

A Union of Nations 2.0

IDEAS FOR EU REFORM

AUGUST 2018

WARSAW

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Table of contents

Key findings	04
Introduction	06
The EU's place in the world	09
The European Union, 2050	12
What kind of EU do European leaders want	18
What kind of EU do European citizens want	30
Three pillars of a new Union of Nations	35
Recommendations for EU reforms	41
List of figures, tables and diagrams	46
Bibliography	47

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Key findings

At present, there is a discrepancy about how to further the integration of the European Union. Two opposing approaches clash in the discourse. On the one hand, these are supranational and federalist solutions, on the other a vision of nation states and intergovernmental cooperation. What is certain, however, is that the strength of the European Union stems not from the strength of individual states, but from the European Union as a community. That is why we propose pragmatic changes that increase the democratic mandate of Brussels.

75%

Europeans expect a common defense and security policy

71%

Europeans expect a common trade policy

The economic recession, the migration crisis and Brexit revealed that although the economy is important for the proper functioning of the European Union, the growing institutional problems may lead to its disintegration and intensification of the internal struggle of interests. Therefore, it became necessary to give a broader vision of the development of the EU, which is not just an economic community. Lack of integration means that in fact the greatest economic power in the world can be presented only in calculations, and not in social perception. The European Union is the second largest economy in the world in terms of gross domestic product, but it is not widely identified as a global economic power, as is the case with China or the USA. According to Pew Research, only 9 per cent respondents around the world view the EU this way. For comparison, US is pointed as economic leader by 42 per cent of respondents, 32 per cent indicate China, and 7 per cent – Japan. In addition, Europeans themselves most often point out these two countries as global economic leaders, despite the European Union is the second largest economy in the world after China.

Currently, the Union is developing without a clearly targeted direction of reforms, and thus realizes a scenario that can be described as a “Nobody Cares”. Hence, some Member States Leaders presented their own proposals for EU reforms. However, there are many ideas for strengthening and accelerating the Union's integration and there is still no single coherent concept of Community change.

Whereas some politicians support the Union's development model, in which every state integrates with it at its own pace, others promote an EU vision based on the so-called hard core. Still other groups of politicians are in favor of careful integration.

Taking into account the expectations of Poles, the views of residents of other Member States, as well as rational premises that could solve the institutional problems of the Community, we propose the Union of Nations 2.0, as an extension of the proposals outlined by the Prime Minister of the Republic of Poland, Mateusz Morawiecki. It would consist in further gradual tightening of economic, military and research relations, and on the development of the European *welfare state*, so that it is ready for the challenges of the 21st century.

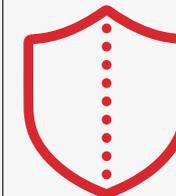
Almost three-quarters of Poles are in favor of European integration. However, 41 per cent would like to further deepen integration between all Member States, and every third respondent favors maintaining the current state (32 per cent). 17 per cent of respondents is of the opposite view. Every eighth respondent (13 per cent) would like to limit integration, and for 4 per cent the vision of a Europe of many speeds is the closest one. Europeans think similarly, just as Poles, they want free movement of EU citizens, a common defense, energy and trade policy. These are pragmatic areas of integration for which there is consent in all Member States and on which the development of Europe should be built.

The vision of a Union of Nations 2.0 is based on the three pillars of the Community's development within which 27 recommendations for proposed reform were created.



The first pillar is EU 4.0 or the EU as the leader of an industrial revolution with a deepened single market.

The solutions proposed here are to ensure the competitiveness of the EU and increase its innovation, which will enable it to compete effectively with the global powers. The proposals included in this pillar, i.e. neo-industrialisation, include an easier flow of services, which will allow an increase of EU GDP by an additional 2 per cent, combating the European VAT gap by implementing non-operational fiscal systems to register invoices and payers throughout the EU, as well as rewarding investments that are not only financially viable but have a positive social impact. It is also necessary to prepare the Union for future external shocks such as the financial crisis or the bursting of a possible real estate bubble.



The second pillar is a secure EU, both in the context of geopolitical threats and of protecting citizens against new types of threats, such as cyber-attacks. As regards this aspect, the solutions proposed include

i.e. more rapid increases in defence spending by the member states, new financing models for innovations in armaments, improvement of existing solutions and searching for new means of security, e.g. by creating a specific “cyber-shield” over Europe, or by creating a Marshall Plan for Africa, promoting socially involved investment methods and creating infrastructure for subsequent business development. Let's work with Africa as part of free trade areas and share wealth by stimulating growth on this continent.



The third pillar is a Civic EU, a socially sensitive community that fights against inequalities and exclusion. Investment in human capital and education is the best tool

for this. Proposals include e.i. an effective reduction of tax havens in the EU and around the world, the use of lifelong learning to reduce poverty, strengthening cultural capital and providing Europeans with knowledge of economics and of economic history, or creating infrastructure connecting the north and south of Europe, which will allow the creation of alternative sources of hydrocarbon supply and improve logistics between the member states.

Introduction

In recent years, the European Union has been shaken by numerous internal crises. However they have not led to breaking the deadlock in lack of the reforms the Community.

The beginning of the problems was the debt crisis in the eurozone, which affected mainly the countries of the Mediterranean basin, hitting hardest in Greece. The prospect of that country's leaving not only the eurozone but the EU itself became a real possibility. The economic crisis of 2007–2008 intensified doubts about the economic legitimacy of the monetary union and exacerbated tensions along the North–South axis. This is not the only fault line running across the EU. The next urgency which the EU still faces today concerns the influx of migrants. The countries of the Visegrad Group have opposed EU plans for the relocation of refugees, which led to the creation of another dividing line, this time on the East–West axis. The EU also has to deal with the aggressive policy of Russia, still waging war in the Donbass, as well as the beginning of the trade war with the USA. Deepening divisions and increasing Euroscepticism reached a culmination in Brexit, the first episode of this sort in the history of the EU. We are therefore dealing with not one, but with many cumulative crises in the EU. For this reason, the current situation is different from the 1960s, 1980s or the first decade of this century and requires other, more concrete actions. Many Europeans today show little enthusiasm for further integration

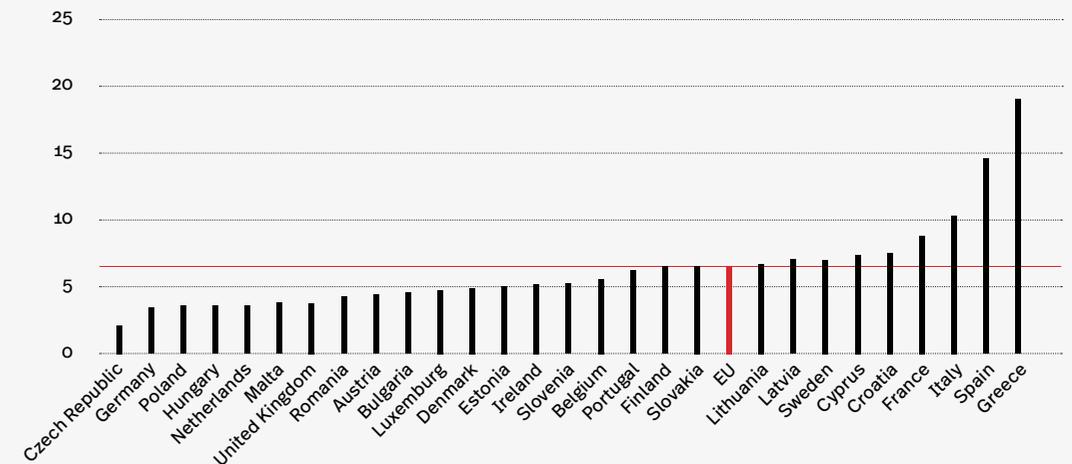
– EU politicians must therefore break this stalemate. The further development of the Union must take into account the voice of its citizens. For this to happen, its democratic legitimacy needs to be strengthened. It is necessary to restore confidence in the European project.

From an economic perspective, after 2008 we had six major risks that materialized, making each subsequent year even more difficult than the previous one.

First, it was a risk of unemployment, which to this day remains high in countries such as Greece, France, Spain or Croatia. On the other side of the spectrum are countries that have problems finding employees and working on effective immigration policies that guarantee the assimilation of high-class specialists. The unemployment rate in the Czech Republic in June 2018 reached 2.2 per cent, and in Poland 3.6 per cent, while the average for the whole EU was at the level of 6.7 per cent. For comparison, in the US unemployment has reached the level of 4.2 per cent, which means that it is lower in many countries of Central and Eastern Europe than it is in United States. Still countries such as France or Greece must overcome structural problems to reduce the scale of unemployment.

Second, in the post-crisis years, we had a "lost decade" in terms of economic growth, which must be recovered. The EU countries developed on average at 0.83 per cent annually since 2008. This pace of growth is far from satisfactory, compared to the rate at which developing countries have grown, reaching 5–7 per cent. During

↘ Seasonally adjusted unemployment rate in June 2018 in EU countries (per cent)



o Source: Own study based on Eurostat data.

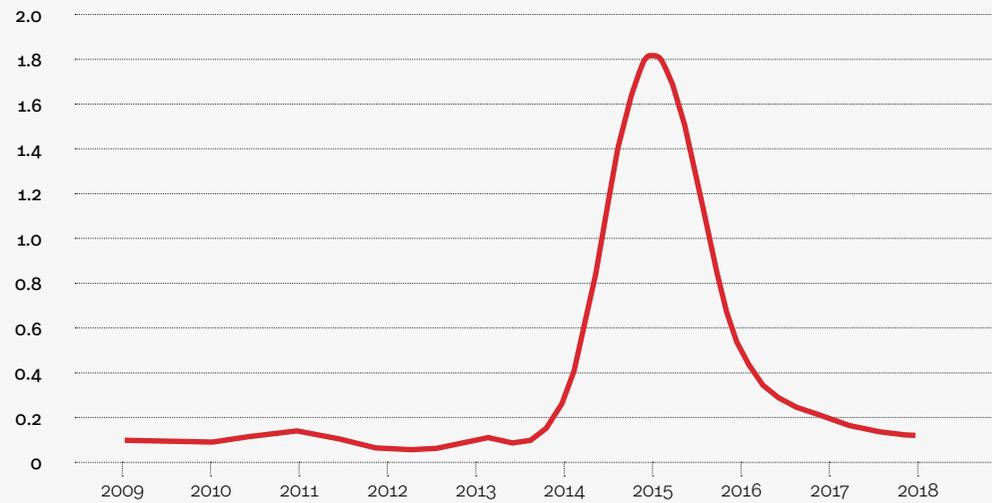
this period, the leader of growth in the Union was Ireland – 4.38 per cent average annual, Malta – 4.22 per cent, Poland – 3.33 per cent. Also in 2018, Poland is one of the fastest developing countries of the Community with GDP growth – 4.3 per cent. None of the countries of the Community, apart from Poland, Romania, Slovakia, the Czech Republic or Sweden, found the key to maintaining economic growth (it is not without significance that most of them conduct independent monetary policy). In addition, in recent years we have seen much divergence among euro area countries regarding inflation rates and economic growth.

Third, public debt has increased in all European countries except Malta and Germany. A striking example of that is Greece, where public debt increased by almost 70 percentage points, reaching 179 per cent GDP at the end of 2017, similarly fast growth was noted in Spain, Portugal, Cyprus and Slovenia. Public debt is a severe problem, also in its hidden form – resulting from the state's

commitment, which in some countries, such as France, reaches almost five times the GDP if the state wanted to buy all bonds and to pay pensions first. Poland has a hidden debt reaching 326 per cent of GDP compared to the European average of 298 per cent, and the public one at only 50.6 per cent of GDP, when the average in the Union is as much as 81.6 per cent.

Fourth, EU is experiencing a migration crisis, which showed how important it is to respect the positions of individual capitals. The European Union is built on the foundation of deliberation and respect for each country's policies. After more than 1.8 million people crossed the EU border illegally in 2015 and hundreds of thousands of people have done it in subsequent years, we should be prepared for the next migration of people in a practical way – using European agencies such as Frontex to guard the borders and appropriate programs to increase living standards in the Middle East and Africa. Illegal immigration to the Union shook the foundations of the Community, because it showed that policies against the will of some Member State governments could not be implemented.

▼ Number of illegal border crossings of the European Union in 2009–2018 (million people)



o Source: Own study based on Frontex data.

Fifth, the US and the Union are at a state of trade war, and in trade war, everyone loses. The total Union has a surplus in foreign trade, among others with the US or India, but treating this as a permanent and desirable phenomenon is harmful. Any trade surplus causes someone's deficit, thus all eurozone countries could not reach surpluses at the same time – a map of structural surpluses and deficits in Europe permanent creditors and fixed debtors, which translates into huge economic and political imbalances mainly through Germany's trade policy, which they do not strive to balance. This was recommended by the IMF on many occasions (Płóciennik, 2013).

Sixth, ten years ago, there was a collapse in the subprime loan market, which contributed to the global crisis. Nevertheless, these subprime loans have returned and are doing well: under innocent-sounding non-prime, lenders are again increasingly willing to offer mortgage loans to high-risk clients.

The annual growth rate of real estate value after taking into account inflation exceeded the long-term average, which may signal a speculative bubble, because the revival in European prices of real estates has been maintained since 2016. Subsequent turbulences in the European economy may undermine the foundations of the single European currency.

The report that follows contains a vision of the European Union's institutional reforms proposed by Poland. This vision is based on three pillars. The first is the Union 4.0, the European Union as the leader of an industrial revolution, with a deepened single market. The solutions proposed here are to ensure the EU's competitiveness and stimulate innovation, which will enable it to effectively compete with global powers. The second pillar is a secure union, both in the context of geopolitical threats and protecting citizens against new types of threats, such as cyber-attacks. The third pillar is a civic Union, or a socially sensitive Union that fights against inequalities and exclusion, using investments in human capital and education to achieve this goal.

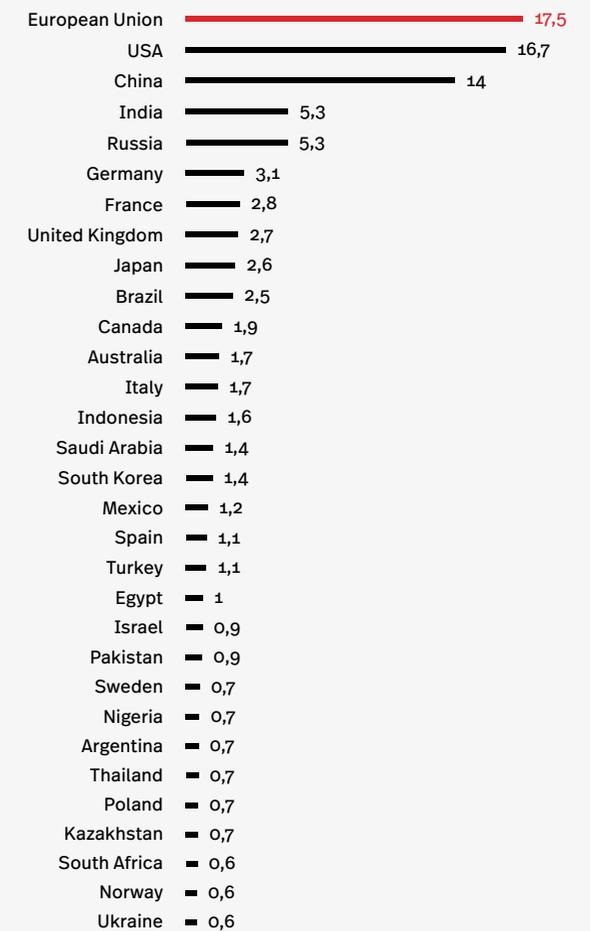
The EU's place in the world order

At the moment, there is no uniform concept for further integration of the EU. Opposing approaches clash in the debate.

On the one hand, supra-national and federalist solutions are proposed, on the other – a vision of nation states and cooperation at inter-governmental level. Nevertheless, it is certain that the strength of the EU is not due to the potential of individual states, but to its structure as an entire community. No individual member state can single-handedly match the key players on the world's political scene. Combining their potential and changing the EU into a better – integrated entity, could make the Community the world's largest political and economic power (Figure 1).

With 14 points, China is second on the list of the most powerful actors on the international scene. It is also the largest economy in the world measured in terms of purchasing power parity. India is third (5.33 points) and Russia fourth (5.29 points). Out of the European Union member states, three are in the top ten of the most powerful countries in the world: Germany, France and the United Kingdom are 5–7, respectively. It is worth noting, however, that Germany and France have been falling in the ranking since 1991, while China and India recorded the largest increases (8.07 points and 1.71 points respectively). For the EU, it is a clear signal that it will only be able to match the rapidly growing powers as a united entity.

▼ FIGURE 1. Index of states' power for the 30 most powerful countries and the EU calculated in aggregate (index points)



o Source: Own study based on: (Lewicki, Arak, 2018).

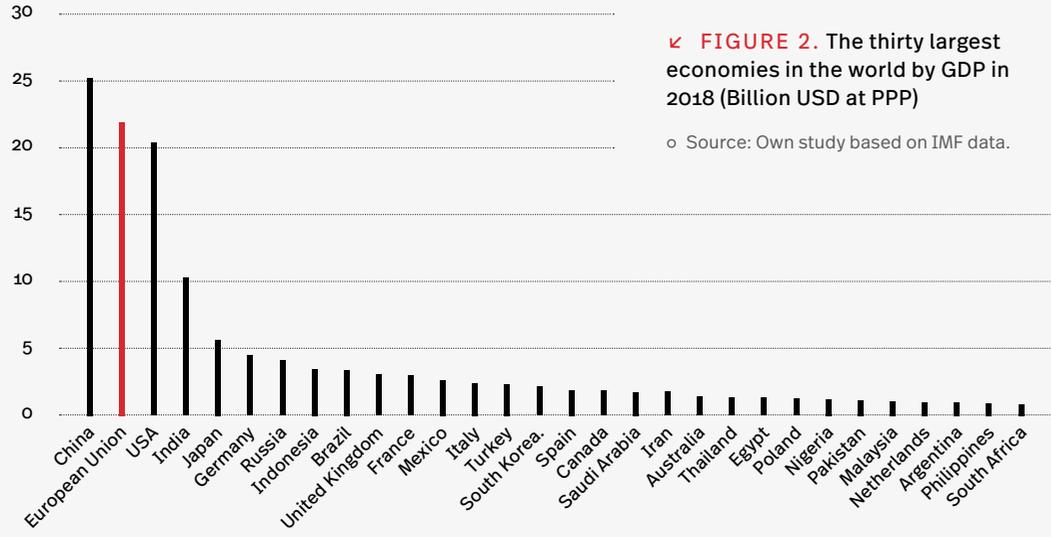
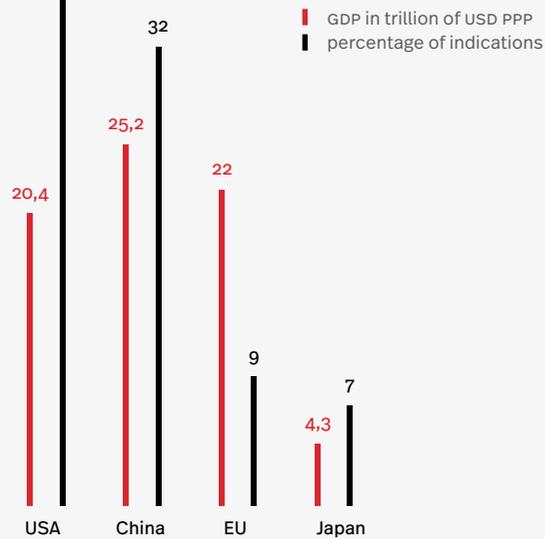


FIGURE 2. The thirty largest economies in the world by GDP in 2018 (Billion USD at PPP)

Source: Own study based on IMF data.

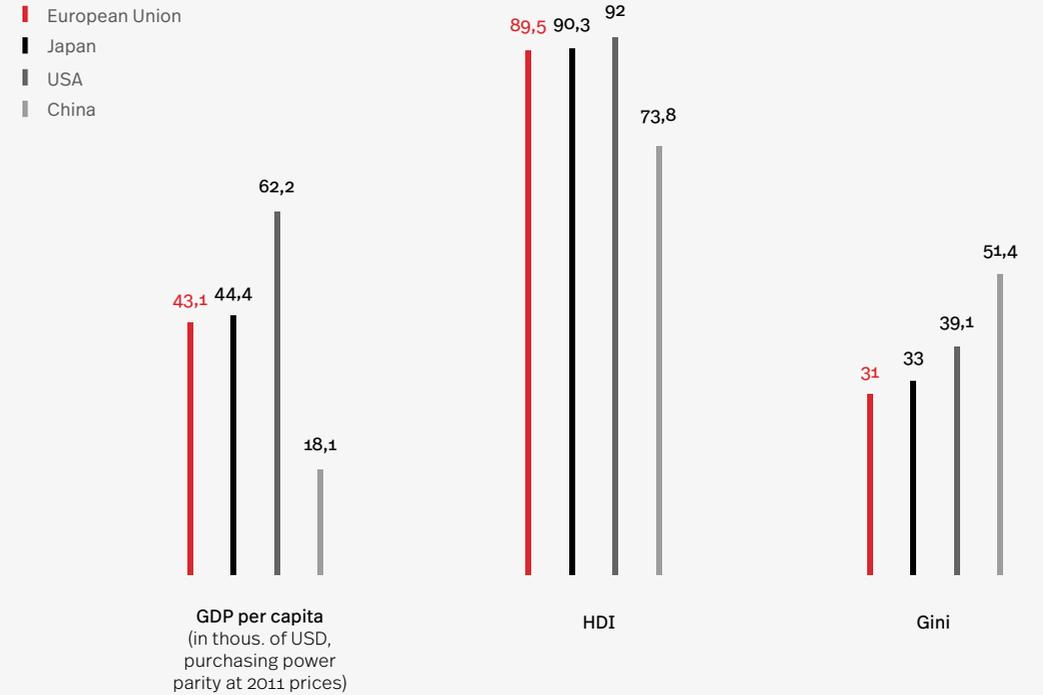
The European Union is the second largest economy in the world in terms of gross domestic product, but it is not widely identified as a global economic power, as is the case with China or the USA. According to Pew Research, only 9 per cent of respondents world-wide see the EU in this way. By comparison, the US is identified as the economic leader by 42 per cent of respondents, while 32 per cent point to China, and 7 per cent – Japan. What's more, these countries are most often named by Europeans themselves. It shows how little aware we are of the incredible success of the EU that is its economic development.

FIGURE 3. 30 largest economies in the world by GDP in 2018 (USD trillion in PPP terms)



Source: Own study based on Rew Research and IMF data.

FIGURE 4. GDP per capita, Gini index and Human Development Index in 2017



Source: Own study based on IMF, OECD and UNDP data.

Figure 4 shows that despite the growing power of China, it is the European Union that remains one of the most comfortable places to live. Out of the countries studied, it has the lowest Gini index, which indicates lower income inequalities than in Japan, the USA or China. On the other hand, the average value of the Human Development Index is only slightly lower in the case of the EU than the USA or Japan. It should be kept in mind, however, that this is an average value for all member states, and that four European countries are placed in the top ten countries with the highest HDI. The US ranks 10th and Japan and China are ranked 17th and 90th respectively.

“The European Union is a lifestyle empire in which the quality of life is the highest in the world”

European Union 2050

In 2012, the European Commission prepared potential scenarios for the Community's development by 2050. The *Global Europe 2050* report outlined three scenarios for the EU's further development.

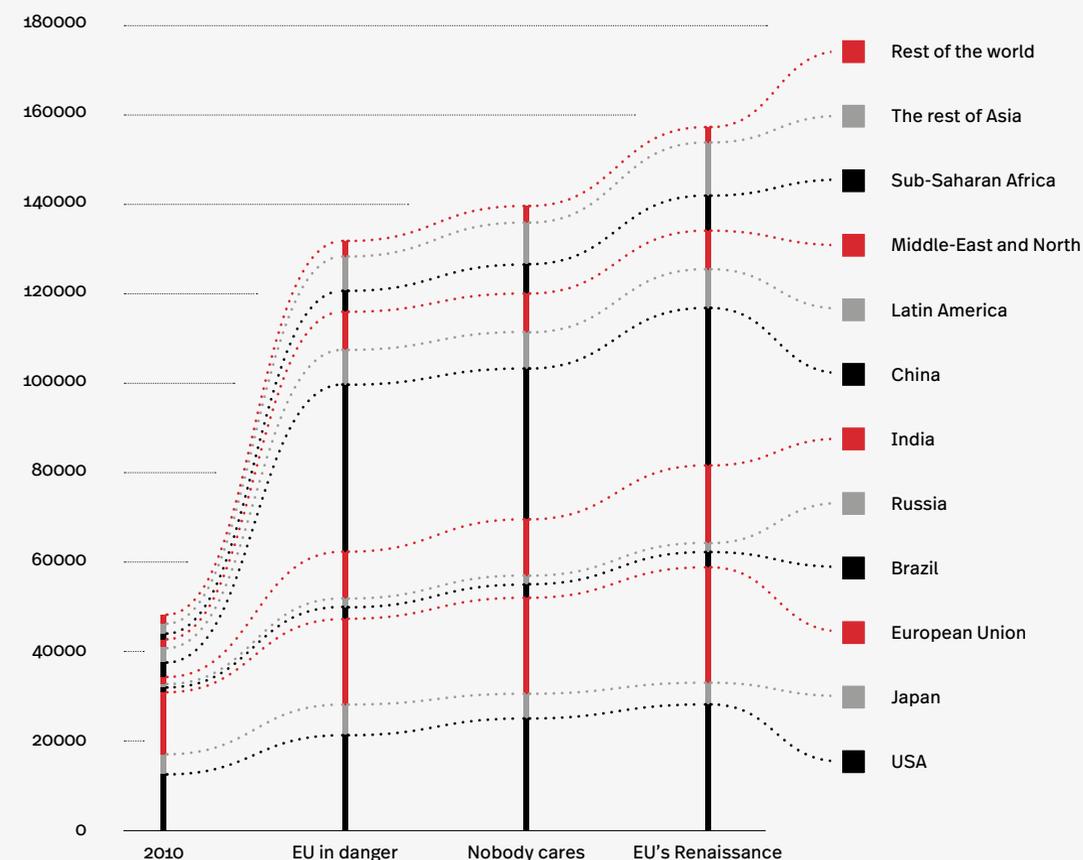
THREE SCENARIOS:

01. EU's Renaissance
02. Nobody cares
03. EU in danger

The first of these, called the "EU's Renaissance", is the most optimistic and assumes that the EU will implement appropriate reforms and solutions to accelerate the pace of innovation and, as a result, will also increase productivity. This scenario also assumes that integration within the EU will proceed, and the Union will expand to include more countries. At the other end of the spectrum is the most negative scenario, "EU in danger". In this vision, there are two (or more) speeds of EU development and integration. This prevents the implementation of research and development policies, which will reduce the pace of innovation. Productivity gains will gradually decrease until 2050. The rest of the world, and especially emerging markets will, in contrast to Europe, use their potential for economic growth and maintain a strong pace of development.

Between these two outcomes, however, there is the third path that Europe now seems to be following. This is a scenario defined as "nobody cares", which assumes that the EU will move forward without a clear direction of reform. Analysis under this scenario shows that economic growth will remain lower than in the US and China, and that the EU will not take advantage of its innovative potential, thus ceasing to be globally competitive in relation to other regions of the world.

FIGURE 5. Global GDP in 2050 according to different development scenarios for the European Union (USD billions, at 2005 values)



Source: *Global Europe 2050*.

Problems related to an aging population will not be properly identified, leading to economic instability. The creation of a single European market will remain an unfinished process. Public support for combating global challenges (such as climate change) will be limited. This will lead on to a greater dependence on foreign energy supplies. Under this scenario, the EU will remain intact as an organisation and will continue to play a role in

the global order, but its position will be relatively weak, due to the lack of agreement between member states on external policy issues. The "Nobody cares" scenario depends on the assumption that global GDP will have increased by 188 per cent, which is a moderately optimistic forecast compared to other projections. The EU's GDP would, in this case, amount to 54 per cent, while the US's would be as high as 97 per cent. For its part, China would achieve an unprecedented increase of 835 per cent, becoming the largest economy in the world.

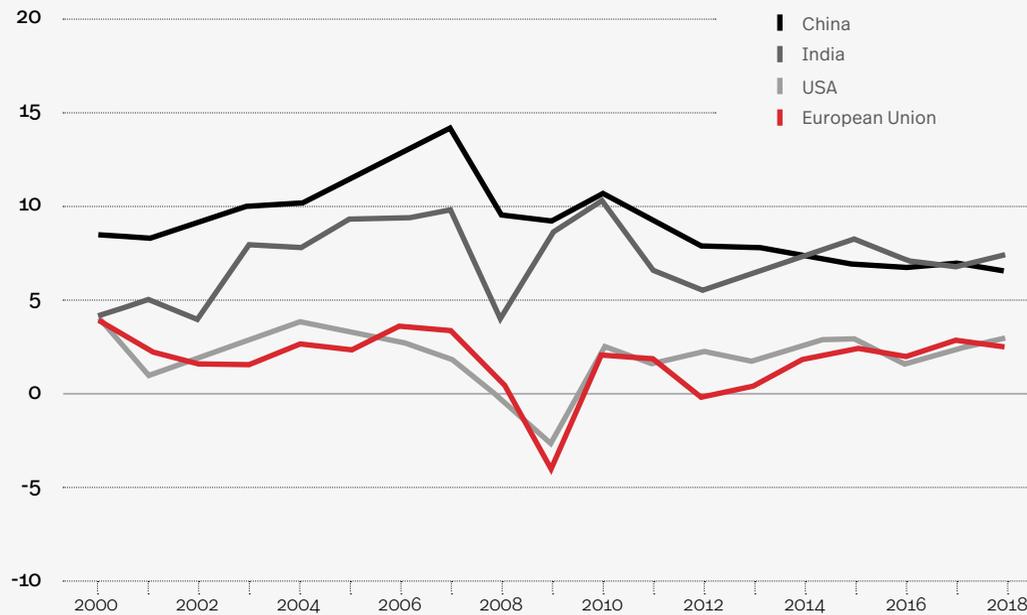
TABLE 1. Development scenarios for the EU up to 2050

SPECIFICATION	SCENARIOS						
	EU IN DANGER		NOBODY CARES		EU'S RENAISSANCE		
	DIMENSIONS	EUROPE	REST OF THE WORLD	EUROPE	REST OF THE WORLD	EUROPE	REST OF THE WORLD
Demographics		Shrinking population		Aging society Immigration		Maintaining a high standard of living	
		Diminishing social capital		Poor integration of immigrants		Mobilisation of an aging society Open European society	
Energy, environment and climate		Global energy uncertainty No measures to combat global warming Significant degradation of water resources Global food crisis and degradation of biodiversity		Increased restrictions in obtaining energy Increased consumption of natural resources Diminishing water resources Growing pressure to increase agricultural productivity and increase food production, loss of biodiversity		Implementation of an effective strategy to lower carbon dioxide emissions Better prospects for global energy consumption and reduction of carbon dioxide emissions	
		A divided European research sector		Failure to increase innovativeness of EU		An integrated European research sector	

SPECIFICATION	SCENARIOS						
	EU IN DANGER		NOBODY CARES		EU'S RENAISSANCE		
	DIMENSIONS	EUROPE	REST OF THE WORLD	EUROPE	REST OF THE WORLD	EUROPE	REST OF THE WORLD
Economy and technology		Declining labour input, also 'work time devoted to production'		Difficult economic prospects for Europe		Increasing globalisation World-wide growth of economies and trade, attributable mainly to Asian economies	
		Circulation of human capital		Insufficient mobility of European youth		Neutralisation of barriers to development of a knowledge-based economy New forms of adding value	
		Declining infrastructural investments		Industry remains important for Europe		Intelligent investments in global and local infrastructure	
				Insufficient digitisation of the EU			
Geopolitics		The European Union transforms itself into a fortress, inaccessible from without		Global uncertainty Lack of good governance		Weakened global position of EU	
						Redistribution of world power Change in the balance of power among military powers Fight against global instability	
Changes in land use and in the movement of people		Cities developing in unsustainable ways, prone to crises				Increased level of urbanisation on a world scale	
						Polycentric Europe Sustainable cities Well-thought-out and sustainable mobility	

o Source: Global Europe 2050.

FIGURE 6. Economic growth (percentage change in real GDP)



Source: Own work based on IMF data.

Although the scenario envisaged by the European Commission covers the period up to 2050, there are already visible trends suggesting that “Nobody cares” is the scenario which EU is following. The elderly dependency ratio in Europe is greater than in other parts of the world and is still growing. The Commission's scenario assumes that aging European societies will compensate for low birth rates by supporting a policy for migration. The actual situation seems to be in line with these assumptions. In 2016, around 2 million people from outside the European Union migrated to member states. About 7.5 per cent all EU residents are immigrants from outside its frontiers. Immigrants were, on average, much younger than the population of their target country as a whole. On 1 January 2017, the average age of the total EU-28 population was 42.9, while the figure for immigrants in the EU-28 in 2016 was 27.9.

Predictions about energy consumption in the EU also seem to be borne out in reality. The dependence of the EU on energy imports, in particular oil and gas, is the background for political problems related to energy security. More than half (53.9 per cent) of the gross internal energy consumption in the EU-28 in 2016 derived from imported resources. Primary energy production in the EU-28 was 9.8 per cent lower in 2016 than in 2010. A positive phenomenon is the increase in the production of energy from renewable sources of 24.6 per cent during this period, partially replacing energy from conventional sources. The largest decreases in production were recorded for crude oil (-24.3 per cent), natural gas (-9.8 per cent) and solid fuels (12.3 per cent), with a lower decrease (8.4 per cent) for nuclear energy. Reductions in primary production of hard coal, brown coal (lignite), oil, natural gas and, most recently, nuclear energy have, however, led to an increase in the EU's dependence on imported energy, necessary to meet internal demand.

In recent years, one of the key objectives of the EU has been to promote investments in research, aimed at increasing the EU's competitiveness in the global arena. The Europe 2020 strategy, adopted in 2010, assumed among its five objectives the allocation of 3 per cent of the GDP of each of the member countries to research and development. Among EU countries, the highest expenditure in this area in 2016 was recorded in Sweden (3.26 per cent) and Austria (3.09 per cent). These two were the only countries in which spending exceeded 3 per cent of GDP. They were followed by Germany (2.94 per cent), Denmark (2.87 per cent) and Finland (2.75 per cent).

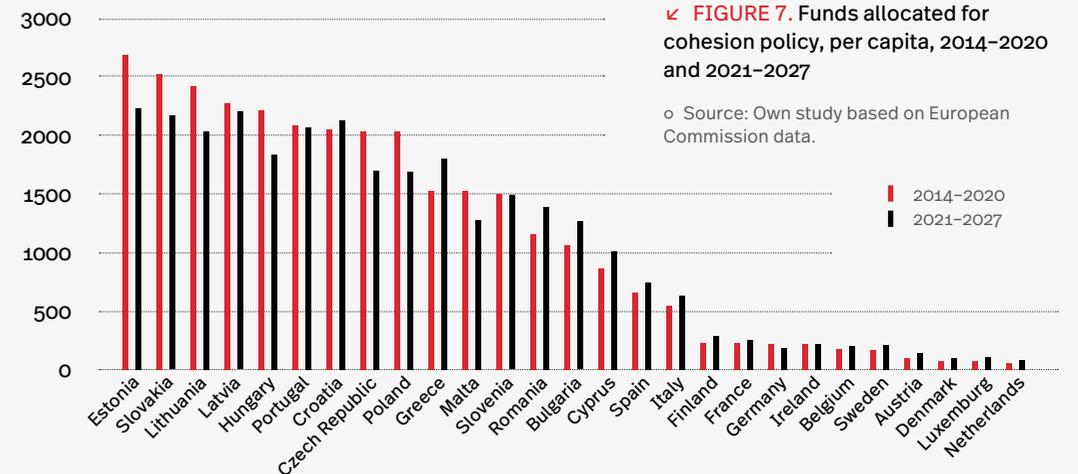
index increased slightly in the EU in the period from 2006 to 2012, from 1.68 per cent to 1.91 per cent. In 2012–2016 it grew more slowly, fluctuating in the 1.91–1.94 per cent range. Nevertheless, the value of research and development intensity in the EU remained much below the results of Japan (3.14 per cent in 2016) and the US (2.74 per cent in 2016). In 2013, China overtook the EU (1.99 per cent of GDP), and in 2016 this value increased to 2.12 per cent of GDP. This means that the intensity of research and development in China in the period 2006–2016 increased faster than in the EU and the US, from 1.37 per cent in 2006 to 2.12 per cent by 2016, which is an increase of 0.75 percentage points (according to OECD data).

The EU's economic stimulus package – cohesion policy

Spending on research and development in the 28 EU countries in 2016 amounted to USD 350.3 billion (Purchasing Power Parity, at 2011 prices), which is 1.94 per cent of the GDP of the Union as a whole. This is an increase of 0.9 per cent year-on-year, and an increase of 26.33 per cent over 10 years. The level of expenditure on research and development in the EU in 2016 amounted to 75.44 per cent of spending under this heading in the US, and 85.02 per cent of the rate in China. The ratio of expenditure on research and development to GDP is known as the intensity of research and development. This

The Cohesion Policy is the EU's main investment tool and one of the most concrete manifestations of solidarity between EU member states. It aims to support activities leading to the equalisation of economic and social conditions in all regions of the European Union. One of its main goals is to reduce disparities in the levels of regional development and eliminate the backwardness of the most disadvantaged regions, including rural areas. Cohesion policy was implemented in the 1980s, prompted by Greece, Spain and Portugal joining the EU and by the adoption of the single market programme. The enlargement of the EU deepened regional disparities – financial support became the basic way to bring their wealth up to the level of the EU average. In this way, the foundations of a genuine cohesion policy were created to balance the burdens associated with the establishment of the single market.

FIGURE 7. Funds allocated for cohesion policy, per capita, 2014–2020 and 2021–2027



Source: Own study based on European Commission data.

What kind of EU do European leaders want

Jean Claude Juncker's vision: The EU's path to unity

On March 1, 2017, the President of the European Commission, Jean-Claude Juncker, presented a White Paper, initiating a debate about the vision for the future of the EU. Juncker's White Paper presents five possible directions for the development of the European community, providing for both the relaxation of integration, a multi-speed EU, and its federalisation (European Commission, 2017). This document was created with the intention of obtaining a clear position from the leaders of the member states regarding changes in the EU. Selected proposals for institutional reforms that are to be presented to citizens will have a significant impact on social sentiment, the functioning of the EU as well as the results of the European elections in 2019.

FIVE SCENARIOS:

- 01.** Continuation, i.e. EU remains unchanged
- 02.** Limiting the European Union to the single market
- 03.** A multi-speed European Union
- 04.** Focusing on selected areas
- 05.** Striking out in the direction of federalisation

Six months later, on 13 September 2017, during the annual address (European Commission, 2017) summarising the State of the Union, Jean Claude Juncker also presented a new vision of the development of its structures. The new perspective, entitled the "sixth scenario" and promoted using the slogan

**"Hold the ship's course, she has a favourable wind in her sails"
— J-C Juncker**

"Hold the ship's course, she has a favourable wind in her sails", is a hybrid of options set out in the *White Paper* – it combines the fourth and fifth scenarios and contains elements of the first. This means that Juncker wants to maintain the existing scope of the Union's activities, while at the same time increasing its effectiveness. This will not be possible, however, without appropriate reforms. The head of the European Commission stressed that the key priorities for the development of the EU in the near future are open trade strengthening the European trade programme (while defending strategic interests), boosting EU industry and its competitiveness in global markets, making the EU the leader in the fight against climate change, increasing the cyber-security of the member states' citizens and careful monitoring of migration and its consequences for the EU.

Three values as the compass

The direction of changes chosen by the European Union should lead to a more united, stronger and more democratic European community. According to Juncker, the values on which the course for reform is to be charted are to be the foundations of the European community itself: freedom, equality and the rule of law. The author of the White Paper also adds that a dozen or so reforms are necessary to get round obstacles to the chartered course. He did not stop at the level of political declarations. Juncker's proposals are relatively specific, which gives a good basis for debate on the future vision and the strategy for the economic, monetary, defence and foreign policy, as well as the social policy of the European Union.

A MORE UNITED EU

Juncker emphasises the importance of basic civil rights and judicial independence. In doing so, he seeks to strengthen the rule of law and the effectiveness of the judgments of the Court of Justice of the European Union. One of the ways of achieving this goal is to appoint a special team under the leadership of the deputy head of the European Commission, Frans Timmermans. This team is to deal with checking the quality and purposefulness of law

in the EU, while respecting the principles of proportionality and subsidiarity. Furthermore, the head of the European Commission does not foresee new countries entering the EU in the near future. Although it is possible that the Western Balkan countries will continue to have a real prospect of accession, it is impossible for countries such as Turkey to join the EU at the moment. Juncker also draws attention to inequalities existing within the EU and its institutional paradoxes,

such as the existence of the Banking Supervision Authority and the absence of a joint body for labour law. For this reason, he calls for the establishment of a European Employment Agency, which would replace existing institutions and fight social dumping effectively. Finally, Juncker also mentions the need to stabilise the issue of migration, although this matter has been almost fully dealt with thanks to the agreement of the Brussels quasi-summit of June 2017.

A STRONGER EU

With this value in mind, the European Union is to move in one direction as a single body and at one speed, so that it remains internally consistent while functioning more efficiently. Juncker proposes, therefore, to include all countries in the eurozone, with a special pre-accession instrument facilitating this goal. The European Commission head also proposes the transformation of the European Stability Mechanism (ESM) into a European Monetary Fund and the introduction of new taxes: on individuals and transactions, intended for development purposes. In his view, that is why member states should be given back competences in

matters where this is justified. Juncker also adds that the reform of the EU bureaucracy is intended to increase the effectiveness of EU in action. To achieve this, he proposes a reform of the competencies of EU institutions. The head of the European Commission proposes to replace the so-called "five presidencies" by the preponderance of the European Parliament, the European Central Bank and the Commission. The position of the President of the European Council would be abolished and its duties assumed by the head of the Commission. Its deputy head would also become European Minister of Economy and Finance (EMEF), also responsible for

"The European Union is to move in one direction as a single body and at one speed"

supporting structural reform and coordinating all EU financial instruments that can be used in the event of a recession or crisis in one of the member states. EMEF would also chair the Eurogroup. In order to strengthen the international position of the EU and the effectiveness of its activities in the fields of foreign and security policy, Juncker

proposes to replace the unanimity rule by qualified majority voting. He also advocates the extension of cooperation under the mechanism for permanent structural cooperation, leading to the creation of a European Defence Union by 2025. NATO also expects the creation of this structure. According to Juncker, there is a lack of funds for efficient and effective action in the event of

international terrorist threats. For this reason he proposes the creation of a European intelligence service that would automatically supply information on terrorism from member and non-member countries of the EU to national intelligence and police services. The head of the European Commission also believes that, in order to strengthen the borders, it is necessary to include Bulgaria, Croatia and

Romania in the Schengen zone. He also proposes increasing the powers of the European Public Prosecutor's Office so that it can initiate proposals for anti-terrorism laws and expand the competences of the new European prosecutor to prosecute international terrorist offences.

A MORE DEMOCRATIC EU

The answer to accusations of undemocratic nature of EU procedures is the proposal to combine the roles of Commission and Council president. It would become possible thanks to the so-called procedure for the selection of leading candidates (German: Spitzenkandidaten). Juncker

pointed out that although the idea of international lists in the European elections is controversial in many member countries, he intends to promote it, as it will increase the transparency of elections and strengthen the democratic nature of the Union. Juncker also confirmed the submission

by the European Commission of a proposal regarding new rules for the financing of political parties and foundations. This is to prevent the financing of anti-European extremists and at the same time to provide the European parties with the means to better organize themselves.

European Commission president Jean Claude Juncker's vision of the European Union

A MORE UNITED UNION

The foundations of which are its values: freedom, equality and the rule of law.

A STRONGER UNION

Which needs a stronger single market.

A MORE DEMOCRATIC UNION

With greater involvement of national parliaments and civil societies at national, regional and local levels in the work on the future of Europe.

The French vision of the EU: a sovereign, united, democratic Europe

French President Emmanuel Macron was the first to speak in response to the scenarios set out in the White Paper. On September 26, 2017, he presented his idea for the future of Europe at the Sorbonne in Paris – the Initiative Europe. A sovereign, united, democratic Europe (Macron, 2017).

Macron wants to stop the growth of support for nationalism, authoritarian and protectionist tendencies with the help of what he called "positive populism." In his view, these phenomena are today driven by the EU's acting on an ad hoc basis. Without an over-arching, strong ideological strategy, the Community itself contributes to the increase in the number of supporters of isolationism. That is the reason the French President proposes to prepare a new vision of the EU, motivating Europeans to act and ensuring the timeless legitimacy of European integration.

The vision is to be based on three principles – sovereignty, unity and democracy. There can be no doubt that this is a noble idea, but it is characterised by strong emotions. The problem is that there are no rules that are universal enough to secure the approval of all Europeans, or at least they have yet to be formulated. What is needed is a debate on values rather than imposing them on any member state. In practice, this could mean the end of European solidarity. What is more, the existence of national communities in the EU does not mean that only the EU is responsible for crisis. Macron points out that the EU itself creates its own "bureaucratic mechanisms", trying to regulate more and more areas of its citizens' lives with increasingly detailed provisions. According to the French President, Europe should be "reinvented", reaching back to the time when Jean Monnet presented Schuman with the idea of creating a European Coal and Steel Community, and visionaries such as Joseph Bech, Johanen Willem Beyen, Alcide De Gasperi, Walter Hallstein, Sicco Mansholt, Jean Monnet, Robert Schuman, Paul-Henri Spaak and Altiero Spinelli created visions of a more perfect, stronger, integrated, more democratic EU.

SOVEREIGN EUROPE

According to Macron, strengthening the EU's defence capabilities as a guarantor of international security depends on strengthening the common strategic culture. He proposes the creation of a common defence budget and the establishment of a European Defence Fund and Permanent Cooperation to support the European Intervention Initiative (EII). This is to increase efficiency and improve coordination of the EU's common foreign and security policy (CFSP). He wants to create

the European Intelligence Academy for a more effective fight against terrorism. As regards the migration crisis, he wants to create an integrated system of border management, migration and asylum. Macron further proposed the creation of a European Asylum Office to standardise procedures, and to increase funding for European refugee integration programmes. The French president believes that the Mediterranean and Africa should be priorities for the EU's foreign policy. He wants

"The Mediterranean and Africa should be priorities for the EU's foreign policy"

to develop new relations with Africa, based on education, health and cooperation in the energy sector. For Macron, there is no sovereignty without sustainable development. In his view, therefore, Europe should be a leader in ecological transformation, especially through pro-ecological investments (in transport, heating, industry, agriculture and other fields). The French president also proposes setting a sufficiently high coal price and a carbon dioxide tax. He correctly points out that Europe needs an industrial programme to support clean vehicles, which is why it is important to provide infrastructure for their

development. Furthermore, he takes the view that the EU must ensure food sovereignty through the reform of the Common Agricultural Policy (CAP) and jointly establish inspection units to guarantee food safety. For Macron, a sovereign Europe does not passively undergo a digital transformation, but takes an active part in it by combing innovations and regulations. For this reason, the EU needs the establishment of a Breakthrough Technology Agency and the introduction of a digital tax. The French president's final proposal in the field of sovereignty involves the evolution of the eurozone and turning it into the

A UNITED EUROPE

"Creating a sense of belonging among citizens will be the strongest bond of the European order"

The French president wants to encourage social and fiscal convergence across the EU and gradually set criteria that approximate the social and tax models of different member states. He wants this to become a prerequisite for drawing on the European

Cohesion Fund. In terms of tax solidarity, he proposes a common minimum wage, adapted to the economic realities of each country. This is to solve the problem of "social dumping". Macron also puts emphasis on consolidating European culture and knowledge. He

heart of the global economic power. He calls for the creation of a separate budget for members of the eurozone and the appointment of an EU Minister for Economic Affairs.

claims that creating a sense of belonging among citizens will be the strongest bond of the European order. Hence the proposal that all young Europeans should spend at least six months in another member state (the target set is 50 per cent of each age group by 2024). Macron also wants to build a network of European universities that will allow students to study abroad and attend classes in at least two languages. He also adds that the EU could gradually expand by admitting the countries of the Western Balkans, on condition that this allows ambitious diversification of structures.

A DEMOCRATIC EUROPE

Emmanuel Macron suggests that civic engagement is key to realising a new vision of Europe, because it is the Union's citizens who will face this social innovation on a daily basis depending on the results of the elections in 2019. In order to democratize the latter, Macron proposed organising conventions in each member state for six months in 2018.

The French President also wants to strengthen the role of the European Parliament by establishing supra-national electoral lists. From 2019, the seats previously held by UK MEPs in the European Parliament should go to MEPs elected from such lists. Macron suggests reducing the number of European Commission members to 15.

6 months

for this period, Macron proposes organizing conventions in every member state

French President, Emmanuel Macron's vision of the European Union

A SOVEREIGN EUROPE

An EU dominated by the Franco-German tandem, allowing rapid development for those who want to go further and faster. This would be a less bureaucratic Union with a simpler and more protective single market and a reformed trade policy.

A UNITED EUROPE

A community of democratic values that are not negotiable.

DEMOCRATIC EUROPE

Enabling supranational lists of candidates for the European Parliament, benefitting from debates held as part of democratic conventions, with particular reference to enhanced cooperation and possible treaty changes.

Donald Tusk's pragmatic programme of changes

A response to Macron's visionary plan was a counter-proposal by the President of the European Council, Donald Tusk. The Leaders' Agenda, published on 17 October, 2017 is a document containing not only examples of specific solutions, but a programme of topics which Tusk considers important for the future of Europe. After debates and consultations, they are to enable the determination of the direction of further EU actions (Tusk,

2017). This plan includes twelve leaders' summits (three times the minimum number set out in the EU Treaties), during which heads of state or of governments of the member states will debate topics including Brexit, the migration crisis, the Central Mediterranean Route, the digital single market, and permanent structural cooperation (PESCO) in defence, taxation and the economic and monetary union, education and culture. Tusk's goal is to "reconcile Macron's energy with EU's methods of work and to avoid reforming the Union from scratch, because we have already achieved a lot" (Bielecki, 2017).

Tusk points out that it is necessary to restore the faith which some Europeans have lost about a stable and secure future of the EU, capable of ensuring the predictability of their own fates. EU institutions should focus on practical solutions to the real problems of Europeans and the Community as a whole. Institutional innovation is one

PUTTING PRACTICE BEFORE THEORY TO REBUILD CONFIDENCE

means to achieve this goal. Tusk warns, however, that an excessive focus on theoretical debates can drive the EU away from these reforms. He also believes that the mechanism that inhibits effective work and efficient decision-making is on the one hand political interests and conflict of opinion between governments and, on the other, an excessive

bureaucratic procedure. This is the reason why the Leaders Programme was created so that the so-called Decision Notes, containing information on the differences in the member states' positions, and outlining the scope of the conflict are drafted before each discussion. According to Tusk, this will enable a factual political discussion.

According to the head of the European Council, some of the challenges facing the EU are so serious that without rapid, ambitious decisions, real progress is impossible for the Community. At the same

A METHOD OF GRADUAL CHANGE

time, other problems still require further debate. Tusk wants to increase the effectiveness of the implementation of EU provisions and proposes that the heads of state or government should report on

relevant progress at every ordinary meeting of the Council. This should allow for more adequate conclusions regarding the efficiency of work and the implementation of EU decisions by individual countries.

The President of the European Council believes that the challenges for a united Europe include the migration crisis, asymmetric aspects of globalisation, and the aggressive policy of third countries

STRENGTH IN UNITY

as well as the uncertainty related to Brexit. Without achieving unity, the EU cannot deal with these problems. For Tusk, unity is a value which cannot be secondary to dynamic progress. Otherwise, Europe

will split internally and thus lose its strength. The head of the Council points out that although unity is key, it must not lead to stagnation.

President of the European Council, Donald Tusk's vision of the European Union

AN EU OF ACTIONS

Rebuilding the confidence of Europeans by promoting a vision of a stable and secure Union.

AN EU OF GRADUAL CHANGE

Defined by the maturity of the consensus developed in the debate.

A UNIFIED EU

In which unity does not mean stagnation, and dynamic progress is achieved by everyone, not just some members.

The German vision of the EU: international involvement of the European Community as a cooperating global player

Eight months after the presentation of Macron's plan, Germany responded to his proposal to strengthen cooperation and to restore the "two-state motor" of Europe on the Paris-Berlin axis. In an interview given by Chancellor Angela Merkel to the German

Frankfurter Allgemeine Sonntagszeitung on 3 June, she said that although both countries can provide impetus in many areas of the EU's functioning, they ultimately need to work together with other EU countries for democracy, the rule of law, protection of dignity, protection against terrorism, ensuring prosperity and jobs, defending external borders and preserving European cultural identity. In an interview with journalists, she also gave the first detailed presentation of how she imagines the future of Europe (Gutschker, Lohse, 2018).

A STRONG UNION

For Merkel, it is important that Europe become more and more powerful economically and in terms of innovation. For this, however, it is necessary to stabilize the euro as a currency in the long term. In her view, the existing instruments are still insufficient, hence the proposal to create a banking union and capital market. Merkel also suggests that the EU ought not to become similar to the International Monetary Fund (IMF) and the European Stabilization Mechanism (EMS), which was created during the recent financial crisis, should become the European Monetary Fund (EMF), equipped with instruments similar to the IMF. The German Chancellor takes the view that the EMF must still have the capacity to grant long-term loans to member states, but does not exclude the possibility of a credit line with shorter terms, for example, of five years more short-term loans. This would help countries whose public finances deteriorate due to external factors. The EMF must,

of course, be able to assess the economic situation in all member states on its own initiative. The fund should also be directed at inter-governmental level, with appropriate powers in the hands of national parliaments. Together with the European Commission, which already regularly reviews the competitiveness of member states and adherence to the Stability Pact, the EMF should be the basis for the stability of the eurozone. In order to eliminate significant economic differences between member states, Merkel calls for more rapid economic convergence between these countries. She wants to achieve this by strengthening the innovative potential, supported financially by additional structural policies. This would more effectively integrate countries that are less successful in the fields of science, technology and innovation. In the coalition agreement, Merkel proposed an investment budget of several dozen billion euros for the euro zone, although it is not clear whether it

would be managed within the EU budget or outside its structure. It is therefore clear that the German Chancellor wants, on the one hand, to strive for solidarity and convergence, but on the other is aware that one cannot forget about dealing with the structural weaknesses of countries that are not struggling with major problems at the moment. The German Chancellor wants to support weaker regions of the EU structurally, but for several reasons, including Brexit, this means changes and a new approach to the contribution of net payers to the Community budget. Merkel proposes raising it to 1.13 per cent of EU economic production (to be confirmed). She also wants to reduce bureaucracy, especially with regard to the Common Agricultural Policy, and to establish "leader-states" responsible for coordinating policy in areas important for the EU's economic development (e.g. the Baltic states in the area of digitization).

A SECURE EU

Merkel argues that freedom of movement is essential for Europe's single market, from which all members derive great benefits. Nevertheless, this freedom is based on the protection of the EU's external frontiers. All member states must participate in this protection and cooperate with the Union's neighbours at its external borders. Otherwise, Europe will return to the pre-Schengen period, which will have serious consequences for the well-being of its inhabitants. In the medium term, the European agency for the management of external frontiers, Frontex, must become a new European border police with real European competence and with the right to act independently at external borders. The German Chancellor also believes that the EU needs a joint refugee agency that carries out all asylum

procedures at the external borders, based on uniform European asylum laws. The German Chancellor also believes that the EU needs a joint refugee agency that carries out all asylum procedures at the external frontiers, based on uniform European asylum rights. For Angela Merkel, the aim is to organise the situation at the external frontiers but without using exclusion instruments. In her opinion, the EU needs an intelligent approach at many levels. Databases must be connected to European networks and member states need to better cooperate with each other.

The German Chancellor supports Macron's proposal for European defence cooperation, although she points out that intervention forces with a common military and strategic culture must be compatible with the structure of inter-governmental

defence cooperation. According to her, the current 180 weapons systems that currently coexist in Europe must be whittled down, to obtain a situation similar to that of the US, which has only about 30 weapons systems. In addition, in the medium term Merkel proposes creating non-permanent seats for the EU states in the UN Security Council. She does not exclude the creation of a European Security Council, which would consist of different EU member states in turn. This body could work more efficiently and work closely with the High Representative for Foreign Affairs and European members in the UN Security Council. Especially, in cases "where NATO as a whole is not engaged", the EU is to be able to launch and conduct its own military operations German Foreign Office, 2018).

A DEMOCRATIC EU

Merkel sees a limitation on the number of commissioners as a condition for increasing the European Commission's

role and effectiveness. She also advocates supra-national electoral lists to the European Parliament, which will allow the

selection of the best candidates, while at the same time making them independent of national governments.

German Chancellor Angela Merkel's vision of the European Union

A STRONG EU

Europe should be seen as an economic power, dynamically introducing key innovations for its citizens.

A SECURE EU

Europe must be able to act both externally and internally, providing citizens with not only peace, but also appropriate security measures.

A DEMOCRATIC EU

Europe must be based on common values, human rights and be a force that strengthens global multilateralism.

TABLE 2. What reforms do EU leaders want

ISSUE	J-C. JUNCKER (EUROPEAN COMMISSION)	E. MACRON (FRANCE)	A. MERKEL (GERMANY)	D. TUSK (EUROPEAN COUNCIL)
Scenario	The so-called <i>Sixth Scenario</i>	Federalist, with France and Germany dominant	A multi-speed EU	A multi-speed EU, carefully building further cooperation
The main challenge	EU is not just a common market. Member states must respect freedom, equal opportunities and the rule of law	Stronger nationalism, protectionism, isolationist and authoritarian tendencies	Trade relations and defence policy, development of a coherent foreign policy	Complete the Brexit negotiations
System of values	The foundations of the EU are freedom, equality and the rule of law	Development of the EU should be based on human rights and guarantee a sense of social and social justice	Reform of the EU to equalize the standard of living in the member states	European unity is the greatest strength of the EU. The EU is a territorial, political and cultural community
Defence	Establishment of a European Defence Union and a European intelligence unit. Extending the tasks of the new European prosecutor to prosecute international terrorist offences	Increased effectiveness and improved coordination of the EU's common foreign and security policy. Creation of a common defence budget. Strengthening the common strategic culture. Establishment of the European Intervention Initiative (EII)	Increased effectiveness and improved coordination of the EU's common foreign and security policy. Integration of the EU into the UN Security Council as a permanent member Establishment of a European Security Council. Establishment of the Europea Intervention Initiative (EII)	Building defence cooperation within the EU

ISSUE	J-C. JUNCKER (EUROPEAN COMMISSION)	E. MACRON (FRANCE)	A. MERKEL (GERMANY)	D. TUSK (EUROPEAN COUNCIL)
Economy and Euro zone	Conclusion of new free trade agreements.	Reform of the Common Agricultural Policy to protect member countries from the global expansion of third countries (especially the USA and China).	Reform of the Common Agricultural Policy to protect member countries from the global expansion of third countries (especially the USA and China).	Establishment of the European Monetary Fund (supporting co-operation within the euro zone)
	Creation of a special pre-accession instrument.	Common budget for the euro zone.	Preparation of a common European response to the introduction of US tariffs on steel and aluminum. Diplomatic pressures using the WTO to reduce tariffs by the US.	
Environmental Protection	Common budget for the euro zone.	Appointment of the EU Minister of Economy and Finance (without a separate budget for the euro zone)	Establishment of the position of Euro-group Finance Minister.	
	Appointment of the EU Minister of Economy and Finance (without a separate budget for the euro zone)	Transformation of the European Stabilization Mechanism into the European Monetary Fund.	Creation of a bank deposit guarantee system.	Establishment of an investment fund (budget) for the euro zone at a level of several billion euros.
	Introduction of new taxes (income tax on individuals and transactions tax, for development purposes)	Introduction of new taxes (income tax on individuals and transactions tax, for development purposes)	Transformation of the European Stabilization Mechanism into the European Monetary Fund	
Environmental Protection	Carbon tax based on carbon dioxide emissions.	Carbon tax based on carbon dioxide emissions.	Carbon tax based on carbon dioxide emissions.	
	Maintaining average global temperature increase at a level well below two degrees Celsius	Maintaining average global temperature increase at a level well below two degrees Celsius	Maintaining average global temperature increase at a level well below two degrees Celsius	



ISSUE	JJ-C. JUNCKER (EUROPEAN COMMISSION)	E. MACRON (FRANCE)	A. MERKEL (GERMANY)	D. TUSK (EUROPEAN COUNCIL)
The digital sector	Taxation of online businesses.	Taxation of online businesses.	Taxation of online businesses.	
	Improve cybersecurity of Europeans.	Creation of a unified EU digital market.	Appointment of "leading countries" responsible for coordinating policies in the area of digitization	
	Establishment of the European Cybersecurity Agency	Establishment of a European innovation agency that will support EU digital start-ups and fund research		
The rule of law	The rule of law cannot be optional in the Union. It must be a duty.	Introducing sanctions for non-compliance with EU laws and values	The rule of law is at the core of European values and the European order, it is the foundation of a Union of laws	
	Judgments of the European Court of Justice must be respected			
Democracy	Combination of the positions of the president of the European Council the head of the European Commission	Combination of the positions of the president of the European Council the head of the European Commission	Combination of the positions of the president of the Council of Europe and the head of the European Commission.	Combination of the positions of the president of the European Council the head of the European Commission
	Organisation of democratic conventions throughout Europe.	Organisation of democratic conventions throughout Europe.	Organisation of democratic conventions throughout Europe.	
	The election of MEPs from trans-national lists	The election of MEPs from trans-national lists	The election of MEPs from trans-national lists.	Reducing the number of EU Commissioners
social policy	Reform of "social dumping".	Reform of "social dumping".	Reform of "social dumping".	
	Establishment of an EU labour law supervision office.	Establishment of an EU labour law supervision office.	Establishment of an EU labour law supervision office.	
	Definition of a common minimum basket of social rights	Definition of a common minimum basket of social rights	Definition of a common minimum basket of social rights	

o Source: Own study.

What kind of EU do European citizens want

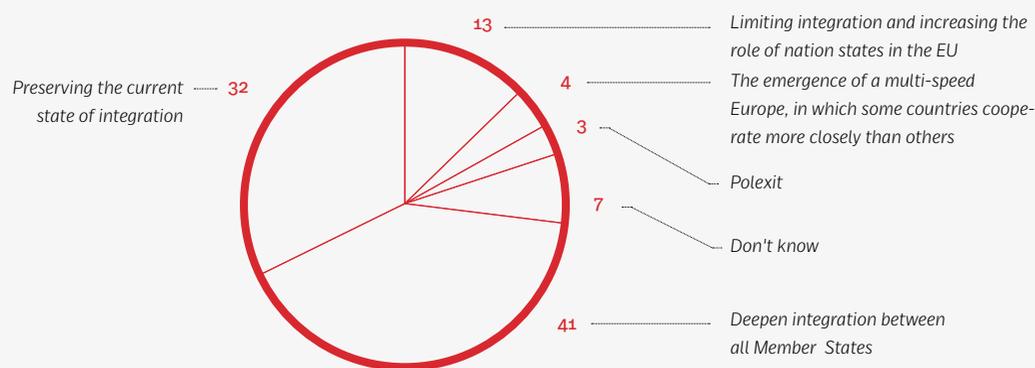
Shaken by numerous crises in recent years, the European Union must definitely react to the Europeans' growing distrust of EU structures.

The richness of a united Europe lies in the cultures and traditions of nation states – internal egoism can harm this unity. It was, moreover, the citizens themselves who decided that their countries should join the Community, which is why the Union must listen to their voices again.

European integration

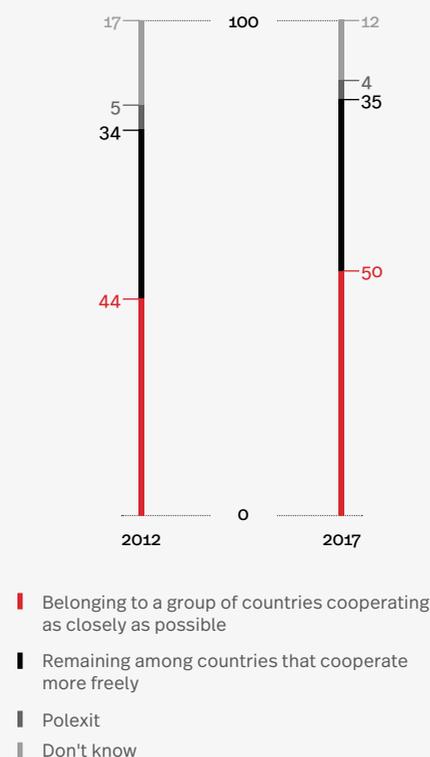
Almost three-quarters of Poles are in favour of European integration. However, 41 per cent would like the deepening of integration between all member states to continue, and one respondent in three favours maintaining the current state of affairs (32 per cent). By contrast, 17 per cent of respondents hold the opposite view, with one person in eight (13 per cent) in favour of limiting integration, and 4 per cent supporting a Europe of many speeds.

FIGURE 8. The future of a united Europe according to Poles (per cent)



Source: On work based on Eurobarometer.

FIGURE 9. Opinions of Poles about Poland's interest in the European Union (per cent)



Source: Own study based on CBOS data.

Poles are strongly opposed to this last possibility, but were it to materialise, Poland should not, in their opinion, stay on the periphery of EU development. They also see the benefits of partnerships within the EU – in 2012, 44 per cent of respondents believed that it was in Poland's interest to cooperate closely with key EU countries, while in 2017 this figure had increased to 50 per cent. The idea of Poland's joining countries in close cooperation is expressed primarily by avid supporters of deepening integration. At the same time, since 2012, the proportion of Poles who take this view has increased by 5 percentage points, as the number who supporter Poland's exit from the EU has decreased.

Priorities of Poles and Europeans: expectations towards the EU

Poles see the migration crisis as the Union's key problem – at present, this idea is held by 45 per cent of respondents, that is 7 percentage points more than the EU average. A similar proportion (42 per cent) believes that the EU should focus on ensuring security by counteracting terrorism. With each successive Eurobarometer survey, more Poles perceive this as a key issue. Over half of all Poles also support the creation of a common European army while 38 per cent oppose this idea (Janicki, 2018). Furthermore, one Pole in every ten believes that other types of crimes are also a challenge for the Union. This brings Polish respondents closer to the EU average, and the trend is constant one. More than 13 per cent of the population considers the state of the member states' finances as the third most important issue for the EU's future, with the figure being 4 points higher in the bloc as a whole.

Almost one in five of those polled in the EU (nearly twice as many as in Poland) consider the economic situation to be a problem. Poles, on the other hand, tend to see rising prices and increasing cost of living as a challenge for the EU more often than Europeans.

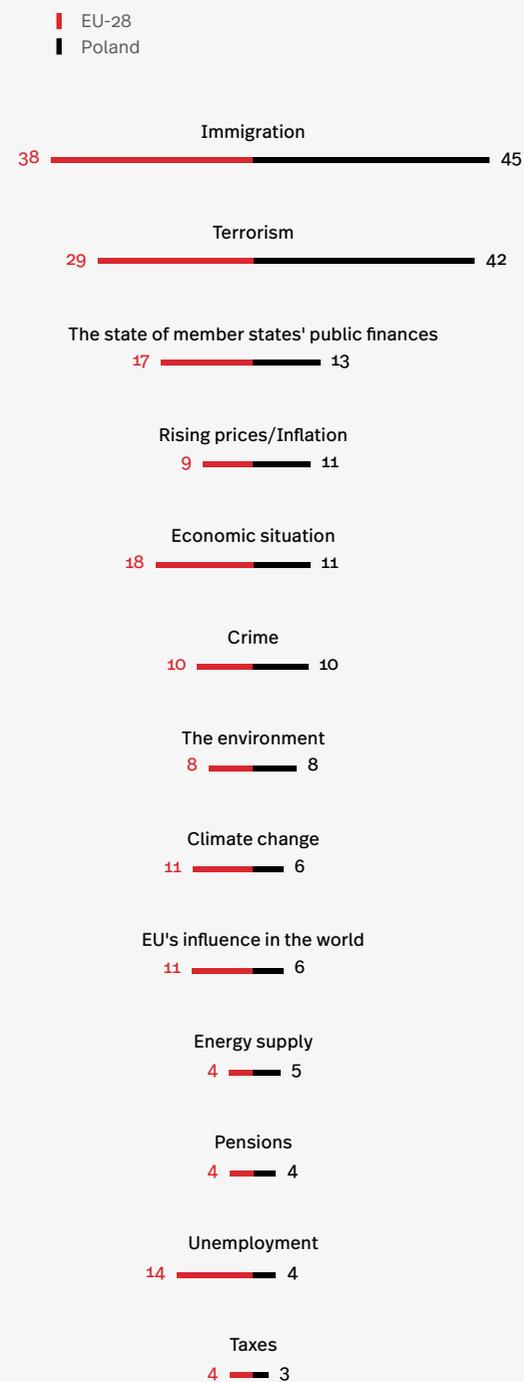
It is significant that for Europe generally, one person in seven sees solving the problem of unemployment as being within the competence of the EU while the corresponding figure for Poland is one in 20. Europeans are more likely than Poles to suggest that the role of the Union and its impact on the globalized world is crucial for the Community. While two years ago the results in this category were identical (7 per cent each), the figure in Poland now stands at 6 per cent, while in the EU it has risen to 11 per cent.

Issues of environmental protection and climate change are more important for Poles than the EU's influence on the world – currently one respondent in ten identifies them as a significant challenge for the EU (Eurobarometer, 2016, 2017, 2018b).

What do Poles support and what are they against?

The percentage of Poles who expect the EU to conduct a common defence and security policy is constantly growing. Although two years ago they did not differ in this respect from the EU average (74 per cent support), at the moment eight out of ten Poles are in favour of this solution, as compared to the EU average of 75 per cent. On the other hand, a common foreign policy is less popular among Poles and other Europeans alike. It is opposed by 25 per cent of Poles and 23 per cent of Europeans, with 68 per cent in favour (Eurobarometer, 2016, 2018b). While the same percentage of Europeans also supports the implementation of a common migration policy (68 per cent support, with 25 per cent opposed), the opinions of Poles differ significantly in this matter. A little more than half of them (51 per cent) are in favour of a common migration policy, compared to 39 per cent who

FIGURE 10. Ten biggest challenges facing the EU (per cent)



Source: Own study based on Eurobarometer.

are opposed. Such a pattern in social mood is caused by the migration crisis, but also by socio-cultural changes. In the autumn of 2015, the number of Poles opposed to the common migration policy was 8 percentage points smaller (31 per cent), and was supported by 54 per cent, or 3 percentage points more (Eurobarometer, 2015). On the other hand, in contrast to the rest of Europe, Poles more often support further enlargement of the EU (65 per cent against 44 per cent). The opposite view is held by 23 per cent and 46 per cent respectively, although the number of supporters increases from one year to the next.

The overwhelming majority of Poles and Europeans are in favour of the common trade policy (73 and 71 per cent). However, Poles much more often see the benefits of consumer rights when buying goods and services abroad (61 per cent in Poland, 37 per cent in the EU). In addition, Poles more often than Europeans (56 and 34 per cent) consider the improvement of the rights of airline passengers as beneficial (Eurobarometer, 2018b). Opinions on the implementation of a common energy policy do not differ between Poles and the EU average – 71 per cent support this solution, with almost one in four Europeans being opposed to the trade and energy union. These figures may result from the fact that Europeans more often than Poles doubt that energy efficiency will increase by 20 per cent by 2020 (in Poland the figure is 13 per cent, against an EU average of 21 per cent). More Europeans claim that increasing the share of renewable energy sources to 20 per cent is too ambitious (in Poland – 14 per cent, in the EU – 22 per cent). Poles are more optimistic than the rest of Europe about the reduction of carbon dioxide emissions by 20 per cent compared to 1990: 57 per cent consider it realistic while 17 per cent think it too ambitious. In the EU, the corresponding figures are 50 and 25 per cent (Eurobarometer, 2017).

Both Poles and other Europeans tend to support the introduction of a single digital market across the EU. On average in Europe,

21 per cent of those polled express their opposition to this solution, while in Poland the figure is 17 per cent. However, a large part of the EU's population has no opinion on this subject. Poles also appreciate the introduction of cheaper prices of telephone calls from another member state more than other Europeans (68 and 48 per cent).

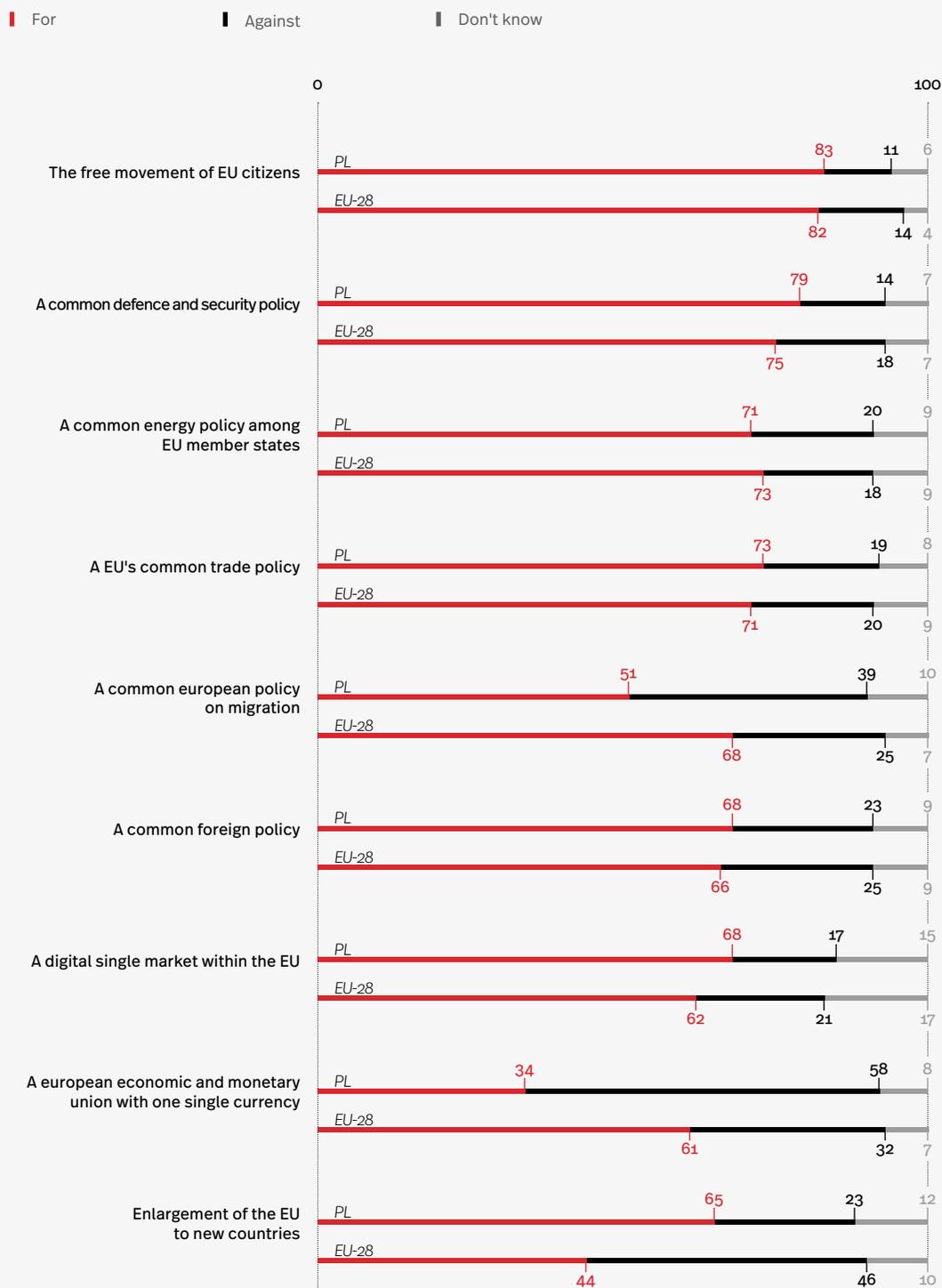
51%

Poles are in favour of a common migration policy

There are much bigger differences in the assessment of the future of the monetary union. EU leaders must decide whether they want a fiscal or economic union, because it will affect the development of intra-European trade. One in three Poles (34 per cent) are in favour of the common currency while more than half (58 per cent) are against it. Among the other Europeans, these proportions are reversed – six out of ten (61 per cent) are in favour, and one in three (32 per cent) against. Poles are also much less likely to see the euro as a positive aspect of the EU – the figure has not changed for many years, with one Pole in ten seeing it as a positive thing, compared to a one in four EU average (Eurobarometer, 2016, 2017, 2018b). The introduction of the euro is supported primarily by residents of cities with 100,000–499,000 inhabitants (32 per cent) and larger (39 per cent), as well as the financially better-off and those with higher education. The replacement of the zloty by the euro is supported by 30 of Poles aged 18–24, an age group which has many opponents of Poland's membership in the EU, although the currency is supported by 41 per cent of students (CBOS, 2017).

The assessment of the euro zone's enlargement to the whole of the EU may also be influenced by opinions about the financial crisis and its impact on the economy. Although almost half of the respondents (in Poland the figure is 46 per cent, in the EU – 49 per cent) believe that the worst stage of the crisis is over, many still predict that its climax is yet to come. Europeans consider the euro a helpful tool in confronting future economic threats, while Poles take the opposite view.

FIGURE 11. What kind of Union do Poles and Europeans want (per cent)



Source: Own study based on Eurobarometer.

Three pillars for a new Union of Nations

In the world of fantasy and fiction, such as computer games or science fiction novels, the European Union is almost always presented as a unit.

From the beginning of the twenty-first century, many computer strategy games contained a united European faction in their scenarios, standing alongside other military powers, such as the US or Russia. There is a long way to go for this vision of the future to become reality. Institutional problems appear much closer on the horizon, which may lead to the disintegration of the EU and a return to the unstable international order from before the Second World War. At a time when many respected European analysts talk about the end of a united Europe (Krastew, 2018), this document develops a proposal by the Polish Prime Minister, Mateusz Morawiecki (2018), namely “the Union of Nations 2.0”. This would comprise a further gradual tightening of economic, military, research and development of the European welfare state so that it is ready to face the challenges of the twenty-first century.

The threads binding Europe – trade and culture

As Guy Sorman (2004) wrote, the European Union is primarily the work of Jean Monnet – an entrepreneur who did not believe in diplomacy. According to him, the European idea had earlier stood no chance of success, because those who had tried to put it into practice were philosophers (Immanuel Kant) and poets (Victor Hugo) or, worse, diplomats. The creation of a united

A Union of Nations 2.0

would comprise a further gradual tightening of economic, military, research and development of the European welfare state

Europe should be entrusted to traders who – according to Monnet – would establish tangible bonds of solidarity between individual countries. In his mind, the market was more important than the institutions, which is why Monnet began by opening the borders for trade in coal and steel, and then other goods. Institutions were therefore created only to remove obstacles to trade. They also helped to create a common market, which was first and foremost to turn the combined European economy into a power to rival that of the USA.

The economic power of the EU is beyond question, according to Morawiecki (2018), as are the achievements of the common market. Changes are, however, necessary to meet the most important challenges of the future. The European Union must become a community that adapts to the realities of the present day, without forgetting the existing obligations towards its citizens. To this end, it is necessary to redefine the balance between national states and cooperation at the European level. According to Morawiecki, this is what the Union of Nations 2.0 should be based – he terms it the Charles de Gaulle vision adapted to modern times.

De Gaulle's pragmatic and democratic approach

The French leader believed that the pillars of a united Europe were: a common origin, common Christian roots, the same way of life, innumerable relationships in thought, art, science, politics and trade. It was obvious to him that it was for this reason that European countries formed a unity (de Gaulle, 1999). He urged that a united Europe be based on "reality", that its building blocks be nations and states. The core of international politics, in his doctrine, was giving Europe an autonomy to win the independence of Europe by hammering a wedge between the US and the USSR. De Gaulle moved within the logic of national states. According to him, they were key to the existence of Europe. The abolition of borders and differences would mean a civilizational impoverishment, and politically it would mean subordination of national governments and parliaments to a supranational body over which no one would exercise real control (Tyszka-Drozdowski, 2017).

This is why de Gaulle spoke about two pillars of Europe – democracy and pragmatism. According to the first of these, no action

can be taken against the nations comprising the community. Institutions of united Europe can be born only from the will of Europeans, and thus by popular vote. Hence, for de Gaulle referendums and debates played a key role for in shaping his vision of Europe. However, it is important that these instruments should not be abused and used responsibly, especially in an age of disinformation, in which Russia has a significant share (Lewicki, Arak, 2018). The second pillar, associated with the pragmatism of action, shows that nation-states are the basic forces to be reckoned with and taken into account when expanding and deepening the European project. Only they are able to articulate their political will effectively. Proof of this is the fact that every vision of EU reform comes from them. For the implementation of the second pillar of de Gaulle's vision pragmatic, however, leaders are needed, moving ahead and indicating the course that the other countries will also take in the future. In the days of French leader, this was France and Germany, but today these two countries may have insufficient force to reform the entire EU, especially given that pro-European sentiment on the Continent is currently the best since 1983, with 60 per cent of Europeans believing that EU membership benefits them (Eurobarometer, 2018a), albeit half of them are not convinced that their vote is of any importance in the Community (Eurobarometer, 2018b).

▼ PILLARS OF A UNION OF NATIONS 2.0:



01. Neo-industrialisation



02. Security



03. Solidarity

A Union of Nations 2.0

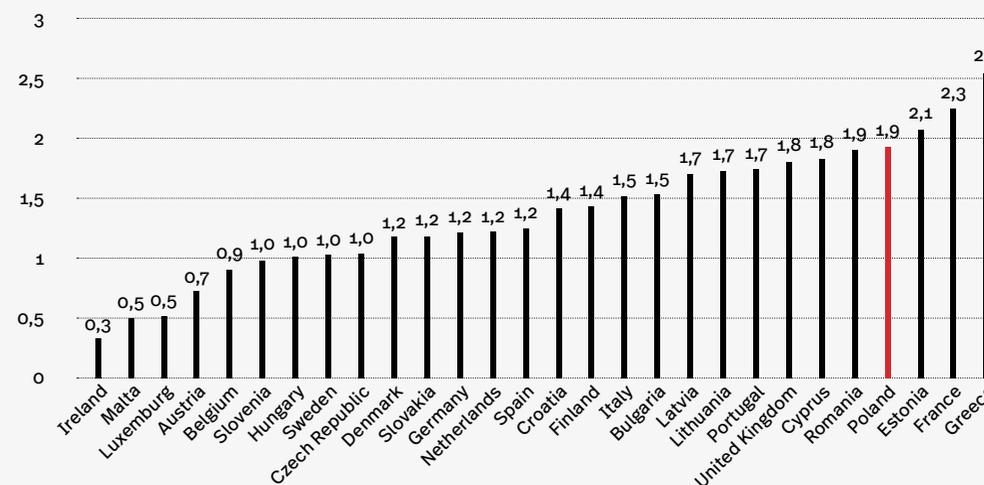
The new version of a Union of Nations 2.0 could be based on three pillars. The first of these is neo-industrialisation. In the twentieth century, Europe had never been a leader of global technological change, although it always supported it strongly. European countries are still among the largest exporters in the world, and industry in Europe is more modern than in other parts of the world. In order to further increase its competitiveness, however, a common market is needed as well as the use of the current, new industrial revolution that will increase the robotisation and automation of production processes. The EU has almost two industrial robots per 1,000 workers. In the USA, this ratio is 1.6, in Asia on average 0.6, and in China 0.4 (in Poland it is about 0.5 robots per thousand employees). The key is, however, that by 2018, China will already have nominally as many industrial robots as the entire European Union (Petropoulos, 2017).

Neo-industrialisation must be distinguished from simple reindustrialisation, which consists in increasing the role of the manufacturing sector in the economy. In this

context, neo-industrialisation refers to its significant modernisation based on new technologies and providing conditions for gradual transition to a post-industrial economy (Magerram, Sergey, 2015). The neo-industrialisation of the European economy entails significant changes in its structure, related to the elimination of the effects of deindustrialisation through the acceleration of the reproduction of core capital, integration of science and production, reduction of costs and increase in labour productivity. Nowadays, intellectual capital is becoming the key production factor and knowledge – its main side effect. For these processes to be implemented, appropriate instruments of structural policy are needed to help companies better manage raw materials, ideas and credit.

After clearing away obstacles in the form of systems complexity and the lack of harmonisation of data on different services, manufacturers can potentially integrate the robots in their machine and system networks, increasing their use in industry. Moreover, with the rapidly growing market of cloud-controlled robots, data from one robot can be transmitted and compared with other, geographically remote units. In combination with the development of algorithms for artificial intelligence and machine learning techniques, this will allow optimization of production parameters on an unprecedented scale.

▼ FIGURE 12. Defence expenditures in relation to GDP in EU countries in 2017 (per cent)



o Source: Own study based on World Bank data.

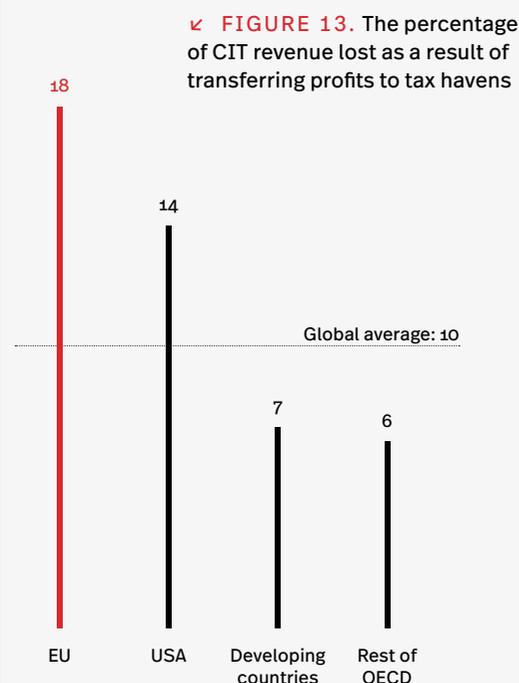
The second pillar of a Union of Nations 2.0 is security. De Gaulle supported the EU's creation of its own tools to limit the activities of other superpowers, and increasing the European countries' spending on armaments. This direction is supported today by the majority of EU citizens. Three-quarters of them also support further integration in this area. A common security and defence policy is a permanent element of European policy, although it is constantly changing. It has its roots in the idea of establishing a European Defence Community in the 1950s. This plan has again become popular at the turn of the 1980s and 1990s. However, the decisive factor was external, namely the geopolitical changes in Central Europe.

A further problem for the EU is also the fact that it does not oblige member states to increase defence spending sufficiently. On the one hand, it has a significant impact on the innovation of the European economy, but on the other hand affects the Community's defence capabilities. EU countries spend on average 1.4 per cent of GDP on armaments, while this percentage reaches 4.2 per cent in Russia. There are only a few among the EU countries whose defence expenditure constitutes a significant part of the budget – mainly Greece, France, Estonia and Poland.

Permanent Structured Cooperation (PESCO) became a priority initiative in 2017 under the EU Common Security and Defence Policy (CSDP). This instrument is expected to significantly increase the contribution of individual member states to ensuring European security. It is already clear that, given the nature of projects focused mainly on crisis response, this is not an action that at the present stage of PESCO would support the integration of armed forces in the EU or contribute to the development of military capabilities to any large extent. Whether PESCO becomes an added value in European security policy will depend on how active the states participating in the projects are, on the further development of the initiative and the

determination of the Commission to enforce its obligations. It is possible that projects under this structure will meet an end similar to that of the 2011 “pooling and sharing” instruments, which support military cooperation only in narrowly defined areas (Gotkowska, 2018). Autonomous decisions about EU defence must go hand in hand with increasing the military capabilities of member countries. The joint defence fund, EDIDP, with a budget of 500 million euros is a step towards achieving this goal (which will, however, require enlargement in the future).

The third pillar of the Union of Nations 2.0 is solidarity, important in the face of geopolitical challenges to which the EU must respond with one voice, but also in the context of social sensitivity and supporting citizens in the fight against global corporations. The EU countries lose about 20 per cent of CIT due as a result of tax avoidance and income tax havens. This is a worse result than in the USA, where losses amount to 15 per cent of CIT due, and much worse than in the developing countries, where these losses amount to about 6 per cent.



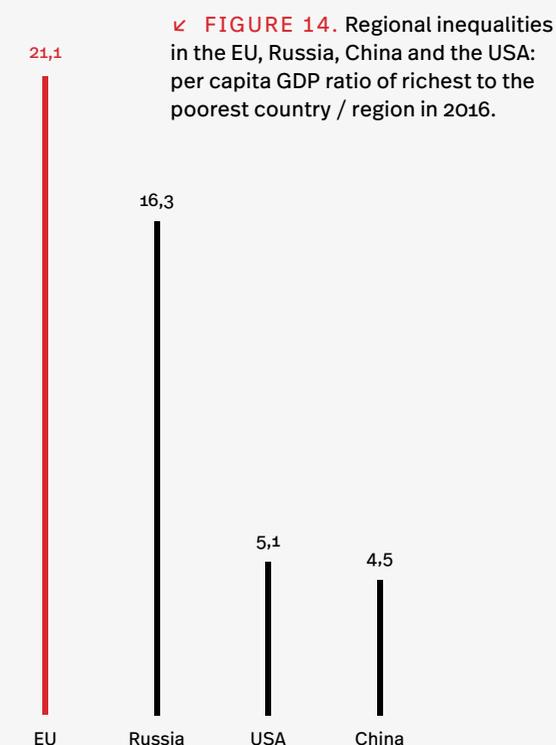
o Source: Own study based on Tørsløv, Wier and Zucman (2018).

The European Union is still socially and regionally diverse. Income inequalities are lower than in other parts of the world – according to official Eurostat data, they reach 34 points according to the Gini index. This is a good result, but after checking based against the World Inequality Database, inequalities in the EU rise to 48 points. They are, however, still lower than in China or Russia, where the index is 55 points or in the US (60 points). Compared to these countries, though, the EU is much more regionally differentiated. The richest member country has a GDP per capita more than 20 times that of the poorest. There are no similar regional differences in China or the USA. Only Russia, which is the largest country in the world (although with a population four times smaller than the EU), has similar regional differences.

“The richest member country has a GDP per capita more than 20 times that of the poorest”

Considering the challenges related to territorial and social cohesion, it should be remembered that cohesion policy is one of the most effective tools of public intervention that benefits all parties. Economic development in countries such as Poland or Slovakia is one-twentieth greater thanks to the spending of European funds (Antosiewicz et al., 2017). At the same time, however, 80 per cent of these funds are returned to the countries that transmitted them. In the years 2007–2015, the implementation of cohesion policy in the Visegrad Group countries contributed a total of EUR 225.8 billion euros to the increase in exports of so-called of the Old Union (15 member states from before the 2004 accession) to the countries of

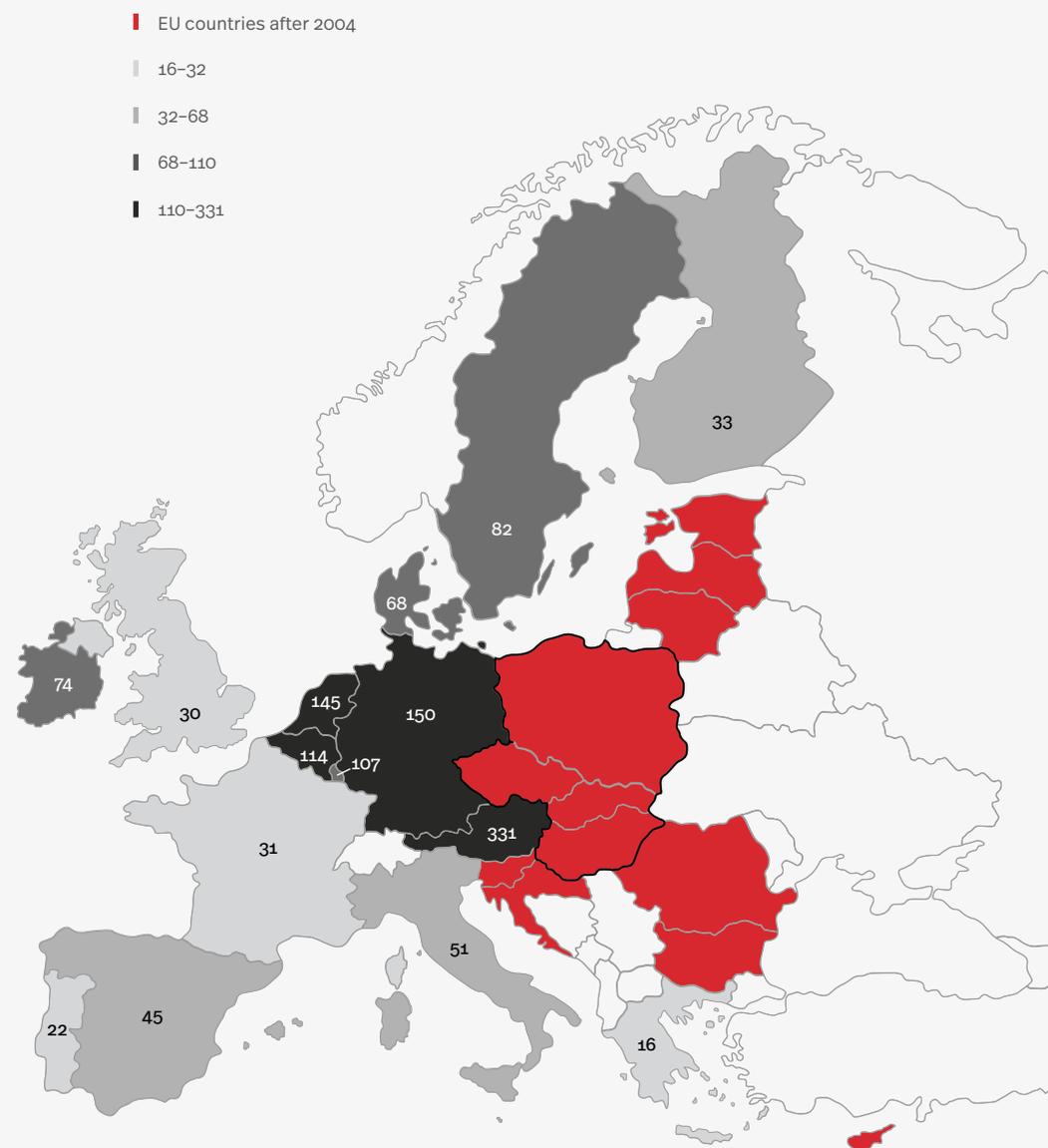
the Group in total by 225.8 billion euros. This is approximately 0.2 per cent of the GDP of EU-15 countries. The total economic benefits of the old EU countries from the implementation of the cohesion policy in the Visegrad Group during this period is approximately EUR 97 billion. The EU-15 countries have provided in gross terms, around EUR 120 billion for cohesion, so profits in the form of additional exports and capital benefits amounted to about 80 per cent of the expenditures incurred. Some countries have, moreover, gained much more than they paid. For every 1 euro of transfer, the German economy gained 1.5 euros and the Austrian economy gained 3 euros.



o Source: Own study based on Eurostat, World Bank and UNDP data.

A truly united common market is impossible without a further, determined fight against inequalities and without an active cohesion policy. This is not a one-sided, non-repayable assistance given to less-developed countries. Cohesion policy is above all an investment in the development of the common market, which also brings enormous commercial benefits to those who are at the moment demanding that it be limited.

▷ **DRAWING 1.** Total economic benefits of the old EU Member States with regard to payments for the implementation of cohesion policy in the Visegrad Group countries in the years 2007–2013 (EUR bn, per cent)



o Source: Own study based on Antosiewicz et al., 2017.

Recommendations for reform of the EU

As a full member of the European Union, Poland wants to cooperate as much as possible in the search for a constructive programme for Europe. This should be based on three pillars: neo-industrialisation, security and solidarity. These are not entirely new suggestions and coincide in many areas with previous recommendations of European leaders. An additional element of this concept is, however, pragmatism and an appeal to the will of individual societies.



EUROPE GROWTH AND NEO-INDUSTRIALIZATION

01. Easier flow of services. The Services Directive of 2006 gave impetus to many reforms in the regulation of the services market in Europe. They facilitated cross-border provision of services and the running of businesses. The European Commission's assessments show, however, that these reforms are often not ambitious enough and that they are progressing at different speeds in individual member states. An ambitious implementation of the Services Directive could increase EU GDP by an additional 2 per cent, mainly by eliminating regulatory and administrative obstacles. Under the Services Directive, national provisions restricting the freedom of establishment and the freedom to provide services covered by the Directive must be non-discriminatory, proportionate and justified. More than a decade since its introduction and with limited

effects in increasing the export of services within the EU, the Commission should have tools not only inspecting but also limiting the protectionism of some member states.

02. Treating cohesion policy as an investment that accelerates convergence between EU countries. Against the background of the rest of the world, a united Europe is still strongly diversified economically. The richest and poorest countries in the world are neighbours in the Union. That is why structural funds are needed to reduce the disparities among the regions of Romania, Bulgaria, but also Poland, which is still a country with a very diversified regionally in terms of economic development. The draft EU budget for 2021–2027 assumes cuts in cohesion policy by 7 per cent, and in the Common Agricultural Policy

by 5 per cent. The cohesion policy budget should not be reduced as much because of the role plays in the combined European economy. The allocation algorithm should no longer depend, moreover, only on the difference between the GDP per capita of a given region and the EU average, but also on social, economic and territorial challenges such as unemployment, low population density or the level of education. Creating new allocation algorithms is an appropriate movement, although it should be correlated with the implementation of the measurable indicators of Agenda 2030 or used by the UN Human Development Index.

03. Fight against the European gap in VAT collection. Poland has been successful in this respect – the current VAT gap is at a similar level to that of the United Kingdom or France. However, fiscal

systems in these countries are not ideal (CASE, 2017). One of the most common forms of tax abuse is the so-called “VAT carousels”. Fraudsters use them in the intra-Community supplies of goods. The scale of the diversify of the VAT gap among EU countries suggests that it does not depend directly on the complexity of the VAT system, but on cultural factors and control mechanisms. Tax charges can be increased by interoperable fiscal systems that record invoices and payers across the Union. The introduction of the so-called “one-stop-shop”, which allows the company to be registered as a VAT payer at the time of export, is the key to start discussions on a European single control file and a uniform VAT declaration throughout the EU.

04. A European anti-monopoly office, responding to the challenges of the digital economy. With short business cycles and the huge stock-exchange popularity of some digital services, it has become possible for individual companies to gain a dominant position on the market, thanks mainly to the “winner-takes-all” principle. The problem in such cases, however, is the infringement of competition, which the European Commission and national anti-monopoly offices have to defend. The budgets of the largest technology companies are often larger than the economies of the member states, which means the authorities of small countries are powerless in clashes with firms. Unfortunately, the reaction time of anti-monopoly institutions is too long. The excessive length of decision-making procedures and appeal paths, combined with the fast pace of development of the digital services sector, may make current decisions of offices archaic. Therefore, it is worth considering creating a fast decision-making path, with a dedicated team for digital matters and limited duration of proceedings.

05. Extension of the European Fund for Strategic Investments. Due to the financial crisis, the level of investment in the EU has decreased by about 15 per cent compared to 2007, when the highest index was recorded. Uncertainty regarding

the economic outlook and high indebtedness of the private sector in some regions of the EU discouraged investors from acting. For this reason, the European Commission has created the European Fund for Strategic Investment, which is to provide the European economy with EUR 315 billion by 2020. This counter-cyclical solution has worked, despite its temporary nature. For this reason, it is worth keeping the Fund functioning over the next years in a new version.

06. The European energy transformation requires a combination of price competitiveness and geopolitical realism. The Energy Union concept has its roots in the need to ensure energy security in the EU, mainly by reducing dependence on gas supplies from Russia. It has, over time, become a tool for increasing the involvement of member states in achieving the goals of sustainable development by 2030. The European Commission is also slowly beginning to see the threat to the EU countries in Russia's actions. Energy modernisation and the development of renewable energy sources is a way to make Europe independent of the current oil and gas supplies, although it also increases systemic risk as it pursues the particular interests of individual countries. The role of the European Commission must be to determine the future shape of the Energy Union, in which not only the strongest player will win, and where infrastructure and competitiveness will be crucial. It is important, therefore, to diversify and develop the infrastructure through financial and political support for specific projects, such as terminals or gas connections, increasing the competitiveness of the European market and limiting Russia's influence.

07. The European pact for electromobility. The European Commission has recently launched an initiative called the “EU Battery Alliance”, which aims to create a competitive value chain in the manufacture of battery cells in Europe. Poland also implements its own ambitious plans to build infrastructure for electric cars, also encouraging local governments to replace

vehicle fleets with hybrid or electric vehicles as early as 2018. The automotive sector is traditionally a strong sector in European industry, both in terms of value added and the modernisation of the production process. Striving to popularize electric cars on European markets, it is important to develop key projects for local governments and site operators that guarantee car charging points as part of the new financial perspective. In turn, energy network managers must be able to manage energy consumption intelligently, especially in cities.

08. A European strategy for artificial intelligence. Polish programmers are among the best in the world, and the intellectual capital of all Central and Eastern Europe can compete with the EU-15's capital. Despite this, advantages in software development have not been translated into real economic successes. In the opinion of experts, the EU is far behind the USA and China in terms of the development of business services and the use of advanced algorithms, machine learning or even the development of artificial intelligence. The Internet of Things is a fact today, although a united Europe cannot make full use of it. The EU's advantage is, however, a stable regulatory environment and a large market that can absorb innovative solutions developed by local companies. However, a regulatory guide is needed in this sector, combined with a description of the key aspects that the Commission is planning to support in the field of artificial intelligence in the new financial perspective.

09. Rewarding investments that have a positive impact on society. Since 2009, Poland has the first stock exchange sustainability index in Central and Eastern Europe – the Respect Index, in which listed companies are ranked in terms of their social activities. Since the first publication, this index has increased the value of 1 euro invested by 85 per cent. Many countries have similar stock market indices, but the future for the countries of Central and Eastern Europe is so-called “impact investing”, or investing financial resources combined

with advisory support, which together with financial benefits is to create social and environmental changes. According to this principle, when investing money, a certain rate of return is expected, but at the same time an important social goal is realised. It is a model of investment and aid that will be spread in eastern European countries, which, after all, have a larger scale of social challenges and problems than does Western Europe.

10. Counteract the bursting of the real estate bubble. According to the European Systemic Risk Board, in eight European Union countries there is a risk of a bubble speculation in the real estate market (ESRB, 2017). Two key risk factors destabilizing the financial liquidity of EU markets include growing household debt, especially in Denmark and the Netherlands (128.8 per cent and 111.4 per cent of GDP) and real estate price growth. Property prices in comparison with revenues are overestimated e.g. in Sweden, Austria, Belgium and the UK and reached historically high levels in the largest cities. The EU, but also the whole world has been grappling with the effects

of the financial crisis indirectly caused by the bubble on American real estate for many years. Artificial incentives to invest in this market have led to a huge price increase. Banking cryptocurrencies, especially bitcoins, seem even more dangerous bubble. (Bloomberg, 2018). Financial regulators and the European Commission should be prepared for what may happen in a negative scenario.

11. The Target2 European interbank settlement system requires limiting the imbalances in it. Target2 has become a vehicle that increases imbalances in the balance of payments of the euro area countries. The Eurozone's policy should be reviewed regarding the lack of a limit on taking loans by banks with adequate security or introducing penalties for central banks whose debt in Target2 exceeds a certain threshold. In addition, security policies could change, e.g. defining adequate collateral only in the form of government bonds issued by the creditor country or supranational EU institutions. The high and persistent level of negative balances of countries such as Italy and Spain in the system poses a risk. The Eurozone does not impose any



SECURITY

01. More rapid growth in defence spending in the member states. There are many arguments for deeper military integration in the EU. Closer cooperation between EU countries, sharing costs and resources, cooperation of armaments industries – all this translates into lower costs and higher impacts for the same outlays. Since the middle of the twentieth century, however, the policy of some countries which strive to impose their will on others has remained a barrier to further integration.

Without creating an alternative to NATO, however, it is possible to create a plan for partial unification of armaments, for example within the countries of the Three Seas initiative. In addition, it is important that European states increase defence spending more rapidly than declared in their NATO commitments. Frontex itself, which after 2020 will have 10,000 employees is not enough to protect the EU's borders from external threats. The creation of a European Defence Fund and the whole PESCO programme,

direct restrictions on how much the national central bank can borrow under the Target2 system and the ECB does not require collateral from the national central banks.

12. Prepare a solution for toxic loans in European banks. European banks have in their portfolios almost 1 trillion of so-called NPL – unpaid loans or non-performing loans. The worst situation is the institutions from Greece, Italy and Portugal, but there is no country with banks free from bad loans. It is not possible to solve the problems of the NPL without creating a greater degree of flexibility for the state struggling with this problem and in some cases of European aid.

which will provide an additional, transnational source of investment financing in the defence industry, is a step in the right direction but it is worth thinking about other models of financing innovation in this field.

02. Cyber-shield for Europe. Digital security is not just about creating sophisticated protection systems or having advanced equipment. It is a continuous process of improving existing solutions and seeking new methods of

protection, as well as a growing number of professional services, as well as building awareness of further groups of users, including children and young people. With existing threats to political systems or critical infrastructure in Europe, and for the protection of personal data of Europeans, it is necessary to coordinate the work of international teams dealing with cyber-security and to allocate funds within the new Financial Perspective for media education for children, young people and adults who can also be vulnerable to manipulation and social engineering.

03. A Marshall Plan for Africa. Poland has never been heavily involved in development aid. However, this situation is changing because of China's position in Africa's economic development which is strengthening. Today, it is definitely the first partner of those countries in trade, the fourth largest investor and the leader in financing infrastructure. The strength of the Chinese presence is private business investment. The strength of Europe may be prudent altruism, that is the creation of a fund for Africa, which will promote socially involved investment methods, but also create infrastructure for subsequent business engagement.

04. Fight against illegal people smuggling. Fighting the so-called Islamic State is not the only front on which the EU must be active. The second, but not

so difficult front, is the fight against people smugglers who are pushing the sea and land borders of the Community. In order to limit the scale of their operations, the budget and the number of Frontex employees have already been increased. Its agenda will also have to incorporate the coordination of cooperation with other European services to reduce the scale of illegal immigration to the Union.

05. Establish the European Defense DARP (Defense Advanced Research Projects Agency). The Agency for Advanced Research Projects in the Area of Defense (DARPA) is an American government institution dealing with the development of military technology. Currently, the common thread of all 250 R&D programs is making key investments in breakthrough technologies for national security. DARPA's efficiency means not only a high budget (about USD 3 billion per year), but also direct financing of all solutions that seem to be promising in the broadly defined military – from artillery to solutions and tools use on a daily basis – i.e. Internet, GPS, or voice assistant in iPhones. Direct financing means that DARPA analyzes are different than in civilian scientists' research and do not need to be evaluated by specialists in the field. Secondly, DARPA does not have to seek an investor to support published research results. Thus, it is time saving.



SOLIDARITY

01. European tax solidarity. The European Commission has already recommended the financial transaction tax several times, and it has already been introduced in several EU countries, including in France, the UK and Hungary. It limits short-term and automatic speculative

transactions, eliminates speculative bubbles, while encouraging them to engage in activities focused on long-term investments. This tax only makes sense if it is valid in all member states, because then it will not lead to the outflow of capital from one country to another.

Considering how effective DARPA is, we suggest creating a European equivalent of this organization.

06. More funds could be allocated to the European Defense Fund (EDF). Currently, EDF is the foundation for conducting an integrated defense policy, creating a common defense potential and strengthening a common strategic culture. EDF's primary duty is to optimize defense spending, as the lack of cooperation in defense and security contributes to annual losses ranging from EUR 25 billion to EUR 100 billion, according to EP estimates. EDF could be play a significant role within EU's defense capabilities, technological development, army equipment take into account the increased threat of terrorism, illegal immigration, cyber attacks and conflicts in the immediate neighborhood of the Union (Ukraine, Syria). In addition, EDF could be also improve EU external relations (impact on the business prospects of producers from outside the Community). Thus, we propose, like the European Commission, to increase the funds allocated to the Fund for 2021–2027 by up to 80 per cent.

02. Limiting intra-EU and world tax havens. In 2016, the European Union adopted the ATAD (Anti-Tax Avoidance Directive), which is a continuation of the fight against tax havens. The solution adopted introduces too few changes, however, because it lacks regulations

on the possibility of taxing profit transferred from a country whose tax rates are 40 per cent lower than in the Union.

03. Supporting education as the most effective instrument to reduce poverty. Lifelong learning (LLL) allows individuals and entire societies to meet the challenges of modern times: rapid technological development, the globalisation processes and socio-economic and cultural changes. One European adult in ten and every twentieth Pole make use of this training. The old European initiative still needs to be promoted and engage people, especially in the face of new educational tools, such as Coursera or Udacity platforms, and the digital opening of resources for the largest US and European universities. Higher public participation in education will create a talent market, and will also give potential for adapting an aging labour force.

04. Promoting knowledge of economics and economic history in Europe – ensuring participation of the exchange abroad in the Erasmus for every third student. The higher the public's awareness of financial issues, the fewer factors favour the emergence of crises, such as, for example, the foreign currency loan market in Europe or the US housing and mortgage market. In addition, it is worth deepening the knowledge of European societies about the latest discoveries, among others in the field of behavioural economics or research on inequalities. From the perspective of Central and Eastern European countries, it would also be crucial to show the reasons why these countries are currently at the convergence stage, while other countries are more economically developed. It could be one of the EU projects under the next budget perspective. It is also worth giving the Erasmus program ambitious goals so that, for example, in each country 30 per cent students to participate in the international exchange.

05. Opening the debate on the European social security system. There are already 2.5 million Poles of working age abroad. If they worked in Poland, they would pay social contributions in the country and pay taxes, reducing possible financial tensions in the pension system. There is no similar problem with the movement of employees in the US, because the pension system is not public and has a limited social solidarity dimension. The EU treats the problem differently, but as a consequence, some member countries are exporting people, but they retain the expenditure. This leads to a situation in which we will have to wait in the coming years for a discussion on the way in which countries that have adopted immigrants should compensate for the loss resulting from lost potential economic growth and tax and contribution revenues.

06. Opening the debate about gig economy (working "from one junk contract to the next"). Protection of employees on temporary contracts and who are self-employed requires serious discussion in the EU, as more and more companies are encouraging workers to engage in such contracts. This applies to the so-called gig economy, i.e. companies such as Uber (transport of people) or Deliveroo (delivery of meals). In this model, the workers themselves decide on working hours and the number of completed orders. However, they do not have any guaranteed social protection, such as the right to unemployment benefit. The EU needs a discussion about these forms of work, so that these people are not on the margin of social security.

07. The budget of the euro zone will destroy solidarity in Europe, because beyond it will be countries without the euro. The prospect of creating some form of the eurozone budget may be dangerous for the fiscal interests of the rich countries of the North of the Union, which today have to limit spending (Morawski, 2017). In the planned amount, the budget amounting to, according to preliminary announcements,

0.05 per cent. Eurozone GDP will not be enough to stabilize the countries of the South in the event of a crisis. Examples of the past show that financial transfers of this kind are ineffective.

08. Infrastructure connecting northern and southern Europe as a response to the New Silk Road. New dividing lines have emerged in Europe due to the financial and migration crisis. In addition, the North–South and East–West divisions will be compounded by China's investment strategy (Holzner, 2018). It seems that the way to eliminate these divisions is to use Three Seas Initiative, or the North–South corridor, to create alternative sources of hydrocarbon supply and to create better logistics between countries. In this way, the Three Seas could achieve common goals within the Union and strengthen European integration. In the non-EU dimension, the countries of the potential Three Seas Initiative may further support energy integration (and not only this) with the countries of the Energy Community: Ukraine, Moldova, Albania, Serbia and Montenegro.

09. Consolidation of institutions in the Union. As many other European leaders suggest, to increase the effectiveness of EU institutions, the positions of the President of the European Commission and the European Council must be combined. Already during the next elections to the European Parliament in 2019 it will be possible to present candidates by parties from various political families (European People's Party, socialists, liberals and conservatives) who could combine these two functions. The choice of a single leader, who would also be more important in the case of signing treaties, as well as greater political gravitas in relations among others with China or the USA, is a desirable solution.

List of figures, tables and diagrams

List of figures

- **FIGURE 1.** Index of states' power for the 30 most powerful countries and the EU calculated in aggregate (index points)
- **FIGURE 2.** The thirty largest economies in the world by GDP in 2018 (Billion USD at PPP)
- **FIGURE 3.** 30 largest economies in the world by GDP in 2018 (USD trillion in PPP terms)
- **FIGURE 4.** GDP per capita, Gini index and Human Development Index in 2017
- **FIGURE 5.** Global GDP in 2050 according to different development scenarios for the European Union (USD billions, at 2005 values)
- **FIGURE 6.** Economic growth (percentage change in real GDP)
- **FIGURE 7.** Funds allocated for cohesion policy, per capita, 2014–2020 and 2021–2027
- **FIGURE 8.** The future of a united Europe according to Poles (per cent)
- **FIGURE 9.** Opinions of Poles about Poland's interest in the European Union (per cent)
- **FIGURE 10.** Ten biggest challenges facing the EU (per cent)
- **FIGURE 11.** What kind of Union do Poles and Europeans want (per cent)
- **FIGURE 12.** Defence expenditures in relation to GDP in EU countries in 2017 (per cent)
- **FIGURE 13.** The percentage of CIT revenue lost as a result of transferring profits to tax havens
- **FIGURE 14.** Regional inequalities in the EU, Russia, China and the USA: per capita GDP ratio of richest to the poorest country / region in 2016

List of tables

- **TABLE 1.** Development scenarios for the EU up to 2050
- **TABLE 2.** What reforms do EU leaders want

List of drawings

- **DRAWING 1.** Total economic benefits of the old EU Member States with regard to payments for the implementation of cohesion policy in the Visegrad Group countries in the years 2007–2013 (EUR bn, per cent)

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