



Analytical memorandum

Session I-29-3.

"New Structural Factors in the Development of European Integration"

*On April 29, in the framework of XXII April International Academic Conference on Economic and Social Development session «New Structural Factors in the Development of European Integration» was held. The moderator of the session was **Prof. Hans-Joachim Spanger**, who made an introductory speech.*

***Dr. Tatiana Romanova**, Associate Professor at the Department of Theory and History of International Relations of Saint Petersburg State University, presented a report on the EU's Green Deal, resilience of the EU's energy policy and EU-Russian relations. **Dr. Fabienne Bossuyt**, Associate Professor at the Centre for EU Studies of Ghent University, talked about Europe after Covid-19 and prioritizing of people-focused recovery. **Dr. Natalia Kondratieva**, Academic Secretary at the Institute of Europe of Russian Academy of Science, commented on digital transformation of The European Single Market. **Dr. Kirill Entin**, counsellor at the Court of the Eurasian Economic Union, talked about the role of the EU Court of Justice as a protector of the rule of law. **Y. Belous**, Analyst at the Centre for Comprehensive European and International Studies (CCEIS) and Postgraduate student at the HSE University, presented a paper concerning the impact of the EU Regional Policy on centrifugal tendencies in the political system of Spain.*

There are several issues of the modern EU that have to be pointed out.

Brexit made an exit from the Union an option for some countries, at least for certain right-wing politicians within these countries. But at the same time, it made member-states more flexible like Germany. After Brexit EU lost the major donor country and large market.

One of the acute problems is still migration. Migration is an example of non-solidarity. Unilateralism in this policy prevails.

On the other hand, COVID is an example of solidarity, particularly in vaccine policy which was not left to member-states. Moreover, COVID recovery package adopted by the Council in February 2021 bringing 672 billion euros of support to member-states.

Still, there is a problem of euro. On the one hand, it is common monetary policy and, on the other hand, there is national fiscal policy. There is similarity with COVID management, from the 2nd wave borders were kept opened, whereas member-states pursued national policies on the epidemic which created quite a few problems.



Generally, how to position the EU in the perceived global great power conflict which is apparently emerging, the rise of populism and internal balance of forces? They change the pattern of relationships within the EU and that defines the structure.

There are several main issues that can be addressed as structural factors: how to position the EU in the perceived global great power conflict, what is the future of the EU development model in the light of the recent developments, is it back to normative foundations of the EU, as democracy, rule of law and respect to social model?

I) The EU's green deal and resilience of the EU's energy policy and EU-Russia relations

There are four features that should be mentioned about resilience: 1) it is a systemic feature, it is imminent; 2) it is always about resources and challenges, but when we speak about it we emphasize the latter and in this way different from securitization because in terms of resilience we speak about what resources can be applied to keep the system alive; 3) ethical connotations are not relevant, because they characterize the system, but not resilience itself; 4) systems can be different and of different levels, sometimes when we keep the resilience of one system, we undermine the resilience of the other system. This is the issue that interests me in EU-Russian energy relations: Green deal and energy transition because as the result of the first the resilience of the EU system and EU-Russian relations can be kept or whether the EU will improve its resilience through the Green deal and energy transition by that undermining the EU-Russian relations.

The hierarchy of rhetoric in EU is following: environmental, economic concerns, energy security concerns and challenging the EU-Russian system because of the logics of development.

The hierarchy of rhetoric in Russia is following: economic concerns (the role of natural gas and nuclear energy as the cheapest); environmental concerns (preserving of the EU-Russian relation only on the current basis)

Bilateral relations are at its worse because of sanctions and bad institutions. International status is of growing importance. Both systems look for ways to grow up resilience.

II) A new Europe after Covid: The Covid-19 pandemic as an EU opportunity to prioritize people-focused recovery

Pandemic showed the need of investment in social safety and insurance. The societal resilience will need to be enhanced in case socio-economic. People focused recovery: focus on inclusiveness. EU needs to see COVID recovery to push up human development: job quality, housing, high-quality education.



Society can mitigate or adapt to changes. By putting focus on inclusion and well-being, this experience can be used in future crisis. Central Asia stands out in offering life-saving assistance due to more collective spirit than in the West. EU has to accept local societies in their manner of individual governance.

In Tajikistan civil society worked with government in solving problem of food and education. In Kazakhstan volunteers played a crucial role in delivering aid to different groups. Media had a huge impact on mobilizing civil society forces. EU using this experience after COVID should boost this societal resilience.

III) Value and Price of Digital Transformation of the EU Single Market

The purpose of the report is to understand the logic (theory of correct transformation) of the regulation of single domestic markets and its digital transformation. Coronavirus has complicated the implementation of national plans. The EU's digital development strategy plays a special role in regulating digitalization. There are high valuable and risks to the economically active population in digitalization. Here it is worth recalling two theories: the permanent contradiction of market civilization (Carl Bologna and Ronald Cowes), on one more often the need for development, on the other - the fate of market actors. The civilizational aspect is that regulators are aware of the contradiction and are trying to respond in the form of legal acts; Cowza notes the need for transaction costs. Carl Polanyi says the market system will cease to be self-regulating and the system will be less efficient.

This element can be replaced by freedom of movement or control of the movement of factors and economic performance. In this way, regulators try to justify transaction costs. Digitalization will strengthen the market system, hence the justification for the strategy of digitalization, on the other hand, it does not live up to expectations. It increases the cost of personnel, technology, implementation of legal acts. Robert Solow notes that the value is high and the price of digital transformation is high.

In the Western model, there are attempts to justify the need for regulation, despite the fact that the EU is committed to a liberal model. Tim Jackson notes that efficiency-prone capitalism will not defeat the lack of resources. Joseph Stirlitz says that only a new social contract guaranteeing social guarantees can save liberal democracy. In the European economy, high costs go to regulation: environmental protection, digitalization. Under Juncker there were extra-budgetary investments, now there is a fund of a trillion euros to support regulatory initiatives. Digitalization priorities: adequate communication, basic skills and other are very expensive, but they have faith within the EU. Despite the high price, these priorities the EU will follow. Aside from that, theory of the "creative destruction" of the American economist J. Schumpeter also includes market solutions to the problems described.



IV) **Role of the EU Court of Justice in ensuring the rule of law and independence of the judiciary**

The role of the Court of Justice of the European Union as a distributor of European norms and values has increased. The Article 49 of the Treaty on the European Union states that only such state “which respects the values referred to in Article 2 and is committed to promoting them” can join the EU. However, at present, the EU lacks effective mechanisms to protect these values (especially the rule of law) in the countries that have already joined the Union.

The alarming increase in authoritarianism in Poland and Hungary and their alliance is one of the key European processes in recent years, and also as one of the main threats to European values. In these countries, the independence of the courts was threatened, the pluralism of opinion was questioned, and academic freedom was attacked. Article 7 that appeared after the Nice Treaty, which was supposed to become a kind of "sword of Damocles" over such threats, turned out to be useless due to the need for unanimity. The new mechanism of budget constraints, which the European Commission does not want to apply for various reasons, did not work either. Thus, the EU does not have effective mechanisms to counter this threat.

In such a situation, as the speaker emphasized, the EU Court suddenly took on the role of defender of the rule of law and the independence of the judiciary, which was previously uncharacteristic for the Court. As an example, there were several cases in the EU Court against Hungary (a decision against the restrictions on academic freedom imposed by Hungary), and Poland.

The decisions of the Court regarding Poland to be much more important for the topic of this report. The “European Commission vs Poland, C-619/18” is a key case. This case is especially important as the EU Court of Justice directly addressed the issue of judicial independence and identified two key components of this issue: internal and external, both of which are reinforced by the principle of the irremovability of the judges.

During this time, two laws were passed in Poland. **First**, the retirement age for judges was lowered, which extended to current judges. Secondly, the Polish president received the right to allow judges to remain in judicial office, even after the onset of retirement age, for the periods of 6 years, the number of which was not limited by law. Thus, the Polish president was able to influence judges by extending the terms of “loyal” judges and not prolonging “dissenting” ones, undermining the independence of the judiciary from the executive. The European Commission's submission of the case to the EU Court forced Poland to repeal both laws. However, the EU Court of Justice has clarified the situation for future laws and decisions.



Thus, the intervention of the EU Court of Justice allowed to subdue authoritarian tendencies in Poland, promoting the ideas of judicial independence and the rule of law. Thus, the role of the EU Court of Justice as a political actor and a ‘protector’ of European norms and values has increased.

V) The Impact of the EU Regional Policy on Centrifugal Tendencies in the Political System of Spain

The modern multi-level management system, in particular the three-level system of division of government into supranational, national and regional levels, can be viewed as a new, stable structural factor that may be difficult (or even impossible) to change. The explosion of separatist sentiments in Spain has aroused increased interest among researchers in the topic of the regions of Spain. More broadly, the process is not unique to Spain, but it stands out for its rapid transition from Franco autocracy to democracy.

In recent discussions, EU regional policy has been viewed as a factor influencing Spanish centrifugal trends and contributing to centrifugal rather than to centripetal forces. The regional programs of the EU were one of the many drivers pushing regions away from the centre. This factor has played a role in virtually all centre-regions conflicts (the less developed and more developed parts of a country are each feeling exploited by the other). It did not specifically aim at alleviating grievances within member states, but it could be used as a tool by central governments to counter secessionist moods.

However, it was not the only one: ethnic, linguistic, religious and/or cultural differences, played a role as much as historical memories, such as past independence. These were indirect effects that require careful study to identify causal effects because there can be many reasons for the ebb and flow of such moods.

Three factors of regional power:

Three factors in the strengthening of regional power were identified:

- 1) There is the framework established at EU level which sets the context for implementation (the partnership principle in 1988).
- 2) Degree to which regions are able to take advantage of new opportunity structures, which depend in part on the internal resources of the region itself.
- 3) Regional empowerment through EU regional policy depends on the territorial structure of the state, specifically, the relation between the centre and different peripheries.

Thus, all EU regions have an additional center of gravity in Brussels.



There is a causal link between the presence of regionalist parties, the level of economic development and the high level of identity with language and centrifugal tendencies here. **Catalonia** and **Basque country** were somewhat interesting as the most economically developed regions, but the case of **Valencia** and **Canary Islands** is the most important, as it highlights the role of EU investments. In these regions, the level of economic development was lower than average Spanish level, so the EU economic assistance there was higher. As such, the authorities of these regions were strengthened, as they were managing the EU funds directly.

VI) Impact of Brexit on the further development of the EU

Further development of the situation in the UK after its exit from the EU is of high importance. If Great Britain shows that leaving the EU does not necessarily entail serious damage to the country's economic and social spheres, then this may cause some reflection among the Eurosceptic countries. In any case, Brexit is a unique phenomenon, and it is necessary to wait for the development of the situation before drawing conclusions. However, the existing aggressive negotiations between Great Britain and the European Union frighten the EU member states. There was also a dispute over the expansion or deepening of the future of the EU, and the UK was very supportive of enlargement in order to avoid deepening. Without the UK, this discussion could take an unexpected turn.

VII) Budget and the future of the EU

The latest calculations by the European Commission show that 30% of farmers in the EU are over 65, and only 6% of farmers are under 35. Moreover, farmers in the less developed EU countries (Malta, Romania, Hungary, etc.) have no training whatsoever. This fact calls into question their transition to a "green course", to a digital economy, which could pose a serious challenge for the EU. In addition, there are too many loans in the current EU budget (adopted in December 2020), and future generations will have to pay for this. Thus, the resilience of the EU could be called in question.

VIII) The environmental factor in EU-Russia relations

The collapse of the Soviet Union and the resulting economic crisis led to the closure of a huge number of industrial enterprises, which, although damaged the economy, provided fertile ground for the development of ecology in Russia. In addition, this increased the international status of Russia as a "green" power, because the reference point for atmospheric emissions in the world is usually taken in 1990, when Russian production was at its peak. Also, Russian forests in Siberia can also be considered the "lungs of the planet", along with the Amazon forests. Nevertheless, global warming and its effects on Russia must also be taken into



account, especially the melting of the Arctic. Thus, at the moment, the overall contribution of Russia to the world ecology is not very clear.

The environmental friendliness in Russia can grow on the basis of Russia's search for identity. In this regard, Karaganov's report could be perceived as dangerous, since it uses the environment to improve the Russian place in the world, to create a kind of “green alternative” to the West, while the EU actually focuses on the green agenda. Thus, there is a difference in the hierarchy of environmental goals between the EU and Russia.

Nevertheless, the ideas of finding common points of contact with the EU and the West are now very popular among Russian experts and business. These searches are rather vague, however, as Russia does not have a strategy of interaction with the EU (as, for example, the EU has with Africa), although interaction on certain issues is possible. In addition, the pandemic could not bring Russia and the EU closer together. The rapprochement between Russia and the EU on the basis of ecology is possible, but it will become clear in the future.

IX) Russia's role in the focus on sustainable development in the EU.

The EU is increasing its resilience *opposed* to Russia. Although the EU is trying to increase social resilience in Russia by indirect means, the EU lacks a full-fledged strategy towards Russia. Thus, cooperation between the EU and Russia in the field of sustainable development will be possible only after the creation of a full-fledged European strategy towards Russia. However, it is probable that the EU will *never* have a full-fledged strategy towards Russia, since Russia is not trying to help the EU in any way.