

PISM REPORT

EU 2029: CHALLENGES FOR THE NEW EUROPEAN COMMISSION AND RECOMMENDATIONS



MELCHIOR SZCZEPANIK, JOLANTA SZYMAŃSKA (EDS.)

THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

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KEY CONCLUSIONS AND RECOMMENDATIONS

WHAT KIND OF EU BY 2029?

- At the end of its institutional term, the EU faces major challenges in its close neighbourhood and more broadly on the global stage. The security situation requires increasing defence spending, while climate change demands continued efforts towards the energy transition, taking into account public concerns about its pace and costs and the growing political polarisation over it.
- The inclusion of Ukraine, Moldova, and Georgia in the EU's enlargement policy as a result of the Russian aggression against Ukraine has led to yet another revival of the debate on reform of the process of admitting new members to the Community, and highlighted the necessity of internal changes (including in the budget, sectoral policies, and institutions) to enable it to function efficiently in an enlarged group. Preparing the EU for enlargement is one of the key tasks of the European Commission (EC) in the 2024–2029 term.
- Given the deteriorating security environment, the EU should consider modifying its decision-making procedures (first and foremost, moving away from unanimity) to act more efficiently and quickly. To this end, majority voting should be introduced in the area of sanctions, and the debate should continue on the possibility of introducing it in other areas of EU action as well (e.g., tax policy). A transition period of several years could be considered, during which decisions would be taken by qualified majority (e.g., by a “super majority” of at least 75% of countries), with a decision on the final transition to this mode of voting to be made at the end of such a period. EU reform should also include strengthening the mechanisms that protect the rule of law.

SECURITY

- The aim of the new EC should be to continue the EU's existing commitment to multidimensional support for Ukraine and its EU integration. The most urgent task will be to provide comprehensive assistance to protect its energy infrastructure against Russian missile attacks. In addition, it will be crucial to enlarge the financial envelope available under the European Peace Facility and to extend the EU's military training mission for Ukraine. As part of the proposal for a new multi-annual EU budget, the EC should provide sufficiently high funds for economic assistance to Ukraine. The EC should also work towards a smooth accession negotiation process.
- The prolonged Russian military aggression against Ukraine has drawn attention to the general deficiencies in European defence capabilities. An appropriate response to the resulting challenges would be to deepen cooperation between states in an EU format. Establishing an institutional framework for a robust defence sector and ensuring sufficient financial resources will enable the EU to strengthen its role as a security actor. To achieve this, the EC should prioritise the adoption of the European Defence Industry Programme (EDIP) and the inclusion of Ukraine in the cooperation, as well as the implementation of solutions that will bring the greatest added value in the EU format, such as joint procurement and strategic reserves, capabilities with significant economies of scale, and a hybrid incident response cell.

ECONOMY

- The new European Commission will begin its mission against a backdrop of growing tensions in international economic relations. It will be crucial to maintain good relations with the U.S. and to be assertive in policy towards China aimed at defending the competitiveness of entities from the EU in the global arena. To this end, trade and industrial policy instruments should be used in conjunction with further integration of the single market, especially in the area of services. Increasing the EU's research and scientific potential, as well as its economic security, will be important challenges facing the EC.
- The Union needs a bigger budget to realise its ambitions of creating a decarbonised economy, improving competitiveness, and strengthening its international position. The European Commission proposal, which could form the basis of a compromise on the 2028–2034 Multiannual Financial Framework, should provide for an increase in Member States' contributions and suggest savings through reforms of existing policies, primarily the Common Agricultural Policy. Moreover, new sources of EU revenue need to be adopted, while another recourse to joint debt could be considered.

SELECTED POLICIES

- The new European Commission will have to meet the challenges related to delivering on the ambitions of the European Green Deal. The focus should be on completing the planned reforms and adapting some of them to ensure coherence and effectiveness. A greater effort is warranted to reduce the social costs of the transition and to communicate its benefits more effectively. The EC should be more active in the field of climate and energy diplomacy. Member States and regions need to become more involved and take greater responsibility for the process, for instance through initiating and supporting cross-border projects in the area of the green transition.
- The key challenge for the Commission in the area of migration is to support the Member States in the implementation of the Pact on Migration and Asylum, adopted this spring, and to strengthen cooperation with the countries of origin and transit of migrants, which is necessary for the implementation of the pact. In the face of abuse of visa systems by individual Member States and the related concerns about the security of the Schengen area, a new challenge for the Commission is to become more involved in the coordination of national visa policies.
- The EC should raise awareness among EU citizens of its actions and their benefits in the field of social and health policy. It should consider updating directives on wages and digital platform work. It will also be important to finalise the negotiation of an anti-pandemic agreement, which could become an important instrument to show the Union's effectiveness in this sphere.
- The sluggish and uneven pace of EU enlargement to the Western Balkans is caused by problems both on the side of the countries of the region (slow reforms, sometimes a lack of political will) and the EU (Member States blocking the process or the progress of individual candidates), while in the East, war remains the fundamental challenge. The EU should use Montenegro's recent integration progress to motivate its authorities to further reforms. Likewise, the establishment of new EU institutions should serve as a trigger to discuss moving away from unanimity in enlargement policy. To avoid the narrative of further politicising the process, the EC should clearly communicate that the integration successes

of eastern candidates to membership to date are based on an assessment of meeting the technical conditions needed for progress.

EU RELATIONS WITH SELECTED COUNTRIES

- Challenges in relations with the U.S. include differences in economic relations, uncertainty over the U.S. government’s approach to further support for Ukraine and possible peace talks with Russia, and the indirect impact of the risk of reduced U.S. military involvement in Europe in the event of Trump’s election victory. The EC should seek to resolve disputes in the area of economic cooperation and promote further deepening of trade. However, if the U.S. authorities adopt aggressive economic policies and the Union’s conciliatory approach fails, the EC should prepare commensurate countermeasures in the area of trade. The EU should also strive to maintain policy coordination on sanctions against Russia and expand their scope, which, unlike support for Ukraine, are not the subject of controversy in U.S. domestic politics.
- Russia’s confrontational policy stems from its desire to change the current international order, which poses a threat to the future of the EU. To prevent this, the EC needs to develop a credible policy towards Russia based on two pillars—containment and engagement. It would be worthwhile for the EC to develop a set of real “red lines” in its relations with Russia that would provide a basis for coordinating the policies of all EU members. Conversely, dialogue with the Russian opposition and support for free Russian-language media will be important for future good-neighbourly relations with Russia.
- Relations with China will remain a major challenge for the EU, not only because of the negative impact of Chinese policies on the Union’s economy and its competitiveness but also because of Sino-Russian cooperation. From the point of view of the new European Commission, it is therefore crucial to adapt to the new strategic situation and to develop capabilities to counter Chinese influence. This concerns both sanctions for helping Russia, countering foreign information manipulation and interference (FIMI), data protection, and cooperation with Asia-Pacific countries, and also increasing incentives to accelerate the process of reducing dependence on China by EU Member States and companies.
- The aim of the new Commission should be to maintain the momentum of cooperation and the positive trend in bilateral relations with India. The first opportunity to reinvigorate cooperation and set a new five year roadmap would be the long-postponed EU-India summit, which most likely would take place in the first half of 2025. The main challenge for the relationship are the difficult negotiations of a free trade agreement and investment protection. A lack of progress or the failure of negotiations would negatively affect political cooperation.
- The EC should use available instruments to increase the political pressure on the Israeli authorities to change their current position in relations with the Palestinians. One of the main tools should be to make EU-Israeli sectoral cooperation more linked than it has been to date to conditional demands and to the effects of Israel’s presence and actions in the occupied Palestinian territories.
- The balance of political power both in the EU and in the UK in the new political cycle provides a unique opportunity to settle key issues omitted from the 2020 EU-UK Trade and Cooperation Agreement (TCA), in particular foreign and security policy cooperation. The review of the TCA in 2026 should serve the purpose of the EU implementing a strategic

approach to relations with the UK, based on the practical experience of the COVID-19 pandemic and the war in Ukraine, which demonstrated particularly close alignment between the EU's and the UK's interests in military and internal security, epidemiology, and technology (including the development of new medicines).

- Recep Tayyip Erdoğan's victory in Türkiye's presidential election last year continues the country's distancing from EU standards and employment of transactionalism in foreign policy. Despite the divergence in political relations with the West, Türkiye, due to its geographic location and political, economic and military potential will remain an important partner for the EU in dealing with regional and global challenges. Without changes in domestic politics, it will be impossible to meet the Turkish demand to resume accession negotiations, update the customs union, or achieve visa liberalisation.

WHAT KIND OF EU BY 2029?

THE EUROPEAN UNION BETWEEN TERMS OF OFFICE

Jolanta Szymańska

The 2019–2024 institutional cycle was marked by a number of crises. They have brought new tasks to the European Commission's agenda, while at the same time influencing the implementation of the priorities defined at the beginning of the mandate, such as climate and the digital transformation. The COVID-19 pandemic and the subsequent full-scale Russian aggression against Ukraine have exposed the European Union's dependence on raw materials from authoritarian states, as well as, among others, the shortcomings of the European defence industry. In response to these challenges, the EU adopted a series of unprecedented measures that made it possible to prevent a health catastrophe and then survive the economic downturn, rising energy prices, and inflation. Although there was tension and disputes over the directions and ways of responding to individual challenges (the most striking example of which was Hungary's blocking of aid packages for Ukraine and sanctions against Russia), divisions within the EU have not blocked the ability of the entire community to act.

The actions taken by the EU in response to crises, such as the launch of the European Health Union project, the creation of the Next Generation EU (NGEU) pandemic recovery fund, and the development of the European Peace Facility (EPF) after the Russian full-scale invasion of Ukraine,¹ were *ad hoc* and require expansion and continuation. The inclusion of Ukraine, Moldova, and Georgia in the EU's enlargement policy as a result of the Russian aggression against Ukraine (and the start of accession negotiations with Ukraine and Moldova in June 2024) has led to yet another revival of the debate on reform of the process of admitting new members to the Community, and highlighted the necessity of internal changes (including the budget, sectoral policies, and institutions) to enable it to function efficiently in an enlarged group. Previous initiatives in this area under the Conference on the Future Europe project have been postponed by, among others, the urgency of other challenges.

At the end of its institutional term, the EU faces major challenges in its close neighbourhood and, more broadly, on the global stage. The war in the east is still ongoing, and Ukraine's military situation remains uncertain. Belarus is increasingly boldly forcing migrants to the EU's external borders. Since October last year the confrontation between Israel and Hamas is ongoing, leading to increasing destabilisation of the Middle East. China is becoming increasingly assertive in its relations with Europe, and the potential of Donald Trump returning to the presidency threatens U.S. support for Ukraine and a new crisis in the transatlantic alliance.

Both the EU's strategic agenda for 2024–2029, adopted by the European Council at the end of June this year,² and speeches by EC President Ursula von der Leyen indicate that the EU institutions have a similar sense of the challenges facing the EU. **They plan to continue the activities started in the previous term, and consider it a priority to reconcile the need for**

¹ J. Szymańska (ed.), *The European Union in the Face of Russia's Aggression against Ukraine*, PISM, 2024.

² A. Koziół, M. Szczepanik, "EU Strategic Agenda: Defending the Community's Values and Status," *PISM Bulletin*, No. 104 (2412), 12 July 2024, www.pism.pl.

economic dynamism and the green transformation, care for social cohesion, strengthening cooperation in defence issues, especially the arms industry, and preparing the process of Community enlargement. The growing political polarisation, which is manifested by the increase in support for extreme groups in the new European Parliament, poses an additional challenge in this context.

INSTITUTIONAL REFORM

Tomasz Zając

The pandemic, Russia's full-scale invasion of Ukraine, and the related intensification of the accession process have given new momentum to the discussion of the need for EU institutional reform. These events have highlighted significant challenges, primarily the need for faster and more efficient decision-making and the strengthening of mechanisms to protect the rule of law in Member States. **The president of the EC announced the presentation of an ambitious reform project in this regard, including calls for reforming the EU treaties and increasing the transparency of the Union's operation.** Its introduction will be difficult, however, due to the opposition of many Community members to the proposed abandonment of the unanimity rule, as they consider this mechanism an important safeguard of their sovereignty. On the other hand, a significant number of others (including France) see such changes as necessary for enlargement.

The Union's worsening security environment (particularly because of Russia's aggressive policy) **makes it imperative to improve the organisation's decision-making system despite the risks involved.** This can be done by using the current legal architecture, which, while the scope of reform will be limited, is more likely to be accepted by a larger number of states. The alternative is to amend the treaties to provide a path towards a more comprehensive overhaul of the EU's operating mechanisms. A significant group of states is, however, reluctant to initiate this procedure. In their view, given the conflicting visions of how the Community should function, it threatens a lengthy and potentially inconclusive process in which each country would push through changes to the Union favourable to it.

On the introduction of sanctions, it would be desirable to abolish unanimity—under the existing legal order such restrictions can be enacted through so-called *passerelle* clauses. It would also be beneficial to extend qualified-majority voting (QMV) to other areas of the Union's functioning, such as tax policy. For a smoother introduction of this solution and to weaken the uncertainties associated with a full transition to QMV (the threshold for such a majority may, after all, be higher than the one currently in force), it is worth considering a transition period of several years. **Decisions would then be made by means of a supermajority** (e.g., at least 75% of states, representing at least 70% of the population, but an amendment to the treaties would then be required) or the so-called “enhanced qualified-majority” (72% of states, 65% of the total population) that already exists in EU law. If this solution is not accepted, an alternative would be to modify the “unanimity minus one” rule (all but one state must agree to a solution) and extend it to “unanimity minus three.” Such a solution would be likely to gather more Member State support—the decision to switch to QMV would itself be made after the transition period. It would bring the EU closer to its goal of more efficient decision-making and prevent situations in which a Member State blocks a decision in one area of EU policy in order to gain concessions in another.

Changing the current mechanisms protecting the rule of law in the EU (e.g., Article 7 TEU) or creating new ones will raise opposition from some Member States. However, efforts should be made to create a real possibility of pressuring states that violate fundamental EU values. A starting point could be to reform the procedure provided for in Article 7(2) TEU and lower the majority needed to establish violations of the Union's fundamental values from unanimity to some form of qualified-majority (e.g., supermajority).

SECURITY

SUPPORT FOR UKRAINE

Elżbieta Kaca, Daniel Szeligowski

The European Commission's influence in shaping EU Eastern policy has increased significantly in the term ending this year, especially since the Russian full-scale invasion of Ukraine. The EC played an important role in getting the Member States to provide military and economic assistance to Ukraine, to grant it EU candidate status, and, subsequently, to launch accession negotiations, as well as to impose additional sanctions on Russia following the invasion of Ukraine. The aim of the new EC should be to continue the EU's existing commitment to multidimensional support for Ukraine and its EU integration.

The new Commission will face the challenge of maintaining the unity between the Member States regarding further assistance to Ukraine, especially in case of prolonged hostilities³ and an increase in the cost of aid for Ukrainian partners. **The EC will be tasked with preventing EU support for Ukraine from becoming hostage to internal political disputes between the Member States** and a possible peace process⁴ from being exploited by some of them as a reason to reduce support for Ukraine. Regardless of the further course of the war, Ukraine will still need foreign military and financial assistance for a long time in order to stabilise its internal situation and build the capacities necessary to deter Russia in future. Gradually, the EU will play an increasing role in providing this kind of assistance, primarily if the new U.S. administration decides to reduce its involvement.

An important task for the Commission (together with the High Representative of the Union for Foreign Affairs and Security Policy) will be to maintain and, in the longer term, increase the level of military assistance to Ukraine. To this end, **the EC should seek both to increase the pool of funds available under the European Peace Facility and to expand the EU's military training mission for Ukraine.** The new EC will also share responsibility for overseeing the implementation of the EU-Ukraine bilateral security agreement. In this context, it should seek synergies between actions taken at the EU level and individual Member States that also have similar bilateral agreements with Ukraine.

Still, in the short term, the most urgent task for the Commission will be to provide Ukraine as soon as possible with emergency, including military, assistance to protect its energy infrastructure from further Russian missile attacks so that the Ukrainian energy system can survive the coming winter. In doing so, the EC should immediately prepare contingency plans for the supply of electricity from the EU to Ukraine in the event of an emergency.

Another **challenge for the new EC will be to ensure sufficiently large funds for EU economic assistance for Ukraine in the financial perspective after 2027.** The EC should include funds within the framework of the proposal for a new multi-annual EU budget, at least equivalent to the expenditure earmarked for this purpose in the years 2022–2027. The

³ A. Legucka, D. Szeligowski, "Putin Readies Russia for the 'Long War,'" *PISM Bulletin*, No. 31 (2339), 23 February 2024, www.pism.pl.

⁴ D. Szeligowski, "Ukraine's Summit Paves Way for Much Discussion but Little Peace Yet," *PISM Bulletin*, No. 103 (2411), 11 July 2024, www.pism.pl.

EC should also be one of the main actors working towards the use of frozen Russian assets to finance Ukraine's military and budgetary needs. However, EU support should not be only limited to financial aid. For instance it will be possible to further deepen Ukraine's economic integration with the EU on the basis of the provisions of the Association Agreement (e.g., with regard to the digital and transport market, standardisation of products), while taking into account potential negative effects on the EU market in some sectors.

In addition, the EC will be tasked to maintain the EU's commitment to Ukraine's post-war reconstruction, including partly funding its reconstruction needs, in cooperation with other foreign donors brought together under the International Donor Coordination Platform. This will require the EC to further assist Ukraine to build its administrative capacity and to absorb funds, especially at the regional and local levels. To this end, the EC should scale up its technical assistance to local actors, providing through Member States' development aid agencies. Encouraging foreign investors to become involved in Ukraine will also remain a challenge. To this end, the EC should help Ukraine create a favourable and transparent regulatory environment, using the conditionality mechanism available under the Ukraine Facility. The EC could also play a greater role in the development of instruments to mitigate investment risks in Ukraine, such as war risk insurance and policies insuring logistics companies or workers posted on Ukrainian territory.

Moreover, in the new EC term, it will be a challenge to maintain the momentum of Ukraine's EU accession process due to the continuing divisions among the Member States over the EU's Eastern enlargement.⁵ A key determinant of this process will be the further course of the war and the implementation by the Ukrainian authorities of the reforms required by the EU. On the one hand, the EC should strive to maintain consensus among the Member States in the subsequent stages of accession negotiations. To this end, the EC should, without undue delay, conduct an assessment of the compatibility of Ukraine's national law with the EU's, via the so-called screening process, and on this basis formulate specific and measurable conditions for Ukraine within the individual negotiation clusters so that their implementation can be objectively assessed. This would help to limit possible attempts by EU countries sceptical of Ukraine's accession to undermine its progress in reforms. The EC itself could engage in shaping the public debate on Ukraine's EU membership by providing a factual analysis of the benefits and costs of its EU accession. On the other hand, the EC should present a balanced proposal for the EU's adaptation to the next enlargement in order to help forge a compromise among the Member States on the possible institutional, budgetary, and sectoral policy changes necessary to absorb new members into the Union.

⁵ E. Kaca, "EU Sizing Up Prospects for Eastern Enlargement," *PISM Bulletin*, No. 187 (2306), 19 December 2023, www.pism.pl.

REBUILDING THE DEFENCE INDUSTRY

Aleksandra Koziol

The production of military equipment and ammunition represents a significant challenge resulting from Russia's full-scale military aggression against Ukraine.⁶ Without increasing production, it will be impossible to provide adequate support to Ukrainian forces engaged in the ongoing war and to replenish stockpiles in Member States that have been significantly depleted due to their contributions to Ukraine since February 2022. The future of the EU as a security actor in Europe will depend on its effectiveness in this area.

In the long term, it will be most beneficial in this regard to increase funding for the European Defence Technological and Industrial Base (EDTIB). The Commission's efforts should therefore focus on the swift adoption of the European Defence Industry Programme (EDIP) in order to implement the European Defence Industrial Strategy (EDIS).⁷ This should be underpinned by the adoption of an ambitious budget as the main incentive for increased investment both by governments and businesses. It will be worthwhile for the Commission to seek to complement the proposed €1.5 billion with an additional contribution from the common debt and a significant increase in defence spending in the next budgetary perspective.

Long-term procurement plans to reduce the business risks of opening new production lines will also be an important factor in supporting the EDTIB. The Commission could propose to the Member States the creation of common stocks of ammunition, for example, and also develop a scheme to support companies wishing to redirect part of their production capacity to the civilian market in case of a reduction in orders from the military sector. It would be worthwhile for the European Defence Agency to support joint procurement and to cover a wider range of military equipment in addition to ammunition. This will make it easier for the Member States to achieve interoperability and obtain more favourable purchasing conditions. Priority should be given to European companies, and any move away from procurement in allied countries such as the U.S. should be preceded by an analysis of the qualitative and quantitative potential of domestic companies.

Increased and stable investment should also be accompanied by support for EDTIB innovation. Without it, the EU will not be able to establish itself as a highly influential global actor by, for example, reducing its reliance on third-country supplies and improving the competitiveness of its own products in the global marketplace. To achieve this, the Commission could encourage the Member States to undertake joint activities within the framework of the Important Projects of Common European Interest (IPCEI) and make recommendations for the defence sector analogous to those developed so far for six areas, including cybersecurity. The Commission's action should focus on the development of common capabilities where economies of scale remain vital, such as air transport and satellite systems. There is also a need to evaluate research and development projects funded by the European Defence Fund, and the Commission should place a greater emphasis on project implementation capacity in future competitions.

The Commission should seek the fullest possible involvement of Ukraine in its cooperation with the EDTIB. The development of Ukraine's defence sector would increase its own

⁶ "Speech by President von der Leyen at the European Parliament Plenary on strengthening European defence in a volatile geopolitical landscape," European Commission, <https://neighbourhood-enlargement.ec.europa.eu/>.

⁷ A. Koziol, "War in Ukraine Boosts Europe's Defence Industry," *PISM Bulletin*, No. 53 (2361), 4 April 2024, www.pism.pl.

potential to counter the ongoing Russian aggression and the country's ability to respond in the future, while European companies would benefit from Ukraine's experience in the war against Russia. The EDIP should therefore be complemented by detailed terms of cooperation and its implementation supported by the investment of proceeds from frozen Russian assets. So far, 90% of the €1.4 billion garnished has been transferred to the European Peace Facility (EPF), which only covers the current equipment and ammunition needs of the Ukrainian side. Transferring funds to the defence sector would remove the requirement for unanimous decisions (as with the EPF reimbursements blocked by Hungary) and allow more flexibility for interested states to participate. The Commission should also develop recommendations for transparent and efficient project management, which would facilitate cooperation between EU and Ukrainian companies.⁸

The development of conventional capabilities should be complemented by efforts to enhance common resilience to hybrid attacks as such actions against the EU are increasingly actively used by Russia and China. It is therefore necessary for the Commission to update strategies for digital and space security and critical infrastructure protection in line with current threat assessments. To this end, it should develop a dedicated cell combining the expertise of civilian and military experts responsible for information-gathering and analysis, early warning, and coordination of a joint response, as the potential for spillover effects of hybrid attacks across the EU is particularly high.

Internal reforms should be backed up by a consistently implemented EU action plan on the international stage, especially in the context of the growing instability in the neighbourhood, including in the South Caucasus, the Middle East, and the Sahel. It would be worthwhile for the Commission to prepare strategies for strengthening the security of partner states, such as Armenia, covering both the fight against hybrid activities and the development of conventional forces. The Commission could also initiate an evaluation and reform of individual missions and operations abroad to ensure that they do not contribute to the preservation of the status quo, as in Georgia or Palestine. A proactive stance on these issues would strengthen the EU's global position.

⁸ K. Bondar, "Arsenal of Democracy: Integrating Ukraine Into the West's Defense Industrial Base," Carnegie Endowment, 4 December 2023, <https://carnegieendowment.org/>.

ECONOMY

THE SINGLE MARKET AND COMPETITIVENESS OF THE EU ECONOMY

Piotr Dzierżanowski, Damian Wnukowski

The new European Commission will begin its mission against a backdrop of growing tensions in international economic relations. The coming years will be defined by the rivalry between the U.S. and China, as well as by structural changes in the global economy, including shifts in supply chains. EU governance of the single market will have to increase the competitiveness of the Union and its Member States vis-à-vis other economic powers. The challenge for the EC will be to create solutions that, on the one hand, will strengthen the EU's position on the international stage and, on the other, will not exacerbate inequalities between Member States.

External Challenges

Shocks in the global economy caused by, among others, the COVID-19 pandemic and Russia's aggression against Ukraine, as well as the internal economic policies of third countries, create new challenges for the EU. The Union's most important trade⁹ and investment partner remains the U.S. In 2023, the U.S. deficit in trade in goods and services with the EU was more than €50 billion,¹⁰ which could be a challenge in the event Donald Trump, who focuses mainly on reducing bilateral trade imbalances,¹¹ wins the U.S. presidential election in November. Regardless of who the next U.S. leader is, there are different attitudes between the EU and the U.S. on the regulation of certain technological issues, including artificial intelligence and personal data protection, that could create tensions. Due to their similar economic structures, the EU and the U.S. will not only be partners but also competitors in global markets, for example, in the field of technology. The disputes that arise should be resolved within existing forums, such as the Trade and Technology Council (TTC).

China will remain the main economic competitor for the EU and the West as a whole, particularly in the context of Chinese support for Russia and its war of aggression against Ukraine. The competitiveness of the EU's economy in the global market will be threatened by China's interventionist economic policies. The EC is reacting to these trends. For example, in July it decided to impose provisional countervailing duties on electric vehicles produced in China.¹² The Commission points to the presence of subsidies throughout the whole production chain in China,¹³ from access to financial capital through inputs of production.¹⁴ Given China's important role as a recipient of EU exports and a supplier of goods, raw

⁹ Sum of trade in goods and services.

¹⁰ Based on EC data. See: "EU trade relations with the United States. Facts, figures and latest developments," European Commission, www.policy.trade.ec.europa.eu. Figures from the U.S. administration indicate an even larger deficit: "European Union Trade & Investment Summary," Office of the U.S. Trade Representative, www.ustr.gov.

¹¹ In its previous term (2017–2021), it resulted, among others, in the imposition of tariffs on Union entities. See: M. Szczeplak, P. Markiewicz, "Prospects for Deeper Economic Relations between the EU and the U.S.," *PISM Bulletin*, No. 2 (1698), 5 January 2021, www.pism.pl.

¹² P. Dzierżanowski, M. Przychoch, "EC Imposes Provisional Duties on Chinese Battery Electric Vehicles," *PISM Spotlight*, No. 45/2024, 5 July 2024, www.pism.pl.

¹³ "Register of Commission Documents," European Commission, 10 April 2024, www.ec.europa.eu.

¹⁴ In the form of preferential loans, inflating credit ratings, or allowing land use below market prices.

materials, and inputs for production, fears of retaliation might lead some EU Member States to oppose steps taken by the EC to restore fair competition.¹⁵ Nevertheless, in its coming term the Commission will be forced to act, as low domestic consumption in China, combined with overproduction,¹⁶ threatens to de-industrialise its trading partners, including the EU. Given the low likelihood of China changing its distortive and anticompetitive economic policies, the EU should be prepared to take unilateral action, such as imposing further countervailing duties.¹⁷ U.S. pressure on the EU to restrict its economic relations with China is also likely. Differences in the Member States' interests, which may result in unambitious solutions, will remain a challenge for the EC.

Increased tensions between China and the U.S. will prompt the EC to become more active in its relations with third countries, including developing states. They may provide opportunities for EU businesses as markets and sources of raw materials and help the EU to diversify its supply chains. However, it is possible for these countries to take actions detrimental to the EU's interests, such as facilitating circumventions of sanctions on Russia or pursuing economic policies that cause difficulties for industry from the EU. The challenge for the new Commission will be to develop a position vis-à-vis these partners' active industrial policies, taking into account the interests of EU industry for which it may be detrimental, such as Indonesia's restrictions on the export of nickel.¹⁸ In such situations, it is advisable to factor in the benefits of the development of third countries' industries, which could reduce the EU's dependence on China.¹⁹ It will also be difficult to reconcile the Union's principled stance on environmental or labour issues with the need to ensure the competitiveness of companies from the EU. This will concern not only the requirements imposed on suppliers from outside the single market but also the activities of EU companies in third countries. It will be necessary to find solutions that, on the one hand, do not cause an excessive increase in operating costs for companies (both from the EU and from third countries) producing for the single market, and, on the other hand, make the offer of cooperation with the Union beneficial for local stakeholders.²⁰

The future EC will be forced to pay more attention to economic security issues. The EU adopted the European Economic Security Strategy in June 2023, but the solutions proposed in the document may not be sufficient.²¹ The challenge will be to effectively secure supply chains (at the level of companies as well as entire economies), above all in strategic sectors vital for uninterrupted access to public services, the green and digital transformations, and the defence sector. This will involve the need to continue the EC's efforts to diversify its trading partners, and to implement the EU's plans to increase its own production and processing of raw materials.²²

¹⁵ Germany, among others, has strong trade and investment links with the Chinese market and has tried to get the EC to limit its actions with respect to the trade in electric vehicles.

¹⁶ China accounts for 31% of global industrial production but only 13% of consumption. See: M. Pettis, "What Will It Take for China's GDP to Grow at 4-5 Percent Over the Next Decade?," Carnegie Endowment for International Peace, 4 December 2023, www.carnegieendowment.org.

¹⁷ For example, with regard to ongoing proceedings against China's unfair practices in the renewable energy sector.

¹⁸ D. Wnukowski, "Indonesia Elects a President: Prabowo Offers Continuation but with a New Style," *PISM Bulletin*, No. 57 (2365), 9 April 2024, www.pism.pl.

¹⁹ P. Dzierżanowski D. Wnukowski, "EU Looks to ASEAN Countries for Critical Raw Materials Supplies," *PISM Bulletin*, No. 109 (2417), 23 July 2024, www.pism.pl.

²⁰ P. Dzierżanowski, "Chinese Financing Impacting Developing Countries," *PISM Bulletin*, No. 173 (2292), 22 November 2023, www.pism.pl.

²¹ This can happen, for example, in the event of major political crises or natural disasters.

²² *European Critical Raw Materials Act*, European Commission, 16 March 2023, www.single-market-economy.ec.europa.eu.

Internal Challenges

The single market serves not only as the driver of economic development of EU countries but also to build the position of the entire bloc on the international stage. **It will be necessary to further deepen integration, including through regulatory harmonisation to prevent market fragmentation and the removal of regulatory barriers in areas such as the services sector, financial, energy, and telecommunications, among others.** These activities can be undertaken within the framework of cooperation between EU and national authorities, with an emphasis on moving as many issues as possible to the Community level in order to compete more effectively with the U.S., China, and India.²³ This is an important issue for high service-exporting countries, including Poland. The challenge for the new EC will be to promote investment in the EU, including in the scientific and technical spheres, as well as to increase the number of skilled workers, especially in the high-tech sector, so that EU companies and scientific institutes can effectively compete with those outside the single market in technologies important for the economy of the future, such as chips, artificial intelligence, and quantum computing, among others. This is necessary for the green and digital transformations, crucial for raising the competitiveness of entities from the EU. It is advisable to support the green technology sector and increase energy self-sufficiency, which will also enhance EU security, including by reducing dependence on third-country supplies. It will be important to optimise the rules of state aid²⁴ so that it does not unnecessarily distort competition between entities from different Member States, but at the same time allows for effective competition with subsidised companies from third countries. The challenge will also be to regulate the access of Ukrainian entities to the EU market in order to support its economy while also protecting EU companies. The above actions may be elements of the strategy on modernisation of the single market to be prepared by the EC at the request of the Council of the European Union.²⁵ The document is expected to be ready by June 2025, which will be at the end of Poland's presidency of the EU Council.

²³ *Much more than a market – Speed, Security, Solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizen*, European Council / Council of the European Union, April 2024, p. 8, www.consilium.europa.eu.

²⁴ P. Dzierżanowski, S. Zaręba, "EU Industrial Policy: Instruments Available at the National and EU Levels," *PISM Bulletin*, No. 3 (2311), 12 January 2024, www.pism.pl.

²⁵ *Council adopts conclusions on the future of the single market*, Council of the European Union, 24 May 2024, www.consilium.europa.eu.

MULTIANNUAL FINANCIAL FRAMEWORK

Melchior Szczepanik

In recent years, faced with successive international crises, the EU has been forced to increase spending both from its own budget and by using extra-budgetary mechanisms. A landmark decision was the issuance of joint debt, which enabled the creation of the Next Generation EU (NGEU) reconstruction fund in response to the economic problems associated with the COVID-19 pandemic.

The evolution of the international context, including the protracted war in Ukraine, growing antagonisms in the global economy, technological advances, and the increasing rate of climate change, leaves no doubt that in the coming years the Union will continue to face major political and economic challenges that require considerable financial resources. The EU plans to increase its commitment to support the development of the defence industry. It must also maintain its aid to Ukraine. Large investments are needed for the energy transition and reindustrialisation based on modern technologies. The Union should also provide stronger support to the reform process in candidate countries. More funding will be required for external policy if the Union wants to compete effectively with authoritarian states in building close relations with developing countries. In addition, the Union must repay the loans taken out for the NGEU (according to the EC's estimates, from 2028 onwards it will cost around €30 billion per year). Even taking into account that part of the expenditure will be covered by extra-budgetary funds or by the Member States, **the next multi-annual EU budget should be larger than the current one, otherwise the EU will not be able to implement ambitious actions under the new priorities without drastically reducing the budgets for traditional policies that remain relevant.**

The EC is tasked with presenting a draft Multiannual Financial Framework for 2028–2034 in 2025, which will become the starting point for negotiations. The compromise solution should include a range of measures to increase the Community budget. **The Commission should propose higher contributions to the states, but it is difficult to assume that this alone will produce a budget that meets expectations. New sources of revenue (own resources) will have to be agreed.** A large group of Member States were critical of the EC's proposals on this matter formulated in 2021 and 2023.²⁶ It is therefore necessary to consider modification of the ideas, particularly with regard to the transfer to the EU budget of revenues from the emissions trading system (ETS), which do not constitute genuine new resources. In the context of the protracted ratification of the OECD agreement reforming the taxation of major corporations, the Union should return to the idea of introducing its own solution in this area, with the proceeds constituting Community revenue. Another source of revenue for the EU budget could be the next tranche of common debt. The Russian aggression against Ukraine represents a threat to European security and thus exceptional circumstances justifying such a step, for example, to finance long-term arms procurement.

The increase in spending can be partly financed through savings from reforms of certain policies, primarily the Common Agricultural Policy (which accounts for 31% of the budget). The EC should continue the changes implemented in the past mandate, which consisted of reducing support for the largest players and linking financial support more closely to the

²⁶ Some net contributors questioned the need to adopt new sources of revenue. A group of Central and Eastern European countries opposed the idea of redirecting part of the EU Emissions Trading Scheme (ETS) revenue from national budgets to the EU.

implementation of measures to reduce the negative environmental and climate effects of agriculture. This approach should generate some savings and improve synergies between agricultural and climate policies.

To achieve its strategic objectives, the EU needs to mobilise private investment. An increase in the EU budget will serve this purpose, not only through the provision of more funds to help gather such investments (as is the case under the InvestEU programme) but also as a clear signal that the Union is serious about its stated ambitions. Furthermore, it will be crucial to complete the capital markets union, strongly emphasised by Enrico Letta in his report on the future of the single market.²⁷

The fate of the plea for an increase in the Community budget will also depend on the domestic policies of the most indebted Member States. If, in their own budget plans, they present convincing reform plans to rationalise public spending, and at the same time provide evidence of successful implementation of NGEU-funded projects, it will be more difficult for the so-called frugal Member States to question the demands for increased Community spending.

²⁷ E. Letta, "Much More than a Market," European Council / Council of the European Union, April 2024, www.consilium.europa.eu.

SELECTED POLICIES

THE GREEN TRANSITION

Tymon Pastucha

The green transition is a high priority for the European Commission, announced as the European Green Deal in 2019. However, the plans and actions taken so far at the Member State level do not guarantee the achievement of the 2030 emission reduction targets of the “Fit for 55” package. The biggest gaps are in the areas of environmental protection and restoration, sustainable consumption, agricultural transformation, transport, and climate-change mitigation and adaptation.²⁸

The last few months before the European Parliament elections were marked by farmers’ protests, which showed that the key challenges for the green transition are communication and public participation in the process. This is especially true for vulnerable groups and those who most fear the changes, which, besides farmers, include miners and the poor. **Future actions by the Commission should include more active communication with such groups, education, and countering disinformation about climate policy, presenting the green transition as a fair plan to improve the wellbeing of EU citizens.** Legislative work should seek the participation of the society and business, whose activity is essential to develop a long-term social contract around the green transition.

The implementation of the green transition requires a continuous strengthening of the EU’s resilience to external and internal shocks, which are highly likely to occur. This applies in particular to the strengthening of the EU’s energy security, which should include the development and modernisation of infrastructure (in particular grids), the diversification of technologies and sources of energy production, as well as cross-border cooperation and solidarity. It is necessary to strengthen security in areas vulnerable to hybrid actions, such as energy infrastructure along the Baltic and Black sea coasts and in cyberspace. Actions should include the further diversification of supplies of critical raw materials, uranium, and energy resources. Securing the green transition requires a more active and fair (“just”) industrial policy that minimises development disparities within the EU, including protection and support for production or technology development in key sectors of the transition, such as the photovoltaic industry, the wind power sector, nuclear power, “green” gases, and electromobility.

The new EC should consider increasing the responsibility and freedom of the Member States to shape national energy and climate policies so long as emissions are reduced, including by exploiting and realising their potential in energy efficiency, investment in renewable energy sources (RES), and nuclear power. Another area for increased EC activity is improving cohesion and coordination with other policies and the transition process, in particular with an increase in investment and technical assistance for agricultural regions in Central and Eastern Europe, including the effective development of energy communities. It is also important to initiate and finance cross-border cooperation on the green transition.

²⁸ EEA, “European Union 8th Environment Action Program Monitoring report on progress towards the 8th EAP objectives 2023 edition,” EEA Report, No. 11/2023, 18 December 2023, pp. 7-13, www.eea.europa.eu.

In the institutional dimension, the EC should strengthen its own agencies and organisations, such as ACER, ENTSO, and the Energy Community. The Commission could consider establishing an EU Energy Agency to help manage and monitor the energy transition, provide appropriate expertise, and improve access to data in this area. The Commission should give priority to investing in research and bringing green innovations to market and to improving the conditions for private investment in the energy transition, including by strengthening the internal market, further integrating the capital and energy markets and reducing regulatory burdens. It is advisable to make better use of the EU budget, to strengthen the role of the European Investment Bank in the green transition and to prudently take on new common debt to finance the challenges of the process. It is particularly important to support vulnerable groups and regions in relation to the transformation of the construction, transport, and agricultural sectors.

In the external dimension, energy and climate diplomacy needs to be further developed and a new strategy in this area needs to be defined. **The aim should be to promote global decarbonisation and build partnerships that can enhance the EU's competitiveness and strategic autonomy.** Of particular importance is the policy towards neighbouring countries, which should put more emphasis on developing regional connectivity, financing investments in renewable energy and energy efficiency, promoting EU regulatory standards, and supporting EU businesses. A strategic challenge is the enlargement of the EU, which in the field of energy and climate should include the formulation of boundary conditions for accession (such as the implementation of the ETS or further energy market reforms) and providing support for their implementation.

MIGRATION POLICY

Jolanta Szymańska

Migration policy has been one of the European Commission's top priorities since the migration-management crisis of 2015–2016. Although many measures were undertaken in the last term to counteract the escalation of problems at the EU's borders and the scale of irregular migration has decreased, the unstable situation in the neighbourhood and progression of climate change raise concerns about an intensification of pressure on the EU borders in the future. The lack of trust and persistent divisions regarding the directions of migration policy translate into difficulties in the functioning of the Schengen area. At the same time, many Member States are facing demographic collapse and growing labour shortages in their national markets.

In spring 2024, after many years of negotiations, the Council of the EU and the EP adopted the so-called Migration Pact, a set of legal acts to ensure the effective protection of the EU's external borders, the swift return of migrants who do not qualify for protection, and fair sharing of responsibility for hosting asylum seekers in the EU.²⁹ Despite many attempts to reach consensus, the pact was not adopted unanimously (Poland and Hungary voted against the entire pact in the EU Council, and other Member States also voted against individual acts that are part of it; in the EP, the pact was adopted by a small majority, with both extreme left-wing and right-wing groups voting against it, but also numerous representatives of moderate groups). **The continuing divisions around the pact are likely to hinder its implementation, which is planned over the next two years to June 2026.**

The implementation of the pact requires a targeted revision of national asylum and migration regulations, enabling, among others, the functioning of a new system for managing border crossings, including an accelerated border procedure. In this context, the EC's cooperation with Member States whose borders comprise the EU's external borders will be crucial. These countries regularly draw attention to the problem of insufficient consideration in the pact of the growing phenomenon of the instrumentalisation of migration by authoritarian states. At the same time, in light of the EU Agency for Fundamental Rights' report on numerous human rights violations at the EU's borders, the task of the EC and the Member States will be to ensure that the screening mechanisms comply with EU law. Another major challenge in the implementation of the pact is ensuring the effectiveness of the return policy—weakening in recent years despite the EU's efforts—for which close cooperation with countries of transit and origin is necessary. With regard to the new solidarity mechanism, the EC should support the Member States in operationalising the system of responsibility-sharing, among others, by improving the exchange of information on relocated persons, availability of places in centres, etc.

Visa policy may become a new area of conflict. Labour shortages in national markets are prompting Member States to open up more and more to economic migration. Abuses of visa systems (e.g., the corruption scandal involving the issuance of visas in Poland) or controversies over the countries of origin of migrants (e.g., the opening of the Hungarian market to migration from Russia and Belarus) raise concerns about the security of the Schengen area. In this context, a new challenge for the EC is to become more involved in the coordination of national policies in this area.

²⁹ J. Szymańska, "EU Pact on Migration and Asylum—Strengthening Border Controls and Mandatory Solidarity," *PISM Bulletin*, No. 47 (2355), 28 March 2024, www.pism.pl.

SOCIAL AND HEALTH POLICY

Tomasz Zając, Szymon Zaręba

Social policy and health policy are areas of shared EU competence, but after the experience of the COVID-19 pandemic and due to the increasing interdependence of European economies, there are growing expectations for the Union to take on more responsibility in this regard. **In the area of social policy, a major challenge for the EC over the next five years will be to see to the proper implementation of important legislation that was passed in the previous term, particularly the minimum wage, wage transparency, and digital platform work directives.** Since the scope of this legislation was eventually significantly reduced compared to the EC's original proposals (especially in the case of the digital platform work directive), it is worth an assessment of the extent to which these acts meet their objectives and, if negative, consider updating them.

In the health sphere, it is recommended that the EC continue to implement the Global Health Strategy adopted in 2022. The challenge will be to integrate health into sectoral policies and implement One Health, an integrated approach to human and animal health risks promoted by WHO to which the EU has committed itself. It is necessary to further improve the security of supply of critical medicines and vaccines by diversifying import sources, increasing production capacity in the Union, and joint procurement. The fight against disinformation in the health sphere needs to be intensified, especially with regard to vaccinations. It would also be desirable to promote the digitisation of healthcare, including the use of artificial intelligence, and to complete the European e-Health Digital Services Infrastructure (eHDSI). To improve innovation, it would be beneficial to increase funding in the post-2027 budget for the EU4Health and Horizon Europe programmes, especially for research into treatments for diseases of old age, such as Alzheimer's and Parkinson's (also important given the ageing EU population) and rare diseases, such as muscular dystrophy (to enable social inclusion).

In the external dimension, it would be advisable for the EC to use diplomatic tools to bring to a successful conclusion the negotiation of an anti-pandemic agreement, the EU's flagship international health initiative, important for preventing pandemics. As a starting measure, it would be good to strengthen information exchange and establish anti-smuggling partnerships with countries affected by the abuse of synthetic opioids (e.g., fentanyl, nitazene), including Canada, the U.S., and Latin American countries, as well as major exporters, especially China and India. The EU should also raise public awareness of the benefits that EU legislation provides in the area of social policy as well as health policy, as knowledge of these issues among EU citizens is limited.

ENLARGEMENT POLICY

Tomasz Żornaczuk

The EU's enlargement policy has different challenges in both³⁰ its Balkan and eastern directions. After the Macedonian-Greek dispute was resolved in early 2019, during the last EC term the enlargement process was blocked by France and Bulgaria.³¹ Such actions by Member States (towards Albania and North Macedonia) have become a persistent challenge alongside the lack of political will and the spread of undemocratic standards (Serbia) and the slow pace of reforms (Montenegro), entrenching **the EU enlargement crisis in the Balkans**. Temporary progress in some of the countries of this region (e.g., Bosnia and Herzegovina, Kosovo) was a result of the rapid integration successes of Georgia, Moldova, and Ukraine,³² where constraints to integration due to war, among other things, remain challenging.

Reforms of EU enlargement, mainly through a new methodology in 2020³³ and developing the idea of gradual integration from 2022, have not translated into a strategic acceleration of the process. In contrast, the stabilisation of the political situation in Montenegro in 2023 allowed the EU to adopt a positive interim assessment (the so-called IBAR) on the rule of law (Chapters 23 and 24) in mid-2024, which has made it possible to start working towards closing all negotiating chapters. The EC should communicate expectations precisely in subsequent progress reports to achieve this goal. The country's further integration successes are important for the other countries in the region, as they can motivate their governments and societies to move towards rapprochement with the Union. The EU and the Member States, in turn, will continue to have limited influence on Serbia's merely declarative desire for European integration until its authorities, burdened for years with a shift away from democracy, change.

As blocking of enlargement by Member States has increasingly become the norm rather than the exception during the previous EU institutional term, it should be the task of the EU institutions in the new term to work towards abandoning such practices. This is because it undermines the EU's credibility and the new conditions make the process unpredictable. A method to remove this obstacle is the introduction of qualified-majority voting on enlargement issues. In view of the Union's agreement—by introducing the new methodology to enlargement—to synchronise this process with EU reform, such a decision may be inevitable for it not to be blocked again.³⁴ On the rhetorical level, on the other hand, the addition of "Integration" to the portfolio of the commissioner for Enlargement would indicate not only the process but also the objective.

In the context of Eastern enlargement, it is important that the EC communicates that the progress of aspirant countries is based on conditionality and not on political motives. Indeed, the promotion by some Member States (e.g., Hungary) of the latter perception of the

³⁰ Türkiye, which started EU accession negotiations in 2005, is also covered by this policy, but the talks have remained frozen for years.

³¹ T. Żornaczuk, "Slowing Down EU Enlargement to the Balkans," *PISM Bulletin*, No. 163 (1409), 21 November 2019; J. Pieńkowski, T. Żornaczuk, "Prospects for Breaking the Deadlock in Bulgarian-Macedonian Relations," *PISM Bulletin*, No. 24 (1941), 9 February 2022, www.pism.pl.

³² T. Żornaczuk, "European Commission Recommends Including Ukraine, Moldova and Georgia in EU Enlargement Policy," *PISM Bulletin*, No. 101 (2018), 22 June 2022, www.pism.pl.

³³ M. Szczepanik, "Changes to EU Enlargement Policy," *PISM Bulletin*, No. 42 (1472), 11 March 2020, www.pism.pl.

³⁴ See, e.g.: "Information of the Minister of Foreign Affairs on the tasks of Polish foreign policy in 2024," Ministry of Foreign Affairs, 25 April 2024, p. 19-20, www.gov.pl/web/diplomacy.

achievements made by Ukraine, Moldova and Georgia in the process constitutes a further erosion of its credibility. Meanwhile, the progress of enlargement in the East may again have a positive impact on the process in the Balkans.

EU RELATIONS WITH SELECTED COUNTRIES

EU-U.S.

Mateusz Piotrowski

The main determinant of the challenges in EU-U.S. relations until 2029 will be the outcome of the U.S. presidential election in November 2024. **A victory by Kamala Harris will mean some continuity in U.S.-EU cooperation, which probably would involve maintaining a partnership attitude in political relations** and thus continuing EU-U.S. summits and cooperation within the framework of the Trade and Technology Council (TTC). A Harris win would also enable the continuation of policy coordination between the U.S. and the EU, including towards China and the Indo-Pacific and on climate issues, as well as in the G7, mainly in support of Ukraine. However, it cannot be ruled out that the Harris administration will push for an end to the war in Ukraine by getting Russia and Ukraine to hold peace talks.³⁵ On the one hand, this will force European countries to increase the intensity of their support for Ukraine, while on the other hand, it could lead to some friction in the event of a divergence of U.S. and EU policy goals. At the same time, it is likely that the coordination of sanctions on Russia between the U.S. and the EU would continue, assuming that their lifting (even if partial) does not become part of a broader deal between Russia and Ukraine.

Indirectly, U.S.-EU cooperation would be positively affected by the likely continuation of the Harris administration's approach to cooperation with NATO allies. However, relations will continue to be affected by divergent positions on economic cooperation. One of the first issues to be decided will be the suspended U.S. tariffs on steel (25%) and aluminium (10%) until March 2025. Introduced in 2018 under then President Donald Trump, they have been suspended twice by President Joe Biden, in 2021 and 2023, but not without the expectation of concessions from the EU, mainly concerning countering surplus production of these metals and introducing standards seeking to reduce carbon emissions in steel production to counter the practices of third countries, primarily China.³⁶ The second of the EC's challenges is the Critical Minerals Agreement (CMA), which is intended to guarantee that companies from EU countries have access to some of the subsidies resulting from the U.S. Inflation Reduction Act.³⁷ The conclusion of the CMA is problematic due to differences in positions. These include environmental standards and respect for labour and human rights in factories, with the overarching goal of reducing the presence of Chinese entities in supply chains. The EC has so far expressed concern that the tools envisaged in the content of the CMA for checking the aforementioned standards in third countries go beyond EU practices.³⁸ However, it is in the EU's interest to reach an agreement with the U.S. in this regard, so the EC, seeing China as a systemic rival, should express readiness to adopt common rules with the U.S., promoting high standards for doing business globally.

³⁵ M.M. Piotrowski, D. Szeligowski, "Ukraine Likely to Face Pressure for Peace after the U.S. Presidential Election," *PISM Bulletin*, No. 127 (2435), 30 August 2024, www.pism.pl.

³⁶ P. Blenkinsop, "EU, U.S. extend steel tariff detente until end-March 2025," *Reuters*, 19 December 2023, www.reuters.com.

³⁷ M.M. Piotrowski, "Biden's Inflation Reduction Act Seen as Key in U.S. Midterm Elections," *PISM Bulletin*, No. 146 (2063), 6 September 2022, www.pism.pl.

³⁸ "Proposed U.S.-EU Critical Minerals Agreement," Congressional Research Service, 2 April 2024, www.crsreports.congress.gov.

Donald Trump's return to power would be associated with a renewed U.S. administration's anti-EU approach and focus on protectionism in economic relations. This would mean a lack of political cooperation at the highest levels of government and willingness to seek coordination of most policies on the part of the U.S. At the same time, however, it cannot be ruled out that the U.S. authorities would continue to try to unify standards of economic cooperation in an effort to limit the influx of low-quality Chinese products. Significantly, cooperation would be affected by a complete re-evaluation of interests regarding Ukraine as the U.S. would be reluctant to continue supporting it and seek a quick end to the war. This could negatively impact other areas of U.S.-EU relations, especially in the event of a lack of consultation with European allies by U.S. authorities during the peace talks. Trump's undermining of NATO unity or suggestions of reducing the U.S. military presence in Europe could have the same negative impact on relations.

On economic issues, under a Trump presidency a reinstatement of tariffs on steel and aluminium would be likely, as well as the introduction of new tariffs. These could include general tariffs, such as Trump's announcement of a 10% duty on all imports,³⁹ and perhaps more precise ones targeting specific sectors of the EU economy. If this announcement is implemented, the EC should be ready to impose secondary tariffs on selected U.S. imports. At the same time, there will be even more pressure from the U.S. side to introduce anti-China norms in economic cooperation. Failure to do so will be interpreted as EU laxity and a desire to maintain cooperation with China at the expense of relations with the U.S. In the case of the CMA, a second Trump administration would most likely place further conditions on the EU to conclude a deal or break off negotiations, recognising that the overriding purpose of subsidies is to support its own companies and that companies from partner countries should not be granted access under special conditions created for them. It is possible that the Trump administration would again abandon cooperation in the EU-U.S. format, and the TTC would be used to make uncompromising demands on the EU in terms of trade and economic policy. Nonetheless, the EC should seek to maintain dialogue within the TTC, using it to discuss concerns and conflicts in mutual economic policies.

In both cases, the regulation of the digital sector will continue to be a sticking point between the U.S. and the EU. At the same time, it is a matter of cross-party agreement in the U.S. to move away from free-market policies in international trade, so at **the very least a protectionist approach by the U.S. authorities is to be expected in the event of talks on a possible EU-U.S. trade deal with either the Harris or Trump administrations.**

³⁹ A. Swanson, A. Rappeport, "Trump Eyes Bigger Trade War in Second Term," *New York Times*, 27 June 2024, www.nytimes.com.

EU-RUSSIA

Aleksandra Koziol

Russia's aggressive policy will be one of the biggest challenges for the EU in the coming years, both in European and global terms. This is not only related to the continuing full-scale aggression against Ukraine but also to hybrid actions against Member States and neighbouring countries, disinformation campaigns targeting European societies, including the use of electoral processes or racial and ethnic tensions, and Russia's increasing cooperation with China, which is promoted as a counterbalance to Western global dominance. **The Commission's ability to pursue a coherent and consistent policy towards Russia, including securing the support of the Member States to it, will largely determine the EU's position as a global actor.**

Although the Member States reached an agreement on Russia by defining it as a threat in 2022, they have so far failed to develop a comprehensive vision for relations with the country and their policies have been largely reactive.⁴⁰ The main task of the new Commission will therefore be to define framework objectives for relations with Russia and methods for achieving them. The EU's future strategy should rest on two pillars—containment and engagement.

Russia's actions should be closely monitored by the EU and any violations should be met with an appropriate response. In the external dimension, the Commission should therefore present a set of real "red lines" in relations with Russia, covering political, economic, and social relations. This would facilitate the coordination of common action and enhance its credibility. It is important to avoid making concessions too quickly, as this would only lead to illusory change. Further targeted restrictions, as well as a possible renewal of cooperation, should be based on clearly defined criteria. Internally, the Commission should focus on increasing the resilience of the Union itself by adapting common policies and strategies. Emphasis must be placed on further deepening cooperation between the Member States, not only in conventional capabilities but also in the digital, space, and information domains, as Russia is increasingly actively using actions below the threshold of war to destabilise European institutions and societies.

At the same time, it is worthwhile for the EU to invest in future good neighbourly relations with Russia. This will require both dialogue between the Commission and the democratic opposition, assisted by the promotion of free Russian media in exile, as well as support for opposition activists and their lawyers on the ground. Perceptions of the EU would also be raised by a unified visa policy in which the Commission develops recommendations for restrictions on entry for tourism and business purposes with exceptions for free movement on humanitarian and family grounds.⁴¹ By 2022, the divergent policies of the Member States, instead of leading to social transformation in Russia, have only become a field of abuse for the richest elites. Individual sanctions should also be evaluated in order to increase the costs for all those associated with the regime.

There would also be benefits in developing broader EU international policy that takes into account both limiting Russia's influence in the world and building the resilience of third countries to Russian hybrid and disinformation activities. Many countries in the immediate neighbourhood, including Armenia, Georgia, and Moldova, remain particularly vulnerable. It

⁴⁰ "A Strategic Compass for Security and Defence," EEAS, March 2022, www.eeas.europa.eu.

⁴¹ A. Koziol, S. Kolarz, "EU Member States Take a Position on the Emigration of Russians," *PISM Bulletin*, No. 3 (2122), 11 January 2023, www.pism.pl.

will also be important to maintain support for the democratic opposition in Belarus in order to lay the foundations for the country's future political emancipation and transformation. All these actions would increase the level of security in Europe and underline the EU's international capacity, which would strengthen its position in relations with Russia.

EU-CHINA

Marcin Przychodniak

During the EC's term ending in 2024 there has been a significant shift in EU-China relations. The Commission identified the risks involved in cooperation with China and developed and actively used instruments to counter China's unfair actions in the economic and political spheres. An important part of the EU's policy towards China has become the reduction of the Union's economic dependence, or "derisking."

Through actions in trade policy (e.g., combating subsidies and economic pressure), the EC proved it was possible to go on the offensive towards Chinese actors. Despite the existing differences in Member States' attitudes towards China, such EC policy was supported by the majority of them (except Hungary). This was due to a growing sense in the EU of the threat from China to European security.⁴² It was rooted in China's support for Russia since its full-scale invasion of Ukraine in 2022, including the supply of dual-use items and Chinese pronouncements about the need to change the architecture of European security. EC policy did not exclude cooperation with China on, for example, economic and climate issues, but conditioned progress in these areas on China changing its unfair economic policies and, above all, renouncing support for Russia in its aggression against Ukraine.

The priorities of the new European Commission in its relations with China should be to continue its existing derisking-oriented policy, as well as to eliminate threats to EU security arising from China's policies. This includes, for example, the issues of disinformation, the possible involvement of Chinese actors in Russian hybrid activities against EU states, and the collection and use of data by Chinese actors.⁴³ From the EU's point of view, it is crucial to adapt to the new strategic situation in which China is negatively affecting European security, including in the economic sphere,⁴⁴ but also as a result of its cooperation with Russia. The EC could manifest an understanding of these assumptions by adding "deterrence" to the triad of guiding principles for relations with China (cooperation/competition/systemic rivalry)⁴⁵ adopted in 2019.⁴⁶ This new element in the Union's strategy could include further EC security initiatives geared, for example, towards restricting foreign data processing by Chinese actors.

The EC should make greater use of trade policy instruments against China, as well as, for example, including more Chinese supporters of Russian aggression against Ukraine in sanctions packages. Effective enforcement of sanctions against China will require better cooperation between the EC and the Member States, for example, on the procedures for action, such as in both the adoption and implementation of sanctions.

⁴² An element that influenced the policy of Member States was also the imposition of restrictions by China on goods from Lithuania (including companies from other European countries) in 2021 after the Lithuanians agreed to the establishment of a representative office of Taiwan. See: K. Dudzińska, "Taiwan Opens Representative Office in Lithuania," *PISM Spotlight*, No. 89/2021, 25 November 2021, www.pism.pl.

⁴³ M. Przychodniak, "Threats Associated with China's Processing of Foreign Data Rising Fast," *PISM Policy Paper*, No. 4 (217), July 2024, www.pism.pl

⁴⁴ From this comes the need to reduce dependency and expand the EU's own industrial potential, for example, in high-tech.

⁴⁵ "EU-China Strategic Outlook: Commission and HR/VP contribution to the European Council (21–22 March 2019)," European Commission, 12 March 2019, commission.europa.eu.

⁴⁶ This is a compromise solution emphasising the need for deterrence and building the EU's resilience in the face of threats to its security from China. The EC could consider changing the triad entirely in favour of only competition, systemic rivalry, and deterrence, but this is unlikely to be supported by the majority of the Member States.

An important task for the EC will be to promote greater convergence of Member States' views with regard to the risks emanating from China's policies. This will affect, among other things, the use of instruments in trade policy, including the introduction of higher tariffs on products manufactured in China, such as electric vehicles.⁴⁷ The EC should rethink the legitimacy of continuing the human rights dialogue with China by deciding to suspend it, along the lines of those with Russia and Syria.⁴⁸

An important instrument the EC holds in the face of threats from China is the development of relations with other Asia-Pacific countries, including Taiwan, for example, in combating FIMI⁴⁹ or cooperation in the defence sector. It is worth continuing the dialogue with the U.S. on China, for example, on data protection issues or modern technology, such as within the framework of the Trade and Technology Council.

⁴⁷ P. Dzierżanowski, M. Przychodniak, "EC Imposes Provisional Duties on Chinese Battery Electric Vehicles," *Pism Spotlight*, No. 45/2024, 5 July 2024, www.pism.pl; J. Szczudlik, "In Landmark Decision, EU to Impose Definitive Tariffs on Chinese EVs," *PISM Spotlight*, No. 64/2024, 4 October 2024, www.pism.pl

⁴⁸ This dialogue has long served mainly to legitimise China's human rights narrative by being largely counter-productive to EU objectives.

⁴⁹ FIMI, Foreign Information Manipulation and Interference: a set of intentional and coordinated tactics geared towards the manipulation of information by a state to achieve strategic objectives.

EU-INDIA

Patryk Kugiel

India has in recent years emerged as one of the European Union's more important global partners, and the strategic partnership that has been developed since 2004 has been strengthened to include cooperation in new areas such as security and high technology. This is evidenced by the creation in 2022 of a Trade and Technology Council, second only to the one with the U.S. The challenge for the new European Commission will be to maintain this momentum of cooperation and further strengthen relations with India in the face of growing economic problems and geopolitical tensions. India's attractiveness as a fast-growing economy and alternative partner for the EU in "de-risking" from China, and India's importance as a stabilising force in the Indo-Pacific, should facilitate cooperation in key areas.

The first task for the new Commission will be to organise the long-postponed EU-India Summit (the last one took place in Porto in May 2021) and adopt a new five-year roadmap for strategic partnership, which will set the priorities and orientations for the following years. The summit could take place in the first half of 2025 when the presidency of the Council of the EU will be held by Poland. The growing acceptance in Europe of India's neutral stance towards the war in Ukraine and the positive assessment of India's parliamentary elections this year create favourable circumstances for enhanced cooperation. **Key areas of cooperation will include maritime security, developing Indo-Pacific connectivity, increasing the resilience of supply chains by diversifying parts of European manufacturing towards India and stabilising the region in the face of growing Chinese influence.**

At the same time, it will be increasingly challenging to successfully complete the negotiations of the Free Trade Agreement (FTA) and the Protection of Investment Agreement (PIA). The talks, which resumed in June 2022 with the aim of finalisation by end-2023, have been prolonged without a clear breakthrough in key areas such as market access and public procurement or sustainable development principles. After concluding the eighth round of negotiations in June this year, negotiators saw some progress in three areas, but admitted that "the positions of the two sides continue to diverge on the vast majority of key outstanding issues."⁵⁰ Further lack of progress and the possible failure of negotiations would not only negatively affect trade cooperation but also would impact negatively on the relationship as a whole. In these circumstances, the EU may consider prioritisation of the investment agreement, which is less controversial, in order to send a positive political signal. There may also need to be a discussion within the EU about rethinking the negotiating mandate and possibly lowering the level of ambition to conclude a less comprehensive FTA, similar to those India has signed with Australia or the EFTA.

⁵⁰ European Commission, "Report EU-India FTA Round 8 June 2024," Brussels, 5 July 2024.

EU-ISRAEL

Michał Wojnarowicz

As a result of the terrorist attack carried out by Hamas on 7 October 2023 and Israel's operation in the Gaza Strip in response, the level of escalation between the parties and the scale of casualties has been the highest since the historical beginning of the conflict between the Israelis and Palestinians, while its regional consequences, including attacks by Iran, Hezbollah, and Yemeni Houthis, pose a threat to the stability of the EU's southern neighbourhood. Hence, one of the main challenges for the EC is to adapt EU policy toward the conflict amidst the new circumstances.

Greater EU involvement in the crisis will only be possible once a permanent truce is in place regarding the Gaza Strip, making it possible for European states, organisations, and businesses to join in the reconstruction and expansion of humanitarian support. A key determinant for the EC will be the political situation in Israel itself at the governmental level, the status of international judicial proceedings on the Israeli-Palestinian conflict, and the broadest possible audit of the Israeli army's actions in Gaza. The EC's political priority should be to push for the reactivation of the peace process based on a two-state solution and to support the initiatives of constructive regional actors in this regard.

Action is needed to show that European support for Israel's security cannot come at the expense of the Palestinians' rights. The EU should extend the sanctions regime to individuals and entities that violate human rights in Israel and the Palestinian territories.⁵¹

If Israel's existing policies are maintained (e.g., vis-à-vis settlements in the West Bank), the EC should implement the principle of conditionality in specific areas of sectoral cooperation. The deepening of relations should depend on changes on the side of the Israeli authorities: only actions that coincide with the interests and values of the EU should give the impetus at the institutional level, such as updating the EU-Israel Association Agreement. Modifying EU policy towards the Israeli-Palestinian conflict will also improve credibility with other partners, especially those originating from the Global South.

Limits on the Commission's action include the lack of unanimity among the Member States, which have repeatedly blocked initiatives unfavourable to Israel at the EU level.

⁵¹ M. Wojnarowicz, "U.S., EU Sanction Israel's Far-Right," *PISM Bulletin*, No. 73 (2381), 14 May 2024, www.pism.pl.

EU-UK

Przemysław Biskup

The European Union and the United Kingdom should continue to normalise their relations after Brexit. While the most important milestones in their relations thus far were laid during the European Parliament's Ninth Term (i.e., conclusion of the Withdrawal Agreement in 2019 and the Trade and Cooperation Agreement, TCA, in 2020), the first periodic review of the TCA is scheduled for 2026. The renewal of the electoral mandates of the highest authorities on both sides in connection with the elections to the EP (6–9 June this year) and to the House of Commons (4 July) support these actions. The strengthening of EU-UK relations should also be facilitated by a stronger community of views between Sir Keir Starmer's Labour government and the renewed Christian Democrat-Social Democrat-Liberal coalition in the EP, and EC President Ursula von der Leyen's experience. Last year, she negotiated the Windsor Framework, leading to the normalisation of the EU-UK border implementation on the island of Ireland.

From the point of view of the EU's strategic interests, **the TCA's key weakness remains its wholesale omission of foreign and security policy cooperation.** This was due, on the one hand, to the overly high expectations of Boris Johnson's government in this regard and, on the other hand, to the difficulty of developing new consultation and decision-making mechanisms by the EU in this field. They would need to take into account the UK's leading role in the European security system, as exposed by the war in Ukraine since 2022. The negotiation of a dedicated agreement should be stimulated by both the positive experience of actual cooperation on the ground (both at the Union and Member State levels), albeit with low formalisation, including by the coordination of sanctions against Russia and the UK's commitment to European Political Cooperation, as well as by the encouraging declarations by the Starmer government (including at the EPC summit at Blenheim Palace on 18 July this year).

From the point of view of the areas already covered by the TCA, it would be advisable for the EU to take a broader perspective in assessing the proposals put forward during the 2026 review, integrating an assessment of the Union's economic and strategic interests with the experience of the COVID-19 pandemic, the war in Ukraine, and the U.S.-China rivalry. From this perspective, the Starmer government offers the possibility of developing a new formula for a close EU-UK relationship that would have the potential to prove sustainable over multiple political cycles. In this context, the British initiative in harmonising sanitary and phytosanitary regulations (these determine the extent of most physical border controls in EU-British trade) or mutual recognition of professional qualifications seems particularly worthwhile. Such agreements would help build long-term public support in the UK for much closer cooperation with the EU, strengthen regulatory links between partners and facilitate negotiations at subsequent stages of cooperation. In this context, it is important to note not only the relatively narrow scope of Starmer's political mandate at this stage (an electoral commitment not to join the EU's single market and customs union) but also the still strong Eurosceptic attitudes in the country (demonstrated by high support for Reform UK in the recent general election). **In the context of the bilateral talks with EU states announced by Starmer, it is necessary to maintain on the EU side (following the model of the 2017–2020 negotiations) the Community approach to the future EU-UK agreements.**

EU-TÜRKIYE

Aleksandra Maria Spancerska

Türkiye's confrontational foreign policy in the Eastern Mediterranean, Syria, and Libya, as well as regression in the rule of law and human rights that followed the failed coup attempt in 2016 have contributed to a deterioration in Turkish-EU relations. With Erdoğan and his ruling Justice and Development Party (AKP) remaining in power, Turkish policymakers are expressing a desire to improve relations with the EU, but without a change in Türkiye's policies, there will be no rapid restoration of trust between the sides.⁵²

Faced with the Russia-Ukraine war, Türkiye has decided to pursue a policy of balance by maintaining good relations with both sides of the conflict.⁵³ Although Turkish policymakers did not join Western sanctions on Russia, Türkiye helped negotiate a United Nations agreement ensuring Ukrainian grain exports through the Black Sea, from which Russia withdrew in 2023.

The new EC should recognise Türkiye's EU aspirations and keep channels of cooperation open with the country, while also realistically and consistently communicating that progress on modernising the customs union and visa liberalisation is not possible without Türkiye reviewing its policies on counterterrorism, among other issues.

It would be beneficial for the new EC to focus on constructive and pragmatic areas of cooperation with Türkiye, such as countering organised crime and irregular migration to Europe, and ensuring food security. Action is needed to show that the EU has a keen interest in maintaining a dialogue with the pro-European sector of Turkish civil society, which is demanding that Türkiye return to the path of democratisation and restore the country's parliamentary-cabinet system.

⁵² A.M. Spancerska, "Erdoğan's Re-election as President Raises Concerns among Allies," *PISM Bulletin*, No. 76 (2195), 20 June 2023, www.pism.pl.

⁵³ A.M. Spancerska, "Turkey's Role in the Russian-Ukrainian Negotiations," *PISM Bulletin*, No. 65 (1982), 20 April 2022, www.pism.pl.



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