract

This paper focuses on key external and internal challenges the European integration is facing. Three factors have to get particular attention, which are likely to influence the EU's developments in the next and most probably crucial period of the integration.

Accelerated globalisation with increasingly contradictory developments and, more importantly, accompanied by highly controversial and dangerous national reactions (policy measures) does not exclude serious conflicts and collisions in the next period. Even the best informed and experienced strategic analysts, policy-makers and decision-takers are unlikely to be prepared to successfully face the „triad” of challenges: complexity, interdependence and interdisciplinarity. In other words, global and European developments reveal a highly complex structure, the understanding and answering of which requires in-depth professional knowledge and socio-psychological empathy. Due to the rapidly increasing interdependence, substantially accelerated after the global crisis of 2008 and involving not only trade but almost all areas of economic activities (services, capital flows, monetary system) each „national” decision generates regional and/or global consequences, with repercussion on the decision-makers. Finally, the impact of political decisions does not remain within the direct political framework, but has economic, social, institutional, regional, psychological consequences as well.

Keywords

European Union, integration, protectionism, challenges, threats

Economic decisions have political and other interdisciplinary implications. Therefore, any impact study in advanced countries generally preceding decisions with serious consequences should not only be based on a narrow spectrum of the character of decision (political, economic, social, etc.), but include the potential (or likely) impacts on other areas as well. In addition, it cannot be excluded that any slowdown or temporary stop or reversal of the decades-long globalisation, produced by the nature of globalisation, its negative effects or accompanied or just reinforced by sluggish growth or a new economic and financial crisis, could result in a „grand turning point” in international relations. (Giuliani, Jean-Dominique (2018)

Second, most challenges have been accumulated in a period of lasting, even if not very strong, economic recovery following the global crisis. The last decade proved to be one of the (or the) longest period(s) of continuous growth in large part of the global economy and in the European Union as well. Unfortunately, the historically granted time has not been used to successfully manage the key external and internal challenges. The EU enters the next period of lower growth or even recession accompanied by financial turbulances (or even a new global financial crisis) and with a lot of other unmanaged issues. It is difficult to foresee how at least some basic challenges will be addressed in a less favourable macroeconomic environment.

Third, the coming elections into the European Parliament in May 2019 have already diverted attention from the management of burning problems. Member States and politicians are focusing on the future party-based composition of the Parliament, and on the personal aspects of key positions in different organs of the EU, with special interest in the future president of the Commission. At the same time, many external and internal challenges continue and their management can hardly wait for the post-election period, the first months of which will again be covered by implementing personal (and member country) priorities. In a period characterised by accelerated speed, any loss of time may generate irreparable costs and fundamentally influence the future of the European integration.

In the following part of the paper, specific notes will be made on key areas of external and internal challenges, based on recent developments and potential consequences for the future of the EU.

1. Key external challenges

1.1. From threat to practice:

Trade protectionism of the US administration

Already in his electoral campaign, Trump could convince a substantial part of the US citizens that the huge American trade deficit cannot be sustained. Particularly, countries with enormous surplus in bilateral trade, such as China and Germany („evil countries“) have to be punished. He did not care about the causes of this deficit (outward investment and production by US companies, consequences of globalisation started by and with huge benefits for US firms, losing competitiveness of domestic US firms in an increasingly global competition, etc). Words were followed by deeds, when import duties were introduced on steel and aluminium products. Although in the first round the EU, Canada and Mexico were exempted and trade protectionism targeted mainly China, in June 2018 the same measures started to be applied in transatlantic trade as well. Simultaneously, Trump introduced 25 percent tariffs on 818 Chinese goods, including high-tech commodities in the value of USD 34 bn and further punitive steps have been announced. China's reaction did not wait a minute, and a similar 25 per cent tariff was imposed on Chinese imports from the USA in the same value, including agricultural products. Indeed, if this process continues, the largest trade war of the economic history seems to be unavoidable. Interestingly, not due to an economic crisis which always tends to introduce protectionist measures, but at the peak of the current economic cycle.

Concerning the European Union, the US duties on steel and aluminium products include 186 commodities, with a volume of USD 7.2 bn. The EU's countermeasures affect 183 US products (in the value of USD 3.2 bn). If the American protectionist practice were continued and extended to much more EU products, not least on German cars, the already started trade war could easily get a qualitatively new dimension with unpredictable consequences and costs. Less attention was devoted to the potential and not less important impact of the relevant reduction of the corporate tax rate in the USA from 35 to 21 per cent. Since large (and some smaller) EU member countries have a corporate tax rate above 30 per cent, the US move can generate a global tax competition.

In a global and European economy with signs of slowing down and eventually heading for recession, the most disturbing factor is Trump's unpredictability. Once he declares a full-fledged trade war, and a few days later invites the G7 countries to create the largest ever free trade zone of the

world. He wants to punish Germany for its huge export surplus, but does not realize that Germany is a member of the EU and trade policy cannot be directed just against one country of a free trade and customs union. (In addition, most of the „unwanted” BMW cars sold in the American market are manufactured in the USA itself.) Then he offers Macron immediate free trade provided France leaves the European integration. The same for the United Kingdom, without realizing that as long as Brexit negotiations are not finished, there is no chance for such a deal.

Transatlantic relations have been burdened by three additional moves of the American president. First, strong and justified concerns were formulated by the European partners of NATO. Although most of them are likely to be eliminated during the last NATO summit, but the US requirement to raise NATO-related military expenditures to 2 per cent of the GDP is based on quantity rather than quality of defense. Second, the Trump-Putin meeting in Helsinki, a few days after the NATO summit did not contribute to higher reliability of the US president. Third, the US withdrawal from the Iran deal creates a new conflict zone. All other signatory countries of the nuclear deal with Iran (Russia, China, United Kingdom, France and Germany) would like to keep the agreement alive. Contrary to the USA, all of them have substantial economic interests in Iran, both trade, energy supply and investments. However, due to potential retaliatory measures by the USA affecting European firms continuing economic relations with Iran, already several companies started to suspend or substantially reduce their activities (such as BMW, Total or the cancellation of flights by British Airways and Air France to Teheran). Much more concern is related to the potential impact of no-deal with Iran. Any (internal) destabilisation could lead to unpredictable responses of the Iranian government in the Middle East. In addition, massive migration waves based on domestic instability, social hardship or even military actions would not reach the USA, but certainly Europe. Therefore, based on security considerations, the EU – together with Russia and China – should do everything to avoid the cancellation of the Iran deal, despite potential retaliatory measures of the Trump administration.

Finally, Trump’s statement that “trade wars are good because they are easy to win” can already be confronted by recent economic repercussion on the US economy. As it is well known, trade wars do not have winners, only losers, on macroeconomic, social, company and consumer levels alike. US protectionism has led or in short time will be leading to higher domestic prices of all products containing steel and aluminium. In consequence,

higher consumer prices would mainly affect those US citizens who consider themselves the losers of globalisation, with stagnating or sometimes falling real income. In order to counteract declining income, many people switched from higher-priced US products to lower-priced imported goods. As costs of the protectionist policy hit low-income people over average, most of the losers who voted for Trump could deny support to the president. (It is another interesting question why low-income people see their saver in a multibillionaire entrepreneur.) In addition, US companies manufacturing higher-duty products in various countries (first of all in Canada, Mexico but also in China) will also be hit by the protectionist measures. Finally, the costs of countermeasures have to be compensated for. Due to higher Chinese duties on US agricultural products, already as a first step, American farmers needed a USD 12 bn subsidy financed by the US budget, usually struggling with huge deficits (financed by treasury bonds purchased by foreigners). Moreover, US companies forced to or still expected to return to the US and starting production at home may also ask for subsidies, since their (price) competitiveness is less than granted even against imported commodities with higher tariffs imposed.

In a highly interdependent world, trade sanctions can easily spread to the financial markets, particularly if some retaliatory measures will not be directly trade-related. Although the massive selling of treasury bonds by the Chinese government (owing 6 percent of all treasury bonds) cannot be expected, because it would hit back to the Chinese economy as well, but devaluation of the national currency can partially absorb the negative effect of higher tariffs on exported goods. In fact, in the last months, the Chinese government let the *yuan* depreciate by 7 per cent against the US dollar.

1.2. Russia

In one area, the current leaders of the USA and Russia seem to share the same common goal: the weakening or even dismembering of the European integration. However, they use very different instruments. Trade protectionism and NATO-related uncertainties practiced by the USA are accompanied by cyber attacks, intervention into electoral campaigns in various EU member countries and special relations to (right-wing) extremist parties, EU-sceptic or even anti-EU governments supported by Russia. Some new member countries, such as Hungary, but also the Czech Republic and Slovakia belong to this group, let alone some Western Balkan countries

which are not yet EU members. In addition, not only energy-driven (North Stream 2) relations between Russia and Germany add to the uncertainties shared by several member countries. On the other hand, not least obeying continuous US pressure, the EU has prolonged economic sanctions against Russia imposed after the illegal annexation of Crimea in July 2014. The measures target the financial, energy and defence sectors, and limit the access of Russian state-owned financial institutions to the EU capital market as well as to certain sensitive technologies and services that can be used for oil production and exploration. In addition, a visa ban and asset freeze against 155 Russian citizens remain in place. The prolongation of the economic sanctions was unanimously adopted in July 2018 for another six months and its suspension made dependent on the complete implementation of the Minsk Agreement between Russia, France and Germany in 2015. Despite the Russia-friendly attitude of some member countries (mainly the current Hungarian government), nobody dared to veto this measure, despite the fact that it is particularly the new member countries that suffer from the export ban and register huge trade deficits with Russia that could be reduced if their exports were not affected by the sanctions.¹

It is likely that the sanctions in this case started to work. The mono-structured Russian economy is struggling with growing problems, both technological and financial ones. The impact of sanctions has split the Russian elite between those who benefit from Western sanctions and those who suffer. According to some analysts, the split of the Russian elite may have profound consequences for Russia's future. (Orlova, 2018) In addition, the proposal of the Russian government to increase the retirement age (from 60 to 65 for men and from 55 to 60 for women) resulted in a rapid fall in Putin's popularity. (Kolesnikov, 2018) It remains an open issue how Russia will react to this phenomenon – with more hostility and additional military moves in some nearby regions or with more openness to cooperation with the EU. For the EU, the overall picture gets more complicated by the growing competition between Russia and the USA as current and potential main energy suppliers to the continent (already functioning gas pipelines from Russia and potential liquid gas shipped from the USA).

¹ Most new member countries suffer more from the sanctions against Russia than from US protectionism. In more detail see: András Inotai: How vulnerable? Export-oriented new member countries of the European Union and the spread of trade protectionism. Paper prepared for the ASPEN Review Central Europe, to be published in the autumn of 2018.

1.3. A strategic reappraisal of relations with China?

The new global (dis)order created by the Trump administration automatically nurtured the idea of forging a strategic partnership between the EU and China. Not only because the EU-China economic relations had been obviously strengthening over the last two decades, particularly after China's accession to the WTO in 2001, but due to both sides' high-level exposure to international trade. On the one hand, the US sanctions generate „second-best” solutions and search for new markets for the EU and Chinese products. Part of them can be included into the rapidly increasing bilateral trade stream, while another need further liberalisation of world trade, including bilateral and regional free trade agreements. Thus, both parties are fundamentally interested in keeping global trade free from further protectionism and preserving or even strengthening the role of the WTO. On the other hand, the immediate answer of China to the widespread use of increased US tariffs on Chinese goods and introducing adequate countermeasures against US products improves the market access conditions for European companies, not least in the agricultural sector. Moreover, US withdrawal from the Paris Club on climate issues and other international obligations definitely enhanced the global responsibility of and cooperation possibilities between the EU and China. This situation helped create a common vision much beyond economic relations among two of the leading powers of the world.

However, a breakthrough still faces serious obstacles. The EU wants better market access to China, including investment rules (overcoming the current joint venture obligations), financial institutions and technology control. At the same time, growing anti-China attitude in the EU has to be successfully encountered, with particular reference to the massive buy-up of technology-intensive small- and medium-sized EU firms (mainly in Germany and Italy, but also in other member countries) by Chinese companies in order to get (illegal) access to new technologies.

The last EU-China summit in mid-July 2018 in Beijing ended up with a joint statement summarized in 44 paragraphs. (European Commission, 2018) Among the most important common priorities are:

- reinforcing the global dimension of the partnership;
- consultations in foreign policy and international security issues in Africa, the Middle East, Asia and Latin America;
- fostering an open world economy and the multilateral trading system within the WTO;

- special attention to be paid to climate change and sustainable development (including Blue Partnership for the Oceans);
- development of clean energy systems;
- regional policy cooperation;
- connection of synergies between China’s Belt and Road Initiative and the EU’s investment projects in the framework of the Trans-European Transport Network.

Of special importance is the last priority, since a few years ago China set up a special cooperation framework consisting of 16 European countries (11 EU members and 5 Western Balkan countries) and China as a key arm of the Belt and Road Initiative (or New Silk Road). For some time, there existed well or less justified concerns to what extent this project is embedded into the EU framework and is considering and accepting EU rules of the game (public procurement, local content, environmental and energy standards, etc.), and how much can it be used to undermine the EU’s (not always very strong) unity. The last high-level meeting during the Bulgarian Presidency of the European Council in June tends to support the view that China is first of all and definitely interested in a strong and deepening EU, as an indispensable player in a sustainable and stable multipolar global system in the next decades of the century. Therefore, the special importance of the 16+1 initiative has been reduced and increasingly involved into and combined with similar EU efforts. In fact, unique synergy could be created if the East-West-oriented Chinese project could be connected with the still missing third North-South corridor between the Baltics and the Mediterranean and incorporated into the Transeuropean Transport Network programme.

1.4. Short remarks on the future of competitiveness

Despite growing and regional political, economic and social problems and persisting uncertainties, the process and progress of digitalisation of our life seems to be unstoppable. Within a relatively short period, but certainly in the life of the current young generation, it will have a unique impact not only on the economy, but also on our everyday life, social behaviour and the functioning of societies and institutions. Some experts emphasise that, in fact, we are not heading towards the fourth industrial revolution (after the steam engine, electricity and computers), but much more towards the third historical revolution of mankind (after the common language that enabled us to communicate and the alphabet that made the transfer of knowledge and

experience to the next generations possible). The consequences are not only enormous, but absolutely unpredictable and unmanageable at the moment. Full-fledged digitalisation could provide the current global GDP with 20 per cent of the current workforce. Even if digitalisation remains limited (due to partly unforeseen technological barriers or widespread social resistance), its impact on the labour market will be unprecedented. Not only concerning the quantity of employment needed, but also with reference to the quality of labour and its sectoral (re)distribution. In 20 years (or less) the structure of the labour market demand will be very different from that of today. Several jobs will disappear, while completely new demand will appear. In order to create the adequate labour supply, already today the education in the primary schools should be guided by the future demand structure, which, at the moment, is mostly unknown. What education can, however, do is to prepare the young(est) generation(s) with basic knowledge which is indispensable to enter the labour market, including English (and other) language(s) and clever use of computer and other new technologies. Not less importantly, the adjustment capacity, including geographic and skill-related mobility has to be substantially increased, accompanied by openness, solidarity, cooperation and social cohesion. At present, in the best case we are at the very beginning of this process, let alone several movements and sometimes official politics in various EU member countries, evidently leading targeting the opposite direction.

In addition, we need much more than future demand-adjusted education, both formal and informal. Most probably, the next generation will have more free time (for the same income), which generates new demand for selected goods and mainly for services. The intelligent and cooperative spending of the additional available time is a huge challenge to the mankind. Also, a new distribution of income will be needed due to the decreasing number of jobs or jobs that can be performed outside the working place (mostly at home). The introduction of a basic income system may be one instrument, although, at the moment its impact on the potential labour force and entire societies cannot be unequivocally assessed. Finally, not only the structure of the labour market and the available “free” time will be changed, but, more importantly, also a large part of our current “value set”. How the human being will be facing, reacting to and, in a positive scenario, adapting and adjusted to this unique challenge is, at the moment, absolutely open.

2. Unsolved and partly further pressing intra-EU challenges

2.1. Brexit

According to the originally set schedule, the Brexit deal should be finished on March 29th, 2019, preceded by the finishing of official negotiations in October 2018 and by the approval of the European Council's meeting. Although some delay would not jeopardise the deal until the end of 2018, national parliaments, including the current European Parliament have to vote on Brexit until March 2019. This process may be questioned by three factors: first, the mountain of still unsolved issues of Brexit in negotiations between the European Commission and the United Kingdom; second, by partly already foreseeable internal political developments in Britain; and, thirdly, the impact of the forthcoming election campaigns to the European Parliament, most probably at full steam at the moment of voting on Brexit.

The two-year track of Brexit negotiations made clear that the original idea of the British government was wishful thinking. It is Brussels that determines the conditions of exit and not the „cherry-picking” illusion of the United Kingdom. The manoeuvring room of the UK had become narrower by each negotiation round. Consequently, “soft Brexit” options seem to have today a very low probability as compared to “hard Brexit” or no Brexit at all. Practically, “anything could happen in the next half year”. (Donnelly, 2018)

As a last attempt, the White Paper prepared by Her Majesty's Government on July 6th,² proposes a mix of high-level integration in the single market for goods with greater British freedom in the areas of services and finance. It is clear, this proposal is a non-starter and would only prolong negotiations most probably running out of the original time schedule – without no visible outcome in the near future. At the same time, negative impacts of a potential Brexit are already increasingly perceived in the UK. In addition, no meaningful option has emerged concerning the future state of the border between Ireland and Northern Ireland, not only an economic and employment, but also a highly risky political and security issue. Also, the Scottish question remains unanswered. Moreover and more importantly for the outcome, there are the domestic political changes in the UK, with growing opposition to the current government and to Brexit. Although those who are against Brexit are not yet strong and united enough, Brexiters seem to have lost control of Brexit and

² HM Government: Statement from HM Government, Chequers, 06 July 2018.

the Brexit camp of the government has been broken, signalled by the retreat of several ministers representing the “hard Brexit” line.

At the moment, four scenarios are on the table:

– Brexit goes ahead and membership will be finished on March 29th, 2019. This needs the full support not only of the Tory Brexiters, but also the backing by part of the opposition. Cost-benefit sharing will largely depend on the extent to which Britain will remain a “rule-taker” in the new deal (and, as a precondition, agreement on the Irish problem).

– Brexit falls at Westminster leading to political and economic crisis with substantial negative impacts. General election in early 2019 may be the consequence leading to delaying Brexit. Even more, developments may end up in a new referendum on membership or non-membership in the EU.

– The “no deal scenario” extends the deadline of negotiations and may generate an overall crisis leading to new elections in the UK, a “reinvented” negotiation approach to the EU or to further referendum.

– Finally, the UK may decide to stay in the EU with far-reaching consequences for the (already changing) EU and a new United Kingdom giving up the already outdated idea and historical reminiscence of “global Britain” (indeed, “global Britain” would be even more lost as the consequence of Brexit than that of staying in the EU). (Major, 2018)

2.2. Still not stabilized Eurozone

Future will show to what extent the EU lost time and opportunity to stabilise and further deepen the Eurozone, including not only ongoing institutional and legal measures, but also a qualitative jump towards creating a fiscal union. In fact, the last year granted calmness and stability to the Eurozone, reinforced by overall growth in the member countries. The initiative of Macron to strengthen the Euro by establishing a special Eurozone budget and nominate a common finance minister for the Eurozone came at the right time. In addition, the Greek problem could be successfully managed (although not without serious economic, financial and psychological costs). Ongoing Brexit negotiations could have also contributed to the necessity of fostering the position of the common currency without any potential British move in the contrary direction. The Euro could enhance its stability in the international monetary system and experienced a substantial appreciation against the US dollar. Practically zero interest rate, at least on paper, promoted investment activities and public and private spending, accompanied by the

adverse impact on savings looking for profitable deposits (and creating a threat for the future stability of the system due to huge amount of „floating money” – not only in Europe but also worldwide). Finally, the attraction of the common currency was rapidly growing in some member countries, still outside the Euro area, such as Bulgaria, Romania and Croatia. In fact, Bulgaria has had a fixed exchange rate system since 1997 and could easily join the Eurozone. The Romanian government has announced putting on the table a detailed plan of joining the Eurozone as of December 2018. Also, the Croatian government declared to join the Eurozone in the next five years.

Unfortunately, this historically positive atmosphere, including any serious discussion on Macron’s approach, seems to be largely missed. The main obstacle is Germany in general and the German Chancellor Merkel, in particular. She clearly refused Macron’s plan and, as an interim solution, proposed to analyse the possibility of creating a special Eurozone budget within the overall budget of the EU. In addition, she swept away the idea of a common finance minister saying that he/she would miss two important competences: no special budget and no parliamentary control. Although Merkel is not alone with this argument in the Eurozone, it is more than surprising that Germany, by far the biggest winner of the common currency does not support the deepening of the monetary integration, which would be a key element of macroeconomic growth and the sustainability of export-oriented pattern of the German economy. (Any return to national currencies or even a split between “strong” and “weak” Euro currencies would immediately appreciate the new German currency by 30 to 40 per cent, with disastrous impact on the German economy.)

A less calmer or, most probably, a more stormy period for the Eurozone is approaching. It roots in the slowdown of economic growth, growing global (and mainly transatlantic) protectionism, but may also be generated by growing economic and political problems of Italy, a different magnitude than that of Greece a decade ago. In addition, the financial crisis of Turkey adds additional pressure, because some Eurozone banks have high exposure to credits provided to Turkey (not least Italian banks).

2.3. The never-ending (never-solved?) story of migration

After the shock events of 2015, and the EU deal with Turkey, migration pressure on the EU had been substantially weakened. The previously mostly used Western Balkan route has lost importance due to the fence built by the

Hungarian government, cooperation among transit countries, strict border control and, to an unknown portion, because of the inhuman treatment of asylum seekers and economic migrants. According to a recent report by Frontex, the number of illegal migration dropped the last year by 43 per cent to 73.500 persons. Simultaneously, there occurred a clear shift towards the Western Mediterranean basin, with doubling of migrants amounting to more than 23 000 persons. The Eastern Mediterranean basin reported just 4000 migrants and the number of people arriving to the Italian coasts fell to 1900 persons.³ Despite the calming down of the situation, but still facing medium-term massive migration threats, the EU was unable to develop and even less, to implement a common migration policy. Some member countries blatantly denied to accept any migrant and participate in a common EU-level policy of redistribution. Public opinion and official politics in some major host countries, mainly in Italy (but also in Sweden, Malta and Germany) started to go to distance from previous practice. The new Italian government refused access to Italian territory of migrants arriving in various ships and made their acceptance dependent on a functioning redistribution scheme. Passangers of some ships were taken over by Spanish ports and also France was asked to jump into easing the situation. Growing anti-migrant attitude in Italy, partly due to the large number of migrants who arrived over several years and still remained here in the last years, is fed by government propaganda but also by the uneven burden sharing between Italy and the member countries (despite some, although late arrival of EU financial support).

Although the refusal of accepting more (or any) migrants seems to bring together some European politicians (Italy and Hungary), their fundamental position is very different. Italy would be ready to stop migration, including new policy instruments (turning back migrant ships to Africa, a method successfully used by Australia more than a decade ago, when South East Asians wanted to enter the country). However, it considers the equitable distribution of migrants (and the respective financial costs) among the member countries as a key element of any agreement. However, such a clause will hardly be accepted by Hungary and the other Visegrád or other new member countries.

Time is running short for the EU and member country reactions as existing or just imagined migration have started to undermine the basic pillars of cooperation of the integration. Official anti-migration policies filled with hatred, discrimination and inhuman treatment further contaminate not only

³ See <https://www.euscoop.com/eu/2018/8/14/fortex-drop-migratory-flow-eu>

the minds and attitude of EU citizens in some countries, but also contradict the basic “European values”. As a result, the reaction to migration could easily create a “multi-value” European Union, a much more dangerous development than a multi-speed Europe or a Europe of “concentric” (?) circles.

The EU should urgently take concrete actions.⁴ First, the role of Frontex has to be fundamentally strengthened, and equipped with competences not only in defending the Mediterranean, but also in sending back ships with illegal migrants to their departure point. Second, member countries not ready to participate in a common migration policy (both by accepting a certain number of legal migrants and contributing to the financial costs of the “migration architecture” of the EU) should be excluded from selected areas of the integration (from decision-making to budgetary financing). Third, as already agreed on and to be supported by the next multiannual financial framework (2021-2027), the EU will dispose of a substantial amount of money to develop cooperation with African countries able to control migration pressure. Obviously, this is an absolutely necessary investment, but only for the longer term and not without risks. Money made available to African governments in order to control borders and convince citizens to stay at home because their decent living standard can be guaranteed, including education, healthcare, employment and entrepreneurial activities, may only have fruits in the longer term. Border control seems to be easier but with methods hardly to be reconciled with European values, in other words, in cooperation with authoritarian regimes or just dictators. In this context, basic European values and similarly basic security needs contradict each other. In addition, even if medium- and long-term programs in Africa, continuously and efficiently financed by the EU budget, generate meaningful results, the attraction of Europe will remain strong for the foreseeable time, particularly for highly talented young Africans. Global communication facilities will keep on contributing to the “attraction capacity”.

Migration has characterised the entire history of mankind, without which the human being could not have survived. No doubt that international migration will remain or, even more, become a more dynamic factor of globalisation. Most of this process is likely to be regionally limited and not reaching Europe. However, the EU has to develop a comprehensive plan how to deal with the migration pressure. Not less important is, however, to deal with the already

⁴ As a first step in this direction see: European Commission: Progress report on the implementation of the European Agenda on migration. Brussels, May 16, 2018, COM(2018) 301 final.

visible negative impacts of anti-migration campaigns that not only produce hatred and fear in large segments in the society of selected member countries but blatantly contradict basic European (and human) values.

2.4. Unstoppable rise of populism

Looking back to the situation in the summer of 2017 when my last year's paper was prepared, one can state that populism and demagogic kept on rising not only in selected member countries, but were spreading to additional members previously rather resistant to such mentality. The enhanced intensity and geographic spread of populism is rooted in and nourished by several factors.

As mentioned at the beginning of this paper, less and less people are able to understand the complexity (let alone the interdependence and interdisciplinarity) of current events and developments. They need simplified or even falsified information in a few seconds.

Inevitable (positive and negative) challenges of globalisation, unprecedented interdependence and accelerated time, let alone the combination of both of them, appear as threats, risks, dangers against which one has to defend himself. Populist politicians are always ready to explain "evil intentions" instead of preparing people for successful adjustment and forward-looking attitude. The ongoing propaganda of hatred against migrants in Hungary (which largely contributed to a two-third majority victory of the current government early April 2018) is an evident proof that such an approach works, even if there has not been any threat of migration or by alleged "terrorists".

Domestic economic, political and social difficulties, including the costs of crisis management have left deep wounds in some member countries with longer term psychological, mental and social consequences. The emergence of right-wing governments in several member countries definitely supports or just directly generates populist trends (Hungary, Poland, but also the Czech Republic and, most recently, Italy). In addition, even in countries with deeply-rooted democratic traditions and strong democratic institutions, populism is advancing. Although a populist breakthrough could be successfully prevented in the national elections in several member countries, populist sentiment and activity did not disappear. The rise of populism in Germany (AfD) and in Sweden (just before elections) deserves particular attention.

As an additional and dangerous phenomenon, populism in some of the new member countries has been coupled with the reemergence of old-

fashioned nationalism. The roots partly go back to historical traumas (or just unfounded dreams and illusions). An important factor is the late perception of the consequences of political, social and economic transformation for which most citizens were not prepared. It is almost “normal”, that the psychological repercussions of the dramatic changes manifest themselves two or three decades after the fundamental political, legal, institutional and economic changes (see the telling example of the AfD in Germany). Rightly or wrongly perceived, “second-class membership” can also be added as an explanatory factor, even if in most cases perceived lagging behind is more connected with the inability of using opened up opportunities adequately, or of investing EU money in competitive sectors. Not less importantly, the consequences of “self-peripherisation” (or self-marginalisation) trends in some new member countries have to be taken into account.

Finally, the less than adequate role of the European institutions, including the activity of the Commission, has to be mentioned. Although the Commission initiated a process against Poland based on Article 7 of the Treaty, it will take a lot of time and the decision to suspend voting rights would need unanimity which – as everybody knows in advance – can hardly be reached. Also, the sanctioning of a clear breach of the EU basic values by any member country has been missing, although the suspension of financing several projects from the EU budget could have been a meaningful warning. Just the opposite happened, when large-scale fraud with EU funds (mismanaged public procurement, obvious overpricing and use of money for projects differing from the original contract) remained not only unpunished but, with the silent knowledge and sometimes even with support of the Brussels beaurocracy, ended up in the hands of corrupt politicians and entrepreneurs, several times with clear anti-EU attitude. At least, stopping the financial support to evidently anti-EU governments, which used massively EU money to create the economic background of the previously established political maffia, could have been rightly expected not only from the relevant institutions, but from the European taxpayers as well.

The forthcoming elections to the European Parliament seem to become a real test to the current situation of the European integration. Even more, it could become a determining factor of the future evolution of the EU. If populist parties will be the winners, whatever party structure will be characterising the next European Parliament, the EU will be facing another and dramatic internal challenge. It is no exaggeration, that the very future of Europe is at stake.

Contrary to the populist-nationalist propaganda based on widespread opposition to and revolt against current European institutions, while stressing the recreation of “strong nation-states” as the key success factor of the future of Europe, Europe definitely needs strong common institutions with open, solidarian and cooperative member countries. The number of the participating countries is open – both above or below the current 28 members. What will be decisive are openness to global and intra-EU developments, readiness to cooperate and ability to adjustment to inevitable and continuously arriving challenges. Are leading European politicians prepared? If not, even more important is to prepare our societies not only in order to survive in a rapidly changing global, regional and national environment, but to keep or even foster Europe’s place in the global setting for the next, and probably turbulent decades, as well.

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