



New Pact for Europe

National Report

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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



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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.

This report contains literal transcriptions of the interventions, expressions and proposals put forward by the members of the Reflection Groups but in accordance with the Chatham House Rules none of the debaters have been referenced or quoted directly.

Lastly, the reports of the first meeting of the National Reflection Group and the Transnational Meeting with the Finnish National Reflection Group were conducted with the help of two assistants, namely Carolina Rocha da Silva and João Lacerda Machado.



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LIST OF ABBREVIATIONS

CSDP	Common Security and Defence Policy
EU	European Union
EMU	Economic and Monetary Union
EP	European Parliament
MP	Member of Parliament
MEP	Member of the European Parliament
ΝΑΤΟ	North Atlantic Treaty Organization
NRG	National Reflection Group
PESCO	Permanent Structured Cooperation
ттір	Transatlantic Trade and Investment Partnership
UK	United Kingdom
US	United States



FOREWORD

This report is inspired by the discussions of the Portuguese National Reflection Group and enriched by exchanges with National Reflection Groups from Estonia and Finland. 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

Despite the many obituaries that were delivered during the years of crises, the European Union (EU) has shown institutional resilience. It has been able to weather the storm and bring back some support as recent Eurobarometer results attest.¹ Notwithstanding, we should not delude ourselves as to the underlying problems that permeate the national and European levels of governance. The starting point is to recognise that the situation is very complex and multi-dimensional. The EU is facing identity, legitimacy and institutional challenges. The British decision to leave has put the brakes on the powerful narrative that the EU is a process of building-in and expansion and that the process of economic integration and its rational benefits would enable the Union to advance towards greater political integration.

Moreover, the EU can no longer be legitimised by its disparate economic results. Economic divergence has left many Europeans frustrated with a globalisation process that opposes winners and losers across the European continent. This loss of confidence affects not just political but also economic elites, and concerns not just the national but also the European level. For the disenfranchised, the hopeless or those who are without protection, the EU is perceived as part of the problem and not part of the answer. This disenchantment is also very much felt by the Portuguese. We should bear in mind that participation in the European project was met with enormous enthusiasm and Brussels was perceived as a beacon for the consolidation of our liberal democracy after a long dictatorial winter. It should also have been a platform for the convergence with the more advanced European economies. The fact that convergence was such a high expectation helps to understand why from the three common issues that were identified - economy, security and migration - it is the first one which most worries the Portuguese.

At the elite level, all three issues are relevant concerns even though Portugal is not directly affected by migration. Each issue has the potential of having a systemic impact on the EU. For the public at large, socioeconomic issues are paramount and migration is clearly a non-issue although there is support for a European common approach. In this regard, Portugal has been more than willing to help as shown by its efforts at relocating and integrating refugees. The Portuguese NRG argued more had to be done. More attention must be paid to the countries of origin. The EU must work with them to develop better answers to this humanitarian plight.

At the same time, the British decision to leave the EU has raised many challenges for the other member states. In the case of Portugal, the concern is that the exit of one of its most powerful and Atlantic members would make it more difficult for its voice to be heard. One of the big questions in considering the way forward is how to balance a more effective EU with a more democratic one? According to the latest Eurobarometer, 52% of the Portuguese totally disagree with the statement "My voice counts in the EU".² In this regard, the

¹ European Commission, Public Opinion in the European Union, Standard Eurobarometer 87, Spring 2017, available at: <u>http://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/ResultDoc/download/DocumentKy/79565</u> (last accessed: 28th August 2017).

² *Ibid.*, p. 20.



Portuguese NRG considers that it is important for the European Commission to remain the main moderator and a strong player *vis-à-vis* the agendas of the most powerful member-states.

We should emphasise the EU's institutional resilience and focus on doing better, for instance in preserving and completing the internal market, rather than necessarily doing more. There was a consensus among the Portuguese National Reflection Group (NRG) that mechanisms of "differentiated integration" or "variable geometry" will be further used. In terms of feasibility, the most viable option would be along the lines of those member states that have adopted the Euro and those that have not. To address the vulnerability felt by some member states a European Unemployment Insurance proposal was also put forward. In terms of security and defence, we should further strengthen the European dimension whilst improving the mechanisms for intelligence sharing. In fact, these area can function as a platform for further integration at European level. The terrorist threat will not go away in the foreseeable future nor will the adverse external environment that Europeans faces. Moreover, the Trump administration's weak global leadership could prove to be another opportunity to seize. Notwithstanding, we should further reinforce European defence in articulation with the North Atlantic Treaty Organisation (NATO) to avoid any overlapping of resources and capabilities. For countries like Portugal that are members of both the EU and NATO, this is a crucial consideration.

Furthermore, we need to address the failure of political communication and develop tailor-made responses for the individual member-states and for the different generations that now co-exist in the EU. This is a crucial point that needs to be fully explored. At the same time, we should not stop asking the tough questions: How can we make a European Union that "protects without seeming protectionist"? How can we better defend and secure Europeans without becoming a "fortress" or relinquishing basic freedoms? How can we deal with the scale of the refugee crisis without betraying our core values and human dimension? Lastly, how can we advance European integration and respect the voice of less powerful states? As we keep asking these questions to ourselves and to others we should never accept self-righteous answers. The price of being complacent is too high as demonstrated by the threat posed by populist movements and parties. In doing so, we will be transforming a time of crisis into an opportunity to reinvent an institutional adventure in which our voices really count.



THE PORTUGUESE AND THE STATE OF THE EU: WEATHERING THE STORM

The results of the last Eurobarometer were met with a sigh of relief by the Portuguese pro-European political class. The level of trust and positive image of the Portuguese towards the EU were up by 6 points and stood at 54%.³ Moreover, when asked about the future of the EU, 64% responded that they were optimistic, which represents an increase of 10 points compared to the previous survey.⁴ But for those who favour the European project, the good news did not stop there and support for the Euro was at 74%.⁵

At first sight, these results seem to indicate that Europeans have been able to weather the storm that has buttressed the EU since the start of the economic and financial crisis in 2008. It is tempting. But one should not ignore the complex situation of the European project, heightened by the constant worry that a populist party becomes truly mainstream in member state national elections.

Complexity is indeed the keyword to describe the European project in recent years. The EU has been facing identity, legitimacy and institutional challenges. We have witnessed the collapse of two important narratives regarding the European construction. First, the notion that the EU is a process of building-in and expansion has been tested by Brexit. Second, the idea that economic integration and its rational benefits would enable the Union to advance towards political integration has been challenged by the ongoing stalemate in Brussels. There is no way to disguise the impact of the decision of one of the key European countries to leave this organisation. We should analyse and take all the possible lessons from this precedent.

There is also a crisis of legitimacy related to the fact that the EU is no longer built on economic results. Economic divergence has left many Europeans frustrated with a globalisation process that opposes winners and losers across the European continent. To understand the scale of the problem, one should consider the rise in long-term unemployment in the EU or how working conditions have become precarious for many employees, particularly the younger workers joining the labour force. Moreover, this frustration is also widespread among citizens who consider that their children will have a lower quality of life compared to that of their parents. A study by McKinsey highlights the "sharp increase in the proportion of households who are in income groups that are simply not advancing - a phenomenon affecting people across the income distribution. And the hardest hit are young, less-educated workers, raising the spectre of a generation growing up poorer than the previous one."⁶

³ *Ibid.*, pp. 15-16 and 19.

⁴ *Ibid.,* pp. 22-23.

⁵ *Ibid.,* p. 34.

⁶ Richard Dobbs, Anu Madgavkar, James Manyika, Jonathan Woetzel, Jacques Bughin, Eric Labaye, and Pranav Kashyap, *Poorer than their Parents? A New Perspective on Income Inequality*, Report of the McKinsey Global Institute, July 2016, available at http://www.mckinsey.com/global-themes/employment-and-growth/poorer-than-their-parents-a-new-perspective-on-income-inequality (last accessed: 28th August 2017).



This loss of confidence affects not just political but also economic elites, and concerns not just the national but also the European level. For the disenfranchised, the hopeless or those who are without protection, the EU is perceived as part of the problem and not part of the answer. For them, the EU is a bureaucracy full of technocrats and distant elites. In this regard, the idea that the EU is an elitist project made without consulting the electorate is very much alive.

The EU also seems hampered by an institutional paralysis that will be difficult to overcome. While it is not feasible to go back on the progress made with the Treaty of Lisbon, there is still no clear way ahead. The horizon looks glum or blurry at best. New narratives of a divided or fragmented Europe have surfaced. They differentiate debtor and creditor countries or oppose southern and northern Europe. At the same time, many questions about the transparency of the EU's decision-making process remain. There is also a challenge because of expectations that are difficult to fulfil. The gap between what is expected and what can be realistically done either at national or European level is not easy to deal with.

Meanwhile, the individual path of each member state is another important dimension that can help to understand the sense of hope or disillusionment felt among its society. Why did Portugal join the European project? At the time of Portugal's accession, Brussels was a beacon of liberal democracy and economic development. Becoming a member was a crucial step for a country that wanted to normalise its relationship with the world after a long dictatorial winter. There is a large consensus that the Portuguese have benefited from EU accession through the consolidation of its liberal democracy and the convergence with the more developed European economies.⁷

The expectations in terms of convergence when compared with the recent "austerity" policies are another way to gauge the level of disenchantment among the Portuguese population. Today, the main concerns are economic and social and they fuel a sense of greater vulnerability. Against this backdrop, it is not a surprise that 52% of the Portuguese totally disagree with the statement "My voice counts in the EU".⁸

⁷ António Costa Pinto, "Da África à Europa", in Francisco Bethencourt e Kirti Chaudhuri (Eds.), História da Expansão Portuguesa, Vol. V: Último Império e Recentramento (1930-1998), Círculo de Leitores, Lisbon, 1998, pp. 414-420; Nuno Severiano Teixeira, "Entre a África e a Europa: a política externa portuguesa, 1890-1986", in *Política Internacional*, Vol. 1, nº 12, Spring-Summer 1996, pp. 55-86, and Nuno Severiano Teixeira and António Costa Pinto (eds.), *The Europeanization of Portuguese Democracy*, Social Sciences Monographs/Columbia University Press, New York, 2012.

⁸ European Commission, Public Opinion in the European Union, Standard Eurobarometer 87, op. cit., p. 20.



CHALLENGES AND HURDLES FOR THE EU: RESILIENCE AND RELEVANCE

It is not easy to maintain the course of a ship that has been through several storms. The EU finds itself in a similar situation, especially as it has tried to weather not only the most significant economic and financial crisis since the end of the Second World War but also the rise, in recent years, of populist movements as well as the results of the British referendum.

It would have been unthinkable to the generation who founded the European project that we would now be holding our breath whilst watching the results of national elections in member states. Meanwhile, the scale of the humanitarian tragedy of millions of refugees arriving on the shores of Europe has baffled any national and European attempts for a concerted approach. And lastly, terrorism has touched several member states and has pushed for better coordinated national security responses.

Amid this arduous path, however, the EU has demonstrated its resilience. It is no small feat as it enables us to reflect upon all these events with the benefit of hindsight and to start a serious discussion about a better path. Whilst not glossing over the importance of the challenges that have been enumerated, one should take a moment to look at the world and realise that despite all its shortcomings and pessimistic outlook, Europe is still the most robust socio-economic region in the world. For instance, "with just 6,9% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports".⁹ At the same time, the EU is generally recognised as the area where the Welfare State is best developed albeit with differences between its member-states.

Moving to the three main European issues that have been discussed by the Portuguese NRG, namely economy, security and migration in Europe, responses have been mixed. At the elite level, all three issues are relevant concerns even though Portugal is not directly affected by migration. Each issue has the potential of having a systemic impact on the EU. For the public at large, socio-economic issues are paramount and migration is clearly a non-issue although there is support for a European common approach. These perceptions were validated by the latest Eurobarometer results.

At national level, the main concerns are unemployment for 51% of respondents, the economic uncertainties for 26% of them and rising prices, inflation or the cost of living for 21% of Portuguese.¹⁰ At personal level, the main concerns were rising prices, inflation and the cost of living for 41% of respondents, taxation for 18% of them and both pensions and health/social security for 16% of Portuguese.¹¹ For the Portuguese, the main concerns at European level were terrorism (46%), the state of member states' public finances (23%) and the economic situation (21%). Once again, we find the financial and economic issues to be high concerns. It is

⁹ Fact sheet regarding the economy of the EU available at <u>https://europa.eu/european-union/about-eu/figures/economy_en</u> (last accessed: 27th October 2017).

¹⁰ European Commission, Public Opinion in the European Union, Standard Eurobarometer 87, op. cit., pp. 10-11.

¹¹ *Ibid.*, pp. 12-13.



worth noting that Portugal is the only country where immigration is not among the top three concerns.¹² The majority of Portuguese (65%) nevertheless stated their support for a common European policy on migration, in accordance with their understanding that migration has an impact at European level.¹³

There was a general acknowledgment that the humanitarian crisis presented a challenge to the normative dimension of the EU, namely its human rights core, and that there has not been a proper coordinated response. Moreover, there is the need to look on the long-term at the causes of the pressures in the areas surrounding the EU that force people to leave their homes. These will not likely go away soon. At the same time, the Portuguese case highlights that the established quotas do not seem to function when faced with better socio-economic incentives and/or already established family and friends' networks in other member-states such as Germany.

In the economic domain, there was rather a consensus in the National Reflection Group on the need to use existing mechanisms of "differentiated integration" or "variable geometry". The difficulty is where you draw the line and establish the criteria. There was also a discussion that highlighted that the economic and financial dimension of the EU is incomplete and thus adds to the crisis. The importance of the internal market was consensual as well as the need to effectively find a way to promote free trade beyond the stalled negotiations regarding the Transatlantic Trade and Investment Partnership. What is more, we should strive to preserve and improve the Common Market and its freedoms.

From a Portuguese perspective, security appears as an area where there could be a consensus to advance collectively thanks to an agreed European policy. The fight against terrorism and the obvious need to share national intelligence can function as a platform for greater integration. Moreover, the decreasing US involvement is another threat or opportunity that can push Europeans to develop their own capabilities and responsibilities in terms of defence. By doing so, the EU will reinforce its international relevance beyond its economic and commercial weight. Even though this is one of the areas in which the decision of the British people to leave the EU will have a greater impact - the UK Armed Forces are alongside the French one, the two biggest contingent and defence industry in Europe.

There is now the need to go beyond the usual national view on security and defence. In this regard, both transnational meetings with the Estonian and Finnish counterparts were enlightening on how much Russia represents a threat for some member states in the EU. Faced with a tough neighbourhood and US disengagement, Europeans should take the defence step more seriously.

Portugal is a founding member of NATO and the Atlantic is part of its DNA. The geographical spread of the EU, however, does not make it easy to speak with one voice or even more so act as a single player in the areas of security and defence. But this should not prevent us from deepening our national security and defence policies. In this regard, Portugal can only benefit from strengthening the cooperation between NATO and the European Common Security and Defence Policy (CSDP).

Another important increasing challenge has come from within member states: populism. These authoritarian populist movements and parties have in common an anti-systemic stance. Due to this characteristic, the EU

¹² *Ibid.*, pp. 6-7.

¹³ *Ibid.,* p. 35.



is usually a prime target but populism is a highly diverse and heterogeneous phenomenon. For instance, in Portugal the two political parties that are anti-systemic were founded prior to the economic and financial crises. In a nutshell, for historic reasons linked to the dictatorship and the democratic transition, the Portuguese Communist Party has remained strong, particularly in the union sector, and the Left Bloc was founded at the end of the nineties. These players need to be fully considered and properly analysed. Moreover, when we break down their political agenda we realise that the national issues prevail.

So far the EU and national governments have been able to weather the storm but complacency would be misleading. The root causes for dissatisfaction and disenchantment persist.



THE WAY FORWARD FOR THE EU: DO BETTER RATHER THAN MORE

Following a critical appraisal of the 'State of the Union', the Portuguese NRG has identified some of the key concerns and challenges that are facing Europeans and Portuguese. Looking ahead, the question is thus what can be done to move forward and address these concerns? First, while it seems impossible to overturn the Treaty of Lisbon or revise the existing treaties, there was a consensus to find a middle ground between a "Great Leap Forward" and the *status quo*. We should start by emphasising resilience so that we are able to find a response to overcome what has now become an institutional paralysis. We should focus on doing better, for instance in preserving and completing the internal market, rather than do more.

In this regard, we should better understand the other member states with whom we do not share a common geography or history. The transnational meetings with Estonia and Finland proved extremely helpful in reinforcing our understanding of the anxieties and fears regarding our Russian neighbour. And the same goes for other issues and themes that were debated. It may seem as truism but mutual understanding is a key to reinforcing European citizenship and a sense of common solidarity.

Regarding the institutional domain it was rather consensual that mechanisms of "differentiated integration" or "variable geometry" should be further used. In terms of feasibility, the most viable option would be along the lines of those member states that have adopted the Euro and those that have not. The golden rule, however, should be that these differentiated speeds of integration remain inclusive. In fact, we should demystify the idea that it would be a European novelty. One must look at the opt-out clauses that were accepted for some member states in previous integration phases.

At the end of the day a more realistic standpoint proposes that we should increase the weight of the EU budget leaving the increase of its own resources to be determined at a later stage. The same goes for a realistic way of managing the debts of member-states taking into account the strong resistance from other countries.

These measures would be important to address the economic and financial vulnerability felt by some member-states. In order to respond to the call for projects with noticeable impact on peoples' lives, a European Social Model was put forward in order to deal with the socio-economic crisis. For instance, a European Unemployment Insurance would smooth the progress of constructing a meaningful European citizenship. These measures would also enable a better chance of meeting the anxieties and worries of Portuguese society as well as to make the simplistic discourse of populist parties less appealing.

At the same time, the British decision to leave the EU has raised many challenges for the other member states. In the case of Portugal, the concern is that the exit of one of its most powerful and Atlantic members would make it more difficult for its voice to be heard. One of the big questions in considering the way forward is how to balance a more effective EU with a more democratic one? In this regard, the Portuguese NRG considers that it is important for the European Commission to remain the main moderator and a strong player *vis-à-vis* the agendas of the most powerful member states. We should also avoid further



regionalisation or fragmentation to the current European crisis. Dividing the EU between creditors and debtors or between North and South will contribute to the weakening of solidarity among member states.

Concerning migration, albeit not the subject of much attention by the public at large, the Portuguese NRG understood how it can have a systemic impact on the EU. In this regard, Portugal has been more than willing to help as shown by its efforts at relocating and integrating refugees. The Portuguese NRG argued that more had to be done. More attention must be paid to the countries of origin. The EU must work with them to develop better answers to this humanitarian plight.

In terms of security and defence, we should further develop the European dimension of defence whilst improving the mechanisms for security and intelligence sharing. As for the former, the current US administration and its foreign policy might give Europe the necessary trigger to seriously develop its own defence. At the same time, this should be done in articulation with NATO to avoid overlapping of resources and capabilities. For countries like Portugal that are members of both the EU and NATO, this is a crucial consideration.

Portugal should participate in the improvement of the EU's defence responses and capabilities. In terms of assessment, the criteria for the pooling of resources should be both quantitative and qualitative. We should look beyond financial contributions or military expenditure criteria and also include an evaluation of military capabilities or specific areas in which member-states have a strategic advantage. We should also aim at better coordination either by breathing new life into mechanisms such as Frontex or the Permanent Structured Cooperation in Defence. The terrorist threat that Europe is facing should be met by a pooling of resources and greater cooperation between national intelligence gathering efforts. In fact, this may well be a domain that can function as a platform for further integration at European level. The terrorist threat will not go away in the foreseeable future nor will the adverse environment that Europeans face. These include the resurgence of Russia to the East and what is generally called the "arc of crises" at the borders of the EU.

Lastly, there is a need to address the issue of political communication, which entails several dimensions. First, communication on the merits and the origin of the European project are ineffective both at national and European levels. They are taken for granted and too often left out of the current debate and discourse. Moreover, there is also a lack of communication on the current benefits of EU membership, a situation that is made worse by the technocratic discourse and a European jargon that effectively functions as a barrier for a two-way understanding between Brussels and the European citizens.

Furthermore, there is a need for tailor-made responses for the individual member states and the different generations that now co-exist in the EU. In countries such as Portugal where the main concerns are of a socioeconomic nature, greater efforts should be made at communicating better the solutions to be considered. For the younger generation, the world of Erasmus mobility and European passports is taken for granted. Therefore, we need to be more imaginative in reaching out to this younger generation in terms of a European identity.

We should not stop asking the tough questions: How can we make a European Union that "protects without being protectionist"? How can we better defend and secure Europeans without ourselves becoming a "fortress Europe" or relinquishing our liberties? How can we deal with the scope of the wave of migrants and refugees without betraying our core values and human dimension? Lastly, how can we advance European integration and respect the voice of less powerful states?



All these questions require a thorough debate among the public and with politicians, between national and European institutions as well as among member states. A starting point is to understand the anxieties and the concerns of other member states that do not share the same geography. Given we keep asking ourselves the same questions, it may signal that we may never be satisfied with the answers. The price of being complacent is too high as demonstrated by the threat posed by populist movements and parties. We need to transform a constraint into an opportunity to take advantage of the present crisis to reinvent an institutional setup into a system where our voices really count.



LIST OF FURTHER READINGS

António Costa Pinto, "Da África à Europa", in Francisco Bethencourt e Kirti Chaudhuri (eds.), *História da Expansão Portuguesa, Vol. V: Último Império e Recentramento (1930-1998)*, Círculo de Leitores, Lisbon, 1998, pp. 414-420.

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LIST OF NATIONAL PARTNERS

BELGIUM	Egmont – Royal Institute for International Relations
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