

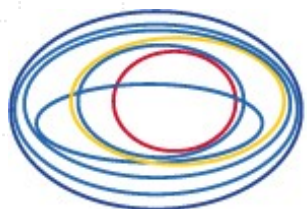


► EU's current challenges and possible consequences

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Centre of
Excellence



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What is the EU?

EU's current challenges from the perspective of its citizens

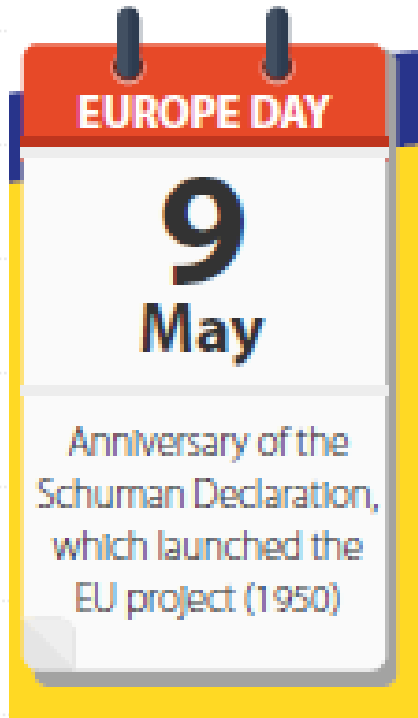
- Inflation
- Energy
- International situation
- Environment/climate
- Economic situation
- Member states' public finances
- Immigration

Democracy

Enlargement

Facts about the EU

- 27 member states
- Area: 4 225 127 square kilometers (ca. 11x Norway)
- Population: 446,8 million
- 24 official languages



What is the EU?

| APPROACH | ASSUMPTION |
|-----------------------------------|--|
| International organization | Its institutions have little or no autonomy, and the EU makes its most important decisions through negotiations and bargains among governments. Best understood using theories of international relations. |
| Regional integration association | It is comparable with other regional blocs such as the Association of Southeast Asian Nations (ASEAN) or the African Union, again using international relations approaches. |
| Unique (sui generis) | It emerged out of a unique set of circumstances, has unique qualities and goals, might never be replicated elsewhere, and might not even have emerged in Europe if the process of integration had started much later than it did. |
| Political system in its own right | It is a European superstate, and its structure and operating principles can be compared with conventional states. Best understood using the approaches of comparative politics, with a particular focus on federalism and confederalism. |
| Hybrid | It is a mix of some or all the above. |

EU's current challenges as perceived by EU citizens

What do you think are the two most important issues facing the EU at the moment?

MAIN CONCERNS AT THE EU LEVEL



34%
(+10 pp)

Rising prices/
Inflation/
Cost of living



28%
(+12 pp)

Energy
supply



28%

International
situation



20%
(-6 pp)

The environment
and climate
change



19%
(-2 pp)

Economic
situation



13%
(-5 pp)

The state of
Member States
public finances



13%
(-9 pp)

Immigration

Inflation

- Increase in energy and food prices
- Inflation is expected to remain significantly above the 2% target
- Socioeconomic consequences
- Diverging economic situation in the EU
- ECB increased interest rates
- Creation of a new policy tool: Transmission Protection Instrument (TPI) → Criticism: “risks destabilizing the single currency”

Sources and further readings:

[https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729352/EPRS_BRI\(2022\)729352_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729352/EPRS_BRI(2022)729352_EN.pdf)

https://www.ecb.europa.eu/stats/macroeconomic_and_sectoral/hicp/html/index.en.html

<https://www.ssb.no/en/priser-og-prisindekser/konsumpriser/statistikk/konsumprisindeksen>

<https://www.project-syndicate.org/commentary/ecb-transmission-protection-instrument-could-destabilize-eurozone-by-lars-p-feld-et-al-2022-07>



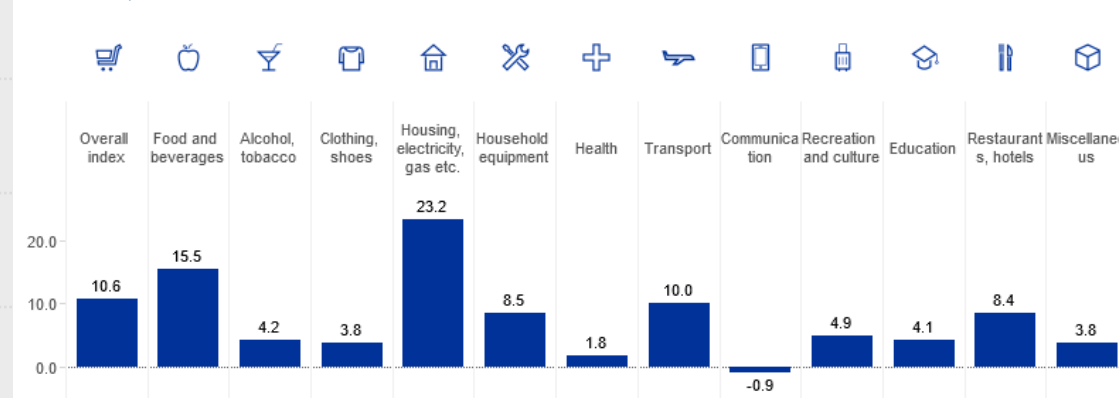
HICP inflation rate - Overall index
Euro area



Lowest: France 7.1; Highest: Estonia 22.5

(Norway: 7.5)

Overall and breakdown of HICP by components
October 2022, Euro area



Energy supply (gas)

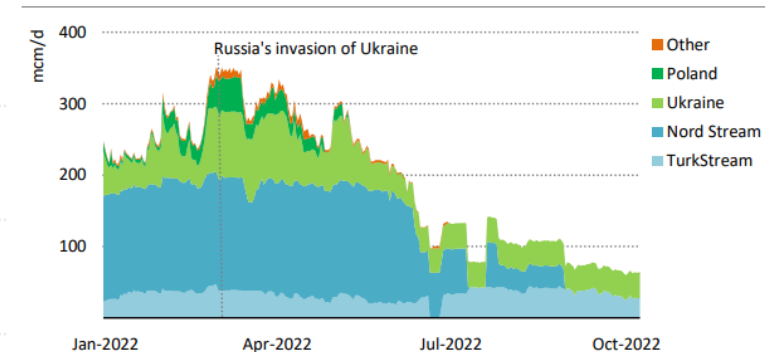
EU countries at odds over how to tackle energy crisis

EURACTIV.com with Reuters 18 Oct 2022

- Gas is used for power generation, household heating and industrial processes. EU – and in particular Germany – has become increasingly reliant on Russian gas
- Sharp decrease of gas supply after Russia's invasion of Ukraine
- Harm to consumers
- Harm to businesses and entire economies: erosion of Europe's competitiveness
- Possible consequences:



Figure 2.3 ▶ Natural gas pipeline flows from Russia to the European Union and Türkiye since January 2022



IEA. CC BY 4.0.

The Big Read EU energy + Add to myFT

Will the energy crisis crush European industry?

While companies are digging in for a long winter, executives and politicians fear a wave of deindustrialisation

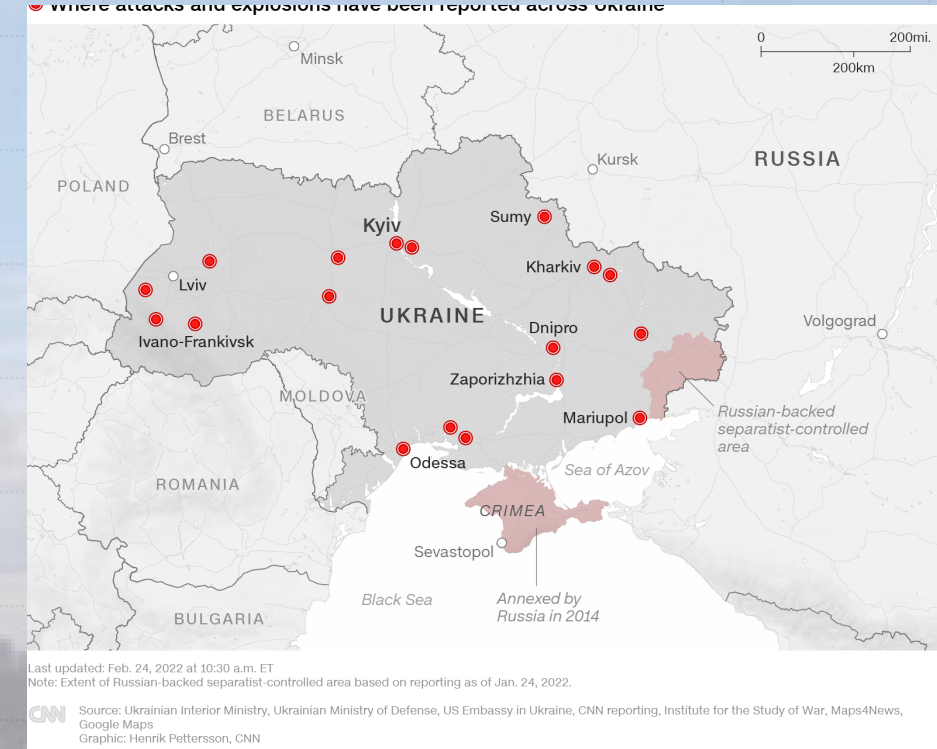
Press release | 9 November 2022 | Brussels

REPowerEU: Commission steps up green transition away from Russian gas by accelerating renewables permitting

<https://www.consilium.europa.eu/en/infographics/eu-gas-supply/>
<https://www.euractiv.com/section/energy-environment/news/eu-countries-at-odds-over-how-to-tackle-energy-crisis/>
<https://www.weforum.org/agenda/2022/11/europe-gas-shortage-russia/>
<https://www.ft.com/content/75ed449d-e9fd-41de-96bd-c92d316651da>
https://ec.europa.eu/commission/presscorner/detail/en/IP_22_6657
https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/eu-action-address-energy-crisis_en

International situation

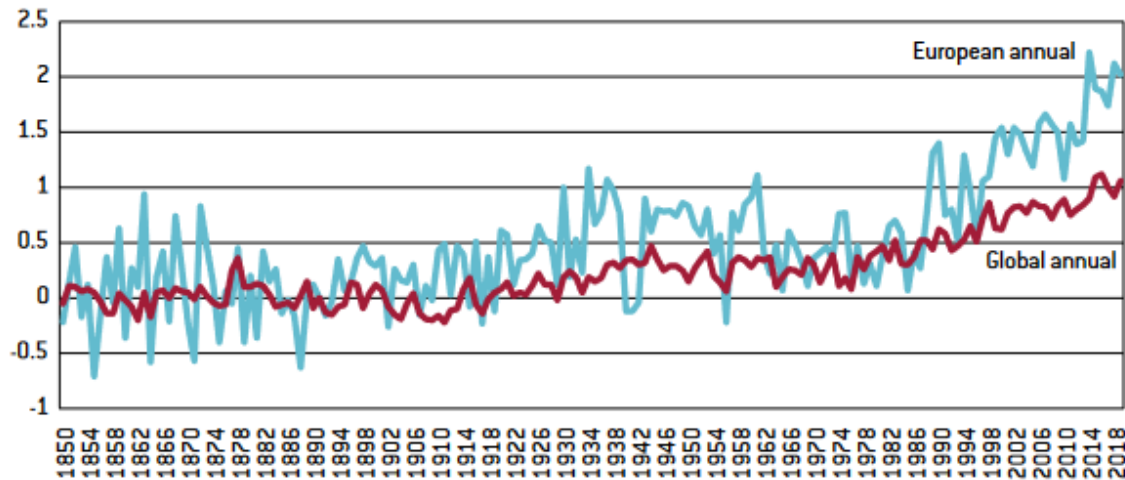
- Russia's full-scale attack on Ukraine on 24 February 2022
- Breakdown of the European security order
- EU's reaction:
 - Political support (speeches, visits, invitations)
 - Sanctions against Russia
 - European Peace Facility (for buying weapons)
 - Protection for refugees
 - Humanitarian help
 - Suspension of import duties for goods from Ukraine
 - Financial assistance
- Consequences: EU as a stronger foreign policy actor, but solidarity among EU member states in the future?



<https://edition.cnn.com/2022/02/24/europe/ukraine-russia-attack-timeline-intl/index.html>
<https://www.bbc.com/pidgin/world-60544548>
https://eu-solidarity-ukraine.ec.europa.eu/index_en
<https://www.theguardian.com/world/2022/feb/24/kyiv-ukraine-russia-invasion>

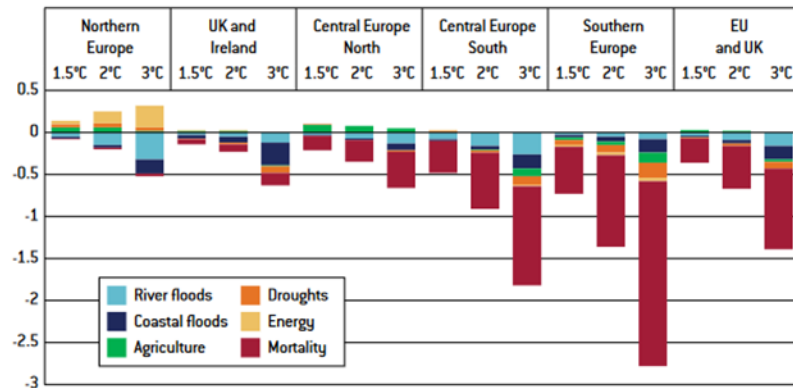
Environment and climate change

Figure 1: Global and European average near-surface temperatures relative to pre-industrial period (°C)



Source: Bruegel based on HadCRUT4 (mean) estimates reported by the European Environmental Agency (2021a).

Figure 5: Estimated welfare loss from different future climate impacts if applied to today's economy, by region and level of global warming, as % of GDP



Source: Bruegel based on Feyen et al (2020).

Land temperatures in Europe have risen faster than global average: to about 2°C above pre-industrial levels (Figure 1), partially because Europe is warming faster than some other regions

Consequences: more frequent and intense heat waves, droughts and floods, as well as rising sea levels → consequences for agriculture, physical infrastructure, human health

Major efforts will have to be made to adapt societies and provide disaster relief, but much action involves learning-by-doing

EU is ambitious in tackling climate change

Problem: southern and south-eastern EU countries could be significantly more affected than northern EU member states → may exacerbate existing tensions within the EU

The *European Green Deal* is the EU's long-term growth strategy to make Europe climate-neutral by 2050 and put renewable energy at the heart of the energy system

<https://www.bruegel.org/sites/default/files/2022-06/PC%2011%202022.pdf>
https://climate.ec.europa.eu/climate-change/consequences-climate-change_en
https://climate.ec.europa.eu/eu-action/european-green-deal_en

% GDP Growth 2023

≥ 2

≥ 0

< 0

my.europe EUROPE NEWS

Eurozone heading into recession at the end of this year,
Brussels says

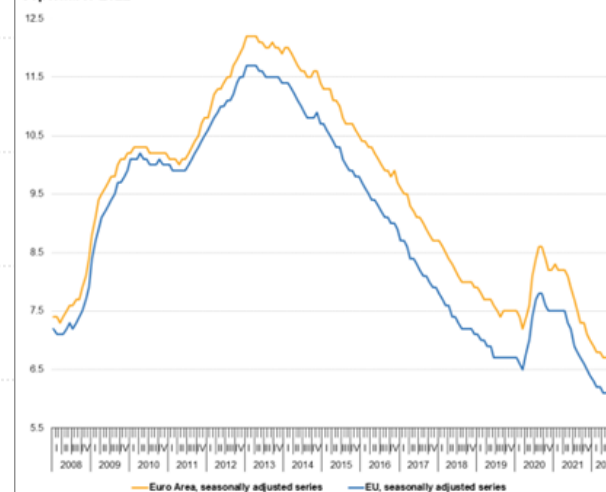
By Euronews • Updated: 12/11/2022

COMMENTS

Economic situation

- IMF: Euro area's economy expected to grow by only 0.5% in 2023 due to war in Ukraine, high inflation and continued impact of the COVID-19 pandemic → Eurozone is likely to have the slowest growth of any region worldwide in 2023
- EU unemployment at 6.0 % in September 2022, but large differences between countries
- Low unemployment as a curse?
- *NextGenerationEU* recovery plan for Europe:
 - A greener, more digital and more resilient Europe
 - More integration through joint debt?

Unemployment rates, EU and EA, seasonally adjusted, January 2008 - September 2022



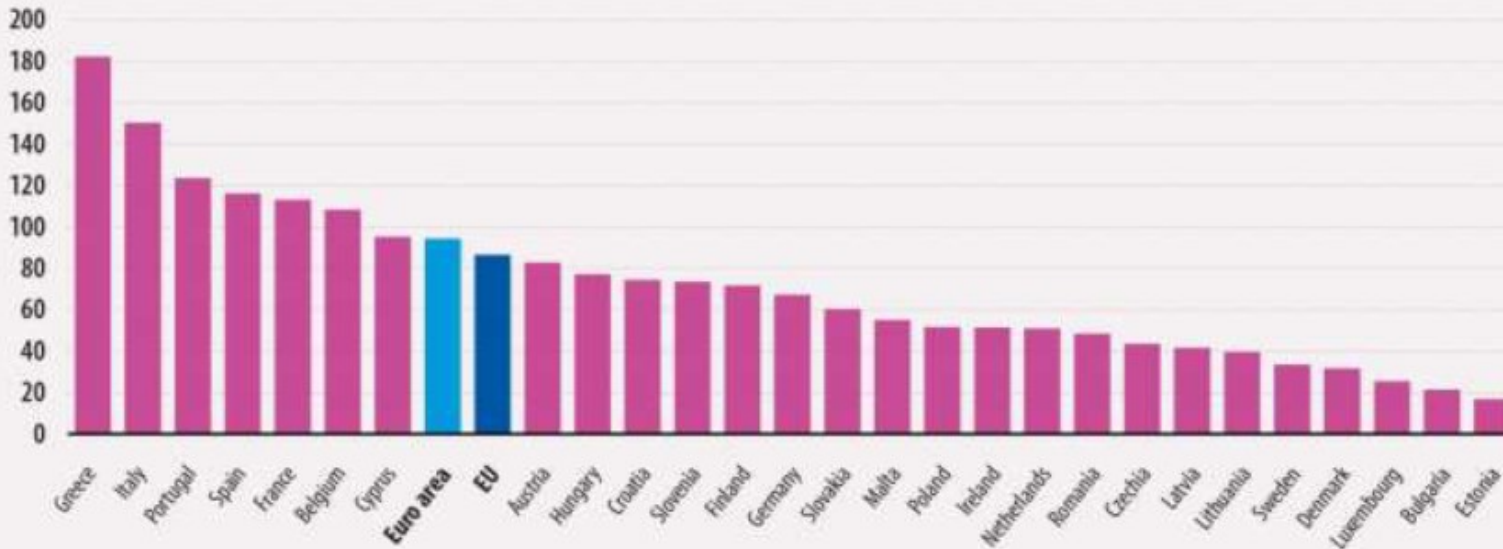
Source: Eurostat (online data code: une_r_t_m)

eurostat

https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2022-economic-forecast-eu-economy-turning-point_en
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Unemployment_statistics#Unemployment_in_the_EU_and_the_euro_area
https://ec.europa.eu/info/strategy/recovery-plan-europe_en
<https://www.weforum.org/agenda/2022/08/eurozone-economy-economic-outlook/>

EU member states' public finances

Government debt to GDP ratio, 2022Q2
in percentage



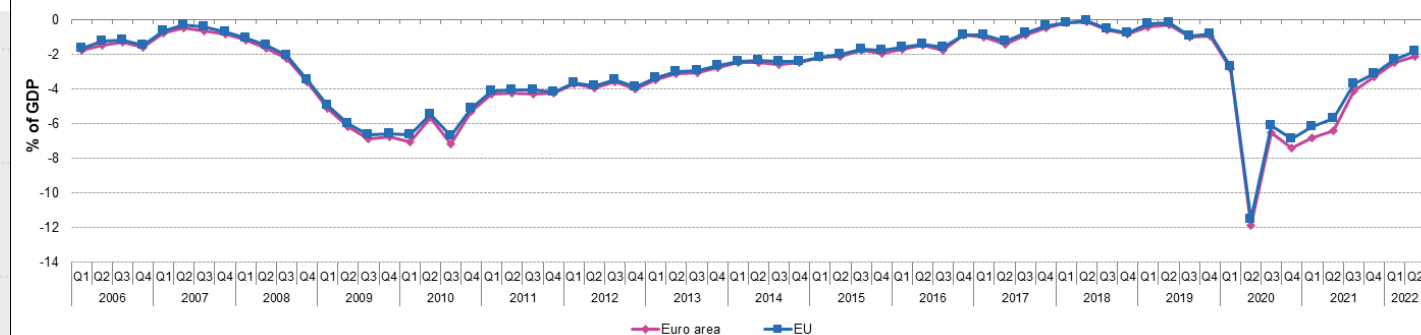
- With the EU's Stability and Growth Pact (SGP), Member States promised to keep their deficits and debt below certain limits:

- Government deficit of max. 3 % of gross domestic product (GDP)
- National debt of max. 60 % of GDP
- But promises not always kept

For comparison, in 2021, Norway's government debt was approximately 50 % of the GDP

<https://ec.europa.eu/eurostat/documents/2995521/15131955/2-21102022-BP-EN.pdf/eeb714b8-83c4-cd8c-56b8-e9aa7c5798a8>
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government_finance_statistics_-_quarterly_data
<https://www.statista.com/statistics/327433/national-debt-of-norway-in-relation-to-gross-domestic-product-gdp/>
<https://data.oecd.org/norway.htm>

Euro area and EU quarterly net lending, seasonally adjusted data



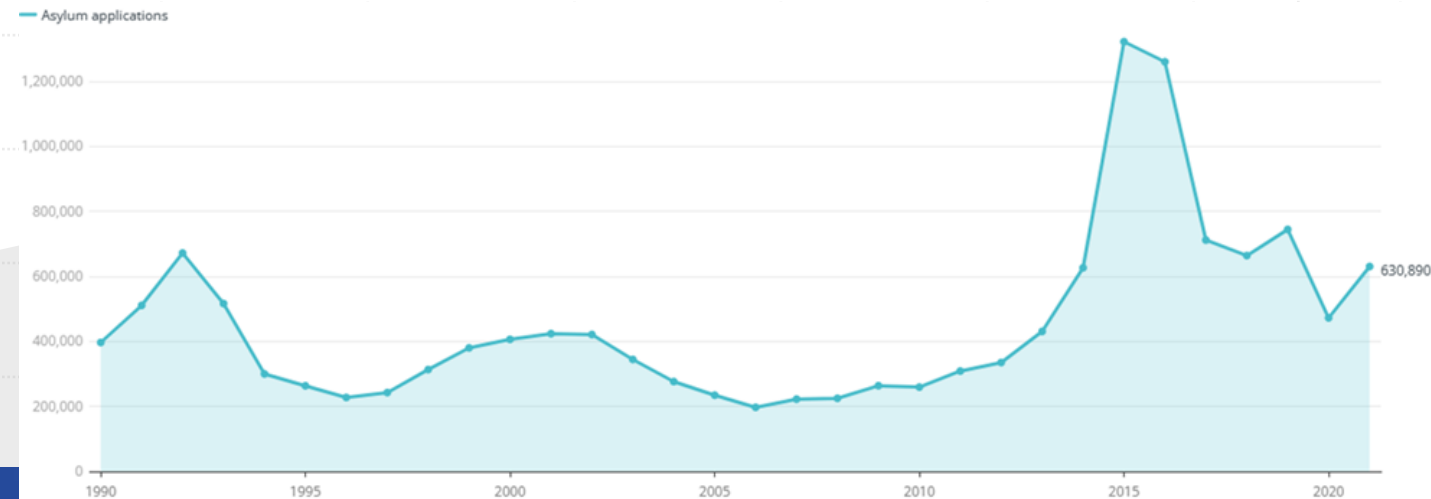
Source: Eurostat (gov_10q_ggnfa)

Immigration



Norway: 32000

- Since Russia's large-scale military aggression in Ukraine, Europe has received the largest number of people fleeing war since World War II
- Temporary Protection Directive (TPD) for Ukrainians fleeing from war
- First half of 2022: 405,500 asylum applications in the EU → 63% more than in the same period of 2021, and 21% higher compared to same period of 2019 (pre-Covid)
- EU solidarity?



Source: Eurostat

UKRAINE REFUGEE SITUATION in Europe

24 February – 08 November 2022



4.5 million registrations for Temporary Protection¹ in the EU, out of which **2.4 million women**



679 298 Ukrainian children have already been integrated in Member States' national school systems²



27 400 Asylum applications by Ukrainian nationals in the EU³



12.7 million entries into the EU from Ukraine and Moldova out of which over **11 million** entries of Ukrainian nationals



8 million exits of Ukrainian nationals from the EU to Ukraine



6.5 million internally displaced people in Ukraine of which **3 million are children**

¹ Cumulative data: includes from EU Member States and Schengen Associated countries. Operational data from 24 Feb.

All figures are provisional estimates. Source: European Commission (EC) Migration and Home Affairs. European Agency for Asylum.



<https://www.consilium.europa.eu/en/infographics/ukraine-refugees-eu/>
<https://data.unhcr.org/en/situations/ukraine>
<https://www.consilium.europa.eu/en/infographics/asylum-applications-since-1990/>
<https://www.reuters.com/world/europe/refugees-flee-across-eu-borders-ukrainian-fighting-intensifies-2022-02-26/>
https://ec.europa.eu/info/strategy/priorities-2019-2024/promoting-our-european-way-life/statistics-migration-europe_en

Democracy

- Six of the EU's 27 member states are autocratizing
- EU is starting to face its own wave of autocratization
- Hungary and Poland are among the top autocratizers in the world over the last decade
- Hungary turned into an electoral autocracy in 2018
- Autocratization in Slovenia, Croatia, Czech Republic and Greece

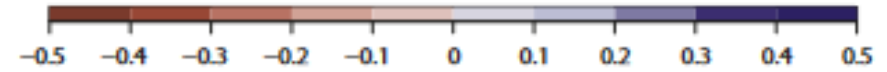


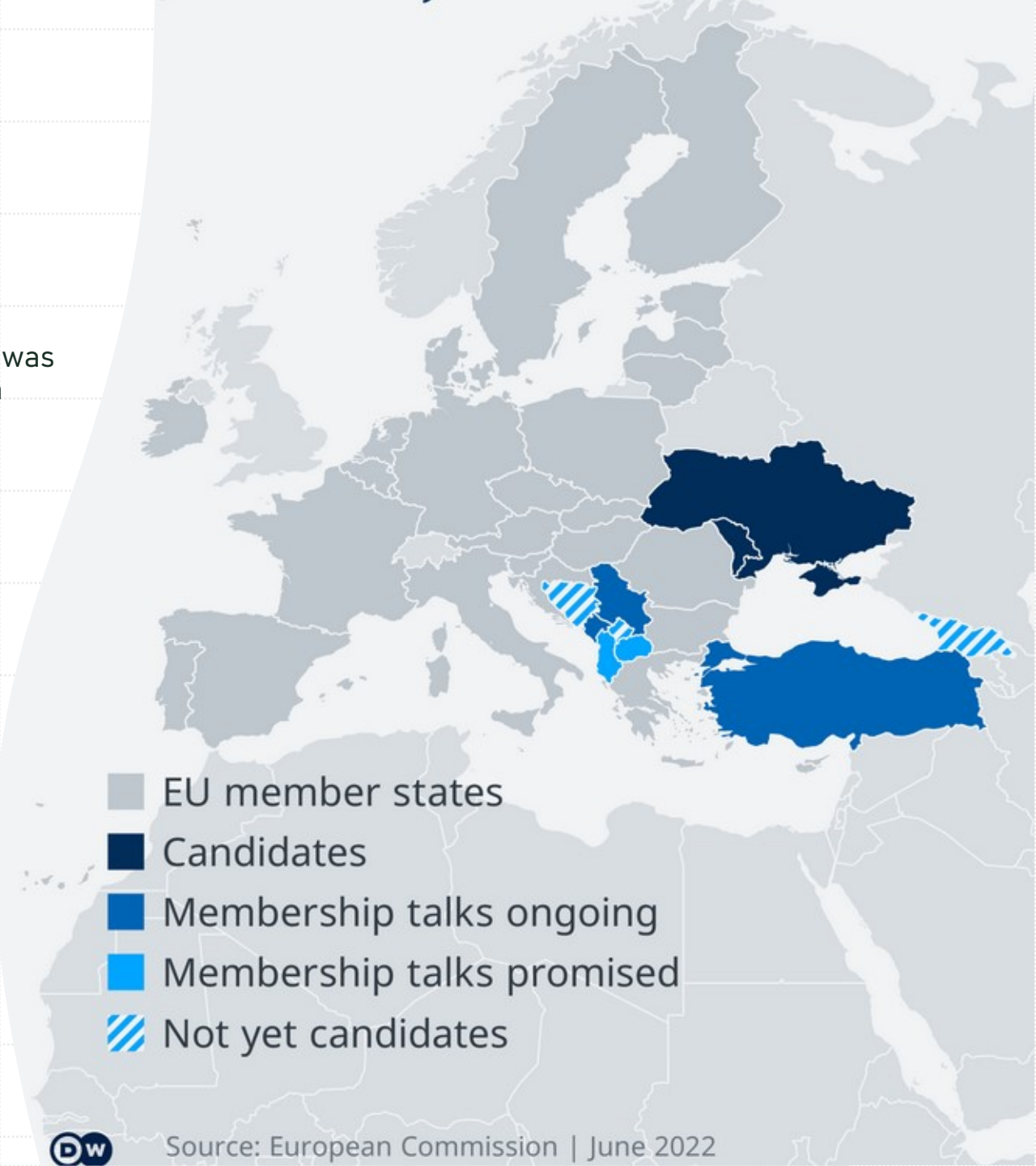
Figure 16 shows where the liberal democracy index (LDI) substantially and significantly improved (blue) or declined (red) over the past decade. Countries in gray had no substantial and significant change on the LDI during this period.

EU Enlargement

- 1. States preparing to apply for membership: Kosovo
 - 2. States that have applied: Bosnia and Herzegovina, Georgia
 - 3. States that have become official candidates after their application was positively evaluated: Albania, North Macedonia, Ukraine and Moldova
 - 4. States with which accession negotiations are ongoing: Serbia, Montenegro, Turkey
- EU's willingness to accept new members and absorption capacity?
- European Political Community and differentiated integration?



<https://www.dw.com/en/how-does-eu-accession-work/a-62240997>
https://neighbourhood-enlargement.ec.europa.eu/index_en
<https://www.tagesschau.de/ausland/kiew-reise-von-der-leyen-103.html>





What is your opinion?

Are there any other current challenges for the European Union?

Which challenges do both the EU and Norway face?

How can these challenges be met?

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