I.D.E.A. Roundtable on The State of the Union in 2020: Resilience: How to better protect, prepare and transform the European Union?

Key Take-Aways

Purpose and objectives of the Roundtable Discussion:

Convened in the run-up to President von der Leyen's first State of the Union address, I.D.E.A. organised six two-hour roundtable discussions with academics, representatives from think tanks and the private sector, and community leaders under Chatham House rules [Via Webex]. On **Friday, 31 July 2020** (15h00-17h00), the Roundtable focused on **'Resilience: How to better protect, prepare and transform the European Union'**. The roundtable was organised under the guidance of Björn Seibert and in coordination with Nicole Dewandre, Mary-Veronica Tovsak Pleterski and Per Haugaard from the Cabinet of the President.

The EU is currently facing unprecedented challenges. Member State governments are under stress to safeguard jobs, livelihoods and entire sectors of their economies, while facing unprecedented pressure on their healthcare systems and institutions. Policymakers and academics are increasingly looking at 'resilience' as a **holistic conceptual, analytical and policy framework** to synthesise insights from across disciplines.

For the purposes of our roundtable discussion, we understood **'resilience'** as the capacity to withstand and cope with shocks, and to undergo the required transformations in a fair, sustainable and cohesive manner. Resilience is in this sense what it takes for a society/economy both to recover from the COVID-shock and to achieve the twin transitions (green and digital). It has been argued that 'resilience' is needed for the EU to 'bounce forward' and swiftly recover and emerge stronger from the current and future crises, by accelerating its transitions, minimising damage and relieving suffering from crises through adaptation and transformation.

The meeting aimed to:
- Identify whether 'resilience' as a concept can offer a positive narrative and policy frame to pursue economic recovery, environmental sustainability, digital transformation and foreign policy, and assess the effectiveness of EU action so far, in engaging on that challenging path;
- Put forward concrete ideas and examples of good practices for the Commission to take in 2021, in order to nurture EU resilience and put the EU firmly on the track of a transition-led recovery.

5 main concerns and insights:

1. *The COVID-19 pandemic has so far, been an accelerator of change, uncertainty and paradoxes*

- Transformations underway already before the pandemic have been accelerated;
- There are significant uncertainties ahead both as regards subsequent next waves and economic shocks that so far have been lightened by the various assistance schemes;

- The pandemic has also scrambled citizens' perceptions of expertise, nationalism, the global order, the role of the state and the EU;
    a. On **expertise**: while some trust and follow experts' guidance, others reject and ignore it; most interestingly, however, is a third group that trusts the experts but does not trust governments which are perceived to select experts based on the policies they want to justify;
    b. On **nationalism**: differently to the refugee crisis, the 'stay-at-home' nationalism that we experienced is not ethnic based, and it also came with the realisation of the limits of economic nationalism;
    c. On the **role of the state**: expectations grew for a 'stockpiling state' to ensure reserves of all that may be (potentially) critical; at the same time, there is also a clear realisation this is not feasible on the part of small nation states making the idea of a European reserve appear sensible;
    d. On the role of the **EU**: as a result of the crisis, citizens support more European cooperation; not necessarily more European integration;
    e. On the **global order**: the handling of the crisis came with a collapse of trust in multilateral institutions and the US; at the same time, also a realisation that a stronger EU can contribute to stronger nation-States in today's highly volatile global environment.

2. Resilience can be transformative, if it is by design

- So far, the 21st century, has already brought financial shocks, food price shocks, climate shocks, health pandemic shocks. This is the world we live in as dynamic, interconnected systems of our living planet interact leading, sometimes, to shocks like the current one we are experiencing. Our priority should therefore be **to design systems that minimise the effects of these shocks**. This is what resilience is all about;
- Resilience can be **misconstrued and misunderstood**. It is **not about shock absorption** in the sense of just 'dealing with it', or 'taking it on the chin' and 'bouncing back';
- Resilience is about '**bouncing forward**,' taking the opportunity to transform what was being done before in order to reach new sustainable development pathway and improve the socio-economic system;
- '**Transformative resilience'** in short is the **capacity to move forward**;

3. Resilience is a means to an end; the end goal is a more prosperous society

- Transformative resilience is the capacity to **turn divisive systems into distributive ones** and **degenerative systems into regenerative** ones;
- Both **short-term** policies and **medium-term** policies are needed to steer towards a sustainable and equitable development path;

4. Resilience requires a comprehensive, five-dimensional approach

- All policies, regardless of whether they are social, environmental, economic institutional need to be assessed according to whether they **protect**, **promote**, **prepare**, **prevent** or **transform**;
- For policies to be transformational, **all five dimensions need to be addressed**; policies that only aim to protect are insufficient.

5. It needs to be a global affair

- **Europe cannot achieve resilience alone**, Europe cannot protect itself alone. Our planetary boundaries are common for all so it is important to lead in the transformation but also to bring the rest of the world along.

8 recommendations and ideas for action:

1. *The speech on the State of the Union should provide direction but also express empathy*

- The speech must be visionary and **optimistic** about the transformational perspective ahead.
- At the same the speech must also reflect the degree of **uncertainty** that we are in: There is no place for an overly early optimism that the job is done. On the health side, on the economic side and on the political side, things may get worse in the next one or two years.
- In this situation, the best way for the speech is to provide **clear direction** as regards the importance of addressing climate change, the digital transformation and well-being.
- But it must not **be detached from reality** as people are likely to be **nostalgic** of 'the way things were.' This too needs to be acknowledged so as not to backfire.

2. *Europe's big three priorities: climate change, digital and public health*

- The Commission's advantage is that it can really think in a **long-term way**, something that governments dependent on election cycles cannot as easily do, and this is why they are consistently unprepared for shocks;
- The Commission should seek to stretch the mandate it has to increase its role in **public health**: by using Art 168 TFEU on serious cross-border health threats; by maximising the use and potential of the ECDC and the EEAS to collect and share good practices, data and guidelines; by drawing lessons on good responses to the pandemic so as to help prevent future waves.

3. *Argue that European-level policies lie in the interest of the Member States*

- There is no strong federalist sentiment in the EU at this moment. Speaking of a Hamiltonian moment is not helpful. But there is a strong understanding that it is **in the interest of the Member States** to have a stronger EU and more cooperation. Instead of clashing the idea of the nation states and the European Union, it will work better to defend certain policies of European integration by referring to the interest of the Member States.

4. *Reclassify policies according to whether they protect, promote, prepare, prevent and transform*

- Projects funded by the Recovery and Resilience facilities should be assessed on the basis of the **five dimensions** mentioned above; this would help the Commission better evaluate these projects at national and European level and communicate about their objectives;

- This will also ensure investment is directed towards prioritising social and green jobs, prosperity, public infrastructure and effective cost-benefit analysis;

5. *Move the needle on taxation policy to better serve people, planet and prosperity*

- Shift taxation from labour to products and product production; shift taxation into ensuring that externalities are properly expensed;

6. *Showcase best practices*

- **Communicate tangible examples that show the positive results of resilience**. Countries that have enhanced direct communication with their citizens, who have invested in digital infrastructure and sustainability and who have brought well-being indicators in their policy making have come through the crisis stronger (see for ex Finland, New Zealand, Iceland). Similarly, the investment community that had started to de-risk and move away from stranded assets already prior to COVID-19, appear to be coming out much stronger. By showcasing these examples, this brings more people on board;
- It is essential that every piece of legislation goes to a resilience check for people and planet with more ideas to be implemented at EU level.
- The Commission can be a leader for all Member States to collect and showcase best practices, while stretching boundaries and looking ahead.
- Have a policy framework that is circular with **proper monitoring, reporting and verification** and continuous digitalisation serves people and our new regenerative and circular economy.

7. *Internally, start a new phase of Single Market economic integration; externally, strengthen European economic diplomacy*

- Put the digital deal at the same level with the green deal.
- Green and digital interact with each other in every way and need to go hand in hand.

8. *Focus on positive stories, and prioritise the Conference on the Future of Europe*

- Emphasise investment that helps people concretely. Advance digitalisation with a better narrative and address health issues.
- It is important to manage expectations and to assess crisis response, like what institutions have done or should have done. The Conference on the Future of Europe looks more important now than a year ago. It could include a review process where a part of it looks at institutions and the capacity and limitations that we have.

Take-away quotes

- **What we try to identify in our studies is the concept of 'transformative resilience', which is not the idea of going back and bouncing back to where you were before the shock, but bouncing forward, taking the opportunity to transform what you have been doing before in order to reach a new sustainable development pathway and improve your socio-economic system from several points of view.**

- **It is not about 'deal-with-it-resilience', [but] what I call 'design-for-it-resilience' – very different – which says: 'There may be shocks, and this is because we live in dynamic systems.' We have dynamic, interconnected systems of the living planet, human well-being, politics, economy, finance. These are always going to be oscillating and moving. And sometimes, emergent from that, there will be shocks.**

A few words about the invited discussants: