

Policy recommendations for the Portuguese Council Presidency: between finishing unfinished business and setting its own mark

Trans European Policy Studies Association (TEPSA)

Executive Summary

> During the first semester of 2021, Portugal will be holding the Presidency of the Council of the European Union. The Trans European Policy Studies Association (TEPSA) prepared a set of recommendations for the incoming Presidency.

> Generally, the Portuguese Presidency is well advised to aim at accomplishing three things: first, finishing unfinished business including acting on key decisions taken during the German Presidency; second, setting a mark of its own by focusing on a resilient, social and green Europe; and third, successfully initiating relations with the new Biden Administration so as to restore faith in the transatlantic relationship.

> Specifically, as an example of solidarity and responsibility in migration and integration policy, Portugal could substantially contribute to making the new Pact on Migration and Asylum a reality.

> On the important issue of digitalization in the EU, Portugal can start sowing the seeds for the next steps by attaching a digital signature to the creation of a European 'e-identity'.

> Regarding external action, Portugal should aim to strengthen the African Union-EU partnership by promoting investments in infrastructure, manufacturing and the diversification of exports. The EU should also support Africa in the fourth industrial revolution.

> Finally, in relation to trade, the Portuguese Presidency should accelerate the ratification of the trade deal with Mercosur. The ratification of this bi-regional agreement has implications far beyond.

On 1 January 2021, Germany will hand over the Presidency of the Council of the European Union (EU) to Portugal. The Trans European Policy Studies Association (TEPSA) has a tradition of formulating recommendations to incoming Presidencies. TEPSA's advice draws on the expertise of a network of think tanks across Europe.

This policy brief initially offers an overview of the key challenges the Portuguese Presidency will be facing before focusing on providing in-depth recommendations regarding the following major issue areas: migration and asylum, digitalisation, EU-Africa relations, and trade relations with Latin America around the EU-Mercosur Association Agreement.

Introduction: key challenges for the Portuguese Presidency
Nicoletta Pirozzi (Istituto Affari Internazionali, Rome); Funda Tekin (Institut für Europäische Politik, Berlin); Ilke Toygür (Real Instituto Elcano, Madrid)

The Portuguese government will lead the third EU-Presidency that will be challenged to manage the COVID-19 pandemic, which against all hopes continues to prevail. However, with a vaccine in sight and the reforms initiated during the German Presidency there seems to now be a steadier path towards post-COVID-19 recovery. At the same time, protests against continued lockdowns and restrictive measures in order to break the waves of the pandemic start to increase in individual member states. Hence, the trust of European citizens in institutions is once again at stake.

The Presidency will be faced with internal and external challenges. Internally, the division among member states – and mainly the divide over the EU's constitutional values of democracy and rule of law – has started to impact on the EU's capacity to act. Reuniting member states within the common framework of Art. 2 TEU values is of utmost importance. Externally, the EU's neighbourhood has become increasingly unsettled over the past months with continued protests for democratic rights in Belarus and multiple crises in the Eastern

Mediterranean. Globally, the EU needs to continue to find its voice within a strengthened multilateral order. The new US Administration might provide a more favourable context for such ambitions.

Each Presidency needs to choose its aims wisely in view of the realities it is facing and the limited time of six months. Given the current circumstances, the Portuguese Presidency is well advised to **aim at accomplishing three things**: first, finishing unfinished business including acting on key decisions taken during the German Presidency; second, setting a mark of its own by focusing on a resilient, social and green Europe; and, third, successfully initiating relations with the new Biden Administration to restore faith in transatlantic relations.

First, regarding the **unfinished business**, Portugal was meant to receive in dowry a number of crucial decisions on the future of Europe taken during the German Presidency. The Portuguese Presidency was supposed to implement the commitments taken by EU member states in the second half of 2020 in relation to the next Multiannual Financial Framework and 'NextGenerationEU', the Covid-19 recovery package, as well as the Conference on the Future of Europe and the post-Brexit deal with the United Kingdom. At present, a few weeks before the end of the German Presidency, none of these files has been settled. There is great uncertainty on the possibility to finalize them in due time. Therefore, Lisbon will likely be forced to change its plans and invest all its political and diplomatic weight on guaranteeing that European citizens get what was promised already months ago.

The first priority will remain the launch and implementation of the EUR 1.8 trillion package that combines the **EU's long-term budget and the recovery plan**. Even if an agreement is finally reached before the end of the year, Portugal will have to mend the deep fractures produced first by the negotiations on the allocation of the financial resources between the Mediterranean countries and the 'Frugals' over the solidarity principles, and then by the stubborn refusal of Hungary and Poland, followed by Slovenia, to accept the rule of law conditionality. This mending effort will be crucial also to guarantee the necessary consensus on the national recovery and resilience plans, and to allow funds to be disbursed in due time to effectively face the consequences of COVID-19.

Another promise that cannot be neglected is the **launch of a European-wide Conference on the Future of Europe**: more than one year after its announcement by the European Commission and the European Parliament and five months after a position was agreed on by the Council of the EU, no concrete steps have been taken to turn the project into reality. It will now be up to the Portuguese Presidency to deliver, by finding a compromise on the chair of the Conference, finalizing its working method and calendar, and –

most importantly – defining its goals and nature, which are not yet clear. Should the Conference lead to a proper EU institutional reform, or should it merely be a citizens' consultation forum? Now more than ever, EU institutions are called upon to send a strong signal to the European people and involve the citizens in the realization of a constituent phase for their future.

Deal or no deal, **Brexit** will keep the Portuguese Presidency busy. Both scenarios will require the careful balancing of the relations between EU member states and the United Kingdom (UK), as well as the management of the consequences of Brexit in the new overseas neighbourhood. Inevitably, Northern Ireland and Scotland will try to involve the EU in the disputes over the definition of their statutes in post-Brexit UK, asking for a political support of their claims.

Second, in addition to finishing this unfinished business, Lisbon should remind itself of the pre-COVID-19-agenda and aim for **setting its own mark**. Portugal centres its Presidency on **social Europe** and it is a welcomed development since the pandemic once again highlighted, and even deepened, the existing inequalities in the Union – both among member states and within societies. Hence, it is more than time to build a fair and social Europe. During the Portuguese Presidency, a Social Summit is planned and the implementation of the **European Pillar of Social Rights** needs to be ensured. Additionally, the Portuguese Presidency should ensure that the EU continues down the path towards a **Green Europe**. Finally, Lisbon should have a particular focus on the **EU's resilience** as its preservation demands continuous action in view of safeguarding the EU's fundamental rights and an open economy, defending solidarity among member states as well as avoiding to get caught up in the power games between the US and China.

The Portuguese Presidency also needs to look across the Atlantic. The very much awaited US President Joe Biden will take office in January 2021. This means that the Portuguese Presidency will lead the **first contact with the new Administration**. Even if a long-term strategy is needed to revitalize transatlantic relations, this first contact will be important for setting the tone. The Europeans know that the golden days of transatlantic relations, when they could almost delegate their security to the US, are over. The **relationship should be re-built on a more equal footing**.

The experience with Donald Trump in the White House has **tested the resilience of democratic institutions**. All the crises the EU member states have been going through – the century started with the constitutional crisis, continued with the global financial and Eurozone crises, political crises caused by migratory patterns, Brexit and then COVID-19 – have been enormous challenges. These common points in domestic

politics – the need to strengthen democratic institutions, fight against inequality and decrease polarization in Western societies – could serve as a starting point for foreign policy. The Portuguese Presidency would be the ideal team to start exploring possible ways of collaboration, since a Social Europe that is based on equality would be also their motto.

In addition to these general observations, four policy areas can be identified as privileged playing fields of the Portuguese Presidency and hence deserve more detailed recommendations: The New Pact on Migration and Asylum, Digitalisation, EU-Africa relations, and the EU-Mercosur Association Agreement.

The New Pact on Migration and Asylum: from strategic document to sense-rich policy and innovative practices

Anna Krasteva (New Bulgarian University, Sofia) and Andrea Membretti (EURAC Research Bolzano)

The Portuguese Presidency starts with a big asset and a bigger challenge. The European Commission's 2020 proposal for the 'New Pact on Migration and Asylum' is a fully fledged strategic document. It provides a comprehensive approach, bringing together policy in the areas of migration, asylum, integration, border management and the EU's relationship with third countries. The challenge is how to make the New Pact a reality by adopting and implementing it.

Solidarity – a principle enshrined in the European treaties – is at the heart of the New Pact, defining a new less binding and more flexible approach. It does not require quotas, but integrates various forms of cooperation and responsibility sharing. Portugal has already proven to be an example of solidarity and responsibility: despite its size, the country has taken in the sixth-highest number of refugees as part of the EU resettlement program.

Size does not matter so much, but political will does. According to a recent study by the SGI Network (2020), Portugal has sought to be a leader at the EU level with regard to migration, and would therefore be in the right position to coordinate the efforts of reaching an agreement on the New Pact among member states and for communicating its benefits to the European citizens. To do so, we recommend actions that target the people and the regions as key allies for efficient and creative implementation of the New Pact. This would be in line with the New Pact's demand for an engagement and commitment of all.

People and places: reinventing inclusion through innovative policies

The New Pact marks the transition from integration being primarily the member states' responsibility to a more ambitious *European Action Plan on integration and inclusion for 2021-2024*. The local level, where governance meets the

'vital words', is the privileged one for creative sense-making policies and innovative practices. *Living labs* are such a policy tool that can bring together citizens, migrants, local authorities and participatory research with the goal to connect, collaborate, and create. They could maximize the contribution of diverse local actors for tailor-made practices of integration and social cohesion.

Talent Partnership for post-pandemic reconstruction

The post-crisis management would require a solid pool of talents. The high mobility of experts could be transformed into a win-win strategy countering brain drain through 'thinknets' and 'virtual return'. An important contribution of the Portuguese Presidency could be the organization of a policy conference '*Talent for reinventing post-pandemic Europe*' for co-creation of sense-rich policies. The 'Prague Process', as a regional policy process and targeted migration dialogue of 50 countries, could be a potential partner.

Migration as an opportunity to reinvigorate the potential of the regions left behind

Europe has a regional heart, but there are many European regions – rural and remote ones, mountains and islands, de-industrialized and shrinking territories, marginalised and declining urban areas – that feel left behind or as places that do not matter. The migration and development nexus could be enhanced as a strategic tool for reinvigorating the resilience and sustainability of those regions, within a policy of territorial cohesion at EU level. In fact, the new inhabitants represent a fundamental resource in demographic, economic and labour market terms, especially in areas affected by depopulation, ageing and labour shortages.

Portugal as an example of solidarity and responsibility in migration and integration policies could substantially contribute to make the new Pact a reality.

Vasco da Gama'ing into the future: taking a next European digital step

Piret Kuusik (Estonian Foreign Policy Institute, Tallinn)

Over the past months, the lives of EU citizens have moved into the digital realm in unexpected ways, and with unexpected speed. So far, the digital transformation has been a gradual development with every step resulting in more time spent in front of screens. However, over the past six months, a gradual development has turned into a steep jump exposing the shortfalls of today's digital life. The response to these gaps must be quick and efficient to ensure a sustainable and long-term continuance of everyday life in the new normal caused by the global pandemic. Thus, it is welcoming to see the central role that digitalization plays in the upcoming Portuguese Presidency of the EU Council.

Due to the inability to physically cross borders and secure the identity of peoples and organizations, **developing a European 'e-identity' has become a critical issue for the continuance of economic activity in Europe.** For years, Portugal has shown interest in adopting digital solutions and thus holding the credibility to encourage a speedy agreement and implementation of the shared European digital identity. The country holds the credibility to encourage a speedy agreement and implementation of the shared e-identity. **Portugal can start sowing the seeds for the next steps by attaching a digital signature to the e-identity.** These two developments would ensure the stability of the single market for today's and tomorrow's financial shocks.

Fostering a shared commitment and maintaining a sense of priority towards digital initiatives among the member states could be one of the most important achievements of the Portuguese Presidency. The most crucial role for the country's Presidency will be to **foster an agreement among member states and to be an honest broker.** Practice has shown that digitalization tends to be a secondary priority, often sidelined or the victim of politics and other running priorities in the minds of governments. Thus, Portugal's primary task, and the way of measuring its success in digital policy, is its ability to **highlight the need for member states and the private sector to embrace the digital transformation quickly and efficiently,** as well as to keep attention on this priority.

The opportunity to grow in size and scale is the most important added value that the EU can bring to any initiative. Therefore, **fostering the harmonization of rules and interoperability of systems within the single market must go hand in hand with digitalization itself.** Only with a strong and well-functioning single market can the EU become a competitive player at the global stage.

Partners or just neighbours? Toward a decisive year for EU-Africa relations

Bernardo Venturi (Istituto Affari Internazionali, Rome)

The Portuguese Presidency will have the responsibility of organizing the sixth African Union-European Union (AU-EU) Summit in June 2021 in Brussels. The Summit had originally been scheduled for 28 and 29 October 2019, but was then postponed due to the COVID-19 pandemic. Furthermore, it is likely that during the Portuguese semester a new AU-EU strategy will be launched. The EU already presented its document 'Towards a comprehensive Strategy with Africa' in early March 2019. However, the document seems more a list of African problems and European solutions than a joint approach (with the exception of strategies to address climate change). In the coming months, the Portuguese Presidency should carefully prepare the Summit, listening to African

needs and priorities, and contributing to building more balance into the partnership.

The African Continental Free Trade Area (AfCFTA) is at the centre of the partnership. African partners wish to do away with distorted trade patterns of African exports to the EU that are largely made up of raw materials and commodities. **The AU-EU partnership should primarily promote investments in infrastructure, manufacturing and the diversification of exports, and it should support Africa in the fourth industrial revolution.** Furthermore, building upon the past positive cooperative experience, the 'European Green Deal' should avoid creating a new type of protectionism by imposing new non-tariff barriers, such as the carbon border tax that may affect access to the European markets.

The COVID-19 crisis has also shown the need to invest in effective and well-performing public sectors. An awareness has emerged that an effective public sector remains essential in building healthy, wealthy and fair societies. This 'governance' dimension may have been neglected in recent years in the Africa-EU partnership and next year is the right time to prioritize on this common ground.

Concretely, the new **AU-EU strategy should be accompanied by an implementation framework with a set timeline and targets, and a corresponding financial mechanism.** Most fundamentally, the Presidency should change the approach showed in the 'Towards a comprehensive Strategy with Africa' document and re-include a people-centred approach, as already requested by different African stakeholders. This will enable the integration of differentiated African priorities into the strategy, including tackling poverty, health, digital literacy, internet access, illicit financial flows, gender mainstreaming, and debt management and cancellation.

The Portuguese Presidency should therefore invest in **building a new foundation for Africa-EU relations based on reciprocity, balanced partnerships and new opportunities** for both continents.

Mercosur: the cost of a no agreement

Carlos Malamud (Real Instituto Elcano, Madrid)

The conclusion of the negotiations between the EU and Mercosur was important for European interests in Latin America, and its ratification will provide a clear strategic advantage to the EU's global positioning. It enables treaties to be made with the whole of Latin America and strengthens the bi-regional relationship. Mercosur has very few free trade agreements and is not currently negotiating one with the US or China.

The EU's absence during the post-COVID-19 reconstruction in Latin America risks harming the relationship between the two

regions. Thus, the **Portuguese Presidency would strengthen the bi-regional relationship if it accelerates ratification**. This entails finalising drafting, translation and approval by the European Parliament, while the groundwork is laid for its ratification by national parliaments. The immediate goal is to activate the trade pillar of the Agreement. Rather than focusing on its costs to European interests, the emphasis should be on the costs of not ratifying it, which would be much higher.

This is the moment to lobby for ratification (the opponents' lobby is powerful and active in both regions). The Portuguese Presidency needs to work on various fronts, starting with the Commission, the European Parliament, the European Economic and Social Committee, the member state governments and public opinion.

An argument against ratification, apart from Mercosur's agricultural protectionism, is Brazil's environmental policy. Joe Biden's election is an opportunity to make headway on ratification, while Bolsonaro loses a staunch ally in his opposition to the Paris Agreement.

The Mercosur Agreement goes beyond Mercosur. The Treaties have turned the EU into a catalyst for regional integration, despite the crisis of the process. **Association with Europe would strengthen the most liberalising sectors in**

Argentina, Brazil, Uruguay and Paraguay and facilitate their convergence with the Pacific Alliance.

European investment in Latin America exceeds investment in China, India and Russia put together. Its capacity to diversify the productive fabric and accelerate sustainable development is considerable. **The Treaty would facilitate the insertion of European companies into regional value chains**, which would be boosted by convergence with the Pacific Alliance.

This is hugely important given the European commitment to the New Green Deal. Renewable energies and the fight against climate change will be decisive, as will Latin America's connection to the digital revolution (and the improvement in e-commerce), without forgetting the physical and digital infrastructure.

Lastly, it is important **not to overlook the presence of China in Latin America and its increasing competition with Europe** (trade, investment and infrastructure construction). 'The Belt and Road' initiative is receiving a warm welcome. **The danger of European inaction, which involves failure to ratify the agreement, is that the space left vacant by the EU (and the US) will be occupied by China.**

Further Reading

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About the Authors

The Trans European Policy Studies Association (TEPSA) is a network of think tanks across Europe of which the College of Europe is an associate member. TEPSA has a tradition of formulating recommendations to the incoming Council Presidency. These recommendations are formulated by experts from the TEPSA network, without necessarily representing the views of TEPSA or its Member Institutes. The contributions to this policy brief were compiled by Nicoletta Pirozzi, Funda Tekin and Ilke Toygür. Nicoletta Pirozzi is Head of Programme on European Union and Institutional Relations Manager at the Istituto Affari Internazionali (IAI). Funda Tekin is Director of the Institut für Europäische Politik (IEP) in Berlin. Ilke Toygür is Analyst of European Affairs based at Elcano Royal Institute and Adjunct Professor of Political Science at Carlos III University of Madrid.

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