

On the path to a resolute and resilient European Union of values

In June 2024, voters throughout the European Union will go to the polls in the European Parliamentary elections. After that, a new European Commission will be installed for the 2024-2029 term. The European Council will draw up a framework for action for the new Commission in the form of a strategic agenda, which is expected to be presented in June 2024. This year's State of the European Union looks ahead to the challenges and opportunities facing the Netherlands and the EU in a time of transition.

The EU is confronted with major, urgent challenges, and is undergoing a transition to geopolitical maturity. Four years after the last European elections in 2019, we are living in a different, much harsher world, and the multilateral order based on shared rules and norms is under more pressure than ever. With its invasion of Ukraine in 2022, Russia brought war back to the European continent. The European Union responded with resolve, by introducing a number of major sanctions packages against Russia and providing extensive military, humanitarian and financial support to Ukraine. The war marks a historic turning point for the EU, and illustrates the urgency of strengthening its geopolitical role.

This new geopolitical context has pushed the issue of EU enlargement higher up the agenda. This transition too will require our attention in the years ahead. For the government, the key priority is that the EU should remain a strong and legitimate actor, with well-functioning institutions that can realise ambitions through effective action. Future enlargement must not be allowed to weaken the EU or its capacity to act. In the government's view, the adoption, implementation and enforcement of the EU acquis, together with the Copenhagen Criteria, remain the basis for assessing the progress of current and potential candidate countries in the accession process. It is also important to recognise the need for sufficient support for enlargement among EU citizens.

In parallel with that process, the EU itself will need to prepare for future enlargement. Member states will need to identify what consequences enlargement will have, and determine a path forward. The government believes that, in order for enlargement to succeed, the EU's preparatory work must in any event be based on six closely related elements: the rule of law, democracy and fundamental rights; geopolitics and security; finances; the single market; migration; and the institutional architecture. An enlarged Union with a well-functioning single market and secure borders can help enhance the EU's influence in the world.

Accelerating and linking the green and digital transitions will create opportunities for the EU to position itself on a world stage characterised by a shifting balance of power and increasing economic and technological competition. In recent years the EU has taken key steps towards greater open strategic autonomy and economic resilience. There is now a bigger focus, for example, on security of supply of critical raw materials. In this connection the Netherlands continues to stress the importance of an open economy, a level playing field and international partnerships. With its European Green Deal, the EU has made major strides towards a climate-neutral, fossil-free and circular future, with a clean energy system and a green industrial sector.

Today's global challenges require transboundary cooperation. Most people in the Netherlands see added value in EU membership, above all because a small country like the Netherlands is politically, economically and militarily stronger as a part of the EU.

Cooperation within the EU is possible only if the values of the democratic rule of law are respected by all member states. These are fundamental pillars of the European community. They ensure that member states can be confident that agreements will be honoured. At the same time, transparent decision-making contributes to the Union's legitimacy and bolsters public confidence in the Union. The task of safeguarding the EU's democratic legitimacy and values will therefore remain as relevant as ever in the coming years.

The Netherlands thus has a major interest in a resolute and resilient European Union of values, especially at the current geopolitical juncture. The Union needs to consolidate and strengthen its position in the world by enhancing its own prosperity, security and resilience, and by taking steps that enable it to operate effectively in the geopolitical arena. The EU also needs to safeguard its own stability and sustainability, and promote its community of values. In what follows below, the government sketches four themes it believes should guide the EU in addressing these challenges over the next several years.

A Union that is working to increase prosperity and resilience and accelerate the green and digital transitions

A strong economy remains crucial if the EU is to achieve the green and digital transitions, enhance its position in the world and increase prosperity among its citizens. It is essential in this regard that the EU bolster its competitiveness, by investing in its own strengths and reinforcing its political and economic foundations. This challenge relates primarily to the single market. A robust internal market is resilient, sustainable, fair and competitive. Unjustified barriers

must be removed and a level playing field safeguarded, not least by improving supervision and enforcement. We can ensure the single market remains vital and dynamic by investing in innovation, improving infrastructure and increasing connectivity in areas like transport and energy. It is also important that the EU make progress on deepening the capital market and explore further steps to that end, which would allow private capital to be mobilised for investment in the green and digital transitions.

In this connection, the EU needs to strengthen crucial industries and production chains, while making them more sustainable. At the same time it must also mitigate the risk of undesirable dependencies. In addition, an active trade policy, including bilateral trade agreements and raw materials partnerships, could enhance the EU's economic resilience and security of supply, for example via diversification of its trading partners. Trade accounts for almost one-third of the Dutch economy, thus making an indispensable contribution to our economic growth and employment.¹ The EU owes its position on the world stage in substantial measure to its economic heft, and open trade policy is crucial in order to preserve and consolidate this.

A future-proof EU is a sustainable EU. Extreme weather events such as drought and heavy rainfall are causing more frequent forest fires and floods, including in parts of Europe where they were once rare occurrences. We must work collectively to preserve a liveable planet. This requires responsible policy on climate change and the environment, focused on a climate-neutral, circular future with due regard for protecting biodiversity and managing water sustainably. The path to a future-proof EU requires investment in research and innovation, as well as in education and the social agenda. To this end, European cooperation is needed to create an attractive business climate that will enable innovative green and tech startups to keep growing. The EU is playing a key leadership role when it comes to the regulation of artificial intelligence. It is also essential that the Union works to enhance digital security and safeguard fundamental rights and public values. By developing a coherent strategy in these areas, the EU can both boost its resilience and preserve its technological leadership position.

It is up to the EU and its member states to ensure that the green and digital transitions are *fair* transitions, and that everyone is able to reap the rewards of upward social and economic convergence between member states. Just distribution of climate costs and benefits is important for public support for

¹ According to the publication *Dutch Trade in Facts and Figures 2023*, produced by Statistics Netherlands (CBS), the Netherlands' total earnings from international trade amounted to 32.6% of GDP.

climate policy.² Globally, we are growing ever more interconnected. Such a high degree of connectivity presents both challenges and opportunities in areas like innovation and cooperation, and these extend to the way we work, too. By enhancing digital knowledge and supporting retraining and ongoing education in skills relevant to a sustainable and resilient labour force, we can ensure that the benefits of the green and digital transitions remain attainable for citizens and businesses alike, and that this double transition will succeed.

A strong, geopolitical Union confidently assuming its role on the world stage

The current juncture requires the EU to become geopolitically mature and take up a strong position on the world stage. This begins with taking a more integrated approach when formulating Common Foreign and Security Policy (CFSP). To guarantee the EU's effectiveness and decisiveness, decision-making by qualified majority voting should be expanded within the CFSP. In addition, the Common Security and Defence Policy (CSDP) should be strengthened in line with the goals set out in the Strategic Compass, such as in the area of crisis management or a further development of the defence industry complementary to EU-NATO cooperation.

We are seeing various security threats becoming increasingly intertwined, such as in the realm of economic security or cybersecurity. In today's harsher geopolitical climate, the Union needs to make (offensive) tactical use of its economic weight, e.g. in the form of sanctions. At the same time it must work (defensively) to reduce undesirable dependencies in areas such as raw materials, technology and critical infrastructure. This requires further integration of internal and external security aspects within the EU.

In this changing world the EU will need to invest heavily in enhanced relations with other countries and regions, including in the framework of the EU Global Gateway, trade agreements and other forms of cooperation. In the coming period it should also strengthen its ties with various partners on the basis of a joint commitment to a world order founded on multilateralism and its associated norms and values. These partnerships begin with current and possibly future candidate countries. Against the backdrop of a new geopolitical reality, particularly the war in Ukraine, the issue of future enlargement has gained fresh urgency. More than ever, regional security and stability are crucial factors, as is the prospect of prosperity, peace and security for candidate countries. The

² See also report no. 106 by the Netherlands Scientific Council for Government Policy, *Rechtvaardigheid in klimaatbeleid, over de verdeling van klimaatkosten* (Justice in climate policy: on the distribution of climate costs).

government supports the EU ambitions of the countries of the Western Balkans and the new and potential candidate countries, Ukraine, Moldova and Georgia.

A Union rooted in democracy and the rule of law, and joined by shared values

Fundamental values such as the rule of law, democracy and human rights are an integral part of the Union's identity. Cooperation between member states in all policy areas is possible only if those members can be confident that the values enshrined in Article 2 of the Treaty on European Union will be respected. The government supports the Commission, as guardian of the treaties, in its efforts to identify and combat violations of the rule of law. We have seen that the use of financial instruments can genuinely bring about rule-of-law reforms. Another task for the EU in the coming period is to protect and reinforce its fundamental values and democratic governance, including in the light of potential EU enlargement. Safeguarding stability, supporting rule-of-law reforms and implementing and enforcing the EU acquis must be the point of departure for enlargement policy. In order to preserve successful cooperation in the long term, whether or not as part of an enlarged Union, it is crucial that the EU strengthen its rule-of-law instruments.

To protect the aforementioned shared values, the EU will have to work continually to prevent and combat terrorism, corruption, and organised and other forms of crime. It must also continue to be alert to hybrid and state threats, and covert interference by external parties, which could undermine democratic governance within the EU. Furthermore, the Union needs not only to protect but also to strengthen the EU's democratic legitimacy. The watchword in this regard is good governance. The government has long been pressing for the modernisation of the EU's decision-making process. To ensure the proper functioning of democracy in the member states and in the EU as a whole, free and independent media are essential. The government supports recent proposals aimed at enhancing media freedom.

With regard to migration, the EU needs to make effective agreements with countries of origin and transit in order to get a better grip on the arrival and return of migrants. The Union must also continue to offer protection to people who are entitled to receive it. Member states must adhere to the existing acquis, which includes the obligation to respect fundamental rights in border management and a well-functioning system under the Dublin Regulation, pending the outcome of negotiations on the New Pact on Asylum and Migration.

A decisive Union with the ability to carry out transitions and achieve results

The future demands an EU that shows resolve by taking effective, legitimate decisions. The Netherlands will therefore benefit from a Union that has well-functioning institutions and strong member states, enabling the fulfilment of geopolitical ambitions and the successful completion of the green and digital transitions. Smart choices in the EU's budgetary and financial framework are crucial in this regard. The government is pressing for a prudent, modern EU budget with a greater emphasis on policy areas that the Netherlands views as priorities, such as research and innovation, sustainability, security and migration. When it comes to revising the EU's fiscal rules (Stability and Growth Pact) the government will assess the proposals based on the degree to which they contribute to sound public finances, upward socioeconomic convergence and improved compliance and enforcement.

Better legislation is also needed. There are major national, regional and local differences within the Union, for example when it comes to demographics and spatial planning. The impact of EU legislation therefore differs greatly both between and within member states. It is essential that the Commission take account of these differences when drafting new legislation, by conducting impact analyses in a timely and consistent fashion. The Commission should also actively employ the 'one in, one out' principle, whereby new legislation replaces old, minimising unnecessary regulatory pressure. Workable legislation will enable member states in the years ahead to continue to reap the benefits of the advantages of scale created by EU cooperation.

The future demands an EU that is resilient and shows resolve, not least in view of the major challenges looming on the horizon, which Europe will have to anticipate and respond to. Together, the member states and citizens of the Union will have to navigate their way through these transitions. Good information management and open dialogue are important in this regard. The involvement of the House of Representatives and the Senate in EU decision-making is essential in order to bolster the democratic legitimacy of, and public support for, the EU. Involving the Dutch public in and keeping them informed about the EU remains a core task for the government. For this reason, in 2024 new citizen dialogues will be arranged, in close cooperation with the relevant local authorities. In the years ahead the government will also continue actively informing the public about EU developments and listening to what they expect from the Union in the future.