NEW PACT FOR EUROPE– Rebuilding trust through dialogue

Project description

Launched in 2013 by the King Baudouin Foundation and the Bertelsmann Stiftung, and supported by a large transnational consortium including the Open Society Initiative for Europe (OSIFE), the Calouste Gulbenkian Foundation, the European Policy Centre (EPC), the BMW Foundation Herbert Quandt, and the Open Estonia Foundation, the New Pact for Europe (NPE) project aims to promote a European wide debate and develop proposals on how to reform the European Union in light of the manifold challenges Europe is currently facing.

After a first successful period in 2013-2015, which included more than 80 events in 17 EU countries and the publication of two major reports, which elaborated five strategic options on the future of the EU, the NPE project entered a new phase in 2016-2017. The ultimate aim of this new phase of the NPE project is to work out the details of a wider ‘package deal’ to equip the EU with the tools it needs to meet the internal and external challenges it faces. This proposal will contain solutions generated by connecting the discussions on the key policy challenges, and propose changes in the way the EU and its policies are defined to avoid future fundamental crises.

Building on the analysis and proposals elaborated in the previous phase, the NPE has in this period explored how the EU can better serve the interests of its member states and citizens, through a series of 30 national and transnational debates on key policy challenges (including the migration/refugee crisis, internal and external security, as well as economic and social challenges).

National Reflection Groups have been created and met specifically for this purpose in ten EU countries (Belgium, Estonia, Finland, France, Germany, Greece, Italy, Poland, Portugal and Slovakia), followed by transnational exchanges between these groups. This national report is the result of the work and discussions of one of these National Reflection Groups.

The discussions within and between representatives of the ten National Reflection Groups will be discussed by a European Reflection Group of eminent persons, which includes all the national rapporteurs. It will be tasked to produce a final NPE report taking into account the national and transnational debates, scheduled to be published at the end of 2017.

The project also benefits from the overall guidance of an Advisory Group of high-ranking policy-makers, academics, NGO representatives and other stakeholders from all over Europe. It is chaired by Herman Van Rompuy, President Emeritus of the European Council and former Prime Minister of Belgium.

For more information on the NPE project, please see the project website: www.newpactforeurope.eu
MEMBERS OF THE ESTONIAN REFLECTION GROUP

Andrei LIIMETS (Rapporteur)  
Project coordinator, Open Estonia Foundation

Jüri ADAMS  
Member of the Estonian Parliament, Estonian Free Party

Yoko ALENDER  
Member of the Estonian Parliament, Estonian Reform Party

Igor GRÄZIN  
Member of Estonian Parliament, Estonian Reform Party

Monika HAUKANÖMM  
Member of the Estonian Parliament, Estonian Free Party

Mall HELLAM  
Executive Director, Open Estonia Foundation

Hille HINSBERG  
Governance and Civil Society Program Expert, Think Tank Praxis

Mari-Liis JAKOBSON  
Political Sociology Lecturer, Tallinn University

Maris JÕGEVA  
Executive Director, Network of Estonian Nonprofit Organizations

Evelyn KALDOJA  
Journalist, Head of Foreign Desk, Postimees

Maris LAURI  
Member of the Estonian Parliament, Estonian Reform Party

Sergei METLEV  
Advisor, Estonian Free Party

Martin NOORKÕIV  
CEO of the Foundation for Science and Liberal Arts Domus Dorpatensis

Liisa OVIIR  
Member of the Estonian Parliament, Estonian Reform Party; Former Minister of Entrepreneurship

Kalle PALLING  
Member of the Estonian Parliament, Estonian Reform Party

Mait PALTS  
Director General, Estonian Chamber of Commerce and Industry

Krister PARIS  
Journalist, Eesti Päevaleht

Juhan PARTS  
Former member of the Estonian Parliament Pro Patria and Res Publica Union, Member of the European Court of Auditors

Ivar RAIG  
Former Member of the Estonian Parliament
The views expressed in this report reflect the result of the work and discussions of this National Reflection Group, enriched by exchanges with two other National Reflection Groups, but they do not necessarily represent the views of each member of the group or the institutions they are affiliated with.
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<td>CSDP</td>
<td>Common Security and Defence Policy</td>
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<td>EU</td>
<td>European Union</td>
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<td>EMU</td>
<td>Economic and Monetary Union</td>
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<td>European Parliament</td>
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<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>NRG</td>
<td>National Reflection Group</td>
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FOREWORD

This report is inspired by the discussions of the Estonian National Reflection Group and enriched by exchanges with National Reflection Groups from Portugal and Greece. It reflects on the ‘state of the Union’ from a national perspective and discusses the main challenges the EU and its members are facing, considering both the European and national perspectives. Finally, this report proposes ideas and recommendations on how the EU and its members should respond to these challenges, and sets out how the EU and European integration should develop in the years to come.

This paper is part of a series of ten national reports. These reports and the debates in the member states will provide a solid basis for the discussions in the NPE European Reflection Group. The latter will be asked to take reflection a step further through in-depth and thorough discussions at the European level. The Advisory Group chaired by Herman Van Rompuy will provide input into this process. All these reflections will lead to a final NPE report that analyses the current ‘state of the Union’ and will contain several proposals on how to re-energise the European project. It will be published at the end of 2017.
EXECUTIVE SUMMARY

As a relatively new member of the European Union (EU), the understanding of the mechanics and the institutional composition of the Union are low both among the elites as well as the general public in Estonia. There is little insightful and balanced discussion over the perspectives of the other member states nor the overall competencies, workings and failings of the union as such. However, there is an above-average trust and support for the EU due to the fact that it is seen as Estonia’s gateway to the West, an added guarantee of safety and a promise of better living standards.

While the economic crisis, the refugee crisis and the Brexit vote have had a negative impact which has helped a growing populist and anti-EU rhetoric, this represents a loud voice of a minority. Migration has been the issue that has generated the most feverish public debate in Estonia, even though it has had little actual impact on the country and it remains a low-priority issue in terms of everyday policymaking. Economic welfare and security, on the other hand, are the two core interests for Estonia. Especially security as it is the most uniting aspect to gain common understanding and public support for Estonia’s membership in the EU.

Russia remains a key regional threat for Estonia. It also constitutes a major reason why Estonia joined the EU. New forms of warfare have developed and the EU has yet to become proactive on addressing these threats, such as cyber terrorism and a growing influx of state-supported propaganda through seemingly objective news outlets.

The mounting number of multiple-level crises and a time of self-reflection have led to more open debate about the functioning and the future of the EU. From an Estonian perspective, issues such as bureaucratic inefficiency, economic instability, the openness of governing structures, and the comprehensiveness of various communication channels need to be addressed. There is also a growing need to assess and experiment new models of democracy, explore how new e-tools can influence decision-making and improve civil society engagement both in national and EU affairs.
PART 1: STATE OF THE UNION

The last meeting of the Estonian national reflection group (NRG) took place right on the back of the Dutch elections, with the French presidential elections just around the corner. After a year marked by the continuous rise of populism, nationalism and anti-globalist sentiment, both in the EU and across the Atlantic, the results in Netherlands represented a change of momentum for many. Still, considering broader trends and the course of the Union, grappling with Brexit and the refugee crisis, caution should be a keyword. The general feeling of the NRG members was that the EU still remains in a difficult economic, institutional and political situation, but not without hope on the horizon.

The national narrative about the EU, however, continuously encounters strong polarization within the Estonian society. Seen by many as an elite’s project, anti-EU sentiment has definitely gained a solid public footing during the past few years. EKRE (Conservative People’s Party of Estonia), a right-wing party known for its strong anti-refugee and Eurosceptic rhetoric, has become the third most supported party in Estonia according to polls. Despite this, general support for the EU stands above the European average, at around 77% according to the most recent data published1. The feeling among the reflection group was that while the anti-EU camp is loud and active, it still represents a minority.

The arguments for the EU in the Estonian society often seem to be based more on the negative connotations of alternative possibilities than a clear positive programme for the future. Estonia’s core interest to become a part of as many international bodies and initiatives as possible (NATO, Open Government Partnership etc.) has always been based on a strategic ambition to become part of the Western world after the long Soviet occupation. In this regard, NATO is seen as the key pillar to guarantee Estonia’s independence while the EU is perceived as a complimentary mean to strengthen ties with the rest of Europe and the Western world.

While feelings towards the EU are not all doom and gloom, opposing arguments should be acknowledged. There are growing concerns about the EU’s implementation capacity and its ability to improve economic well-being in member states and react to the many crises, from financial and economic woes to security issues. Various positive aspects of the EU, such as more export and cooperation possibilities for the economy through the free market, funds for infrastructure and other major projects, tend to be downplayed or ignored. Negative dimensions such as an expensive and often seemingly inefficient bureaucracy or rigidness in the face of crises ring louder and provide simple and efficient messages for the Eurosceptics.

In economic terms, the general feeling seems to be that while EU funds have helped to develop many large projects in Estonia (infrastructure), there has yet to be a strong improvement in the purchasing power of the average citizen. Overall, Estonia still lags far behind from the rest of the EU. This, coupled with strong criticism towards the problematic aspects of the common currency2, as well as xenophobic feelings towards the

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“threat of mass migration”, has created a growing sentiment that despite the potential threat from the east, Estonia could be better off with more autonomy over its boarders as well as over its finances.

The feeling among the NRG was that for Estonia the refugee crisis was a non-issue. The most divisive issue for the EU is not an external threat but the endless internal blame game between the member states, societies and the institutions themselves. Much of this stems from a low understanding of the mechanics and structures of the EU as well as the division of competencies between the EU and the member states. These examples also raise the issue of who should be responsible for communicating to the public in a balanced yet simple way.

The NRG felt that the EU had become more responsive to criticism and more willing to reform itself. To what extent this translates into policymaking and agenda-setting, remains to be seen, as egos tend to clash among the high-level officials and politicians, causing actual progress to lag. It was not too long ago when there seemed to be no serious-minded discussion over a multi-speed Europe among the elites. Now new scenarios for what the EU might look like are being put on the table as viable pathways for the future. Too many volatile factors still influence the broader context – Trump, Brexit, Italian banking sector crisis – and they could affect the future state of the union. However, the NRG also felt that recent instability had caused a strong inclination to overstate both the positive as well as the negative short-term developments within the EU.
PART 2: MAIN POLICY CHALLENGES

SECURITY

Security issues are a unifying element for Estonians. They build trust towards bodies such as the EU and above all else, NATO. The transnational discussions within the NPE process have shown that security also has the potential to be one of the most divisive issues as member states’ perspectives are influenced by highly different geopolitical positions and historical experiences.

The NRG voiced concerns about whether a broad consensus could be reached by the EU on security issues. Heightened tensions vis-à-vis Russia and increasingly illiberal forces in countries such as Poland and Hungary are beginning to undermine any kind of consensus among the member states. This, in turn, might highly decrease the ability of member states to react to potential security crises with a unified voice, bringing along negative implications for Estonia. While Estonia, due to its historical relations with Russia, may have the image of a troublemaker in terms of having an antagonistic stance against its eastern neighbour, the NRG repeatedly recalled Estonia’s consensual attitude aimed at facilitating agreements at EU level.

Russia is a key challenge for European security. While tensions between Europe and Russia are nothing new, the essence of modern conflict is being changed by new means of warfare, with soft power and cyber power being used to gain an upper hand. According to the NRG, due to the relatively low probability of a traditional military invasion, Estonia is less afraid of physical tanks and soldiers, than local radicals. Despite this, not enough is done at local level to integrate the Russian-speaking eastern regions of Estonia. At the same time, Russia has become stronger vis-à-vis Europe due to its growing unpredictability and the EU’s inability to strongly define common strategies in terms of future expansion and economic sanctions.

While Russia is still unable to pose a serious threat economically, it has become far stronger militarily, modernising its armed forces. It has also been propagating an anti-western stance that maintains the country in a constant aggressive state against its European neighbours. As far as its defence budget is concerned, however, Russia’s leeway will most probably be constrained by its military interventions in Ukraine and Syria for the next few years. The huge costs of these interventions combined with a stagnant if not decreasing demographic are taking a toll on the country’s economic situation, already weakened by low oil prices.

To compensate for its failings in other areas, more of Russia’s funds are being focused on “info wars”. The Cold War has been replaced by a more manipulative form of propaganda war with channels such as Russia Today and Sputnik being well funded and highly successful in their mission of inserting their pro-Russia agenda into European consciousness and information streams. To oppose this, the EU should put more emphasis on info wars, taking it as seriously as physical military forces.

EU’s potential eastern enlargement, with the focus on Ukraine, seems to have been put aside, while voices from countries such as Hungary that are friendlier towards Russia and its anti-enlargement rhetoric, are gaining more and more traction, with support from Moscow. For Estonia, the Eastern Partnership is of key interest, but the EU is polarised on this topic. In the Netherlands, the association agreement with Ukraine was blocked by referendum, although later ratified in a redesigned version. These signals of division among
member states are threats to European security and should not be taken lightly, as are multiple statements from Western European political leaders that diminish the eastern threat or are sceptical towards NATO’s role in ensuring the continent’s security.

There are concerning signals from Germany and other core EU countries where US president Donald Trump’s criticism of countries not adhering to the 2% GDP spending are being contested\(^3\). From Estonia’s perspective this seems as a risky subject to create tensions over, especially with the US burden for ensuring a security consensus in mind. At the same time, the NRG agreed that Trump’s election has also had a positive effect as security spending in Europe is on the rise and there is a growing consciousness that Europe has to take greater responsibility for its defence. As a small state with little military capabilities, Estonia’s interest in safety guarantees and strong cohesion remains of utmost priority. The NRG emphasized that sacrifices in multiple other topics could be considered to safeguard these guarantees.

Despite the current developments, the U.S. are still perceived as the main guarantor of Estonia’s regional security vis-à-vis Russia and thus a bigger ally on defence than the EU. Regional strategic ties – with Finland, Sweden, Latvia, and Lithuania – are also viewed as highly important. Security solidarity with other member states is currently mostly theoretical. The transnational meeting with the Portuguese NRG underlined the lack of readiness Portugal may have to fight for Narva (Estonia’s - mostly Russian speaking - eastern border town). This directly questions intra-EU’s solidarity on security and defence. The first step towards stronger solidarity is an increased knowledge of each other’s security positions and capabilities. There is a lack of awareness of the extent to which the security situation in any member state could affect the situation in others. For Estonia, Poland plays an important role in this regard, but this is not much considered.

In terms of strategic developments, there was before a linear connection between defence and deterrence but that connection is no longer applicable. A good defensive strategy may not equate deterrence since the opponent may have ample time for endless endurance tests of the defence. There is a need to provide deterrence through showing readiness to become the first to act, being more proactive and forceful. This may involve preventive cyber-attacks as well as quicker and more aggressive economic sanctions in case of further military aggression from Russia.

**ECONOMY**

According to the NRG, in the eyes of many both at home and abroad, Estonia is a progressive and innovative country. On the other hand, it is also often labelled as an “Eastern European” economy in a negative sense meaning a poorer region of Europe that lags behind both economically and politically. These perceptions influence economic and political relations. The NRG felt that the negative image is to a large part related to the developments in Poland. Illiberal tendencies are increasingly becoming the banner bearer for negative generalisations about the broader region, thus also putting the Baltics in a dark shade.

The overall economic outlook has gained some optimism, though. In 2016, all member states besides Greece (due to being continuously crippled by its debts and the migration crisis) and Italy (due to its looming banking crisis) achieved economic growth for the first time since 2008. While Estonia’s economic growth is not too far

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behind the EU average, it would need to move at a much faster pace to converge with the other member states in nominal terms. At the same time, the NRG discussed the limits of GDP as an indicator to compare the material well-being across countries. In Estonia’s case, much of the economic growth comes indeed through the public sector, having grown from a third to half of the Estonian economy. While public spending has gone up, the private sector keeps decreasing. There are currently roughly ten times less investments than during the boom years before the financial meltdown. Rail Baltic, a rail connection with the rest of the EU built with European funds, was brought up in the discussions as a highly divisive issue. This large infrastructure project – one of the largest in Estonia’s history – will bring economic growth but also increase spending. This might not lead to the growth Estonia needs, bringing along inflation, affecting those who will not gain from the growth. The desired growth should be based on exports and innovation, not increased spending.

While Estonia’s youth unemployment remains at a low level, it is mainly the result of young people remaining in the higher education system for a longer while. This can result in a backlash once, to paraphrase one of the NRG members, “we reach a point when we discover there are no satisfactory jobs for all the young people with three master’s degrees”. As mentioned above, the size of the public sector has also resulted in a situation where many young people prefer to work in public service instead of turning to entrepreneurship. Young people do not want to be part of the more volatile private sector and prefer the stability and safety of the public sector. There is a feeling that the vast size of the European bureaucracy also feeds into this trend.

At the EU level, discussions among the NRG stressed the emphasis on a multi-speed Europe during the post economic crisis years. The Estonian NRG observed that we already have a multispeed Europe with the Eurozone and Schengen, and largely evaluated this positively provided Estonia can bridge the gap with the first tier of wealthier EU members. However, from an Estonian perspective, the current rules are too lax and not equally applied for all members. During the discussions, there were recurring criticisms both towards the current debtor countries such as Greece as well as the creditors such as Germany. The question often asked both in the Estonian public discussion and among the NRG remains: “how can anyone penalise Germany who pays for everything anyway in the end?”

Improvements in the common market were also repeatedly emphasized during the NRG discussions. Estonia’s core opportunity for the future could be providing more public services to the rest of the EU countries, especially regarding the digital market, due to Estonia’s position as a leader in IT. However, today, despite all the talk of a digital single market, it remains an elusive idea, yet to be truly implemented. For now, Estonia’s presidency of the Council of the European Union has at least provided an opportunity to steer the discussion forward, as showcased by the Tallinn Digital Summit in September 2017.

**MIGRATION**

In terms of public debate, migration is a divisive issue in Estonia that is often presented by populists and conservatives as a key threat for Europe and used as an argument to take back control over Estonia’s borders. Despite this popular feeling, the NRG believed that migration was rather a minor policy challenge for Estonia. The discussion mostly focused on the security dimension and on the Russian use of migration as a political tool following its involvement in the Syrian conflict – Russia has had the opportunity to heighten or lessen

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the tensions in the area and thus calm or increase migration flows. Libya is also seen as at risk to become a new Syria with no central control and multiple beacons of power. With this in mind, Europe is facing down the barrel of major increases of migration flows from Central and Northern Africa, while it has not inched much closer to viable solutions in handling the current refugee situation.

During the meeting, the NRG’s opinion was that while Turkey has done a good job at keeping the EU’s borders closed, this is not a long-term solution. In fact, it has created a fertile ground for political games that are about to unravel. The improvements are rather cosmetic and when Turkey or Russia wants to send a political message to the EU, it can help navigate new migrant flows to the border states.

Still, the EU is better equipped today to handle the situation than it has been for a long time. To take further steps, strong intervention in Africa and attempts to stabilise a host of countries, are needed, even if it might include providing financial assistance to the countries around the Mediterranean to close the gaps at their borders. Good communication channels are needed in these areas – to show the potential migrants that Europe might not be the imagined dreamland human traffickers are portraying. In this regard, the EU is too ham-handed to efficiently deal with the problem and the traffickers need to be blocked one by one. A common border guard for the EU’s outer borders should become a pillar of European security. It is a top priority.

On the EU side, the improvement of border controls and migration management do not, however, resolve the problems concerning integration into European societies. More positive examples of successful migration processes and migrant flows improving the economy are needed. These successful situations must become personal stories that people can easily relate to. There is need for honest communication, both by the public and private sector, about both the possible gains and risks concerning large scale immigration. In Estonia, many more workers are needed than the number of migrants arriving at the moment, and this needs to be well communicated against the anti-immigration rhetoric.
PART 3: THE FUTURE OF THE EU

The Estonian NRG viewed positively the scenarios put forward and discussed by the Juncker Commission. The European Union seems to be ready for more open discussions about its functions and roles. Nevertheless, broader consensus over its future is still lacking. The same could be observed within the NRG: opinions on future EU integration diverged quite a bit.

A strong agreement emerged, however, on the need to give civil society a stronger voice in the future development of the European Union. Participants proposed an EU covenant with a broad and democratic input from civil society. A second chamber of the European Parliament, consisting of civil society members, was also discussed.

Whatever its structural composition, the EU needs to steer clear of having taboo subjects, such as threats of immigration. Populists and extremists would gain far less traction from the public if the EU itself were more open to discussing its negative aspects and various risks openly.

To further consolidate the EU, a fresh and open debate is required on the most divisive issues. There needs to be a better understanding of each other, of the relevant terminologies and background mechanisms influencing member states, of the specific cultural and historical contexts. To improve the situation, a small yet possibly influential idea proposed by the NRG would be to create a brief A4 based on the NPE project for each country. This paper could, in an easily digestible, simple and emphatic way, cover every country’s main concerns and hopes in relation to the EU.

Going further, the EU should address the relatively small, but hugely symbolic and easily attackable aspects of its functioning – for example, reside the European Parliament in a single city, with that city being Brussels. Instead of using all the official languages, reduce it to 2 or 3.

On the institutional level, better efficiency and lessening bureaucracy are the keywords for a future EU. This does in no way mean starting from scratch, rather making what already exists work more efficiently. There should be more experts and scientists, fewer generalist career politicians influencing the decisions. For better decisions and better knowledge, more EU funding should earmarked for science, including social sciences. New methods of public discourse, the internet, social media and innovative models of democracy need to be studied, experimented with and implemented. It will not be enough to just copy state-level structures and methods – themselves often dramatically outdated – onto intergovernmental bodies.

More research should aim at improving our understanding of the EU mechanisms. If states do not take more responsibility in researching, explaining and reflecting on the EU, civil society organisations willing to take on the task should be supported. To find finances for all of this, re-allocating the EU budget could be a first step – for example, if 38% of the EU budget currently goes into agricultural subsidies, a fourth of that could be taken away and split on defence and education priorities.

Finally, the future EU should put more emphasis on regional differences and celebrate diversity instead of – at least seemingly – over-regulating various levels and aspects of governance. In Estonia, a key challenge in the
coming years will be reaching citizens outside the main urban areas. An ideal solution would be to send a few hundred experts to schools, villages, local companies to engage audiences about democracy, human rights, the EU, and do so every year for an extended period of time.
FURTHER READING


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