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The Progressive Post

EU STRATEGIC AUTONOMY

GAUGING THE OPPORTUNITIES,
AVOIDING THE PITFALLS

SPECIAL COVERAGE

Strategic autonomy: opportunities and pitfalls

FOCUS

COP26: cheerleading exercise

DOSSIER

Eastern discomfort and progressive ways out

DOSSIER

EU-US: love no more

*Robert Biedroń
Elisa Ferreira
Linda McAvan
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Daniela Schwarzner
Joseph Stiglitz
Marisol Touraine
...*

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The Progressive Post

The Progressive Post is the political magazine run by the Foundation for European Progressive Studies (FEPS), gathering renowned thinkers, experts and activists from the world of politics, academia and civil society, providing a critical analysis of policies, and clarifying options and opportunities for elected leaders.

Our ambition is to undertake intellectual reflection and debate for the benefit of the progressive movement, and to promote the founding principles of the European Union: freedom, equality, solidarity, democracy, human dignity, as well as respect of human rights, fundamental freedoms and the rule of law.

With a focus on EU politics, our crucial interest is the state and future of Social Democracy. We offer a platform (in print and online) for finding progressive answers to climate change, uneven development and social inequality in a European as well as global context. We invite our readers to explore with us the contradictions of our time and our authors to put forward arguments for peace, sustainability and social justice.

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N°17 - Autumn 2021

ISSN 2506-7362

by Hedwig Giusto

While the pandemic is gradually becoming an endemic and an accepted part of our lives – or at least a constant feature to which we are increasingly and disquietingly inured (despite this probably just being a survival strategy in difficult times, with the use of masks, the 'monotony' of Covid-19 infection and vaccine data announced daily on the news, and the alternation between the imposition and relaxation of restrictions and Covid-containment measures) – other crises and developments continue to unfold. Climate change, growing inequalities, the Afghan crisis, the Belarus border crisis, and the inevitable revival of Europe's migrant question that both these crises have triggered, are just some of the issues that have marked the recent months. These developments remind us yet again that we are increasingly and inextricably interconnected.

Amidst these global developments, the European Union, strongly committed to multilateralism – its *raison d'être* – but increasingly compressed between intensifying global rivalries, is in search of a way to shape its foreign policy according to its own values and interests. This is the basic idea behind the concept of 'strategic autonomy', to which this issue of the *Progressive Post* dedicates its **Special Coverage on Strategic autonomy: challenges and pitfalls**. How can strategic autonomy be achieved without slipping into retreat and protectionism? How can the European Union pursue its goals and interests without compromising relations with its historical allies?

Relations with Europe's most important ally, the United States, also form the core of one of our **Dossiers, EU-US: love no more**. The Biden administration has so far not lived up to the expectations – small though they were – of European policymakers, who had hoped that the new US presidency would mark a turning point after the difficult relationship with Trump. This, again, underlines the need for more EU autonomy. US interests and priorities do not always converge with those of Europe. But can the EU

turn this into an opportunity for a qualitative leap in European integration – for example, by increasing its autonomy in the field of defence?

Other, perhaps deeper, disappointments are those analysed in the **Focus** that is dedicated to COP26. We have entitled this it **Cheerleading exercise** to underline the multitude of statements and declarations that characterised the summit but without leading to any major breakthrough. Declarations cannot indeed hide the fact that the progress made in Glasgow is still insufficient for fighting the challenge of climate change, and for doing so with the social dimension of the problem in mind. Existing and increasing inequalities were largely overlooked at the COP26, but in Europe, the Green Deal could represent an opportunity to tackle the climate crisis in a way that is not only technically and economically feasible, but also socially just.

In the **Dossier Eastern discomfort and progressive ways out**, the *Progressive Post's* gaze comes to rest on domestic issues, looking at the gloomy situation of progressive parties in central and eastern Europe. The countries that were once considered the 'east European tigers', thanks to their economic success, now seem to have become an unfulfilled promise. And the local Social Democratic parties, which had built their legitimacy on their pro-European orientation, have often turned into the object of people's resentment. Undoubtedly, however, CEE progressive parties have also made mistakes that have contributed to their difficult situation. True renewal is urgently needed, and it is not impossible.



Hedwig Giusto,
Editor-in-chief

Editorial



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Making the international corporate tax system work for all

by Joseph Stiglitz

The international community seems to be moving towards a historic agreement on the taxation of multinational corporations. The hope is to end the race to the bottom by imposing a global minimum tax. At their meeting in Rome, the G20 leaders endorsed the underlying framework created under the auspices of the OECD.

The current 100-year-old system is not fit for purpose. Over time, the effective tax rate on multinationals has slowly eroded, in turn increasing the burden on workers and small businesses that cannot join the global tax avoidance schemes available to corporate behemoths.

But the details of the newly endorsed framework, reported in the press and seemingly still under negotiation, are concerning. To start, there is the manner in which the agreement was reached – quickly, with the voices of big countries and their corporations heard far more readily than those of civil society and developing countries. Some note the irony between the reality of the document and the label on the process, sometimes referred to as the 'Inclusive Framework'. But this is not a surprise given that it was headquartered at the OECD, the club of the advanced countries.

The G24 – the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development that coordinates the position of the developing countries and emerging markets – put forward a thoughtful and detailed commentary on earlier draft proposals. Virtually none of those suggestions have been incorporated so far. And the result is that **this widely**

heralded reform will leave most countries with hardly more than a pittance at a time when Covid-19 has rendered them bereft of funds.

Proposals for a global effective minimum tax of 21 per cent have been rejected in the pursuit of the lowest common denominator of 15 per cent – a success for Ireland and the other tax havens, a loss for the rest of the world. It is a percentage that is lower than the average current rate as legislated, but higher than the effective rate, given how the corporate income tax is actually implemented. That is why knowing the details of the deal – and the opportunities it provides for tax avoidance – is so important. For example, **at least for the next 10 years, there are large carve-outs that were increased in the final version under pressure from Hungary, Ireland and other tax havens**, making it likely that corporations with enough activity in those countries will still be able to pay less than 15 per cent.

The so-called first pillar, which deals with where the largest multinationals pay taxes, is particularly disappointing: it enshrines bad economics into a global trade agreement. It defines a concept of residual profits and allocates taxing rights on only a small fraction of this artificial construct,

which is itself a fraction of profits properly defined. It seemingly forgets that in almost all countries not only are wages deductible but also capital costs. So, the corporate profits tax is best thought of as a tax on pure profits, not a tax on capital, and those pure profits are generated by the joint activity of the corporation operating in all of its jurisdictions, most properly allocated by a formula taking into account where both production and sales occur.

Choosing to reallocate taxing rights by reference to sales alone will create winners and losers both in developed and developing countries, and disadvantaged countries with relatively small domestic markets or those with a large tourism sector and substantial exports, particularly of natural resources. **As rich countries consume more, allocation of profits by sales only is likely to result in an inequitable distribution between countries, in favour of developed countries**, a problem identified in the recent study *A European formula for global tax reform*, by FEPS, FES and TASC.

The developing countries are also being asked to give up the right to 'unilateral measures', in particular concerning digital taxation, in return for the 'deal' – but earlier research from Oxfam estimated that 52 developing countries could

gain similar revenues by introducing a 3 per cent digital service tax. **For many developing countries and emerging markets, what they get out of Pillar I of the newly endorsed framework, may be less than they could have had, had they imposed even a modest digital tax.** Unsurprisingly, Kenya, Nigeria, Sri Lanka, and Pakistan have refused to endorse the deal. No wonder, too, that Argentina's Minister of Economy Martín Guzmán concluded that developing countries and emerging markets were being "forced to choose between something bad and something worse. Worse is to get nothing. Bad is what we are getting. It is very little".

With all the compromises and carve-outs demanded by the tax havens and the corporate interests that they serve, it is no wonder that an agreement supposedly trying to ensure that the largest and most profitable firms in the world pay their fair share of taxes and that all multinationals pay at least a minimum tax, is estimated to generate so little. And of this little, the developing countries and emerging markets will get very little. Emblematic of the one-sided nature of the deal are provisions considering who gets to tax any 'undertaxation', a necessary step to bring the tax rate to the agreed minimum. There is not likely to be any or much money on the table – why would any country under-tax, given that it would simply mean that some other country would get the revenue and the company should be indifferent?

► *At least for the next 10 years, there are large carve-outs that were increased in the final version under pressure from Hungary, Ireland and other tax havens.*

The advanced countries could have used this as an opportunity for a demonstration of magnanimity, allocating the money to the desperately poor. Or they could have abided by longstanding principles, with revenues allocated to where the economic activities



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generating the profit occur. But in an unmitigated act of selfishness, they gave the taxing rights to the home countries of the corporations – almost exclusively advanced countries.

This is a moment in which vaccine nationalism has left global solidarity in tatters – with just 4 per cent of people in the developing world vaccinated. A few, mainly European, countries are standing in the way of a World Trade Organization waiver on Covid-19 intellectual property rights that holds out the promise of increased supplies. Many advanced countries, including the US and Canada, have engaged in massive vaccine hoarding, obtaining options to buy vaccines several times their needs.

We will need global solidarity to address a host of global problems. But with the advanced countries demonstrating such selfishness on multiple fronts, how can we expect them to sacrifice their growth and development for a global public good like, for example, fighting climate change? **Neither does this tax agreement serve well those in the West who believe we are in a battle with authoritarian regimes and illiberal democracies for the hearts and minds of the global population.** The brute exercise of economic power by the advanced countries is a reminder of the yoke of oppression during the

colonial era. Old colonialism has been replaced by neo-colonialism, military power by economic power and exploitation. The inequalities and inequities remain.

It is not, however, too late to make amends. The tax negotiators doubtless were not mindful of the bigger picture surrounding these negotiations. **But with the global situation in mind, as the final details of the agreement are hammered out, the international community should not give up on the chance to fashion a final agreement that treats all countries fairly,** at least more fairly than seems the case so far.

There is an old Swahili proverb that says when two elephants fight, it is the grass that gets trampled.



Joseph Stiglitz,
Professor, Nobel
Laureate in Economics



Territory matters: from place-blind to place-based policies

by Elisa Ferreira

We live in transformational times. Because of the pandemic, but also because of the social and economic transitions caused by automation, the ecological emergency, and the evolving international context. In these testing times, our progressive agenda is more important than ever. We did not go into politics to be bystanders but to make a difference and leave a mark. All these challenges must be faced with people in mind. That is what we progressives stand for.

We already know that the current crisis will be known as 'the great accelerator'. What we need to avoid is that it also becomes known as 'the great divider'. The risk is one of widening gaps: intergenerational, regional, gender and income. But what can be done? I would like to offer some proposals from a territorial point of view – an angle often overlooked, but one that we ignore at our own peril.

First, **we need to break the vicious circle of the so-called 'forgotten places', which struggle to avoid decline, where infrastructure decays, public services close, opportunities are scarce, and from which people leave, especially the high-skilled and the young.** These places come in many shapes and forms. They can be former industrial regions, mining regions, remote rural regions, islands, or border regions. But they all have in common this vicious circle: difficulties in maintaining high value-added economic activity make it difficult to maintain

public services and even more difficult to create new high value-added activities.

This is not an abstract problem - there is a very clear human cost. It is the young woman, fresh out of university, suitcases packed, saying goodbye to her parents at the airport because there are no local jobs that match her high qualifications. It is the 50-year-old man, who lost his job when the factory or mine closed. And it is the many more people, who suffer when the jobs go, public services decline, and the region is left to be forgotten.

But the opposite of this regional purgatory is not some kind of economic and social nirvana elsewhere. When certain regions lose jobs, others – often urban centres – gain them. Yet this influx creates its own problems: social division into 'haves' and 'have-nots', skyrocketing housing costs and higher congestion. We also know that **many of the people will express their anger at the ballot box: votes that often**

go to those who offer easy but fake solutions to complex problems.

Somewhere between the forgotten places and the crowded places, there is a balanced medium. The key is to identify the problem, design the right strategies with local stakeholders, and muster the necessary investments. Cohesion policy supports regions in designing such strategies with the partnership principle at its core and it mobilises sizeable investment.

► *We need to break the vicious circle of the so-called 'forgotten places', which struggle to avoid decline, where infrastructure decays, public services close, opportunities are scarce, and people leave.*



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Studies show that – even before the Covid-19 crisis – European cohesion policy accounted for roughly one in 12 euros spent in public investment across Europe. In several countries, this proportion rose to 40-50 per cent of public investment during the pandemic. Over the past few years, we have invested large sums in classic infrastructure, from water and waste treatment to public transport networks, from hospitals to schools. These are still very much needed, especially in the poorest regions of Europe.

► *Many of the people affected by these changes will express their anger at the ballot box: votes that often go to those who offer easy but fake solutions to complex problems.*

However, a growing proportion of cohesion policy investments target the green and digital transition. **In the new programmes for 2021-2027, we in DG REFORM at the European Commission anticipate that at least half our investments will be green**

and digital. Ultrafast broadband, ensuring that homes, hospitals, and schools are well connected. Support to innovative SMEs and their collaborations with research institutions. Green transport systems, renewable energy, and smart grids. Support for the renovation wave, ensuring that homes and public buildings are insulated, tackling carbon emissions and energy poverty in a single shot. All these investments are also designed to spread economic activity more equitably. To a great extent, the success of these strategies requires strong and efficient public institutions. Struggling regions often lack them. We also have to offer support so that all regions possess the capacity to develop efficient public policies and implement the investments needed to get out of poverty or to break the middle-income trap.

Furthermore, **we will not be able to solve social inequalities without addressing the spatial and regional ones.** The main drivers of social equality and social opportunity are 'place-based'. The number and quality of job opportunities are place-based. The availability and cost of quality housing are place-based. The quality and availability of schools, roads, hospitals, shops – in fact, of all infrastructure and public services – is place-based. We cannot

► *We will not be able to solve social inequalities without addressing the spatial and regional ones.*

talk about social justice without looking at the actual places where people live. Cohesion policy, therefore, supports businesses and jobs, hospitals, schools, and social services in the regions that do not have the means to run them by themselves.

As Europeans, we have great goals. The world's first carbon-neutral continent. A digital revolution. These goals will not be politically possible if they leave parts of the regions and parts of the population behind. **All the transitions have to be just, otherwise, there will simply be no transitions.** Territorial cohesion is an essential condition for ensuring that Europe, all of Europe, successfully manages these transitions and is part of the European dream of a democratic, open, and inclusive society.



*Elisa Ferreira,
European Commissioner
for Cohesion and Reforms*



Covid-19: donating vaccines is not enough!

by Marisol Touraine

The Covid-19 pandemic has widened the North-South divide. The poorest countries and the poorest people always pay the highest price. The response of rich countries is not up to the challenge: donations of vaccines are not enough – radical changes need to be undertaken!

Covid-19 has demonstrated how deeply a crisis can affect and threaten lives and economies across the globe. In the South, economies have collapsed, and the International Monetary Fund has recently called for urgent mitigation measures. On the public health side, 12 months of crisis will have been enough to threaten 120 months of progress in tuberculosis screening and 15 years of fighting HIV-AIDS and malaria. While in the North we are starting to administer the third dose of vaccine, only four per cent of Africans have received two doses. This is not only outrageous but also counterproductive if we want to control the spread of the virus: **in a globalised world, no one is safe until everyone is safe!** Today, we need to accelerate and look forward: **stepping up the fight against Covid-19 today will make us stronger to face the pandemic threats of tomorrow.**

After a long period of hesitation and the temptation to withdraw into their national interests, developed countries have begun to multiply

their donations of vaccine doses to low-income countries. Although this is obviously needed and more than welcome, it is not enough! First of all, not all the donated doses have been injected. Second, a sustainable response needs to be given to a pandemic that will probably not disappear on its own. We therefore need to change the game radically.

► *In a globalised world, no one is safe until everyone is safe!*

Initially, **we must support countries in strengthening their health systems. Screening, vaccination and treatment require structured community healthcare centres, trained professionals and organised hospitals.** Any health intervention should now be designed to be effectively transformative for the organisation of care.

In addition, rich countries must engage in a demanding and transparent dialogue with companies from the health sector so that their innovations can be deployed to all those who need them. **Health is a common good, and vaccines and medicines must be made accessible everywhere.** This means that they must be manufactured in sufficient quantities and sold at an affordable price.

By creating the Medicine Patent Pool ten years ago, Unitaid succeeded in negotiating a drastic reduction in the price of treatments, particularly for HIV-AIDS and tuberculosis. The price of an HIV-AIDS treatment that sold for \$10,000 (€8,700) a year in Europe was negotiated for only \$70 (€61) in many African countries. Massive amounts of public money have allowed laboratories to bring vaccines against Covid-19 to market in record time, and treatments will also soon be authorised. This provides governments with a unique opportunity to negotiate accessible conditions for poor countries. This kind of negotiation should have taken place

- ▶ *Since March 2020, international health organisations have been racing against time. But without financial support, without strong and tangible political will, they will not be able to meet all the needs.*



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from the start. However, there is still time to decide temporary and targeted measures that can increase voluntary licences and promote and push technology transfer further. Neither is it too late to invest massively in production platforms in the South. Innovation has a cost, which must be fairly rewarded. **No one is proposing that companies become philanthropic organisations, but rather that they engage in a sincere and transparent discussion about prices, and clearly agree to accessible prices for low-income countries.** Should this negotiation fail, more binding options could be considered, as immunisation must now be accelerated everywhere.

The acceleration of immunisation worldwide can only be achieved through the political commitment of the richest countries. **Since March 2020, international health organisations have been racing against time. But without financial support, without strong and tangible political will, they will not be able to meet all the needs.** It is now time for

the richest countries to coordinate and for the political governance of global health to evolve. Technical solutions are not lacking, but financing is, as well as sustainable political organisation for the response to Covid-19 today and the inevitable health threats of tomorrow. In the early 2000s, organisations were created to respond to the challenge of HIV-AIDS, tuberculosis, and malaria: the Global Fund and Unitaid. Today, we do not need new institutions: we need the political will for practical multilateralism.

- ▶ *It is not new institutions we need, but the political will for practical multilateralism..*



*Marisol Touraine,
Chair of Unitaid*



Promoting equity to fight hunger

by Maurizio Martina

Hunger, climate, equity. These are the three key challenges resulting from the UN-led pre-summit on food systems that was hosted at the Food and Agricultural Organization from 26 to 28 July. They were also the focus of the Food Systems Summit at the UN General Assembly in New York on 23 September.

Already in the first year, Covid-19 pushed over 100 million people to the brink of extreme poverty and food insecurity, bringing the total number of human beings at risk of hunger to more than 800 million. Climate change too is putting a strain on all agricultural areas of the world – but at the same time, agriculture plays a decisive role in reducing carbon emissions. Food production continues to suffer from profound inequalities and from the paradox that a third of overall production is wasted every day.

If we are to learn from what has happened with the pandemic, we need to step forward urgently – first of all, by truly recognising that **human health is intrinsically linked to nature and all living beings**. Action must therefore concentrate on some decisive and interlinked areas.

With about a tenth of the world's population now living in conditions of malnutrition, the growth rate of malnutrition is now higher than that of the population itself. More than

half of all undernourished people, 400 million human beings, live in Asia, while over a third live in Africa, and about 60 million in Latin America. **The centre of this landslide is unfortunately once again the African continent, where almost a quarter of the population is undernourished.**

► *Rising temperatures are changing our life, landscapes and ecosystems. Agriculture and food systems are both the victims and the executioners of this short circuit.*

But the pandemic is just one of the causes of this malnutrition. Armed conflicts and wars are also one of the main causes of hunger. And the structural change in climate and

temperatures cannot be underestimated – from Canada to Europe to Asia, across all continents.

We are losing biodiversity and compromising the planet's natural resources. **Rising temperatures are changing our life, landscapes and ecosystems. Agriculture and food systems in some contexts are both the victims and the executioners of this short circuit. Action must therefore be taken through public policies to stop this spiral**, with real support being given to the majority of people and not just to a few strong economies that are perhaps already fit for this environmental transition. One of the main areas for support is access to technological and digital change. If this access is well oriented it can help to produce better, while consuming less. But for this to happen, the technological and digital change must be made by valuing food diversity and distinctiveness, and not by pursuing the temptation of globally standardised food production.



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For this reason, too, there is an urgency for a concrete perspective for a fair economy, including food. **When unbridled price competition is played out on people's lives, it produces an immediate reduction in the dignity of those who produce and work.** When finance speculates on food as if it were just a stock market game, it has serious implications for the right to food for millions of people. When global food production chains do not help local food systems, there is a risk of stifling the ability of many communities to live in dignity.

A better balance for people and territories must be found. **Short supply chains and open international markets need to coexist, as do family agriculture and large companies, agricultural diversity, and fair prices that guarantee dignity.** Other important fields to be supported are the use of technologies – for example for precision agriculture – and the reduction of waste and pollution through the enhancement of diets and food cultures. Building

this perspective is perfectly possible if we have the resolve to act accordingly. And of course, we now have no time to waste and must redouble our efforts. **Fighting hunger. Protecting the climate. Through equity. These are the three challenges needing our urgent commitment.**

- ▶ *When finance speculates on food as if it were a stock market game, it has serious implications for the right to food for millions of people.*

Maurizio Martina, Assistant Director-General, Food and Agricultural Organization (FAO)





State of the Union: the two sides of a speech

by Maria João Rodrigues

The qualitative leap which was introduced into the European project in the wake of the Covid-19 crisis has brought higher levels of solidarity and cohesion. But there is still a long way to go. The State of the Union speech by the president of the European Commission outlined a few further steps, but this outline still needs to be drawn for many more. Her speech also shied from a key issue – for the new phase of its project, Europe needs to transform the way its democracy works at various levels.

This time round, Ursula von der Leyen could present her annual State of the Union address by building on a certain relief that many are feeling to see the pandemic more under control. Last year, we still did not know whether there would be a vaccine or any effective European cooperation, nor did we know whether the European recovery plan would take off. However, the Portuguese Presidency of the EU Council made it possible to clarify these issues in the right direction.

A European health prevention authority has been announced, but a European Health Union that guarantees universal access to quality health-care is something much wider. The commitment to strengthen European support for global vaccination against Covid-19 is also a positive announcement, but **a broader commitment to a multilateral framework is missing.**

The preparation of a European strategy to develop personal care also makes a lot of sense – not only as a response to the pandemic, but also as regards the creation of a

new pillar of a welfare state for the 21st century, able to address demographic ageing and the question of work-life balance – without which there can be no real equality between women and men. But there are other pillars of this welfare state that are yet to be reinvented to respond to the new social inequalities and the new forms of poverty.

► *Mobility in Europe must be voluntary and not an obligation in answer to the lack of education and employment opportunities in certain regions.*

Yes, the climate transition must be supported by a specific Social Fund that compensates for job losses. But **recovery plans as a whole have to be designed to create new jobs in new activities**, and especially to avoid sacrificing a

new young generation. It is essential that this job creation takes place in all regions and not just in the most dynamic parts of Europe. The ALMA programme to enable young people to access jobs in other countries, as Erasmus has done for education, is to be welcomed, but **mobility in Europe must be voluntary and not an obligation in answer to the lack of education and employment opportunities in certain regions.**

Yes, **the digital transition is decisive, as is often pointed out, but a strategy has yet to be defined for a European pathway** that is different from the American and the Chinese ones. The starting point should be the use of European big data in the field of health and education and incentives for innovative industries to develop algorithms, services and products that are in line with a European way of life which is sustainable and inclusive. But the formulation of a genuine innovation policy for the digital society remains stalled because of the canon of a past paradigm – that of competition in the European internal market.



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Meanwhile, major public procurement operations that are currently underway in education, telework and health might end up benefiting non-European companies more.

► *Recovery plans as a whole have to be designed to create new jobs in new activities, and especially to avoid sacrificing a new young generation.*

The EU's so-called recovery and resilience plans should be understood as plans to rebuild European economies on a new basis. This is a long and huge undertaking that requires a long-term financial boost, counting on **a European budgetary capacity and on public debt issuance, and on national budgets with updated common rules.** The famous European Union's public debt ceiling

of 60 per cent of each member state's GDP, that was defined in the 1990s, has little to do with the present and future reality.

In the face of the clumsy American withdrawal from Afghanistan, von der Leyen's speech acknowledges the evidence. Today's world is multipolar, systemic competition is growing, and Europe must strengthen its strategic autonomy with its own initiatives: humanitarian interventions, defence capacity, enlargement to the Western Balkans, and the launch of the Global Gateway – a European alternative to China's Belt and Road Initiative. However, **she has failed to enhance the EU's commitment to the multilateral framework**, despite UN Secretary General António Guterres having just presented an ambitious plan for his second term, called 'Our Common Agenda'.

Most importantly, von der Leyen's speech shied from the main issue – that for the new phase of its project, Europe needs to transform the way its democracy works at various levels. Firstly, in the light of current

authoritarian drifts, to ensure that the fundamentals of the rule of law are respected throughout its territory. But the EU also needs to unlock European decisions on issues that have dragged on for years – such as a **minimum wage, minimum corporate tax, humanitarian external action, defence, and the right of asylum.** On these topics, does anyone doubt which way the majority opinion of Europeans would decide?



Maria João Rodrigues,
FEPS President



The British, at least, had a choice

by Robert Biedroń

"The Constitutional Tribunal is an integral part of the system which is the rule of law (...). I do not think that anything will stand in its way", said the tragically deceased president of Poland, Lech Kaczyński, symbolic patron of the Law and Justice party (PiS), in 2006. If only he had known that just a decade later, his own brother Jarosław – the present dictator of Poland – would stand in the way of his words.

On 7 October, the politicised puppet Constitutional Tribunal in Poland issued a politically motivated pseudo-ruling, which cast a shadow of fear on Polish citizens and the whole of Europe. The Polish government has repeatedly challenged the European Union with more and more disputes and quarrels, but it has never gone as far as now in its actions aimed at a 'Polexit', an exit of Poland from the European Union.

This 'ruling' could be the first step to a Polexit, and at the same time a gift for the Kremlin and President Vladimir Putin, made by Poland's delightful Constitutional Tribunal led by Julia Przyłębska, a Master of Law. However, the saddest thing is that it is happening even though the Polish people are – according to polls – one of the most pro-European nations in the EU. The British at least had a referendum. In Poland's case, its governing party risks taking Poland out of the EU without asking anyone's opinion – as this party tends to do with all the acts of law in the Polish Parliament.

The PiS-controlled Constitutional Tribunal questioned the principle of the primacy of EU law, which is the foundation of the EU's legal order. The aim of this 'ruling' from 7 October is to defend the PiS system against the intervention of the EU. The decision to issue this 'ruling' is unprecedented. Regardless of what the representatives of the Polish authorities claim, no other court in the EU has ever gone as far in undermining the EU's legal order. In fact, this ruling has created a problem not only for Polish citizens or the whole EU itself, but also, I believe, for PiS.

To start with the perpetrators, I believe that PiS now has only three options. Either they can try to amend the Treaty on European Union (TEU) so that its provisions comply with the 'ruling' – but this will never happen. Or they can change the constitution or simply cancel the 'ruling' – these, however, do not seem realistic options, considering the political will that is hidden behind this 'ruling'. Or finally, **Poland can leave the EU, which, I believe, PiS does not really**

want, although the party is certainly capable of bringing this about – be it by accident or by design.

That they are capable of steering Poland out of the EU is evidenced not only by this unlawful ruling, issued by an unlawful tribunal filled with private judges empowered by Kaczyński, but also by the recent statements of PiS members, not least PiS MEPs. Witold Waszczykowski MEP threatened "Poland may lower contributions to the EU", Zdzisław Krasnodębski MEP called the EU "a collapsing utopia", while Marek Suski MP spoke of a "Brussels occupation", as he put it. The current judge of the Polish Constitutional Tribunal, Krystyna Pawłowicz, appointed by PiS, was particularly vulgar: "the EU flag is a rag".

The truth is that PiS aims to prevent further EU interventions in the completely politicised Polish legal system. No other member state has gone as far in introducing political control over the judiciary, so this is an extremely critical moment for the EU.



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In fact, this raises the question of whether we can allow such states to function in our community. Through the voice of the Polish Constitutional Tribunal, Kaczyński has declared an open war against the Union, announcing that Poland will not respect one of the fundamental principles of the European Union – judicial independence. **This situation is a test case of whether a judicial system, in which the principle of judicial independence does not apply, can be tolerated in an EU member state.** What is more, Poland is already not implementing judgments of the Court of Justice of the European Union (CJEU), so the country is on a collision course with the whole structure of the EU.

► *Poland can leave the EU, which, I believe, PiS does not really want. But the party is certainly capable of bringing this about – be it by accident or by design.*

But the actual victims of this 'ruling' are the citizens of Poland. Poles are one of the most pro-European societies in the Union. According

to research, almost 90 per cent of Poles are satisfied with Poland's membership in the European Union and are aware of its benefits. The brave people of Poland expressed this opinion in mass demonstrations that took place immediately after the 'ruling'. Unfortunately, it seems that the Polish government is not listening to them at all.

The worst thing is that the Polish people have not suddenly woken up in an authoritarian country. **Since 2015, PiS – led by Jarosław Kaczyński – has been undertaking a slow process of dismantling democracy. At the same time, PiS has tested the EU on how far it can go with its tricks.** In my opinion, the reaction of the EU institutions has not been fast enough in the past, and that is why we are at this point now.

The EU Council is not moving on with the Article 7 procedure – and the only words that come to mind are 'sluggishness' and 'inaction'. The European Commission is no better – even now, when there is a mechanism to protect EU funds in the event of a threat to the rule of law in a given member state, the Commission hesitates to use it. This conditionality mechanism is a statutory law that has entered into force on 1 January 2021. Meanwhile, the Commission is waiting for the CJEU judgment, which is the

result of the non-binding political agreement of the December 2020 European Council summit.

Since the conditionality mechanism is still not used, once again the Polish people are not being treated fairly. This conditionality mechanism at least foresees the option to protect the final beneficiaries of EU funds, but right now the Commission has started to fight by – for example – simply freezing the recovery funds. **In the end this would hit the citizens, regardless.** In all this madness, we can only hope that, this time, the Commission reacts efficiently, without any delay, demanding a fine via the CJEU for Poland's non-implementation of the judgment regarding the disciplinary system of judges from 15 July 2021. Moreover, the release of the EU recovery funds for Poland should be linked to the country's full implementation of all CJEU judgements.

Robert Biedroń, one of the three leaders of the political alliance Lewica, the Left, and Member of the European Parliament





Facing the risks: strategic autonomy in practice

by Vassilis Ntousas

Over time, the concept of 'European strategic autonomy' has come to encapsulate the EU's desire to chart its own (foreign) policy course according to its own laws, interests, and values. At the risk of being sucked into the emerging whirlpool of intensifying global competition, if not unbridled US-China rivalry, the case for such an objective seems to be getting stronger by the minute. And yet, for a concept that is deemed so vital for the EU's future, the pursuit of strategic autonomy remains ridden with risks and fraught with complexity.

Four key risks in particular illustrate why the EU needs to confront more valiantly the tricky dilemmas and trade-offs involved in its quest for autonomy, sooner rather than later.

First, **there is the profound danger of conflating strategic autonomy with full autarky**, as already voiced in certain corners, even as a long-term aspirational goal for the Union. The EU can and should act alone in select instances where it deems it necessary – but treating autonomy as synonymous with constant and absolute self-sufficiency is simply unrealistic, if not delusional. From Afghanistan and the Indo-Pacific all the way to its own eastern and southern neighbourhood, almost every crisis confronting the EU confirms the fallacy of viewing autonomy as a binary (either you have it or you don't). The bloc simply does not have the capacity to act without resorting to reliance on other international actors, and it is not expected to acquire such capacity in the foreseeable

future. And even in areas where the EU does yield considerable regulatory power that transcends its borders, this is simply no match for the emerging geopolitical context. As Allan Beattie from the *Financial Times* brilliantly tweeted recently: "What's Brussels going to do, take on China by dispatching GDPR or the Reach chemicals regulatory handbook to the South China Sea?" **Strategic autonomy should instead be treated as managing a spectrum of interdependencies in the EU's favour, while avoiding the two extremes of full dependence and absolute self-sufficiency.**

Closely linked to this, the second risk is that of the EU allowing the pursuit of autonomy to conceal a drift in a regressive direction that is characterised by protectionism and extreme self-reliance. Take trade and the economy as an example: following the pandemic that cast an unforgiving light on the negative aspects of our global interdependence, it became clear

that there is a very fine line between growing the capabilities and tools to better shield European states, economies and citizens from future crises and enforcing protectionist policy measures or completely decoupling supply chains. Yet, as a Union whose prosperity is very much dependent on trade and economic openness, it is easy to see why opting for the latter, however intuitive it might seem, would be detrimental to the bloc's competitiveness and resilience. The same holds for the digital sphere: **if it takes autonomy too far, the EU risks fuelling the dystopian vision of the 'splinternet', which is predominantly backed by authoritarian states**, and whereby each person's web experience is profoundly altered by their country of access. Sustained caution is therefore required to avoid any further move towards what Carnegie Europe's Richard Youngs has observed as "a decade-long trend in EU external action toward what can be termed protective security: a shift away

- *Strategic autonomy should be treated as managing a spectrum of interdependencies in the EU's favour, while avoiding the two extremes of full dependence and absolute self-sufficiency.*

from the union's erstwhile transformative power toward defensive self-protection". The Commission's occasional addition of adjectives such as 'open' before the words 'strategic autonomy' might signify intent in this direction, but clearly much more work is needed at a practical level to avoid the sirens of protectionism (and self-containment).

Third, **there is the simple but very real risk of unrealistically inflating expectations of what embracing and enhancing the EU's strategic autonomy can do.** From the domain of security and defence to the economic and digital spheres, the concept's meteoric rise in the EU's vocabulary puts it at risk of meaning anything to anyone and serving as an empty buzzword that is simply used to mask cleavages or inefficiencies. This must not happen. There is an unprecedented necessity and urgency to pursue the strategic objectives undergirding autonomy, but precision about what these can achieve, at what pace and under which circumstances, is key. The term can neither be seen as a panacea for all ills plaguing the Union's external action, nor be saddled with all relevant criticisms on the frequent occasions of under-delivery. Instead, measurable, attainable goals should accompany the concept's operationalisation in each relevant sector, to avoid having an ill-defined concept that makes the Union more ill-equipped to face a fast-changing world than it currently is.

Finally, **the EU needs to avoid treating strategic autonomy as an end in itself.** If this is the case, the term might become more of a hindrance than a help to otherwise sensible goals and actions. The recent example of



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the EU-China Comprehensive Agreement on Investment (CAI) is illustrative in this regard. In December 2020, Berlin and Paris applied intense pressure to pass the agreement under the German presidency of the Council of the EU, without waiting for the Biden administration to take office and engage in – at least some – consultations with it. While this was portrayed as a 'victory' for strategic autonomy, it is at least questionable whether it helped the EU in the slightest, either in terms of advancing more transatlantic coordination or of a more nuanced Sino-European policy engagement. The legislative process for ratifying the investment deal is now completely frozen, following Beijing's decision to impose sanctions on several EU lawmakers. This is why autonomy should not be understood as the end in itself, often masking differentiation for its own sake. The main objective should instead be that of acting as an enabling framework to serve the Union's long-term interests and values.

In all fairness, Brussels and many national capitals seem cognisant of these risks. But the multitude of levels, sectors, and actors involved in gradually operationalising the concept of strategic autonomy and making its promise

come true carries with it the real potential of turning what is a sensible proposition for a Union that expects to struggle with the new context of brutal geopolitical competition into a misguided one. **As autonomy transitions from a catch-all buzzword to a set of tangible strategic objectives, the EU needs to confront the many messy dangers and challenges that are inherent in this process.** Strategic autonomy can point to a direction of great value and significance for the Union. Avoiding these risks and working to address their underlying dilemmas can ensure the EU's direction is the right one.



*Vassilis Ntousas,
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The US cannot escape the European strategic autonomy debate

by Martin Quencez

The US may wish to stay away from the European debate on strategic autonomy, but the future of the transatlantic relationship will be defined by this discussion. If the Biden administration is serious about engaging with its allies, it needs to clarify America's position on the concept.

The European debate on strategic autonomy often seems stuck in an endless loop of well-worn arguments and counterarguments. The different actors in this discussion play their respective roles perfectly: while France and EU officials are the explicit champions of the cause, Poland, the Baltic states and NATO raise concerns and doubts about the overall concept. Between these two extremes of the spectrum, the other European powers provide assorted nuances and varying emphasis.

The US, however, plays an ambiguous role, with European strategic autonomy thus appearing to be the elephant in the room in most US-EU discussions. **In fact, European strategic autonomy is still very much about the US.** Despite many attempts to consolidate and expand the concept to broader issues, the inertia of this debate is a perfect illustration of the inability of the transatlantic partners to reform and recalibrate their relationship in order to adapt it to the 21st century geopolitical environment.

The framework for the strategic autonomy discussion is traditionally provided by the balance of power in the transatlantic security and defence partnership. Within the alliance, the US remains a security provider, while European powers are mostly security beneficiaries. US political leaders – from Eisenhower to Trump – have repeatedly criticised European 'security free-riding', but their European counterparts have traditionally been less than eager to move from this comfortable position.

► *The evolution of the security environment in Europe and its eastern and southern neighbourhoods over the past ten years, as well as the growing unpredictability of US politics, has now led some Europeans to think that they can no longer rely on others to solve their problems.*

The concept of strategic autonomy has therefore only recently gained traction in Europe. Indeed, it has only started to do so now that Europe has begun to realise that its dependence on the US is becoming more difficult to sustain. **The evolution of the security environment in Europe and its eastern and southern neighbourhoods over the past ten years, together with the growing unpredictability of US politics, has therefore now led some Europeans to think that they can no longer rely on others to solve their problems.**

However, translating this thinking into real action is not easy. In Europe, the never-ending series of so-called 'wake-up calls' (from the Syria 2013 'redline' episode to the invasion of Crimea, the election of Donald Trump, and the evacuation of Kabul) has given new arguments to the proponents of strategic autonomy, but has failed to convince all partners. **In fact, the self-proclaimed EU 'geopolitical Commission', which since 2020 has been committed to using 'the language of**

power', has not been able to show any real improvement. Looking at the multiplicity of crises that have affected European and global stability over the past 18 months (the Chinese repression of the Hong Kong protests, the deepening of Russian influence in Belarus, the quasi-collapse of the Lebanese state, the return of the Taliban to power – to name just a few) is a humbling experience for Europeans who aim to see the EU become a credible geopolitical actor.

European complacency is not the only reason for this apparent stalemate over European strategic autonomy. **US mixed messages also play a very large part in the confusion and have reinforced the existing dividing lines within Europe.** The US is officially ambivalent: on the one hand, US leaders have declared their full support for any action that would allow Europeans to take more security responsibility, and that would therefore lead to a more balanced burden-sharing between

the transatlantic partners. On the other hand, Washington has historically been anxious to see the EU become more autonomous in strategic affairs, criticising EU initiatives for decoupling NATO's existing frameworks of cooperation or for discriminating against US defence companies. The discussions about third-country participation in the European Defence Fund and Permanent Structured Cooperation (PESCO) projects illustrate this argument perfectly.

► *US mixed messages also play a very large part in the confusion and have reinforced the existing dividing lines within Europe.*

The context of US-China strategic competition does not change the situation. The US encourages Europeans to think strategically when engaging with China. The US lobbying in Europe on 5G technology was particularly interesting in this regard and indeed produced some results. Promoting European strategic autonomy is therefore in the interest of the US, as it could incite Europeans to develop tools to decrease Europe's reliance on Chinese technologies and thus to protect Europe's critical infrastructure from Chinese investment. But the US is also critical of strategic autonomy if this implies European equidistance between Washington and Beijing. Although US Secretary of State Antony Blinken has underlined that the Biden administration will not force its allies to choose between China and the US, and although French President Emmanuel Macron has rejected the idea that Europe seeks to hedge between the two global powers, this concern continues to feed US discussions.

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The recent creation of the AUKUS security pact between Australia, the UK and the US is the latest illustration of these mixed messages. **The celebratory announcement in Washington DC of a 'next-generation partnership' with the UK and Australia took place the very day that the EU released its own Indo-Pacific strategy calling for more cooperation with the US.** While the Biden administration has insisted that it wants Europeans to work with the US in countering China's influence, it nevertheless acted against the interests of the most-engaged European country in the region – France – and in total secrecy vis-à-vis Brussels.

► *Clear and active US engagement in the discussion, in support of initiatives that could make Europeans think and act more strategically, would be a game-changer.*

The confusion in the US position has direct repercussions on the European debate. However, each EU member state capital interprets the US messages differently.

In Paris, the key argument is seen to be the alignment between European strategic autonomy and America's demands for more responsibility-sharing. French diplomats believe that by making Europe less dependent on other actors, it also becomes a better partner to the US – and that this will eventually reinforce the transatlantic relationship.

By contrast, Polish officials, along with representatives from Sweden, the Baltic states and Romania, underline the risk of alienating the US if Europe seeks to develop its strategic

autonomy by gradually decoupling its interests from those of the US. The argument that the EU needs to build mechanisms to protect itself from the influence of global powers, such as China and the US, is this seen as counterproductive by this latter group, and as dangerous for transatlantic cooperation.

The US remains unclear on this issue: would a more strategically autonomous Europe make the US more likely to engage with or disengage from European security affairs? Many Americans perceive this as a theoretical and largely useless debate that just sustains European complacency. Nevertheless, Washington remains the key to the debate until Europeans stop referring to the US position to promote Europe's own vision of its strategic autonomy. Indeed, European strategic autonomy has been deemed 'necessary but impossible' for the future of the transatlantic relationship. **Clear and active US engagement in the discussion, in support of initiatives that could make Europeans think and act more strategically, would be a game-changer.** It is only then that the transatlantic partnership could be reformed and adapted.

Martin Quencez, Deputy Director of the Paris office of the German Marshall Fund of the United States (GMF) and a research fellow in GMF's Security & Defense program





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European strategic autonomy and human rights

by Daniela Schwarzer

The debate about the EU's strategic autonomy has picked up again – not least because the sudden US-withdrawal from Afghanistan in September 2021 surprised Europeans so badly. One reason for this was the insufficient communication and coordination with Europe's most important ally, the US. The whole episode has underlined the extent to which Europeans depend on the US.

In Afghanistan, European governments were only able to evacuate their own citizens and those Afghans who had worked with their embassies or military, along with a few highly endangered activists, for as long as the US military secured Kabul airport. Yet apart from stimulating the European strategic autonomy debate again, this experience in Afghanistan also raises the question of whether the EU is adequately equipped to pursue a value-based and human rights-centred policy, or if it needs to step up its capacities to do so.

European strategic autonomy does not imply that the EU would attempt to go it alone or turn away from the US. **Although a strategically autonomous EU would be able to decide by itself and implement its choices, it would do so within alliances and partnerships.** It would nevertheless be able to work according to its own norms and interests. Yet it is important to underline that as an international actor, the EU is traditionally deeply rooted in multilateral settings and in an international order that is based on the rules that Europe and America have contributed to shape.

The profound transformation of the international system in recent years has increasingly highlighted the need for European strategic autonomy. The environment has become far more competitive and conflictual, and human rights are challenged worldwide – sometimes very close to the EU and even within it. The European project was developed within the so-called international liberal order. This is made up of international organisations, laws, norms, regimes, and practices with which European principles have traditionally been fully in line, and which is protected by US power, including military. The context is nevertheless changing rapidly, and the EU now needs to contribute more to the defence of its principles and preferences.

If the EU cannot rely on the US as it once did, it will need to strengthen itself internally by improving its cohesion, resilience, and capacity to act. It will also need to strengthen its external policies in order to increase the political, economic and strategic weight that it puts to the service of its principles. It will thus need to improve its economic and technological competitiveness, as this would help the EU not only to defend its economic interests,

but also to use its economic leverage to support initiatives for human rights or to advance measures against climate change.

► *Although a strategically autonomous EU would be able to decide by itself and implement its choices, it would do so within alliances and partnerships.*

The EU will also need to work very decisively on defending liberal democracy and the rule of law internally. Failure to do so would have a very heavy impact on its ability to defend these goals internationally.

The damage done to US democracy under the Trump administration has triggered a decline in American soft power. The Biden administration is now trying very proactively to turn these developments around, both domestically and internationally, as the US President is seeking



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to strengthen cooperation between democracies and working against previous isolationist tendencies.

In this changing environment, European strategic autonomy remains a key goal – not against the US, but in close partnership with it, with Europe hopefully playing an increasingly important role. This would be beneficial for the EU – not only when the EU and the US diverge, but also when they converge.

The EU's foreign policy approach is founded on the values of respect for human dignity, freedom, democracy, equality,

► *The EU needs to speak with a single voice in multilateral forums, and act in unison when faced with crises that challenge its core values and interests.*

solidarity, the rule of law, and respect for human rights. Indeed, this is laid down in Article 2 of the Treaty of the European Union (TEU). Furthermore, according to Article 21 TEU, these values should be reflected effectively and coherently in all areas of the EU's relations with non-EU countries.

The EU and its member states therefore need to stand by their commitments to human rights and democracy, and to push back against the challenge to the international human rights framework. To do this effectively, the member states need to move, in the longer term, to qualified majority voting in the Council for human rights-related matters – particularly for issues falling under the EU action plan on human rights and democracy, and for the adoption of sanctions.

Crucially, the EU needs to speak with a single voice in multilateral forums, and to act in unison when faced with crises that challenge its core values and interests. Indeed,

this is the only way the EU can play a leading role on the international stage and use its influence to bring about positive changes and more coordinated responses to global challenges – primarily the promotion and protection of human rights, as well as in the field of environmental and climate-related challenges. The EU will only retain credibility and be effective globally if its respect for freedom, democracy, human rights, the rule of law and equality are credible internally. Therefore, its work must begin at home.



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COP26: beyond declarations, smart action with real impact is required

by Saïd El Khadraoui

Disappointment is almost inevitable at these meetings. Let's face it: we will need more than COP meetings to get things done! We need more ambition, credible and concrete transition plans that integrate the multifaceted social dimensions from day one, and novel approaches that connect with ordinary citizens and show how climate action will reshape their daily lives – for the better.

Perhaps the need to be prepared for disillusion is inherent in this type of international gathering. In the context of a gloomy climate crisis, only a very flexible mind can be happy that something as indisputable as the phasing out of "inefficient fossil fuel subsidies" is mentioned for the first time in an official COP text – despite there being no clear deadline for this. Optimists point to another world-first at COP26: the ambition to "phase down" unabated coal (in other words, coal burned without carbon capture, utilisation and storage technology to reduce carbon emissions). This, they say, is language that has the potential to be strengthened over the course of the next few COPs, and that can ultimately lead to coal being abandoned at some point in future.

The excruciatingly slow progress in international negotiations contrasts sharply with the ever-grimmer prospects painted by scientists in many recent reports. There is no doubt that we are approaching a situation that is "irreversible and that will fundamentally reshape life in the coming decades even if greenhouse gas emissions are brought under some control", as

the Intergovernmental Panel on Climate Change pointed out earlier this year. Looking at COP26 from this perspective, one cannot deny that the conference has failed to deliver on hard numbers. We are currently on track for global warming of 2.4°C by the end of this century, but we are nevertheless allegedly committed to still keeping the 1.5°C Paris ambition alive.

At times, the whirlwind of statements and the hotchpotch of commitments made COP26 look like a cheerleading exercise. There was the launch of an alliance to stop deforestation by 2030, and of another to reduce methane emissions by 30 per cent by 2030, as well as the commitment by several states to stop supporting the financing of fossil fuels or the use of coal. In addition, certain governments announced their intention to bring greenhouse gas emissions to net-zero by the middle of the century. Fatih Birol, the executive director of the International Energy Agency, optimistically declared that these developments would keep within reach the possibility of limiting global warming to 1.8°C by the end of the century. As if by magic, such announcements

would solve the issues once and for all. Despite these efforts all being welcome, we are nowhere near doing enough to avoid a climate disaster.

The parties will convene again next year and have already agreed to reconsider the official 2030 climate targets in 2022 instead of 2025 – an opportunity to translate the side-deals into more binding goals. But **there is still an enormous credibility gap, as much of this is like slipping sand. It is one thing to make promises, but it is quite another to make these promises become reality on the ground.** Most of the pledges made at COP26 are rather vague and ambiguous or based on assumptions that are unlikely to happen. Most often, long-term commitments are not underpinned by ambitious short-term plans to help kick-start the necessary transition.

The ease with which promises are made about a distant future does not reflect the urgency of the current situation, nor does it increase the trust of citizens worldwide that this process will really lead to a climate-neutral world. What is



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more, the promises do not meet the scale of the transformation needed to make our economies and societies future-proof. We, therefore, need to find ways to hold governments to their promises and to strengthen the universal systems of emissions reporting and verification.

► *The excruciatingly slow progress in international negotiations contrasts sharply with the ever-grimmer prospects painted by scientists in many recent reports.*

Moreover, **the promises miss the critical point that the climate crisis is not only about greenhouse gas emissions, but is also about a multifaceted social crisis.** Groups of countries are pitted against each other. On one side there are the developing countries, which are the least responsible for emissions but which are the hardest hit by the increasingly devastating impact of global warming. On the other side,

there are the developed countries, which have failed to deliver on their earlier promise of \$100 billion (€87 billion) annually as support to developing countries for dealing with climate change. In addition, poor countries are increasingly not only seeking help to cope with the consequences of climate change but are requesting compensation from the rich countries for the costs that those rich countries' emissions have caused them – "loss and damage" in the United Nations jargon. Tensions between the two sides are likely to rise in the future.

Even in the richer parts of the world, it is still the most vulnerable people who will struggle most to deal with the effects of global warming, and who will also struggle most with the effects of the necessary restructuring of the industrial fabric and the regressive impact of ill-designed climate policies. Indeed, COP26 has acknowledged the need for a "just transition for workers and areas affected" – but there are no concrete measures to achieve this just transition. The social dimension nevertheless needs to be embedded structurally from day one when formulating all climate policies so that trade-offs can be avoided, and a fairer society created.

The COP meetings furthermore give the wrong impression that a top-down approach can solve global warming, when in reality it is the mobilisation of all actors in society that is required, in a bottom-up approach. In addition, the focus urgently needs to shift from what should be done in the longer term, to how it will be done in the short term. Future COPs will therefore have to reinvent themselves and be complemented by novel approaches that can build bridges with cities, local communities, grassroots movements and ordinary citizens.

Pledges and targets need to be translated into the effect they will have on people's daily lives. We need a policy mix that takes us to our destination, and that creates a blueprint for a new type of society and economy – both of them fair and sustainable. People need to understand how smart climate action can improve their housing, their mobility options, and their health situation, as well as how it can create new job opportunities. These opportunities need to be made tangible. In this way hope and perspective can be created, and the necessary support can be mobilised for the sometimes daring policies that will have to be implemented.

Clearly, climate diplomacy and the COP meetings will remain crucial for providing political momentum, for creating a shared understanding of the challenges at stake, and for offering a platform for discussion among policymakers worldwide so that they can build consensus and avoid freeriding. But let us transform climate diplomacy into something that is meaningful, that mobilises people and that has a real impact in the short term.



Said El Khadraoui,
FEPS Special Adviser
on the Green Deal

Bringing the Green Deal home

by Linda McAvan

The EU Green Deal is the next big step in decarbonising our economies. But it must not be conceived or perceived as a top-down plan by Brussels. We need buy-in at national level and hard work to build it.

When the European Commission launched the 'Fit for 55' package back in July, it was a significant moment in the preparation of this year's COP26 in Glasgow: a demonstration by the 27 EU member states that not only had they responded to the call to present a more ambitious climate target – a cut in greenhouse gas emissions of at least 55 per cent by 2030 – but that this target was underpinned by a solid package of laws to deliver those emission cuts. As the dust now settles on Glasgow, eyes turn to Brussels to see whether the EU can live up to its promise to walk the walk and not just talk the talk.

However, as followers of EU affairs know well, what the Commission puts on the table is only the start of the story. The Commission's proposals have to be agreed by EU ministers and MEPs in a to-and-fro legislative procedure that can take up to two years – plenty of time for fossil fuel lobbies to attempt to water them down. But **equally important as the fights in Brussels will be the battle for hearts and minds in the member states. If the EU Green Deal is seen as a top-down plan from Brussels, or fails to address social divides, it could stall.**

That is why we need to make the case for change at national level and develop solid political and public support for domestic plans for deep decarbonisation.

► *At a time when public confidence in the EU is already fragile, particularly in central and eastern Europe, where opponents of climate action are strongest, the EU must tread warily. Get it wrong and this could damage the wider EU project.*

If we look back to the origin of the EU Green Deal, it is worth remembering that it was born not as a 'top-down' initiative but out of the wave of climate activism, the 'Greta effect', ahead of the last European elections in May 2019. This wave had a major impact on the make-up and policies of the European Union

at the start of the new five-year mandate of the European Commission. **Newly elected MEPs used their veto power over the new European Commission** (candidate commissioners are subject to confirmatory hearings by MEPs) **to push for more climate ambition in the EU's plans.** The result was a promise by the new European Commission President Ursula Von der Leyen to deliver an EU 'Green Deal', a comprehensive plan to set Europe on the path to carbon neutrality by 2050. And when we look at opinion polls since those European Parliament elections, we see ongoing, solid support for climate action: a Eurobarometer poll conducted in the summer shows that 9 out of 10 EU citizens consider climate change as a serious problem facing the world. Thousands of people took to the streets in cities and towns across Europe to voice that concern during COP26. In some countries, citizens are challenging their governments in court over failure to deliver on climate ambition – with recent wins in Germany, the Netherlands and France, among others. **People voted for climate action and now they expect the EU, MEPs and their own governments to deliver.**



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Will the Green Deal live up to public expectations? That is what we will find out over the coming months. There are some grounds for optimism. The Covid-19 crisis did not derail the Green Deal plans as many of us feared last year. Instead, agreement was reached to include a requirement to spend at least 37 per cent of the EU's recovery fund on climate action. Also, and against early expectations, agreement was reached to reopen the EU's 2030 emissions reduction target, up from minus 40 per cent to, at least, minus 55 per cent. And a new EU-wide climate law has been agreed which enshrines that new target in law and creates an expert committee to scrutinise compliance. But we know that the real battles are yet to come: on the reform of the Emissions Trading System (ETS), on national emission reduction targets, car emissions targets, a carbon border tax and increased renewable energy – all controversial, and all the subject of intense lobbying.

Can the Green Deal deliver emission reductions in a socially just way? It can. But it will require careful policy design and particular attention to ensuring that policies do not exacerbate the social injustices created by previous crises which have been laid bare by the Covid-19 pandemic. One area of concern at present is the idea of extending the EU carbon market (the Emissions Trading System) to the heating and transport sectors. Whereas the current ETS price applies to businesses, extending the ETS to heating and transport could put a more direct cost on households, which could disproportionately affect lower income households. A Social Climate Fund (SCF) has been

proposed to compensate for any additional costs. A good move, yes, but a Brussels-based financial scheme may struggle to find its way into people's pockets. **At a time when public confidence in the EU is already fragile, particularly in central and eastern Europe, where opponents of climate action are strongest, the EU must tread warily. Get it wrong and this could damage the wider EU project.**

► *People voted for climate action and now they expect the EU, MEPs and their own governments to deliver.*

Is securing the Brussels Green deal enough? No. A good package of EU climate laws is vital, and progressives can support their ministers and MEPs, who are the ones who will vote on the EU laws, by building public support for ambitious EU laws in countries. **It would indeed be a refreshing change to see a vibrant national debate – in parliaments, town halls and regional assemblies – explaining why action at EU level is needed.** But the Brussels-level work is only part of the story. Real change needs policy commitments and a transformation of the national political landscape, not just to implement what is agreed at EU level, but to underpin it with strong, domestic measures: financial reform to push money towards the right investments, the right planning laws to scale up renewable deployment, the reskilling

of workers, building renovation programmes, support for cities and towns on green mobility. A national 'Green Deal plan' for every country.

Post Glasgow, the Green Deal is a real opportunity for the EU to get back on track after the Covid-19 crisis, to demonstrate to EU citizens that the 27 member states can act together to tackle the next big threat to our societies, and to show the rest of the world the EU has a plan for tackling climate change which is not only economically and technically feasible, but also socially just and underpinned by broad public support. **Its success, however, depends on action, not just in Brussels, but on transformative policies in each member state. We need to bring the Green Deal home.**

The opinions expressed in this article are those of the author. They do not necessarily reflect the opinions or views of the European Climate Foundation.

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COP26's elephant in the room: the (re)distribution of material wealth

by Luc Bas

For this year's COP26 conference in Glasgow on climate change, the host, the UK, and its partner, Italy, had put the focus on increasing the ambition on emission reductions, on strengthening adaptation to the impacts of climate change, on mobilising finance for climate action, and on enhancing international collaboration. However: a crucial factor has almost been overlooked: tackling social inequalities, the distribution of material wealth – and its redistribution.

Earlier this year, UN Secretary-General Antonio Guterres had described 2021 as a "make or break year" for tackling the climate emergency. In his view, we needed to launch a decade of transformation to achieve the shift that the people, and the planet, so desperately need. And with the US administration making climate action a centrepiece of its policies, and China pledging to achieve carbon neutrality by 2060, there could have been real international momentum to go beyond 'business as usual' at COP26. There were, indeed, some hopeful elements, such as a declaration on deforestation from key countries, some increases on financing, and additional pledges on emission-reductions.

However, to start such a transformation, the climate emergency and the colossal threat of accelerated biodiversity loss need to be addressed together. With one COP on climate change and a separate one on biodiversity (COP15, the second phase of which has been postponed until April 2022 in Kunming, China, and is receiving scant media attention), the current set-up is bound to fail.

Although the ecological limits of economic development are well known, they are far from being respected. And the recent COP26 has brought little change – if any. We are using renewable resources from nature faster than ecosystems can regenerate, and we are filling waste sinks beyond nature's capacity to assimilate what we put there. Some relative 'decoupling' of economic production from its impact on nature might take place. But, all too often, this decoupling is merely a result of false accounting and trade, where wealthy countries export their ecological impact towards poorer countries.

Indeed, high-income countries have achieved their level of 'development' by promoting material growth, (over)consumption, globalisation, and trade. Yet these nations' relatively good environmental performance hides enormous amounts of imported emissions and biocapacity-use due to production overseas. High-income countries are thus running on an 'ecological deficit'.

At the same time, massive global social inequality persists. **According to Oxfam, the**

wealthiest fifth of humanity earns about 70 per cent of the worldwide income, while the poorest fifth earns a meagre 2 per cent.

Climate change and biodiversity loss are, in fact, critical indicators for too much, too fast, and wrong consumption patterns. Climate change is not only an energy or transport challenge, but also a symptom of the overall unsustainability of our current economic system. One could argue that we could achieve all UN Sustainable Development Goals (SDG) just by tackling SDG 12 on sustainable consumption and production – but in a socially just way.

Although poorly respected, the limits of development within the planetary boundaries are well defined. And so are the requirements for social well-being, which include decent work and health security, and education. Kate Raworth's 'doughnut economy' provides an excellent example of this. But the minimum material wealth for a good life is much less clear.



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There is a great volume of literature on what the social foundation should be. We have an idea of the basic healthcare and education, for example, that one needs for a good life. However, we have not defined clearly enough the upper limit of material wealth required per capita. How much individual transport, and how much public transport, does one really need? What is sufficient housing? What amounts of food, leisure and access to energy are required to assure well-being? **The real question is 'how much is enough?'**

► *The goal should be to increase the material well-being of the poor while simultaneously reducing the material throughput of the rich.*

It is abundantly clear that it is impossible to raise the material living standards of the current poor to those of the rich without crossing the planetary boundaries. But once we dare to set a 'material wealth' sufficiency level, we can start calculating what is really needed to provide the entire global population with essential fulfilment.

The outcome, however, will most likely not be palatable to today's wealthy because simple arithmetic tells us that distributing the resources of a limited planet equitably entails reducing the share of the more affluent nations.

This discussion goes beyond the issue of 'common but differentiated responsibilities' or 'loss and damage', which was discussed – but not solved – at COP26.

And once we know 'how much is enough', we can then identify how much the wealthy nations need to reduce their consumption in absolute terms. We will not solve this with technology alone. A lavish illustration of how a technology-centred approach can fail is the belief that it is enough to replace the current (or even future) number of combustion engine cars with electric vehicles. Even if we managed to do this, it would only increase the plundering of natural resources needed to produce these electric cars. Electric mobility would not solve the ever-growing need for private transport, which generates its own problems. It would, indeed, reduce emissions from individual vehicles, with beneficial effects on the quality of local air. Still, it is not a silver bullet for achieving the needed transformation of our entire mobility system.

If a transformative COP26 had rounded off a "make or break year", this elephant in the room – the question of the distribution of material wealth – would have had to be adequately addressed.

Sustainable consumption and production need to translate into less production and consumption in the OECD countries. Despite rapid technological advances and falling costs,

it is still not clear if renewable energy alternatives, including wind and photovoltaic, will be able to replace the current and future energy needs of major uses, such as transportation and heating. A daunting amount of innovation would be needed, and questions of scale and costs remain unsolved.

Both COPs, the one on climate change and the one on biodiversity, need to focus on methods for a more fundamental redistribution and on the question of how to share the benefits of development more equitably. **The goal should be to increase the material well-being of the poor while simultaneously reducing the material throughput of the rich.** Rather than simply being environmental meetings, the two conferences should have served as actual engines of societal change. This, however, will require political courage and leadership.

However, we are left hoping that international political forums will be able to muster the courage to address the more fundamental instruments of redistribution. The recently agreed G20 proposal for a 15 per cent minimum corporate tax rate for multinationals (see page 4), together with new rules for allocating the taxing rights over the most significant international companies, is a hopeful stepping stone, despite its shortcomings. Next year's 'Stockholm+50' conference, for the 50th anniversary of the United Nations conference on the human environment in 1972, is an opportunity to show the needed political leadership. But much more is required. However, **the crux of the matter remains that the politically feasible is often ecologically and socially irrelevant.**

The opinions expressed in this article are those of the author. They do not necessarily reflect the opinions or views of the EEA.

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Progressives and a new social contract – arduous pathways from the semi-periphery

by Matjaz Nahtigal

More than 30 years after the fall of the Berlin Wall, many hopes, aspirations, and expectations of the people in central, eastern and southern Europe are still unfulfilled, despite their countries being full members of the European Union. A new generation of leaders – based on broad, inclusive, and progressive social alliances – is needed to achieve advanced levels of a knowledge economy and a fully-fledged constitutional democracy.

In the process of EU-accession, the first and second generations of reformers in central and eastern Europe were under the strong guidance of international institutions – first the International Monetary Fund (IMF) and the World Bank, and then the European Bank for Reconstruction and Development and the European Union. None of these international institutions developed a coherent model of large-scale institutional transformation from central planning to a social market economy.

One of the assumptions of transformation advocated by the international institutions, and uncritically accepted by the first and second generations of reformers in central and eastern Europe, was that all of the countries would develop a 'premature' welfare state. The only way for these countries to become internationally competitive was to dismantle or privatise some of their key pillars of social welfare, such as their public pension systems and, to a large extent, their public health systems.

The reality was overlooked that, in the process of Europeanisation and globalisation, there are no intrinsic trade-offs between social welfare and overall competitiveness. Yet many of the world's most socially cohesive countries, with advanced systems of social welfare, are also some of the world's most competitive and innovative countries. **Indeed, social welfare pillars and international competitiveness are mutually supportive and reinforcing.** Only the countries with high-quality social welfare systems – including high-quality education, training and retraining of workers, research and science – can therefore hope to achieve high levels of a cohesive, innovative and competitive knowledge economy.

► *Social welfare pillars and international competitiveness are mutually supportive and reinforcing.*

These situations or high-quality social welfare systems however require a high level of participation from all stakeholders, a high level of social trust, and transparent and inclusive institutions of constitutional democracy. An institutionalised social dialogue with all the main stakeholders – the government, trade unions and employers – can establish a more coherent approach to the development of a modern and inclusive knowledge economy and society. They require a modern and sophisticated version of industrial and development policies – but these were practically all forbidden in the first period of transition and EU accession.

Today, however, it is precisely these restructuring and development policies that play a crucial role in the period of recovery from the Covid-19 pandemic and in the green transition in the EU, US and elsewhere. High-quality industrial policies require high-quality and transparent public administration and



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initiatives, as well as coordination and cooperation among all stakeholders – all characteristics that were underdeveloped, ignored, and abandoned by the central and eastern European countries in the initial stages of transition and EU accession. **The dominant mantra was instead that open markets would take care of everything, and that governments would do best when they did less.**

The claim of 'premature welfare states' in central and eastern Europe was accompanied by the idea of the primacy of the international markets, and of residual social welfare policies and dependency on international financial flows. Structural and cohesion funds helped improve conditions in many vital areas of economic, agricultural, and social life in many central and eastern European countries. However, these funds did not lead to more innovative, inclusive or sustainable developments.

► *The dominant mantra was that open markets would take care of everything, and that governments would do best when they did less.*

The European regional yearbooks and the European innovation reports show that there is a continuing divide between the most developed regions in a handful of European countries and the rest of the EU. A former Polish deputy prime minister and finance minister, Grzegorz Kołodko, who was also a scholar of the transition a decade ago, described Poland as a "two-thirds success story", implying many missed opportunities and much mismanagement during Poland's transition and EU accession.

The data for Thomas Piketty's seminal work *Capital and Ideology* highlight the empirical fact that the outflows from central and eastern Europe in the form of profits and other property income significantly outpaced the inflows of finance to that region.

The discontent of the populations in central and eastern Europe has its origin in their disillusionment with the process of transition, post-transition, and accession to the EU. And yet there is real innovative, productive, social, and democratic potential in the societies and countries in central, eastern and southern Europe. The current backslide towards authoritarian populism with a modicum of improved social welfare policies is neither a necessary nor a sufficient step towards the real social and economic transformation of the countries in the region towards a knowledge economy and inclusive, pluralistic societies.

It was a Hungarian biochemist, Katalin Karikó, working in the US, who helped shield the world

from coronavirus by working on vaccines. Indeed, the tradition of science, research and education is strong throughout the central and eastern Europe region. The next generation of reforms, therefore, need broad progressive social alliances – not only within the countries themselves, but also in the central and eastern Europe region, and indeed across the whole EU – to make structural improvements to the respective economies and societies of central and eastern Europe.

► *To extend European Social Democracy to the 21st century, Social Democrats need to move beyond the traditional tax-and-transfer policies and towards reinventing and democratising the market economy itself.*

The success of the European recovery from the pandemic depends on the successful transformation of the southern European economies in Portugal, Spain, Italy and Greece, but also on the successful transformation towards inclusive and sustainable economies in central and eastern, and also southern Europe.

The resolve to do things differently requires institutional imagination. Structural transformation requires transparency, vision, broad social alliances, and the participation of all stakeholders. **To extend European Social Democracy to the 21st century, Social Democrats need to move beyond the traditional tax-and-transfer policies and towards reinventing and democratising the market economy itself.** By broadening access to production, new technologies, long-term finance and skills, for example, Social Democrats can also expand their traditional social base.

Institutional innovations – such as decentralised public venture funds, dispersed and disaggregated property rights, and regional development funds – could attract new social groups that currently remain excluded from the benefits and opportunities of globalisation and Europeanisation. Lifelong learning support and finance could become one of the central social policies for a modern knowledge economy.

Broad social alliances beyond the Third Way attempts of the last two decades could lead to an alternative future that is more inclusive and sustainable. Bottom-up initiatives from local and regional levels, in coordination with national and supranational policies, could lead to a rebalancing of the processes of globalisation and Europeanisation beyond the current hierarchical segmentation, and beyond the current concentration of economic and financial power in the hands of a few privileged corporations and regions.



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Unequal Europe



'Unequal Europe' is a collaborative research project, by the Foundation for European Progressive Studies (FEPS) and the Friedrich-Ebert-Stiftung (FES).



It includes national reports on Germany, Finland, Romania, Italy, Sweden and Estonia. The European overview was presented at an event with Nicolas Schmit, European Commissioner for Jobs and Social Rights.

From major legacy issues to strong legitimacy for the future: the centre-left in central and eastern Europe in search of true renewal

by Anna Paczeńskiak

Calling the situation of the centre-left parties in central and eastern Europe 'difficult' equals hiding behind a diplomatic *langue de bois*. Social Democrats are in government in none of the countries of the region – neither at the helm of a coalition, nor as a partner in one. Sometimes they have even failed to enter parliament altogether. Internal conflicts, controversial decisions by party leaders, misguided political alliances and an incoherent image are problems progressives in this part of Europe have to deal with.

The problems haunting the centre-left of the countries of central and eastern Europe (CEE) are threefold. Firstly, it is beset by the trends that are observed across the whole EU. Secondly, it is beset by specific inclinations resulting from the distinctive regional context. Thirdly, it is beset by the effects of the actions or the negligence of the respective progressive parties and their leaders. Everywhere, it is obvious that **Social Democrats are a victim of a deepening fragmentation of the political scene**. Elsewhere, electoral results that would have been considered a defeat in the past are seen as a reason to celebrate today – but in the CEE region, the situation is comparatively worse. At the current time in autumn 2021,

Social Democrats are in opposition in Bulgaria, Romania, Hungary, Poland, and Slovakia. In the Czech Republic, the parliamentary elections in October saw the Czech Social Democratic Party (ČSSD) fall below the required five per cent threshold and thus not even enter parliament. This was a crushing defeat for a party that used to be the Czech Republic's most powerful political organisation.

| DISTRUST AGAINST THE MAINSTREAM

A consolidation is underway of large segments of the electorates in the states of the

CEE region. Frequently, voters act at the ballot box as if the region was not concerned by the climate crisis, or by challenges linked to migration and the aggressive politics of certain countries outside the EU. Instead, voters support politicians who fabricate the problems they promise to solve. These **'replacement topics' are used as an effective smokescreen, which allows avoidance of confrontation with the real issues**. The widespread attitude of 'this is none of our business' plays into the hands of the populists, who, then, blame the European Union and its political elites for being 'detached from the real concerns of the people', claiming that the EU is guilty of everything and anything that causes social anxieties.

► *The centre-left in the CEE region has built its legitimacy on its pro-EU orientation, and it is (rightfully) still strongly associated with the European mainstream.*

The centre-left in the CEE region (post-communist parties as well as those that are free from this legacy) has built its legitimacy on its pro-EU orientation, and it is (rightfully) still strongly associated with the European mainstream. In this context, the centre-left of the CEE countries thus become a very easy target for populists of all shades. Populists then play on resentments and paint progressives as a suspicious breed of politicians who do not defend (or at least not sufficiently) national interests.

Interestingly, the label 'progressive' is even used to discredit right-wing organisations, as was seen in the case of the Czech Pirate Party in the last electoral campaign. While the term 'liberal' used to be a pejorative label that would prompt distrust, today it is the term 'Social Democrat' that has a similar function.

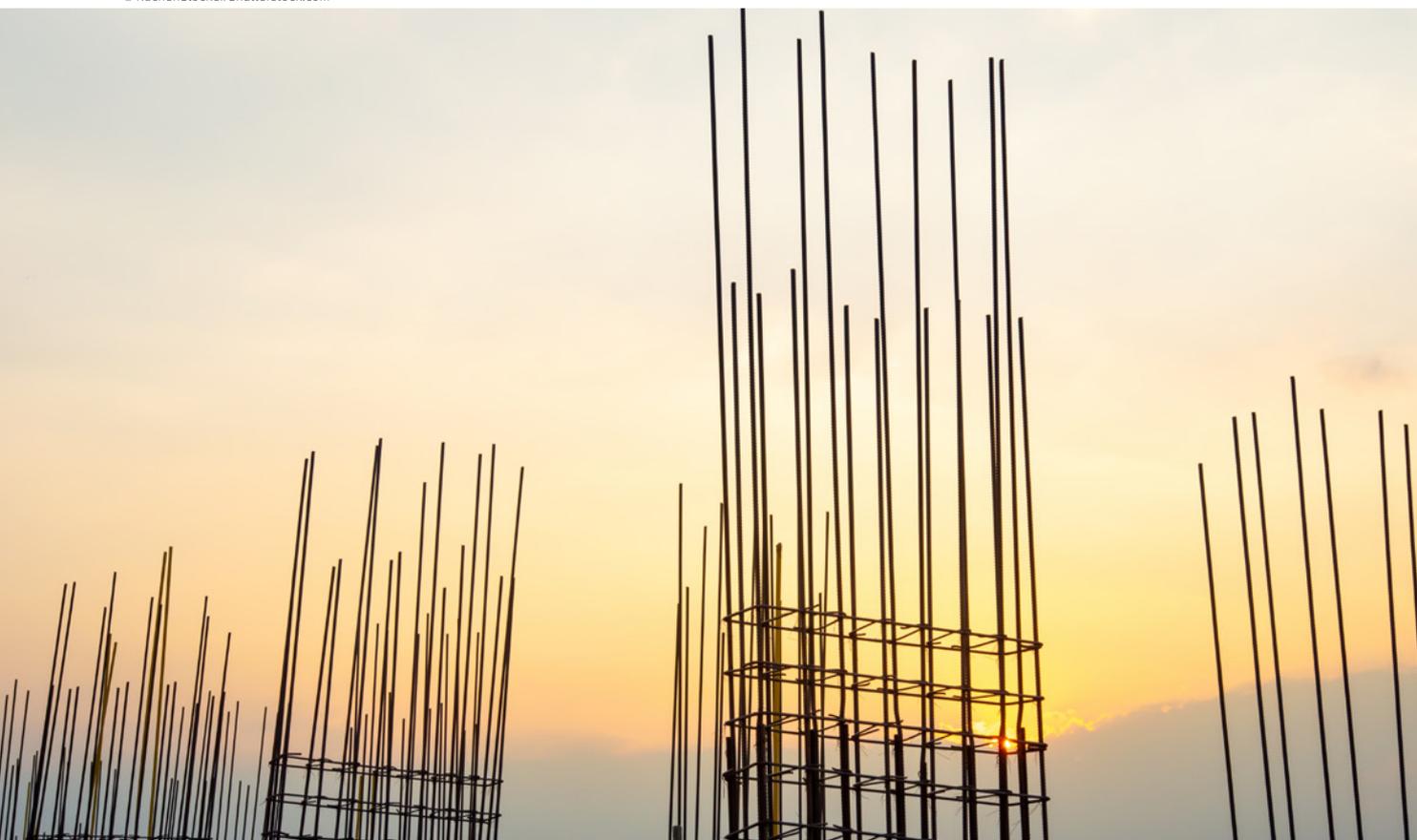
But a search for the reasons for the electoral weakness of progressive parties cannot be limited to external factors. Such a fragmented diagnosis would indeed not be helpful for the parties themselves. In all honesty, it has to be said that in many cases the situation of these progressive parties is the result of mistakes, inadequate decisions, ideological confusion, and internal conflicts.

| HARMFUL ALLIANCES

Governing with an inadequate coalition partner can be very harmful – a fact that many

parties and politicians know full well. **For the Czech Social Democrats (ČSSD), the price for having governed for a few years with Andrej Babiš was extremely high.** Their decision to form a coalition with his ANO party in 2017 was perhaps an attempt to move forward after the ČSSD lost 13 per cent in the elections (equating to a loss of 35 seats in parliament and many budgetary subsidies). Back then, half of the voters lost by the ČSSD turned to ANO (chiefly the low-income and elderly voters), with others throwing their support behind the right-wing populist SPD party of Tomio Okamura or the Pirates Party (as tended to be the case for disenchanted younger and better-educated voters). Significantly, in the 2017 elections 260,000 of the former ČSSD voters did not turn out to vote at all.

One year after the formation of the rather exotic cabinet coalition with ANO, the 2019 elections to the European Parliament took place, in which the ČSSD failed to cross the electoral threshold. This was a sign that the



drift of the ČSSD voters had not stopped but, on the contrary, had intensified. Governing alongside someone who is accused of fraud, nepotism and corruption made the ČSSD look – to a certain extent – like accomplices, thus allowing others to present an alternative electoral offer in 2021. Furthermore, governing together with Babiš infected the ČSSD with certain ideas that appear contrary to progressive ideals – a key example being the narrative that the ČSSD adopted towards migration.

In the most recent Czech elections, the Social Democrats did not manage to enter parliament – and there can be no consolation in the fact that the Communist Party did not do any better. Although the Polish SLD-Wiosna-Razem provides an example of a centre-left party in the CEE region that failed to enter parliament at a certain moment but managed to make a comeback in later elections (in a new, broader formula), it is not a safe bet at all for ČSSD to hope to do the same.

► *Analysing the PES parties from the CEE region from the angle of their programmatic views, there is more than one question that arises.*

| IDEOLOGICAL CONFUSION

Analysing the PES parties from the CEE region from the angle of their programmatic views, there is more than one question that arises. Within this group, there are supporters of a flat tax (who are either in favour of introducing one or of defending one that was put in place by neoliberals); there are critics of trade unions, and there are also die-hard conservatives with no leaning towards equal rights or minority rights. Some of these attitudes can be

explained by the electoral maths and attempts to regain voters who have turned to right-wing radicals – who for their part use outright xenophobic rhetoric (for example, against migrants).

► *The centre-left will never beat the right on their turf, so it doesn't make any sense to even try: neither ideologically, nor electorally.*

The problem, however, is not only that of voters straying away from the programmatic core but also that of a perceived loss of integrity. Even citizens who are not very well-informed can detect insincerity that is dictated by political calculation. And should these voters be tempted by the message, they would be more likely to vote for actual right-wing parties than for those just copying right-wing narratives.

The centre-left will never beat the right on their turf, so it does not make sense even to try – neither ideologically, nor electorally. Indeed, this is all the more the case given that the main outcome of this approach tends to be even more disgusted voters.

| TARNISHED REPUTATION

Finally, mention also needs to be made of the scandals that have damaged the image of certain progressive parties in the CEE region. Several parties that have governed or co-governed in the CEE countries over the past two decades have not been able to withstand the numerous temptations that come with the privilege of being in power. This weakness has discredited several of these parties and they have not yet managed to restore voters' trust. Corruption and minor scandals keep returning

from the shadows of the past – which makes the task of revitalising these parties internally and externally incredibly tough.

| TRUE RENEWAL NEEDED

This bitter analysis is not intended to clip the wings of progressive parties in the countries of central and eastern Europe. Indeed, the centre-left has established itself in the CEE region as a guarantor of a rational state policy that does not lose sight of the weakest citizens, that is a predictable partner in relations with the European Union, and that is capable of facing the challenges of the future with a programmatic approach. However, **true renewal is needed and this means renovating with solid foundations.** Such renewal will surely be appreciated by progressive voters – who have not disappeared altogether from the societies of central and eastern Europe.

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The era of 'east European tigers' might be over

by Cornel Ban

Politically, central and eastern Europe is disappointing – but looking at it from outside Europe it is a stunning economic success story. However, this success cannot be taken for granted – and its end could make the region even more politically disappointing. There are nevertheless things progressives could do. Yet they require political determination and resolve.

Ruchir Sharma recently wrote in the Financial Times that thanks to their emphasis on the manufacturing sector, central and eastern European countries "have already established themselves as the greatest concentration of development success stories since the east Asian miracles". To a great extent, he is right. But, at the same time, there are reasons to be concerned that most of the countries in the central and eastern Europe (CEE) region are probably close to the end of their golden economic age. This is bad news for progressive

forces because in bad times, politically, the illiberal right tends to do even better than it does in good times.

In recent years the former communist countries inside the EU – the CEE countries – have been just as successful as Asia (unless you compare them with the rather crushing case of China). Indeed, in contrast with these CEE countries, Latin America and the rest of Asia actually lagged badly behind in 2017-2018 – but the downbeat evaluation

of the CEE region by the European Bank for Reconstruction and Development's (EBRD) *Beyond the middle-income trap - Transition Report 2017-18* undermines this successful performance of the CEE countries. Going back to 1990, however, the best east European cases of growth (Slovakia, Romania, the Baltic states and Poland) were easily outperformed by the 'communist' Asian cases, with the gross domestic product (GDP) of Vietnam increasing seven times between 1990 and 2018, and the GDP of China increasing 18 times over the same period.

FIGURE 1 Percentage GDP growth (PPP) in selected regions 1990-2018.



Source: IMF



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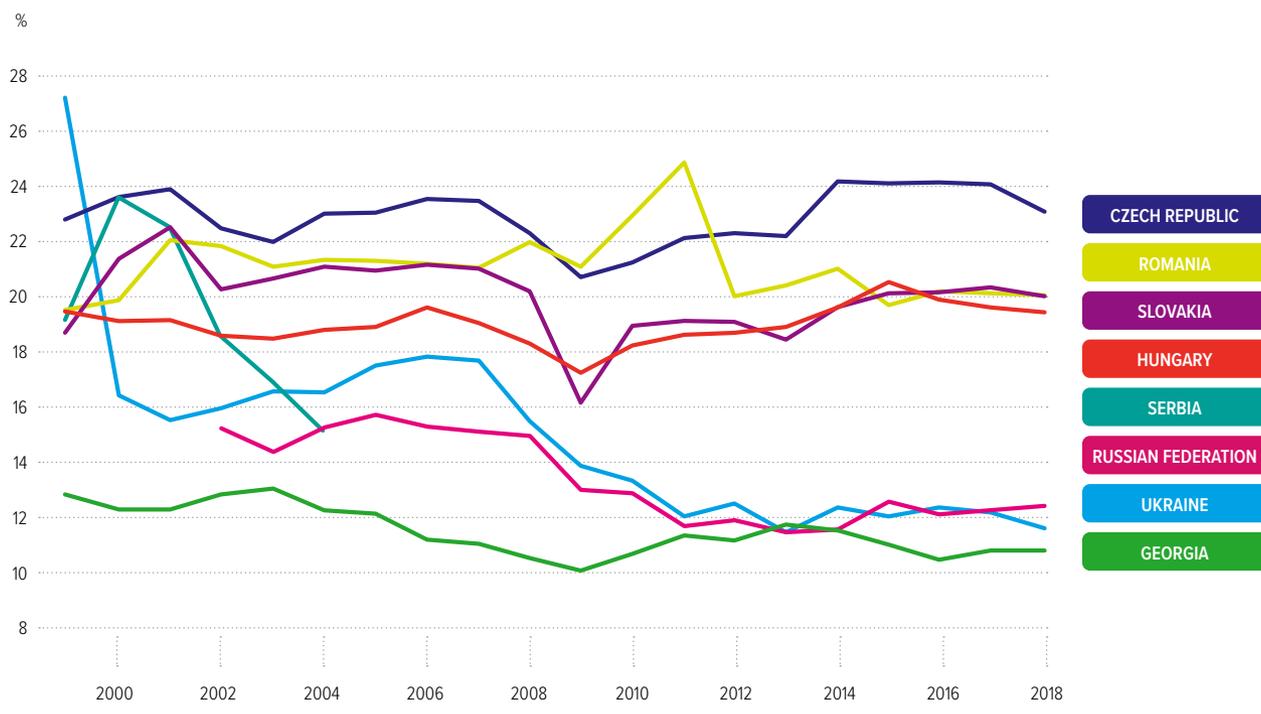
- *In recent years, the former communist countries inside the EU – the CEE countries – have been just as successful as Asia (unless you compare them with the rather crushing case of China).*

Growth in low- and middle-income countries is driven either by finance (for example, in tax and regulatory havens like Singapore or Latvia) or by productivity growth that stems from manufacturing and knowledge-intensive complex services. Thanks to most of the CEE region being inserted into complex pan-European supply chains, foreign direct investment has contributed to sustained GDP and purchasing power growth, and improved financial credibility. It has also helped increase productivity and export complexity, while slowing down the pace of deindustrialisation. Meanwhile, countries that have not benefitted from these inflows, due to their being outside the EU (Montenegro, Ukraine, Georgia), have seen their economies lose pace in relative terms. For the most part, however, the CEE region has reclaimed its comparative advantages in the medium-skilled segments of manufacturing industries and some high-end services such as information and communications technology (ICT) and medical services.

Dani Rodrik has found that the manufacturing decline in low- and middle-income countries is a structural change that has

ended up being growth-reducing in these countries. Indeed, avoiding premature deindustrialisation is important because, as manufacturing shrinks, informality grows and, as a result of the labour force moving into services at the bottom rung of complexity, the economy-wide productivity figures, and consequently the hopes for higher wages, start to suffer. While premature deindustrialisation has definitively ravaged Latin America and some of the more industrialised parts of the former USSR, it has nevertheless not affected most of the new EU member states as much.

However, the picture of the new EU member states changes if we take a different comparative perspective. If we exclude the Czech Republic, for example, the manufacturing value added as a percentage of GDP (Figure 2) is below that of east Asia and consistently below that of China – the CEE region's most important global competitor. This should set another alarm bell ringing about the middle-income trap in the new EU member states of the CEE region in the long term.

FIGURE 2 Manufacturing value added as a percentage of GDP.

Source: World Bank Open Data

Most CEE countries have thus far avoided this middle-income trap created by premature deindustrialisation. **The Czech Republic, Hungary and Slovenia are in the top 20 most complex exporters, ahead of the US, Italy, the UK and France. Romanian and Polish exports are in the same league as those of Denmark and the Netherlands**, with Romania's export profile showing remarkable dynamism in both volume (nearly an 800 per cent increase between 1999 and 2019) and complexity. This is a transformation that exceeds the performance of those Asian states which experienced the middle-income trap. Indeed, the only developing country that has more complex exports than the new EU member states is China. This is a drastic change from 1995 when the CEE countries counted only the former Czechoslovakia and Hungary among those with more complex exports than China.

And yet, there are good reasons to feel some malaise when considering the CEE region. One, which is talked about ad nauseam, is that

right-wing illiberals seem deeply entrenched in government in Hungary and Poland, have changed the game in the Czech Republic and Slovenia, and are the most vibrant opposition forces in Romania.

► *Too often we take this growth for granted and fail to note the high risk of stagnation that is baked into the CEE growth model due to the model's dependence on low labour costs.*

Another, less talked about, reason to feel malaise is that **too often we take this growth for granted and fail to note the high risk of stagnation that is baked into the CEE growth model due to the model's dependence on low labour costs**, the incentives of foreign industrial capital, and a financial

sector that is too focused on consumption and too little on investment.

From the Czech Republic to Romania, the ageing population, mass migration and broken vocational training systems result in labour markets characterised by a hard wage ceiling. Even the better performing economies that belong to the 'developed' category pay net wages still below those of southern Europe. Will Poland be as dynamic when its labour costs double to nearly those of Spain? Maybe. But this will require a different and progressive kind of structural reform with a combination of an open economy and green industrial policy anchored in decision-making processes that give pride of place to good old tripartite coordination between state, capital and labour – plus a great number of educational reforms aimed at preventing the ongoing mass deskilling, and at preventing the transformation of the non-university educated central and eastern Europeans into cheap and precarious labour on west European farms and building sites and in

west European slaughterhouses. **If the CEE region's Social Democrats do away with the 1990s economic orthodoxy and/or national populism, they may have a chance of avoiding a reactionary stagnationist future.**

► *Social Democrats and progressives could step into this gap and support extensively funded national innovation systems that could help move national economies up the scale of complexity and thus wages too.*

Unlike in South Korea and other Asian trailblazer countries that grew rich but also stayed rich, in much of central and eastern Europe, public and private spending on research and development remain pitifully low. Governments in the CEE region remain reluctant to commit sufficient funds to applied research, and the multinational manufacturing firms that dominate these countries' export-led growth regimes have few incentives to relocate significant technical innovation systems to the region. This is perhaps the biggest source of vulnerability for illiberals: they may try to build a national bourgeoisie while courting 'productive' FDI, but they will always struggle with the consequences of dependent innovation systems that use their countries as assembly lines for firms in 'core' Europe. **Social Democrats and progressives could step into this gap and support extensively funded national innovation systems that could help move national economies up the scale of complexity and thus wages too.** This would not just benefit the firms, but

also numerous educators and students who have largely swelled the ranks of the right so far. In the long term, this support would create space for much higher wages through the higher value added of a local products channel. It may be a long shot, but the road to political hegemony means at least doubling public education, research and development budgets at the expense of the undertaxed oligarchies and high-carbon luxury consumption.

While emerging Europe has certainly avoided Latin America's experience of 'premature deindustrialisation' as well as southern Europe's experience of internal devaluation, emerging Europe's relative success nevertheless appears more fragile if one looks more at the structural factors and less at per capita income, the share of manufacturing in GDP, and a few ostentatious successes in ICT. However, **rather than being resigned to this reality, progressives and Social Democrats in the CEE countries could see in these growing engines of stagnation the opportunity to make themselves heard with a harsh critique of the status quo.** They could mobilise the anger against this status quo, and direct it against the unfair social systems and against the dependent economic structures that bode ill for the CEE region's future.

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UNited for PEOPLE-POWERED RECOVERY

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Europe and the US: growing apart

by Anthony Dworkin

European policymakers had restrained expectations about their relations with the United States under Joe Biden's presidency, but they have nevertheless been disappointed. The end of Donald Trump's years in the White House, and the belief that Biden was a committed Atlanticist and multilateralist, led many Europeans to hope that the US would pull back from the disregard for allies and disdain for international institutions that Trump had displayed.

Of course, Europeans did not expect complete alignment. They recognised that the world had changed in the last decade, and that American priorities would reflect this, above all in the attention that the United States bestowed on Asia and the Pacific. Nevertheless, relations with the Biden administration have proved more complicated than most Europeans expected.

Some of this is down to questions of tone and communication. The two developments that have caused the most controversy, the US pull-out from Afghanistan and the AUKUS defence deal that the United States agreed with Australia and the UK, were problematic largely for such reasons. European policymakers were upset by the lack of consultation over the Afghan pull-out and the abruptness with which it unfolded. French officials were blindsided by the announcement of AUKUS and felt betrayed that they were not informed further in advance. The substance of the decisions fitted within what **Europeans understood Biden's priorities to be: a drawdown of US commitments to uphold fragile states in the wider Middle East-Central Asia region and**

greater security cooperation to balance against China in the Indo-Pacific. But the implementation of the policies showed a lack of attention to the interests of America's European allies that seemed at odds with much of what Biden has said about their importance.

► *The implementation of the US pull-out from Afghanistan and the AUKUS defence deal showed a lack of attention to the interests of America's European allies that seemed at odds with much of what Biden has said about their importance.*

The divergence between Europe and the United States is nevertheless a matter of substance as well as communication. At its core is a difference of perspectives about

the potential for multilateral cooperation in a geopolitically competitive world. **The United States, historically reluctant to submit itself to international institutions and regimes in which it does not have the upper hand, now sees competition with China as the organising principle of its foreign policy.**

Biden has often said that he thinks the battle of ideas between democracy and authoritarianism is the defining question of the moment. His administration is more ready than Europeans to believe that the struggle against China requires bending the rules of international bodies like the World Trade Organisation. The anti-China tariffs imposed by Trump remain in place and Biden has not moved to undo the US block on appointments to the WTO's Appellate Body. **Biden is also quick to frame the United States' efforts to mobilise an international response to global challenges like the Covid-19 pandemic and climate change in nationalist and democratic terms, while many Europeans are concerned to avoid 'cold war-style' escalation that could reduce still further the chances of global cooperation.**

The Biden administration's international goals cannot be understood in isolation from US domestic politics. European policymakers may have underestimated the degree to which Biden would be driven by domestic considerations in shaping his foreign policy. The confrontation with China plays well in the United States and is the strongest basis for winning public support for an internationalist approach. But when the goal of building an anti-China alliance conflicts with domestic priorities, it is the latter that prevails: Biden has done nothing to expand trade links with Indo-Pacific partners because trade deals are unpopular with voters whose support he wants to retain.

In its approach to vaccine development and export, **Biden frustrated European partners who wanted more attention to global needs. Even now that the United States has enough vaccine doses to donate widely to countries that need them, it is still more focused on scaling up production at home than on building up capacity overseas.** Biden's policies are rooted in a perception that the polarised and evenly divided politics of the United States do not allow him to give the Trump-dominated Republican Party any opening to attack him.

It is notable that European-US cooperation has functioned best in areas where both sides agree that democratic values are central to any meaningful international initiative. This is true in the field of technology, and the Trade and Technology Council set up by the United States and the EU is a significant step forward. In other ways, Biden has moved to draw a line under problems in the transatlantic relationship (or in relations with individual European countries) over Nordstream 2, aircraft subsidies and steel and aluminium tariffs. Moreover, he was at the heart of a significant agreement on a minimum global tax recently.

It is important to remember that both European and US foreign policies are evolving. European policymakers have moved to a tougher position on China, while the Biden administration is likely to look for ways to manage coexistence with China once it has established an initial position of strength. Transatlantic interests remain aligned on many international issues, and Europeans will remain reliant on the United States as a security partner, even while they develop more capacity to operate independently.

The future is likely to see Europe and the United States coordinating regularly but carving out more independent areas of focus. European policymakers are only too aware that Biden's political position remains precarious, that he is constrained in his ability to take domestic action in areas like climate change, and that they may be faced with a Republican administration again in three years' time.



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STATE of the UNIONS



The 4th annual 'State of the Unions' conference brought together leading European and US experts and policy-makers to explore strategies for dealing with the democratic backsliding and the strategic challenges posed by a rising China.

This is a joint initiative by the Foundation for European Progressive Studies (FEPS) and the German Marshall Fund of the United States (GMF).

Why the European project needs defence

by Max Bergmann

Progressives have long been arch-defenders and advocates of the European project, pushing the EU to strengthen its cohesion and advance European integration. Yet when it comes to EU defence, progressives have been less vocal. Perhaps this is because defence remains being seen as the domain of conservatives, while progressives prioritise domestic spending. But strengthening EU defence should be a core part of the progressive vision for Europe, as it is key to advancing the European project.

EU defence has suddenly been thrust back onto the EU agenda after the chaotic withdrawal from Afghanistan and the fallout over the AUKUS submarine deal. Europe has had twin revelations. First, the US and European security priorities are no longer identical. America may be 'back' with President Joe Biden, but the US has also fully pivoted to Asia: not only away from Europe, but also from the Middle East and the Sahel - Europe's broader neighbourhood. Second, Europe's utter military weakness means it is entirely dependent on a United States that is increasingly disinterested in protecting EU citizens. This has led to calls for action. A summit, now set for early 2022 under the French EU presidency, will create an opportunity for the European project to make significant advances.

First, **it should bother European progressives that the EU cannot protect its citizens.** The EU, despite spending about €200 billion a year (as much as a major power), remains utterly dependent on the

US for its security. While this may feel fine during the current US administration, **the prospect of an isolationist or far-right administration should make Europeans think.** The airlift at Kabul Airport was a massive humanitarian intervention, involving thousands of forces and the logistical might of the US military. The EU could not have evacuated its citizens without the help of the United States. Europe lacks critical, yet basic, enabling capabilities: the air tankers to keep transport and fighter aircraft aloft, the drones to provide intelligence and surveillance. Similarly, even France, the EU's strongest military power, needs the US military's logistical support to operate in the Sahel.

► *It should bother European progressives that the EU cannot protect its citizens.*

Second, **EU defence will significantly advance the European project.** It is worth looking back at the European Defence Community (EDC) proposal of the 1950s to understand why. With the cold war kicking off and Soviet forces vastly outnumbering US forces, there was a need to rearm West Germany. Yet this was understandably concerning for France and Europe. France's solution was thus to create a European force. Yet in the process of negotiating the European Defence Community, thorny issues emerged. In a democracy, there must be civilian control over the military. Troops must take orders from democratically elected leaders. The EDC, therefore, aimed to lead to a directly elected people's chamber. Additionally, operating and maintaining a military requires strong fiscal support, and, in this case, a common budget. Creating a common defence force thus made forging a political union necessary. If France had not in the end blocked the EDC, it would have been a massive leap forward in the European integration project.

- ▶ *EU defence will significantly advance the European project.*



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Developing the EU's defence capacity will therefore further the cause of a political union. It will highlight the need for internal EU reforms. The EU would need to strengthen and streamline its foreign and security policy decision-making. **A stronger defence capacity would put pressure on the EU to address its democratic deficit – picking the heads of the European Commission and Council through backroom deals will not cut it any longer.** The EU would also need to expand its fiscal capacity to support defence procurements and operations.

- ▶ *A stronger defence capacity would put pressure on the EU to address its democratic deficit – picking the heads of the European Commission and Council through backroom deals will not cut it any longer.*

Third, **Europeanising defence is a way to eventually make sure European actions live up to European values.** Progressive concerns about creating a European defence industrial complex or militarising Europe ignore the fact that leaving defence to member states means there are currently no European regulations or policy on external arms sales. National defence industries have a great deal of clout within European countries and push to remove constraints on arms sales. This means member states are often extremely reticent to forego a sale due to concerns over human rights or safeguarding sensitive technology. European progressives may find this surprising, but overall, the US process for vetting and approving arms sales is extremely rigorous, far more so than for most European arms exporters. Pushing for a greater EU role in defence could therefore also lead to a more rigorous European process to vet and approve these sales.

What should be done? Ultimately, EU defence is about spending money and making real investment. **It is not good enough for**

European progressives to support the concept of EU defence, without supporting the funding of real, tangible, acquisitions. The NextGeneration EU recovery fund means the EU now has the ability to borrow. European progressives should call on the EU to borrow additional funds to make key acquisitions that fill gaps in EU and NATO capabilities.

The EU needs to get its act together on defence. Ahead of next year's defence summit, European progressives should be pushing the EU to think big and act boldly. If they do, the summit could prove a critical moment in the development of the European project.



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Current transformations and the future of work

Interview with Guy Ryder, by László Andor

The International Labour Organization (ILO) celebrated its centenary shortly before the Covid-19 pandemic hit. The celebrations, however, were not only an occasion to look in the rear mirror, but also, and primarily, to look ahead, based on substantial research into the future of work. According to ILO Director-General Guy Ryder, the pandemic has highlighted – yet again – that working conditions worldwide are under strain, that innovation does not necessarily improve workers' conditions, and that a crisis hits the weakest hardest.

László Andor: Two years ago, the ILO celebrated its centenary, but it wasn't purely about the past: a lot of work and research went into studying the future. Could you highlight the main findings concerning the future of work? And also: what has followed in terms of practical steps out of this effort?

Guy Ryder: Indeed, the initiative on the future of work was the centrepiece of the ILO's centenary celebrations. At that time – and it is still true today – the world of work was undergoing extraordinary and transformative change. The drivers of change we identified were obvious: first, of course, technology, digitalisation, fourth industrial revolution. Second – and this is increasingly entering into people's calculations – climate change and what we need to do about it. **When we say that climate change is the result of human activity, it is too easily forgotten that most of that activity is work or work-related.** Third, globalisation. At that time, in 2019, we were seeing a certain questioning of the path globalisation was taking. Even then people were beginning to think that maybe we were going down a different

route. Protectionism was being talked about. And strategic autonomy was on the table. The third major driver is demography. **Europe is wrestling with the challenges of an ageing population, but a large part of the world is trying to deal with youth bulges.** These differentials also have a major impact on the world of work. In the beginning, the question was: what do we do to navigate these transformative changes? The ILO's core mandate is promoting social justice, so our question was: how do we make sure that these changes move in the direction of social justice? The things that progressive politics really cares about. We set up a Global Commission to investigate these issues, co-chaired by President Cyril Ramaphosa of South Africa and Stefan Löfven, the Prime Minister of Sweden, and we produced a report. We adopted a Centenary Declaration on the Future of Work. This is the blueprint for the ILO as it moves into its second century. Of course, Covid came almost immediately after that and has complicated the story. But it has not rendered all this work redundant. It means we must apply it in the very challenging circumstances of today.

► *The ILO's core mandate is promoting social justice, so our question was: how do we make sure that these changes move in the direction of social justice?*

LA: Could you highlight some best practices, the importance of social dialogue when tackling these transformative challenges?

GR: The major conclusion is that we need to invest. Our societies need to invest in three major areas: the first area is to invest in people and their capacities, and here we focus on social protection. I think the Covid-19 pandemic has underlined how inadequate social protection arrangements are. We also need to focus on skills and education – not just on workplace education, but on a lifelong process of education, that goes from early learning, through constant re-skilling and right through the entire



work cycle. So, people and their capacities are the first areas of investment.

The second area of investment is in what we call the institutions of work: the laws, the regulations, the processes, that we have developed over 100 years, to try to govern labour markets, to try to make them social markets. But with the transformation of work, new areas of work are developing that really do not fit into the established categories: the gig economy and things like that. So, the second area of investment is in all of these institutions of work. Finally, and perhaps most obviously, it is about investing in the jobs of the future. **We have to really work out where these decent jobs are coming from and again, to no surprise, the areas to be focused upon are the green economy, the care economy and the development of infrastructure in the broadest possible sense:** physical infrastructure, social infrastructure, digital infrastructure. On social dialogue, I think the experience of Europe shows, and it's a lesson learned in other regions too, that wherever we can get governments, business,

and labour to sit together and work out practical solutions, we tend to do very well. And the other important reference point is international labour standards: the Conventions and Recommendations which are the lifeblood of our organisation at the ILO.

LA: In many European countries there is a very strong institutionalised social dialogue and a kind of advanced thinking about the issues you listed, and it is perhaps also in Europe that you find some of the best practices. But can we be proud and cautious enough at the same time? The European social model probably really is an inspiration for many, but at the same time Europe is not perfect, and a lot remains to be done.

GR: I think Europe should not only be proud of the achievements of its social model, but it should also be appreciative of them: everything that has been achieved in Europe through dialogue, through cooperation, through taking into consideration the equity of the policy packages that Europe has produced over the decades and inspired the European project from the beginning. At the same time, I think that appreciation needs to go with a coolheaded and objective understanding that this is not an easy path to take. **If we think that applying the solutions of yesterday to tomorrow's challenges will automatically give good results, then we're making a mistake.** I think we have to work constantly to update, refine, and adapt the social model. I don't suggest that we change its basic principles to make sure that it remains relevant and that it has the approval of people. I think social dialogue will be judged by voters and by societies, not as a doctrine or an ideology, but based on the results that it produces. In fact, the balance sheet of results in Europe is very positive. That's not always appreciated. I think there's a counter-narrative out there which progressive politics needs to be aware of. Let's not believe that everybody agrees automatically with the model. But I have to say that **if Europe stays faithful to its social model, it will be stronger.** I'm obviously delighted about what

was adopted in Gothenburg on the Social Pillar, delighted about the action plan put in place in Porto, which, I think, is a renewal, an adaptation and application of the social model in Europe in ways which can only be positive.

LA: Four years ago, the European pillar of social rights was adopted and earlier this year the so-called Action Plan has been added, pointing to new ambitious targets to increase further the employment rate and lift people out of poverty or social exclusion. Another ambitious target concerns lifelong learning. This really highlights the importance of connecting employment policies, on the one hand, with education and training, and investing in the necessary institutions on the other hand. But do you think Europe should go even further? For example, issues like minimum wage coordination are now also on the agenda.

GR: It is a complicated debate, but I also understand what is at stake. The ILO for example has a convention about minimum wages. But it's not trying to define the level at which the minimum wage should be in any country, we are rather pointing to the considerations and the mechanisms which are useful in setting a minimum wage. Around the world, we observe a renewal of interest in minimum wages and minimum wage setting. Outside Europe, this is becoming a very big discussion, and for good reasons. **Quite reasonably, in this time of pandemic and the crisis engendered by the pandemic, people are looking to policymakers and public institutions to guarantee them a minimum of social protection when they don't have work, or the ability to live decently when they do have work.** So, it

► *If Europe stays faithful to its social model, it will be stronger. I'm obviously delighted about what was adopted in Gothenburg on the Social Pillar, delighted about the action plan put in place in Porto.*



seems to me that there are two demands which we should be responding to. One is that in whatever circumstances you find yourself because of misfortune in life, you should be able to rely on a minimum level of social protection. This links to debates about Universal Basic Income (UBI). I'm not 100 per cent a fan of UBI, but we do need to put in place social protection floors. **Today, the majority of workers – 53 per cent! – have no social protection of any kind.** And is it not reasonable to think that if you're working full time, you should take home a sufficient income to enable you and your family to live decently? These seem to me the minima of social policy. Now, how do you establish those minima? Through collective bargaining? Through legislation? And how does that play out in the European field? It's a complex discussion and, as an organisation that tries to set universal labour standards, we must be respectful of the diversity of national circumstances and practices, but those objectives should stay in our mind.

LA: *This connects with the greater awareness of income inequality and the various implications and consequences of income inequality. This debate was not so strong 10 or 20 years ago. Today we see that various multilateral institutions – even the IMF – are more interested in this debate than before. But is it just talk? For example: in G20 meetings, are there any practical consequences when political leaders speak more about inequality?*

GR: In the international debate, there is a lot of discussion about the question of whether inequality is real. The answer is that inequality between countries, globally, has been compressed. China's performance is interesting in that regard. But **inside practically every country, inequality is rising, so the social perception – and it is a grounded perception – is that inequality is getting worse.** This has been recognised. You've mentioned the International Monetary Fund and it's quite impressive that the IMF is pointing not just to the social dangers of inequality, but also to the economic dangers – that it can retard job creation and growth. I think it's interesting as well, that in the UN 2030 Agenda on Sustainable Development, one of the 17 goals is specifically about reducing inequality. There is global recognition that inequality has reached unacceptable proportions. 20 years ago, that was a political debate, now it's a political given. And we must look at the experience of the pandemic:

▶ *There is global recognition that inequality has reached unacceptable proportions. 20 years ago, that was a political debate, now it's a political given.*

we've all lived through a terrible pandemic, but we haven't all been in the same boat. We know that for some this pandemic has been about inconvenience, tedium, stress. For others, it has been about survival and fear. It really has been an existential threat.

And I'm not talking about the health threat, I'm talking about the economic and social threat. And that has made people acutely aware that inequality has now reached levels where it has hardened into structural injustice. **It's not just inequality, it's injustice: when some parts of the population have access to digital connectivity, educational options, social protection, comfortable accommodation to get through the pandemic, and others have none of those things.**

LA: *We like to believe that governments on both sides of the Atlantic probably gave a better response to the pandemic recession than to the Great Financial Crisis 10 years before – also from the point of view of investing seriously in income protection, in job-saving schemes, and, if possible, also by using social dialogue.*

GR: I would like to believe that we learned something from 2008-2009. **Now there is recognition that the premature move towards austerity was a mistake and that it dampened down recovery.** Frankly, this recovery was still incomplete when Covid-19 hit us. So, yes, governments have done better this time. Look just at the volume of resources spent on the economic and social response. It's around 16 trillion US dollars! That is enormous! And yes, a lot of ad hoc interventions were made to protect jobs, to protect incomes, to protect enterprises. I think we would all applaud that effort. But here is the problem: that effort was massively unequal. To put it in simplistic terms, **the rich world – and we could include the US and Europe grosso modo in the rich world – spent very large sums on the recovery. They had the fiscal firepower to keep their economies going. And they also had access to vaccines in larger numbers than other parts of the world.**



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billion). If properly directed. And if that's backed up by more equitable vaccine distribution, this could level the playing field of recovery, enabling the developing world and the emerging economies to get on this faster track of recovery. Because on current trajectories, the real risk is that in a world where we promised to leave nobody behind, we're leaving the entire developing and emerging economies behind. And nobody in Europe can afford to say 'too bad, that doesn't matter to me'. It does matter, for moral reasons, for health reasons, for social stability and economic reasons as well. So, I think this is one of the biggest global challenges ahead, and Europe needs to strongly support an inclusive and sustainable recovery, which we don't have at the moment.

LA: We praise both Europe and North America for macro-level interventions, which facilitate faster recovery, but I wonder whether we also need to highlight the importance of micro-interventions in specific sectors, because the pandemic probably pushed much more people to the gig economy, than before.

GR: If you look at the aggregates – the \$16 trillion (€13,5 trillion) spent – it's impressive and it looks positive. But policy-making isn't just about spending very large sums of money, it's about the engineering of labour markets, the design of social protection systems that are often sustainable, and supporting enterprises who need it. It is also about getting rid of the dead weight of fiscal support for those who don't really need it. Lifelong learning is a great example because it's in the EU Social Pillar. It's great and we all agree that we need lifelong learning. But what are the delivery mechanisms? Who is responsible? Is it the employer? Is it the worker? Is it the state? How are we going to pay for it? Again, these questions are the beginning of a discussion, and not the solution. They are an objective and now we have to get down to that hard work of designing how we're going to turn these very honourable ambitions into practical policies.



And by the way, **I would make the same points about climate change and the move towards carbon neutrality: we all agree we want to see it, but more and more we know that this is an extraordinary challenge of reorganising productive systems. Probably unprecedented in our lifetimes.**

And that puts those countries onto a fast track for recovery – which we can celebrate. However, the same is not true for the emerging world, neither for the developing world. And we are seeing more and more a great divergence in the recovery process: the advanced economies are growing again. Perhaps not yet quite to where they started – in terms of income, GDP, unemployment – but they are coming back quickly. **For the developing world, the opposite is true: they don't have fiscal resources, they don't have vaccines, and they don't have much prospect of recovery.** And that is where the financing for development agenda becomes so important. I think we're all aware that the IMF has just made an extraordinary, unprecedented issue of special drawing rights: \$650 billion (€560



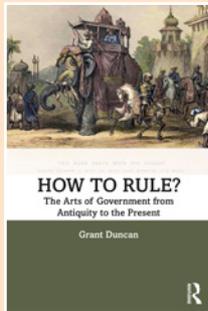
Guy Ryder,
Director-General of the
International Labour
Organization



László Andor,
FEPS Secretary General

Philosophy and the art of governing – and why they matter

by Ania Skrzypek



Grant Duncan

How to Rule? The Arts of Government from Antiquity to the Present

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Routledge, 2021

'All politicians are the same' and 'none of them listens to us' were two sentences that repeatedly appeared in public opinion surveys during the first decade of the 21st century. 'We will tell them' was the response from those political forces who rose on the back of this disenchantment in the following years. Their emergence meant tectonic shifts across political landscapes in Europe and beyond, bringing fragmentation, polarisation, and several elections with little results. For some EU member states, the emergence of these political forces even brought an impasse, and prolonged periods without government and/or the need to repeat elections. Observing certain countries that managed to stay afloat even during these difficult times, some analysts and citizens started asking the existential questions: 'does it really matter? Is the government necessary at all?'

The recent monograph by Grant Duncan – *How to rule? The Arts of Government from Antiquity to the Present* – provides an extended and very convincing answer as to why indeed it does matter.

Grant Duncan is Associate Professor at Massey University in New Zealand. In 2021, his work in political science was recognised with a DASSH Award for Leadership in Excellence and Innovation in the category 'Engagement and Public Communication'. His primary interests are political theory and philosophy, but also public policy. He remains a top name when it comes to expertise regarding the New Zealand Labour Party, which has brought him into communities such as the FEPS Next Left High-Level Group.

His *How to Rule* is the first book in a new series of monographs designed to analyse governance and the quality of current representative democracy.

Duncan sets off with persuasive argumentation as to why **delving deep into history could be indispensable for those in power or aspiring to get there today**. He underlines that the new context of the pandemic may have shown people rallying around their governments in the early phase, but that this tendency is not here to stay by default.

Government is – at least theoretically – all about stability and predictability, which in times of Covid-19 have been particularly hard to achieve. Additionally, the crisis has exacerbated inequalities, which, even before, had been significant enough to make people distrust the entire system. Duncan warns against seeing the resulting attitudes of disenchantment as signs of a crisis of democracy. He believes that **democracy's ideal has still not been achieved and that there is much left to realise** (overcoming the persistent discrimination against women, for example).

What he suggests instead is to see the challenges as a crisis of representative democracy, which will never be fixed if one only resorts to the solutions embedded in the existing systems. He writes that "a broken system cannot be used to fix the broken system". And that leads him to argue that **politics requires innovations, which build on traditions without repeating old mistakes**. This involves an entire set of ideas – starting from the role of leaders and the necessity for them to embody a particular kind of ethical integrity; moving on

to the mandate and the role of intellectuals that make up part of the political elites, alongside the guiding principles that should shape public administration; and finally examining the ways to pursue the challenge of building a real deliberative process in these times that he labels as "audience democracy". The solid catalogue of answers that Duncan has accumulated in this volume makes his work an important handbook for academics (for whom it was initially written), as well as predestining it to be a kind of a primer for political elites that are truly willing to make a difference.

Particularly for European readers, the book offers the possibility to broaden the brackets within which one thinks about governing traditions. Typically, their respective syllabuses of political science encompass ancient Greece and Rome, possibly Egypt – but leave out other ancient civilisations. Duncan's picture is much more complete, as he analyses China (starting from Kong Qiu, better known as Confucius), India, Persia, the Mongol Empire, Byzantium, and also so-called native cultures of contemporary Latin America and the Asia-Pacific region. Further cases are also examined – including colonial empires, republics, cities, enlightened absolutist monarchies, the states of the 19th century that were founded on the cusp of romantic, nationalist ideas, 20th-century totalitarian regimes and modern democracies.

The structure of Duncan's book allows comparisons of diverse models and provides sources of inspiration and practices alongside geographical and time dimensions. One could perhaps wish for more attention on certain

interesting cases, such as that of Russia (especially Peter the Great) or the Austro-Hungarian Empire, but the book still provides very rich material, examined from various angles. For example, **Duncan looks at the connections between religion and politics, and how the emergence of monotheism and organised church structures kept influencing the culture of governance.** This is a fascinating question indeed, and throughout the book, one can follow the transition from the belief that power is divine, towards the more modern understanding that power comes from citizens' endowment in the spirit of a social contract.

Duncan captures well the nature of shifts between monarchies and republics in both revolutionary and reformist ways, as he does the changing nature of states in the contexts of the evolutions of civilisations and revolts by citizens. His views on connections, communities, and communication are very intriguing, claiming that despite many idealistic expectations, **social media are not a modern equivalent of the speakers' corner, but rather tools of "disempowerment and oppression".**

What makes Duncan's book still more captivating is his reflection on very fundamental questions, like: if accepting a language (its grammar and logic) is accepting a certain culture of rules and, by extension, governance, what is the real impact of the current Twitter culture on political imagination? If every time needs its specific answers, is leadership a question defined universally by a moral code, or it is first and foremost about what society

may need at a given time? What is the impact of science and administration on the exercise of power, and how does digitalisation influence it? How can one hope to deal with the legacy of neoliberalism, when so many previous attempts have shown failures in the fight between politics and capital(ism) – for which the history of the East India Company can be taken as a prime example?

Days after putting *How to Rule? The Arts of Government from Antiquity to the Present* away, these and many other questions leave the reader wondering, which, among many possible reasons, is the best one upon which to recommend the book wholeheartedly, and to await the sequel eagerly.



Ania Skrzypek,
FEPS Director for
Research and Training

The left, ready to be resuscitated?

by Ferdi De Ville



Christophe Sente

La gauche entre la vie et la mort: Une histoire des idées au sein de la social-démocratie européenne

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Social Europe Publishing, 2021

Yet another disappointing election result for a Social Democratic party, followed by yet another plethora of analyses of the 'crisis of the left' - this had become. This had become almost a ritual in 21st-century European politics. But the unexpected win of the Social Democratic Party (SPD) in the German federal elections on 26 September 2021 ended this pattern, as analysts suddenly turned to explaining why the left had won. Has Social Democracy succeeded in halting its decline?

Christophe Sente's *La gauche entre la vie et la mort: Une histoire des idées au sein de la social-démocratie européenne* explains that alternation between periods of decay and revival has been a constant feature of the history of Social Democracy over the past century and a half. The movement has gone through times of existential crisis at regular intervals, but it has always succeeded in returning with renewed strength.

Social Democracy, according to Sente, is a "reformist" movement not only because it aims

to improve society gradually through democratic means, but also because it has always adapted its own programme to new challenges and opportunities that arise from the changing nature of the economy and society in which it operates. **This recalibration of the objectives and strategies of Social Democratic parties has never occurred automatically or without strife.** Rather, Sente contends, reform has been driven by courageous intellectuals within parties who dared to question the central ideological tenets of Social Democracy.

Over the last century, and throughout Europe, these conflicts within Social Democratic parties have shown remarkable similarities. Again and again, they have juxtaposed a current within the party that was holding onto a more traditional, anti-capitalist and statist conception of the party's goals and means, against a *deuxième gauche* that has been willing to pursue a more democratic and just society and an economy without taboos concerning the ownership of the means of production. This juxtaposition has often caused schisms within the parties, between the old and the new guard. But when

Social Democratic parties have succeeded in closing ranks behind a modernised programme, they have been able to survive, stay relevant and win elections – as well as power.

The main part of *La gauche entre la vie et la mort* consists of five chapters in each of which Sente discusses an episode of debate within the Social Democratic movement that resulted in programmatic renewal. He starts with the 'Debate' – with a capital D! – within the German SPD, the oldest and most influential Social Democratic party in the world. Here, in the final years of the 19th century a key figure within the party, Eduard Bernstein, started challenging the Marxist orthodoxy that was being followed by party leaders August Bebel and Karl Kautsky. Bernstein outlined a vision of how Social Democrats could and should reform capitalism through democratic means, rather than waiting (eternally?) for capitalism to collapse spontaneously under the weight of its internal contradictions.

In the other chapters, Sente discusses the programmatic renewals initiated by the Belgian

Henri De Man during the interbellum; by the lesser-known Willi Eichler – again within the German SPD – in the years following World War II; by Michel Rocard in France during the crisis of the 1970s and 1980s; and finally by Anthony Giddens and Tony Blair in the 1990s with their (in)famous and influential New Labour project. The common thread in each of these debates is that the modernisers pleaded for a project of 'organised liberalism', building on and going beyond earlier revisions of the Social Democratic programme. This, according to Sente, means an acceptance of the efficiency of markets, and a stronger emphasis on individual freedoms and the importance of equality of rights and opportunities rather than of outcomes. It implies a scepticism towards a strong bureaucratic state, and an embrace of decentralisation and spontaneous collaboration within civil society.

Sente's book is richly researched and eloquently written, providing a fascinating account of major debates within the Social Democratic movement over the course of a century. It also provides clear, if rather implicit, advice for Social Democratic parties: **if they succeed in modernising their programme on a regular basis in order to accommodate it to changes in the economy and society, and if the different factions within the party coalesce around this renewed programme, Social Democratic parties can flourish.** By providing examples of such times of successful renewal in the past, the book offers a message of hope for Social Democratic parties. The success of the SPD in the German elections of September 2021 could have been seen as a case in point, corroborating this insight of Sente's book – had the elections taken place before its publication.

Nevertheless, there are several ways in which the book could have been more convincing. The selection of key intellectuals that have made a major contribution to the modernisation

of Social Democratic thinking is not sufficiently justified. It is striking, for example, that no chapter is dedicated to Scandinavian Social Democratic thinkers and parties, while it was there, in Sweden in particular, that democratic revisionism was first fully embraced by a Social Democratic Party (SAP). Indeed this resulted in a hegemonic position for Social Democracy first in Sweden and later also in other Scandinavian countries. But Sente makes no mention of the important role played by Hjalmar Branting or Per Albin Hansson in SAP's early adoption of democratic revisionism, nor of the influence, they had on other Social Democratic thinkers, politicians and parties in Europe.

Sente's book argues that Social Democracy must always be adapted to changing societal and economic circumstances and that when this occurs, Social Democracy can be successful. Yet this argument is presented in a way that makes it seem as if Social Democrats are faced with a changing external environment over which they have no control or responsibility, and to which they can merely respond by adjusting their positions. This does not take into account the fact that **Social Democrats have often held co-responsibility for these changes and that earlier revisions of the Social Democratic programme may have constrained the choices for later generations of Social Democrats.** The contribution by Social Democrats to globalisation and European market integration are two important cases in point.

In addition, Sente defines the core of the revisionist project as being in pursuit of "organised liberalism", and it is clear from the book that he supports this view of Social Democracy. But this is only one possible definition of revisionist Social Democracy. The 'negative' dimension of the definition of Social Democracy as a rejection of the Marxist orthodoxy of historical materialism and the separation of society into

two classes is widely accepted. But there is less consensus on the 'positive' dimension, on which Social Democratic objectives and strategies should replace the workers' overthrow of capitalism. In Sente's view, it is "organised liberalism" that should replace this, meaning that the complementary association of economic liberty, a strong civil society and public policies should continuously improve social justice and open democracy.

Yet this begs the question of how Social Democracy, conceived like this, is different from humanist Christian democracy or social liberalism. This view of Social Democracy as the next phase of liberalism, or as true liberalism, is at odds with how, for example, Sheri Berman has defined Social Democracy. In Berman's view, the main feature of Social Democracy is the "primacy of politics", where the predominance of societal choices over the market is realised through democratic means. Here, Social Democracy and liberalism are antithetical rather than complementary.

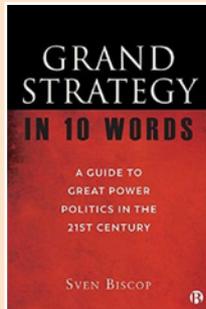
All in all, *La gauche entre la vie et la mort* offers a somewhat selective narrative of the modernisation of Social Democracy, both as regards the intellectuals that are discussed, and as regards the descriptive and normative analysis of the redefinition of Social Democracy. Nonetheless, it is a stimulating read for all those interested in past and present debates about Social Democratic purpose and strategy.

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How to get Great Power Politics right

by Vassilis Ntousas



Sven Biscop

Grand Strategy in 10 Words: A Guide to Great Power Politics in the 21st Century

Bristol University Press, 2021

For Sven Biscop, a lifelong analyst of international politics and the EU's external action, his latest book *Grand Strategy in 10 Words: A Guide to Great Power Politics in the 21st Century* is perhaps the most ambitious. Drawing on his wealth of experience, the author attempts to offer an attractive conceptual map for great powers, focusing on an ever-elusive objective: how to design and implement a truly effective Grand Strategy, at a time when the renaissance of geopolitics and the return of brutal great power competition is increasingly evident.

This endeavour takes the shape of a very insightful analysis based on ten keywords that ideally should substantiate such a strategy: 'simple', 'competitive', 'rational', 'allied', 'comprehensive', 'creative', 'agile', 'courageous', 'dirty' and 'proactive'. Each of these is afforded a separate chapter where the value of pursuing the said element is demonstrated and the actions of and interactions among the world's current great powers – the US, the EU, China and Russia – are critically analysed. Taken together, these analyses make

for a very rewarding journey through how these international players (should) apply the concept of Grand Strategy in our decreasingly multilateral, increasingly multipolar world.

This is a timely analysis that – crucially – also manages to feel both very real for the time it is written and future-proof in terms of the insights it includes and the lessons it uncovers. Even though written during the Covid-19 crisis, **the book cleverly links current dynamics to longer-term trends, as well as recent developments to decades-long trajectories.**

All four great powers that are analysed are given diligent and critical attention with the aim of demonstrating their true motives and the true reasons behind their successes and failures, beyond the rhetorical dress-up, the inherent biases and the emotional underbelly of many of their decisions. Indeed, the book's argumentation is perhaps at its most insightful (and entertaining) when the author dissects some of the specifics of the simple truth that, despite each power's advantages, **crafting and executing a truly efficient Grand**

Strategy is never easy, but almost always messy and suboptimal.

Along the way, Biscop peppers the analysis with a healthy dose of prescriptive comment. This is not simply a book about how great powers act, but also about how they ought to act. Beyond the individual suggestions for each, which deserve attention in their own right, he also distils his reflections into a clear set of precepts that concern all of them. Firstly, great powers ought to accept each other as peer competitors; secondly, they must invest in effective multilateralism and stick to core rules on which they mutually agree; thirdly, they need to respect the sovereignty of all states (and therefore of all other powers); and finally, each great power must protect and strengthen its own sovereignty as a sine qua non for engaging with the others. It is the book's strength that this combination of recommendations includes inconvenient truths not just for Beijing or Moscow, but for Washington and Brussels as well. Biscop could at times have drilled deeper into how and when each side's actions veer dangerously

away from this set of precepts, but he expertly mixes history, theory and empirical analysis of why each great power will be well-served if it follows this simple prescriptive map.

The author also punctuates his analysis with a host of interesting quotes from famous political figures and policy experts – these are effortlessly blended into the analysis and are organically used to complement the argumentation. What is more, the book also delivers plenty of its own quotable lines, which land especially strongly when the author casts a critical eye on how great powers tend to behave. ("Before one can lead by example, one must actually set an example", the author quips when referring to the fact that all great powers, including the EU and the US, at times venture into illegality in their actions.)

The book is also very readable: the writing is clear, crisp, and concise; simple, but never simplistic. Despite the straightforward style, the book does not suffer any analytical shallowness but rather demonstrates the author's deep level of confidence both in his analysis and his prescriptions. It is clear from the first pages that this is the work of an expert; one who wisely chooses not to shroud his argumentation in unnecessarily elaborate writing to sound more important, but rather one who understands the value of using expertise to offer extractable lessons from an extremely complex international reality in an accessible manner.

Ultimately, it is this simplicity – both in the clarity of the argument and the style employed – as well as the confidence and analytical

richness that underpin it that make *Grand Strategy in 10 Words* a great contribution to the global debates around the current and future dynamics of great power politics. One might not always entirely agree with the analysis or all of the prescriptions, but the book puts forward an intelligent and highly intelligible case as to why a Grand Strategy should be operationalised in a particular way by all great powers in these times of increasing turbulence. At least, that is, if the aim of all great powers is to avoid "rivalry without end (and, ultimately, without purpose)" – as it should be.



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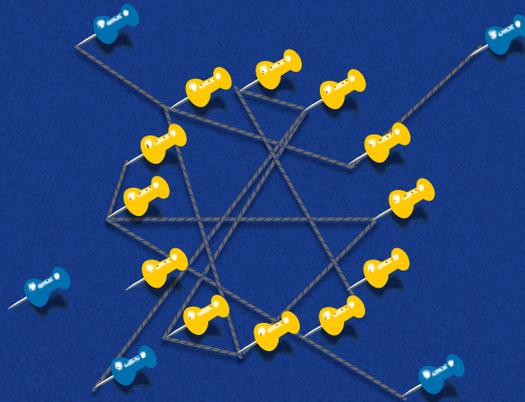
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ISSN 2506-7362

3.00 €