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STRATEGY PAPERS

# Europe in 2022: Alternative Futures

Mathew Burrows and Frances G. Burwell  
Foreword by Javier Solana

# Europe in 2022: Alternative Futures

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**March 2017**

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# Foreword

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**T**he European project is in crisis. Growing economic inequality, populist gains in local elections and the promise of victory for nationalist candidates, US retrenchment, and demographic shifts stand in stark challenge to European cultural norms and values. In many ways, the future of the European continent is more uncertain now than ever before in the post-World War II period. With threats increasingly crossing and transcending national borders, governments are faced with the choice of closing theirs to the free flow of peoples and goods.

These challenges are not new. I grappled with many of these issues throughout my years in the Spanish government, NATO, and European Union—both at the national and supranational levels. While the problems themselves may not be unique, the situation we find ourselves in today marks a sharp turning point from the past. Today's challenges can no longer be addressed and contained at the national level. Crises of demography, economy, and security exacerbate one another, multiplying their combined potential to destabilize and fracture Europe's inclusive, cooperative, and democratic spirit.

In this report, Frances Burwell's transatlantic expertise joins Mathew Burrows' deft trends analysis to offer a sobering look at the possible future for Europe with the hope of reigniting the bond between Americans and Europeans so that we may build a better future together. Relations between Europe and the United States must remain strong, rooted in our shared liberal values, in order to reinforce the international order against growing threats and uncertainty. If, by 2022, the US-Europe bond crumbles, falling victim to narrow national interests (outlined in the scenario, "US Disengages from Europe"), then we endanger the peace and prosperity so earnestly built since the end of World War II.

How Europe, as a region, responds to key uncertainties—from the fallout from Brexit in the United Kingdom to Russian antagonism in the East—will determine its future. This Atlantic Council Strategy Paper joins the Atlantic Council's impressive series of trends analysis, sketching five such scenarios ranging from modest positive gains for integration and economic reform to US disengagement from the region.



Rising nationalist voices in France, the Netherlands, and Germany—reinforced by the cultural crisis of European identity—look to disrupt Europe’s path towards deeper integration, rejecting openness in all its forms as well as the political establishment that has advanced it. The scenarios that follow are a glimpse at what could quickly become our future in a short five years’ time. We must look to bring about the most positive future by enthusiastically embracing opportunities and standing unified against the many risks.

A handwritten signature in black ink that reads "Javier Solana". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

**Javier Solana**

*President of the ESADE Center for Global Economy and Geopolitics and Distinguished Fellow*

Brookings Institution

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# Executive Summary

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## Key Findings

Sixty years after the signing of the Treaty of Rome, Europe faces its greatest challenges, and possibly its sharpest turning point, since World War II. The spectrum of possible futures for Europe is wide, encompassing everything from rebirth to disintegration. But, a strong leap toward greater EU-wide integration—as was sometimes the outcome of earlier crises—seems unlikely at best. Instead, this seems a time for smaller steps toward more integration, most likely in response to specific challenges, including: stronger external border controls; enhanced eurozone governance; or a more capable Common Security and Defense Policy. If the positive option is modest integration, the alternative future is one dominated by a clear break with past integration. A presidential victory in May by France's Marine Le Pen could splinter the European Union, sending it into a tailspin toward disintegration. Even if this dire forecast is avoided, Europe—and especially the European Union (EU)—will face challenges that push it into entirely new directions. If the United States withdraws from Europe, for example, will Europe be forced to accommodate Russian demands? Or will that challenge foster stronger security cooperation among a core set of nations, to counterbalance a weakening NATO? And if Europe's economy continues on a slow-growth path, will it be able to afford to respond to the challenges it faces?

## Europe's Greatest Challenges

The weakened consensus for greater integration has its roots in one of the biggest challenges facing Europe today: the fraying economic and social compact between the publics and governments. Like that of the United States, the EU economy was hit hard by the 2008 financial crisis. Even before that, gross domestic product (GDP) per capita had been slipping, and has only recently recovered to pre-2008 levels, several years after the United States regained its economic growth. This lagging growth has not been evenly distributed. While some of inequalities between EU member states have lessened in past year, there have been growing inequalities within countries. The poorest Germans saw negative income growth in the first decades of the twenty-first century, despite the strong economy. Other core nations, such as Italy, also saw growing inequality.

Europe is also challenged by its aging population, which limits the potential for growth. Europe's share of global population will shrink from 10 percent to just 7 percent by 2050, and there is very little European governments can do to reverse that trend. The rapid aging of European





society will affect the sustainability of pensions and health systems. Increasing migration could mitigate the aging trend, but is an increasingly explosive political issue.

Also politically challenging is the need for structural economic reforms, which will be key to any rebirth of European integration. Some believe that sustained economic growth of 2 to 3 percent is possible, but would require difficult reforms and time. Even that, however, would not stop Europe's decline as a share of the global economy. From being 30 percent of global GDP with only twelve members in the 1980s, the EU will, according to the International Monetary Fund (IMF), slip to 15 percent by 2021. China's rise represents an opportunity for attracting investment into Europe, but there is no doubt that Europe is being surpassed.

Europe is also facing the return of geopolitics to its southern and eastern neighborhoods, challenging the comfortable and secure environment in which European integration thrived. From all sides, Europe appears surrounded by instability, and what some see as endless flows of migrants escaping conflict in the Middle East or Africa—giving the impression to Europeans of a continent under siege. For Central Europeans, a major conflict between NATO and Russia looks increasingly likely in the wake of Moscow's intervention in Ukraine. The recent terrorist attacks in Paris, Nice, Brussels, and Berlin have raised concerns about personal security. Large proportions of Europeans believe additional terrorist attacks are inevitable.

How Europe responds to these threats will be key to its future by 2022. Recently, defense budgets have been increasing, but there remains significant ground to make up. Increased military expenditures alone will not necessarily bolster defense. There is much room for improved efficiency of European defense spending, and for cooperation among militaries and intelligence services. The recent terrorist attacks have shown, for example, the gaps in information sharing between member-state intelligence services and police.

Europe must deal with these three challenges—demography, economy, and security—if it is to be on the path to success by 2022. This will require Europe to make some tough policy choices, but it must also deal with many uncertainties that further complicate those challenges. This paper identifies four key "domestic" uncertainties; that is, areas in which European leaders must make critical decisions that will take the continent forward.

**First, will Europe undertake successful economic reform?** Many economists believe Europe must move away from a policy of austerity if it is to grow again. Labor-market reforms will certainly be necessary to expand economic growth, but will be unpalatable until growth gears up. Raising retirement ages—also politically difficult—will be necessary if pensions and healthcare spending are to be safeguarded. Europe must also reform to fully exploit the advancing digital economy. The Digital Single Market and Capital Markets Union proposals are key, but still very far from being implemented. The impact on European exports of changes in US economic policy is far from clear, and could be significant. Pursuing reforms will be difficult,

but polls show some appetite among the public for change. Certainly, there will be little renewed trust in government until there is economic growth.

**Will Europe integrate existing refugees and migrants, and develop better controls over external borders?** These will be critical tests for allaying citizens' concerns. The migrant crisis has been an exceptionally divisive experience for Europeans, increasing distrust in government and boosting concerns about national identity. Unless European governments ensure better border controls and security cooperation, the Schengen system of free movement might be abandoned, bringing higher costs and inconveniences for goods and people across the region, and reversing one of the major achievements of European integration. Even more difficult, Europe must integrate its recent migrants into the economy and societies. Yet, negative views of Muslims are widespread, and many Europeans are not convinced of the value of diversity, even though there is evidence that migrants can make important contributions. Over the long run, Europe's aging societies require migrants if social welfare systems are to remain solvent.

**What will be the UK's future relationship with the EU?** Although it is now clear that the UK intends to leave the Single Market, there is still much uncertainty about the final arrangements. What is clear is that Brexit presents a challenge to the EU as well as the UK. The EU27 (the EU28, minus the UK) will have to balance making the separation neither too easy nor too hard. The UK will remain an important security partner for Europe even after separation, with a stronger Common Security and Defense Policy as the result. If the United States withdraws some of its security support, strengthening security cooperation across European countries—both inside and out of the EU—will prove very important. Brexit also provides the EU with opportunities to examine its own internal organization, perhaps leading to a construct with some states preferring a looser intergovernmental framework, and some pursuing closer union.

**What will be the impact if the far right moves into power following some of the upcoming European elections?** The contests in France, the Netherlands, Germany, and, possibly, Italy could have dramatic impacts on the EU's future. A France, for example, that takes itself out of the euro will have broader implications for the viability of the European Union. Even if these movements do not triumph in the upcoming elections, they will continue to be a force in European politics, and may obstruct some vital reform efforts, as well as the integration of refugees.

Europe must also deal with four key external uncertainties. Of course, Europe has little control over the course these variables may take, but how it responds to these developments will be key. In particular, whether these developments stimulate greater integration—or greater divisions—will be a vital determinant of Europe's future.

**Will the United States remain engaged as a European power?** US involvement has been essential to the "European project" since its start, with the Marshall Plan seventy years ago. The Donald Trump campaign, and now the new US administration, cast doubt on that longstanding



commitment, including even the US commitment to NATO. A US withdrawal from Europe could have a long-term salutary effect of forcing the Europeans to take more ownership of their own security. But, in the short term, the intra-European divisions over security goals and priorities, along with how to fund their own defense, are likely to be more prominent.

**Will the Balkans slip back into instability, and what will be the impact on Europe?** The western Balkans could benefit from a reformed and secure Europe. But, that region also faces its own pressures that could lead it off the track of its European ambitions. If the economy festers, and Russian and Islamist influences gain hold, the Balkans could become much less stable, with the possibility of conflict erupting within Bosnia or Macedonia becoming very real. How Europe, and especially the EU, will respond to a reawakening of the Balkan nightmares of the 1990s is very unclear.

**What path will Turkey choose, and how will that affect its relations with Europe?** Turkey has become increasingly important for Europe because of its role in stopping the smuggling that facilitated extreme levels of migration in 2015. Internally, Turkey has become more repressive, and there is now little possibility of restarting serious talks on EU accession. Instead, Turkey might become far more disruptive in European foreign policy, or even a threat to Europe—especially in the Balkans, should Turkish influence become a more divisive factor in those multiethnic societies.

**Finally, will Russia be an aggressive factor in Europe, or will constructive engagement with Europe be possible?** In the last few years, Russia has become a bigger factor in European politics, with Vladimir Putin reaching out and increasing his support among the far right in Europe. Victories by these parties in upcoming elections could lead to strengthened ties with Russia, and an EU decision to rescind sanctions against Russia. Alternatively, new Russian aggression in Ukraine or elsewhere could raise renewed fears in the Baltics and Central Europe about Russian intentions, and create greater resolve among European leaders to stand firm against Russian aggression.

In response to these potential developments, and in an effort to better understand how they might affect Europe's future, this report outlines five possible scenarios. No one scenario tells the full story; instead, each draws out one element—slow economic growth or US withdrawal—to examine the possible consequences. In reality, the most likely future is a combination of these visions.

In only one scenario does Europe find a positive way forward. In "Revitalized Europe," the continent returns to the pattern of increased cooperation, but only after economic reform efforts succeed. This scenario also requires that Europe does not have to deal with any new threats along its borders, and that the existing migrants are integrated and add to the economic revival. The fact that economic reform will be an enormous challenge for Europe leads to the second scenario, in which that reform stalls and the result is a "Slow-Growth Europe." Aside

from the economic stagnation that results, this scenario also sees increasing divisions between Central Europe and Western Europe, with the EU increasingly split between an inner core and a periphery that has won the right to “a la carte” membership. The inner core solidifies its ties by forging closer security and defense cooperation.

Remarkably, three scenarios represent sharp breaks with the past. In “Nationalists in Charge,” France abandons the euro and the Dutch vote to leave the EU, but a counterreaction elsewhere bolsters the electoral chances of centrists such as Italy’s former Prime Minister Matteo Renzi and Germany’s Angela Merkel. The divisions spill over into NATO, persuading the Trump administration to question even more its commitment to European security. In “Russia Launches an Offensive,” an attack on Mariupol and the collision of a Russian military jet with a commercial aircraft lead to greater European cohesion, but relations between Europe and Russia decline so much that a new Cold War begins to develop. Finally, in “The United States Disengages from Europe,” the United States draws down not just in NATO, but in the other multilateral fora, such as the Group of Seven (G7) and Group of Twenty (G20). Left on their own, Europeans are forced to make a deal with Moscow—in return for Russia withdrawing its support for separatists, the EU excludes Ukraine, Belarus, Moldova, and Georgia from future membership in the EU and NATO.

For Europe, it is clear that the past will not be prologue. For almost sixty years, Europe’s story was about an ever-expanding and closer union. That dream has not entirely faded, but new economic and geopolitical factors make it hard for Europe to go on as it has without major adaptations. As three scenarios show, radical shifts are also a real possibility. It is the authors’ hope that this paper, by sketching both the negative and positive possibilities, can help both Americans and Europeans envisage and work together toward a better future for all. Seventy years after the Marshall Plan speech and sixty years after the signing of the Treaty of Rome, the post-World War II “transatlantic values” of democracy, liberal markets, and multilateralism remain keys to ensuring global security. Together, strong and internationally engaged United States and Europe remain vital for a better global future.



<b>Europe in 2022: Alternative Futures</b>	
<b>Megatrends</b>	
Demography: A Rapidly Aging Europe	Europe is aging, increasing pensions and healthcare costs to a potentially unsustainable level, without reform of the social-welfare program. Migrants could help ease the aging challenge, but they would need to be economically and socially integrated. Increased economic growth would also boost the viability of Europe's social-welfare programs.
Economy: Lagging Growth and Shrinking Global Share	Europe's economic growth has lagged since the 1990s, with high unemployment, especially among the youth. Economic inequality exists both between countries and within them. Europe will inevitably be a smaller part of the global economy in the future, but how much smaller will depend on whether it achieves more robust growth.
Security: A Region in Turmoil	Geopolitics has returned to Europe, which now faces security challenges from the east and south. At the same time, it has experienced a serious increase in terrorism. Europe has long underfunded defense, so its response over the next few years will be crucial. More intelligence sharing and cooperation will also be necessary.
<b>Key "Domestic" Uncertainties</b>	
Will Europe Undertake Economic Reform?	Surveys show a strong appetite for change among the European public, but efforts at labor reform have met resistance, making politicians wary. Europe has a window of opportunity with low oil prices, a competitive euro, and some useful proposals for investment and strengthening the Single Market, but implementation will be key.
Will Europe Control its Borders and Integrate its New Refugees?	2016 saw a reduction from the high flows of migrants into Europe during 2015, while Europe took some steps to control its external borders. Fears about losing national identity in the face of growing diversity are fueling populist movements.
What Will be the United Kingdom's Future Relationship with the EU?	The exact nature of the UK's post-exit relationship with the EU is unlikely to be determined for several years. Maintaining security ties will be important for both Europe and post-Brexit UK.
Will Extremists on the Right or Left Gain Power in Europe?	Extremist political parties have seen a rise in support since the financial crisis, and especially since the 2015 influx of migrants. Whether populists succeed in coming to power in France, the Netherlands, Germany, and Italy, the historically low levels of trust in national and EU institutions will remain low. There is a growing lack of enthusiasm for further EU integration.
<b>Key "External" Uncertainties</b>	
Will the United States Continue to Engage with Europe?	Following the inauguration of Donald Trump as president of the United States, there is greater uncertainty about US ties with Europe than at any time since 1945. US support for NATO and the EU has been questioned, and the new president seems eager to build a close relationship with Russia.

## EUROPE IN 2022: ALTERNATIVE FUTURES

Europe in 2022: Alternative Futures	
Will the Balkans Continue to Move Toward Europe, or Return to Instability?	While the states of the western Balkans have made significant progress toward joining Euro-Atlantic institutions, they still face a long road ahead – one that is increasingly risky, thanks to the migration crisis, and the often-divisive impact of Russian and Turkish influence.
What Will be Turkey's Future Relationship with Europe?	Although a NATO member, Turkey's relationship with Europe has become tense, due to concerns over Turkish lapses in key civil rights and foreign policy shifts. If Recep Tayyip Erdoğan continues to move Turkey toward authoritarianism and closer to Russia, the impact on ties with Europe could be severe.
Will Russia Continue to be an Aggressive Factor in the Region, or Will Europe Find a Way to Constructive Engagement?	Despite internal economic and demographic challenges, Russia will seek to exert influence over Europe, through aggressive measures against Ukrainian sovereignty, or disinformation and diplomatic campaigns in Europe and the United States. Whether Europe will stay united toward Russia is unclear, as some may seek more cooperative engagement with Europe's immediate neighbor.
Scenarios	
Europe Revitalized	Current proposals aimed at growing the European economy lead to a European revitalization with public attitudes growing in support of the EU, which slowly develops a stronger role in protecting citizens against terrorists and external security threats.
Slow-Growth Europe	With reform efforts stalling and global growth slipping, Europe's lagging economic growth persists, with youth unemployment and inequality still high in some countries. Recent migrants are poorly integrated, and more distinctions arise between the core and periphery of EU states.
Nationalists in Charge?	By 2022, right-wing nationalist parties have won elections in the Netherlands and France, as well as retaining control in Hungary. Cross-border cooperation among these governments has grown, allowing them to challenge EU norms of freedom of movement, and key elements of the Single Market and eurozone.
Russia Launches an Offensive	Russia renews its aggressive support of Ukrainian separatists, and takes advantage of riots in Kaliningrad to threaten Baltic members of NATO. As the importance of relations with Russia becomes clear, Europe struggles to remain united in its approach to its eastern neighbor.
The United States Disengages from Europe	The United States remains a member of NATO, but rarely engages. It actively discourages interaction with the EU, preferring to deal with member states, and especially with the UK (despite Brexit). At the same time, Russia becomes a greater influence in Europe, while Turkey moves farther away.

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## Europe in Crisis

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Over the past few years, Europe has been buffeted by multiple crises. Beginning with the financial shocks of 2008, the European economy has suffered one debt crisis after another, as Ireland, Portugal, Spain, Cyprus, and Greece have gone through difficult bailout programs, and, at times, seemed about to send the entire European economy into a tailspin. But, by the end of 2016, most had returned to modest growth and progress had even been made on unemployment. In Spain, for example, unemployment fell from 27 percent in 2013 to 18.6 percent in 2016.<sup>1</sup> Greece is still on the edge, with the issue of overall debt relief still unaddressed. Today, concerns focus on France and Italy, and whether they can raise growth rates and meet their reform targets, or become a second wave of financial trauma.

A second crisis for Europe began with the 2011 revolutions in Tunisia, Egypt, Libya, and elsewhere across the Arab world. At first, they generated great optimism, but—as reforms stalled and authoritarianism and even chaos took hold in many places—Europe was faced with a zone of growing instability to its south. Two years later, in late 2013, the Ukrainian people took to the streets to protest their government's refusal to sign an accord with the European Union. But, even as Ukrainians tossed out the old regime, Russian aggression in the east and its annexation of Crimea threatened the very integrity of Ukraine and the post-Cold War European settlement. Europe, which had once seemed stable and prosperous, now faced conflict and instability to both the east and the south, while still struggling with significant economic challenges. Geopolitics had returned to Europe's neighborhood with a vengeance.

Then, in the summer of 2015, waves upon waves of migrants and refugees began to land on Europe's shores, especially in Greece. There had always been migration across the Mediterranean, but 2015 saw a threefold increase to more than one million persons, many fleeing from the Syrian conflict. This crisis proved to be the most divisive internally, as borders returned within Europe, political extremism gained, and a rift widened between states willing—or unwilling—to take in refugees. Although the number of refugees began to abate after the EU concluded a deal with Turkey aimed at stopping human smugglers, more migrants began landing in Italy in the summer of 2016, mostly from Libya and West Africa.

Finally, in June 2016, the British people voted in a referendum to leave the European Union—the first instance in which a member state has sought to leave the EU. This has sparked an unprecedented process with much uncertainty for both the UK and the EU, and clearly challenged the mantra of integration that has dominated Europe since the 1950s.<sup>2</sup> There is no



clarity about the nature of the UK's future relationship with the EU, nor is there a definite timeline on which one may emerge. What is clear is that this issue will dominate British and European discussions for the next few years.

In the face of these intersecting crises, there has been much talk about the failure of Europe. Commentators have predicted the failure of the euro, the breakup of the eurozone, and the rupture of the European Union. To date, those predictions have not materialized. The euro is still in place—indeed, four countries have joined since 2008.<sup>3</sup> The eurozone has new institutions and procedures to manage financial crises, although implementation is far from assured, and much more needs to be done. Nor is the financial crisis resolved, as Greece still hovers on the edge of default, while Italy and France also face serious financial challenges. The European Union remains the great integrating institution of Europe, but it faces more challenges than ever before: the impact of Brexit, the rise of political extremism, and the integration of refugees, all happening against a background of persistent low economic growth and instability on its borders.

Shortly before completion of this paper, in early March 2017, the EU Commission outlined five scenarios for the future of the EU, including ones labelled “carrying on,” “nothing but the single market,” “those who want more do more,” “doing less more efficiently,” and “doing much more together.”<sup>4</sup> Clearly, Europe will not remain as it is today. Even if it manages to muddle through these crises, by 2022 it will be a different place, with altered institutions and policies. The question is whether these changes will be incremental, moving Europe toward more integration and stability, or whether these many crises have been a fundamental shock to the European system, and now require a fundamental change in response. If so, what will be the shape of that fundamental change?

What happens in Europe between now and 2022 will be of serious strategic importance for the United States. For decades, European allies have served as US “partners of first resort,” either through NATO or coalitions of the willing. Economically, Europe is the United States' major trading and investment partner, dwarfing all others, including China. When political coalitions are needed to negotiate with Iran or place sanctions on Russia, it is Europe that has been a vital ally of the United States. More broadly, Europe has been the essential partner of the United States in framing and preserving the postwar order based on rules and multilateral institutions. In today's polycentric world—with nonstate actors as well as states driving international politics—the United States and Europe must act together if the values and institutions that support them are to be preserved. Without a doubt, there will be a new global order, and the United States and Europe must work in tandem to ensure that this polycentric world does not devolve into one based on the historic norm of “might is right,” but rather one that is rules based and multilateral, with strong support for democracy. To achieve this, both the United States and Europe must succeed in this challenging new world, with strong economies and strong democracies.





Syrian and Iraqi refugees arrive from Turkey to Skala Sykamias, Lesbos, Greece. Volunteers (in yellow-red) with Proactiva Open Arms, a Spanish NGO, help the refugees. Source: Wikimedia/Ggia

Thus, understanding where Europe may be headed is of key importance for US policymakers. Europe is of great strategic importance to the United States, precisely because major elements of the US foreign policy agenda—in the Middle East, toward Russia and Iran, in Africa, and in many other places—cannot be accomplished without taking into account Europe’s approach and assets. Nor can the traditional US support for free and fair trade be achieved without European collaboration. Understanding the choices facing Europe will be essential to many of the decisions facing US policymakers.

Europe’s future path is perhaps even more important in light of the changes in US foreign policy. The Trump administration challenges many of the traditional tenets of that policy, from support for free trade to the NATO security commitment. How Europe will respond to this shift in the US approach will depend, in part, on the factors outlined in this report. Will Europe be able to hold close to its traditional foreign policy approach and its values? Or will the potential distancing of the United States lead Europe to abandon those principles and find another approach to new international circumstances?

For the global order, there are increasing indications that the post-WWII, Western-led international system is fragmenting. Greater European disunity would reinforce that trend. But,



a Europe that regains its footing could be in a better position to push its values of democracy, rule of law, multilateralism, and consensus building, even as a new international system is refashioned to incorporate the rising and resurgent powers.

This paper is an attempt to identify and decipher the possible futures that lie before Europe in the next five years. This forecast examines more than just EU integration; more broadly, it looks at Europe's place in the world. Of course, nothing is certain, and there will be many determinants along the way. It would be foolish to pretend that the authors can foretell the future; instead, this paper sketches key alternative futures over the next five years. European leaders and publics will make the choices that determine the future. But, the hope is that the alternative futures proposed here can provide elites and publics—on both sides of the Atlantic—with the knowledge and visions they need to shape those outcomes in a desirable way.

The scenarios developed in this report began with the identification of trends—labeled “megatrends”—that will be of key importance during the period between 2017 and 2022. In the authors' view, megatrends are unlikely to change themselves, even if they do bring disruption and change to Europe. Their impact may be felt in various ways, and to varying degrees, but they represent the steady features of the next five years. How Europe responds will be a key determinant of which scenario becomes reality.

In contrast to megatrends, there are key “uncertainties” that may or may not happen. Some may be game changers that could radically alter Europe's environment or potential course of action in a short time, while others point to gradual shifts. Differentiating between the “megatrends” and “major uncertainties” helped the authors understand the limits of change and factors that could not be ignored if Europe is to prosper both politically and economically over the next five years. Analyzing the various possible interactions among these variables allowed for the development of different possible scenarios.

Of course, there could be an almost infinite number of scenarios. To test those alternative futures, the authors consulted with numerous colleagues, especially in Europe. Through a series of interactions, they were able to refine the scenarios, to abandon some, and to further develop those that attracted the interest of European colleagues. The authors solicited comments from a number of European analysts and decision-makers, and have included a selection in the final report, in order to stimulate a true debate on Europe's future.

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# Part I: Megatrends and Uncertainties

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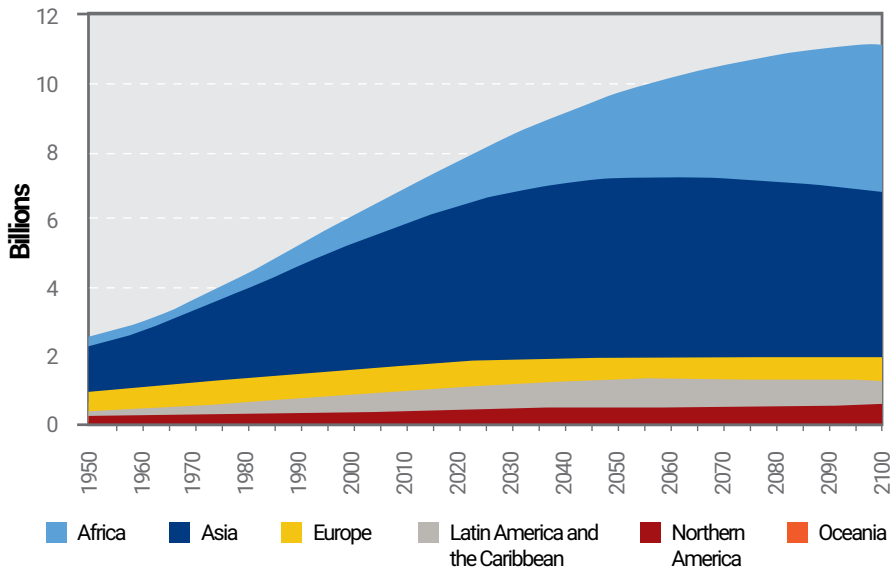
Looking out five years, a few key trends will set parameters around which Europe can change in the medium term. These trends are, for the most part, immutable. They are unlikely to change significantly during the period under examination, and thus represent the constants that European leaders must address. They might be altered and refined a bit around the edges, but even focused attention by European governments is unlikely to change these trends in any serious way. The question for European governments is whether they can find suitable policy responses, and appropriate resources to respond, so that Europe arrives at 2022 in a more unified, prosperous, and stable situation—or not.

## 1. Demography: A Rapidly Aging Europe

According to the UN Population Division, fertility across all Europe is now at 1.6 children per woman, well below the replacement level of 2.1 children per woman.<sup>5</sup> The rate is slightly lower (1.58) in the EU28, according to Eurostat.<sup>6</sup> France has the highest fertility, close to replacement at 2.01. Portugal, Greece, Cyprus, Spain, and Poland have the lowest, in the range of 1.2 to 1.3. In a majority of European countries, fertility has been below replacement level for several decades. A number of European countries are expected to see their populations decline by more than 15 percent by 2050.<sup>7</sup> By contrast, the US population will increase from its current 322 million to 396 million by 2050. The US and European shares of world population between 2015 and 2050 will shrink, but Europe's drops the most, from approximately 10 to 7 percent, while the US share of world population will drop from 4.4 to 4.0 percent.

There is little European governments can do to reverse this overall trend. Governments often try to incentivize, encourage, or coerce families into having more or fewer babies to reach what they see as an optimum societal fertility level (generally, replacement level). Financial incentives to raise fertility rarely achieve the desired results. Some countries, like Russia, have experienced short spikes as couples time their childbearing to take advantage of financial incentives, but, overall, once a state's fertility drops below replacement level, it tends to stay below that mark—and, in many cases, continues to decline. Even in France, whose pro-natalist policies are some of the most successful, and have helped raise fertility from 1.71 between 1990 and 1995 to 2.0 by 2015, fertility remains below 2.1, and the UN projects a total fertility rate of 1.99 in the period between 2015 and 2020. Such programs can be incredibly expensive, and governments continue to debate whether the return on investment is high enough to justify the resource allocation.<sup>8</sup>

Figure 1. World Population Projection to 2100. Source: *The Washington Post*



Over the long term, the aging of European society will affect the sustainability of pension systems, and perhaps even the overall health of the economy. Even in Germany, where economic growth has been slow but positive, the shrinking workforce is expected to be a drag on the economy in the next five years.<sup>9</sup> Increasing migration can mitigate the aging trend. While some look at the current high influx of refugees and migrants into Europe as a burden or even a threat, they could prove a major stimulant to the European workforce and economy in the long term.<sup>10</sup>

Migration into Europe has been a larger longstanding trend than many realize. Most of the variation in Germany's population since 1975 (see below) can be explained by episodes of increased migration.<sup>11</sup> From 1980 to the mid-1990s, Germany saw a large influx of ethnic Germans coming from the Soviet Union, as well as migrants from Iran and Lebanon, and later from former Yugoslavia, Romania, and Turkey.

As Figure 3 shows, migration has been especially valuable in adding young people to the population mix. Germany, along with Austria and Sweden, has significantly increased the proportion of younger people in its workforce through immigration. Of 729,000 asylum seekers registered between May and October 2015, Eurostat indicated 82 percent were younger than thirty-four years old. "Their median age is around half that of Germans, which

Figure 2. "Shrinking Working Age Population". Source: Eurostat, European Population Projections, base year 2013

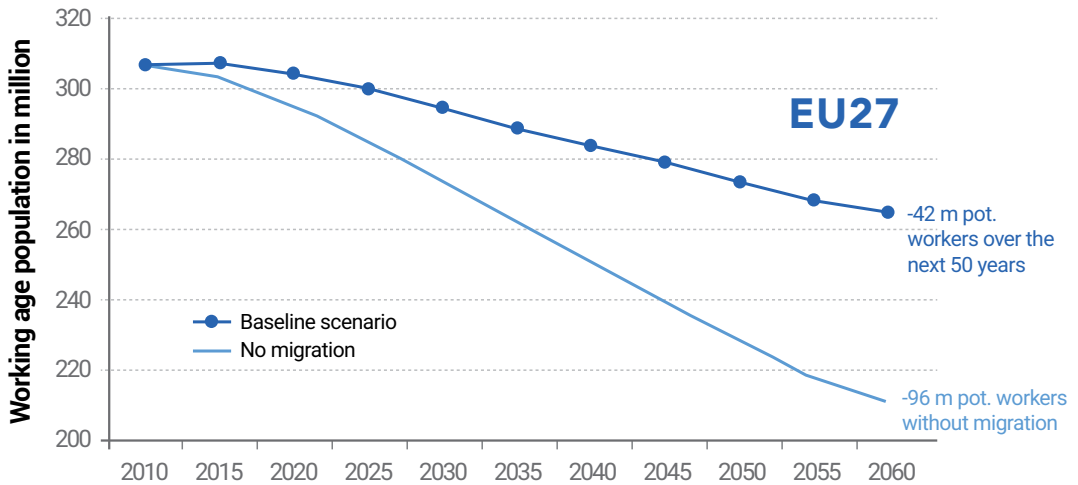


Figure 3. Population Change in Germany, History and Forecast. Source: Reducing the Risks from Rapid Demographic Change, Figure 13, pg 19.

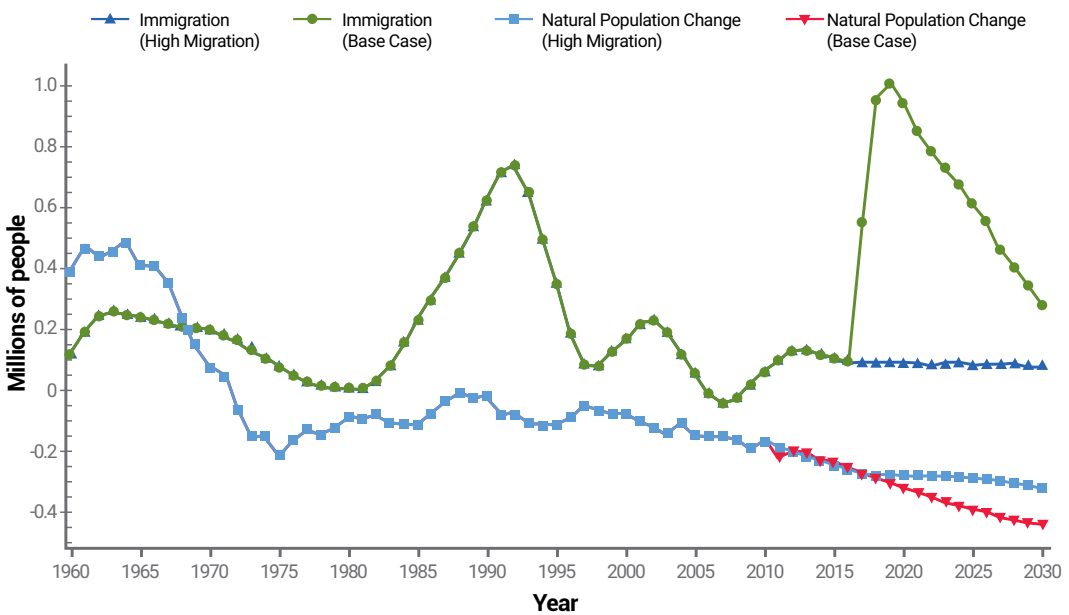
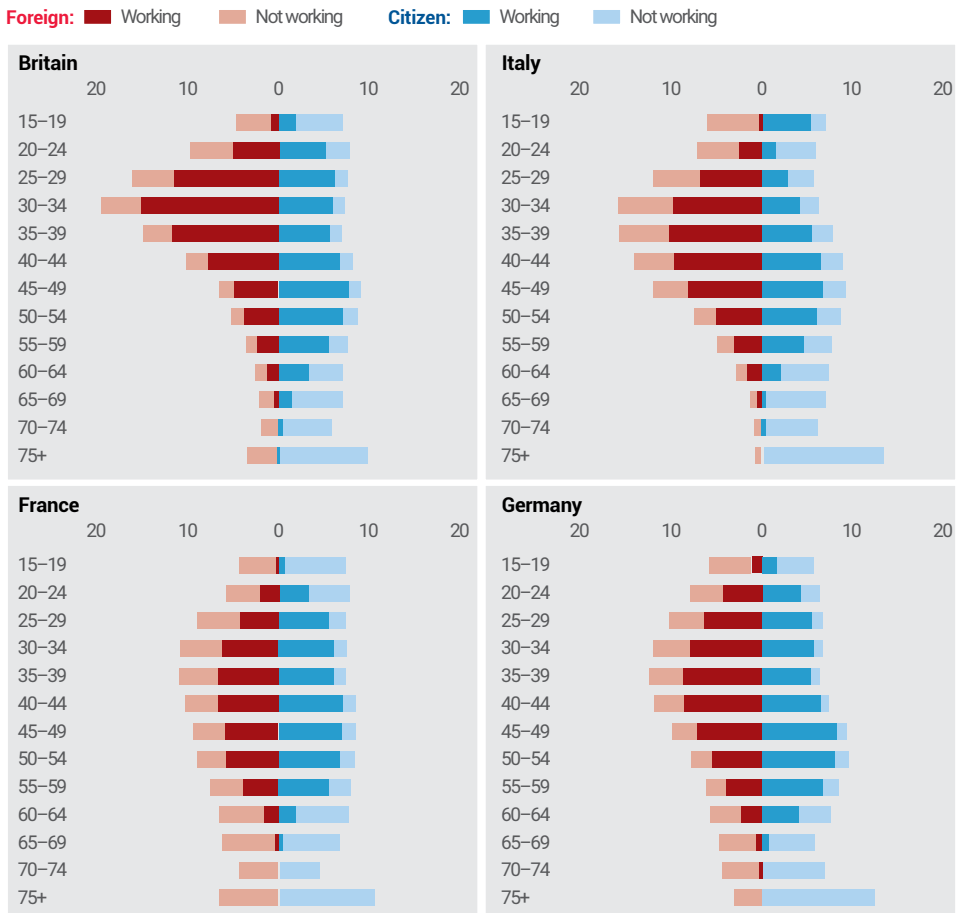


Figure 4. Ageing and the Workforce, EU, 2014. Source: *The Economist*



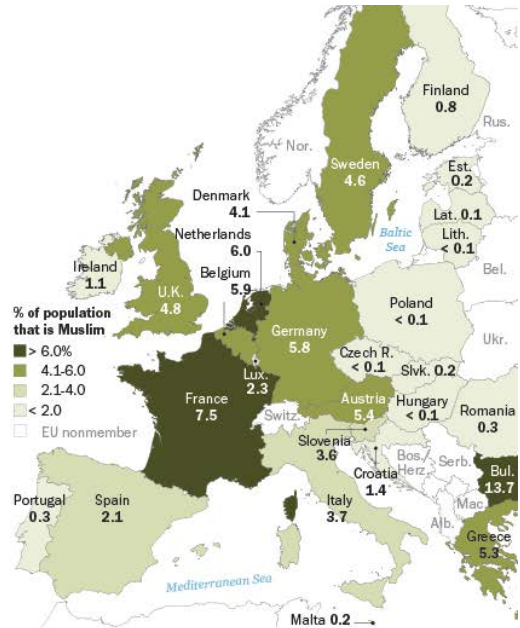
is 46. Some of those arriving are poorly educated, but as surveys of refugees arriving in the Netherlands show, many have secondary schooling and even university-level education (see Figure 4), especially those fleeing Syria's conflicts."<sup>12</sup>

Between 1980 and 2010, the share of migrants to Organisation for Economic Cooperation and Development (OECD) countries with high educational attainment increased by 12 percentage points for males, and more than doubled for female migrants, increasing by 21 percentage points (from 17 to 38 percent).<sup>13</sup>

Migration is also making Europe far more diverse. Even before the influx of Syrian refugees, the share of Muslims in European populations was growing from 4 percent in 1990 to 6 percent in 2010, increasing 1 percent per decade.<sup>14</sup> Muslims are projected to make up 7 percent of Europeans in 2020, and 8 percent by 2030.<sup>15</sup> Muslims are concentrated in Western Europe and the Balkans. Indeed, in many of the new EU member states, the presence of Muslims is negligible, and no EU country has more than 10 percent Muslim population today. Yet, perceptions can be very different. Europeans often overestimate by a factor of three the share of Muslims in their population. According to a 2014 Ipsos-Mori poll, French respondents thought Muslims constituted 31 percent of France's population, as opposed to the actual 7.5 percent. Similarly, Germans estimated that Muslims comprised 19 percent of their population, instead of 5.8 percent. Although the major influx of refugees in 2015 will add to those totals, it will still be nowhere near the perceived proportion.<sup>16</sup>

Clearly, how Europe deals with its aging population will make a huge difference between long-term decline or revival. Focusing only on lifting low birth rates among traditional populations is unlikely to have any real impact. Far more important will be Europe's ability to develop policies that more effectively integrate migrants into the European economy. This will not be easy, but success in this area could not only help Europe cope with the economic impact of its aging population, but have a positive impact on Europe's economy overall and reduce the threat to its domestic security from alienated refugees.

Figure 5. Muslims in EU Countries in 2010.  
Source: Pew Research Center



	Size of Muslim population	% of population that is Muslim
Germany	4,760,000	5.8%
France	4,710,000	7.5
United Kingdom	2,960,000	4.8
Italy	2,220,000	3.7
Bulgaria	1,020,000	13.7
Netherlands	1,000,000	6.0
Spain	980,000	2.1
Belgium	630,000	5.9
Greece	610,000	5.3
Austria	450,000	5.4
Sweden	430,000	4.6
Cyprus	280,000	25.3
Denmark	230,000	4.1
Romania	70,000	0.3
Slovenia	70,000	3.6
Croatia	60,000	1.4
Ireland	50,000	1.1
Finland	40,000	0.8
Portugal	30,000	0.3
Luxembourg	10,000	2.3

Source: Pew-Templeton Global Religious Futures Project ([www.globalreligiousfutures.org](http://www.globalreligiousfutures.org)). Notes: All estimates for 2010. There were fewer than 10,000 Muslims in Slovakia, Hungary, Latvia, Lithuania, Poland, Estonia, the Czech Republic and Malta. Cyprus not shown on map.



## 2. Economy: A Lagging Economy and Shrinking Global Share

Europe's growth performance has been declining since the 1990s.

Figure 6. EU GDP per Capita growth rate by percent change. *Source: Eurostat*



On top of this slow decline, the European economy worsened markedly during the 2008 financial crisis. European GDP per capita has only recently recovered to its pre-crisis levels, several years after that of the United States, which also experienced a protracted recovery. EU GDP “expanded 1.90 percent in the third quarter of 2016 over the same quarter of the previous year.”<sup>17</sup> Annual GDP growth rates in the EU averaged “1.70 percent from 1996 until 2016, reaching an all-time high of 4.60 percent in the second quarter of 2000 and a record low of -5.40 percent in the first quarter of 2009.”<sup>18</sup> Coming from a low base, the twelve newest EU members have seen more rapid economic growth over the past two decades. Slovakia had the highest growth rate of all in the period between 2005 and 2011, with overall GDP increasing by 38 percent across six years. The Baltic states also achieved high GDP growth, with Latvia topping 11 percent.<sup>19</sup> Some of these gains were lost after the financial crisis.

McKinsey Global Institute, for example, believes a “return to sustained growth of 2-to-3 percent is possible over the next ten years,” but it would require politically difficult reforms at the national level.<sup>20</sup> These include: reducing the dependence on imports for crude oil and natural gas (many of which still come from Russia); fostering a more vibrant digital economy; investing more generally in research and development (R&D); increasing workforce participation from the elderly, women, and migrants; and promoting flexibility in labor markets. China, for example, now spends a greater share of its GDP on R&D than does Europe. The latest OECD figures show that Europe now spends less than even the rest of the OECD on research and development. Some individual EU countries do much better—Germany spends close to 3 percent of GDP, higher than China’s almost 2 percent—but the EU average is brought down by many of the



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newer members, who spend little on R&D. Still, for decades, Europe has lagged Japan and the United States in the proportion of GDP spent on R&D.<sup>21</sup>

Figure 7. PPP adjusted per Capita, EU vs. US. Source: Eurostat

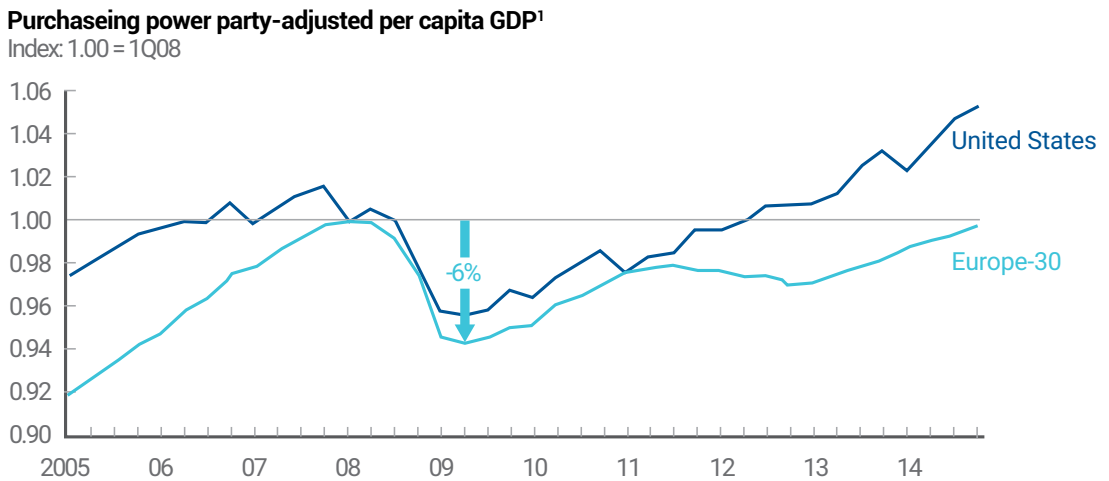
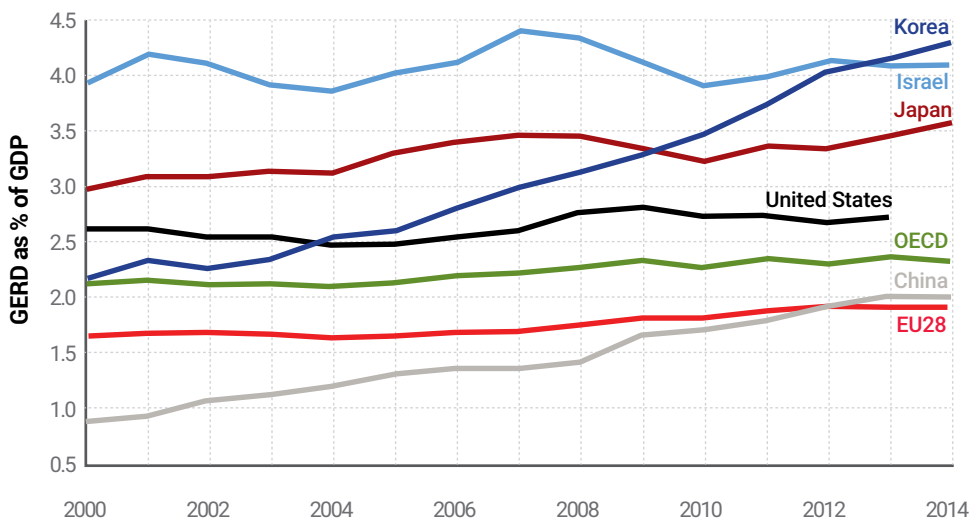


Figure 8. R&D intensity: Gross Domestic Expenditure on R&D as a percentage of GDP, 2000-2014. Source: OECD





Along with chronic low growth, deep economic divisions remain in Europe, despite a concerted EU effort to reduce regional disparities—one-third of the EU budget is devoted to regional structural funding. Per-capita incomes in Central and Southern European member states lag behind their Western European counterparts, despite the catch-up by new members. The spread between the richest and poorest regions ranged, in 2014, from those with average incomes that were one-third of the EU28 average annual income of €27,500 Purchasing Power Standard (PPS), to those with more than five times the average, from €8,200 to €148,000.<sup>22</sup> Some of the core EU members have also seen their incomes drop, adding to the income spreads. Some of the inequalities have been reduced, according to a 2012 OECD study, but only because older member states, such as Italy, have seen the lowest growth in their incomes since 1995. Of the catching-up economies, those that have done the best are Ireland, Poland, and Slovakia.<sup>23</sup>

Perhaps even more important than regional disparities are the growing inequalities within countries. In one striking example, the poorest Germans had negative income growth from the 1990s to 2008, the period under study by the OECD. According to the OECD, “labor market changes have been a main driver of rising inequality.”<sup>24</sup> Secondly, the OECD blamed the increasing share of jobless households for the growing inequality.<sup>25</sup> The Netherlands also saw very low growth in disposable income for the lowest income groups. Inequality is also a problem with newer members, but the lowest income group in Hungary gained more than the poorest Italians. All told, the OECD found inequality within most European countries increasing over the past several decades, although that growth in inequality was lower in Europe than in the United States.

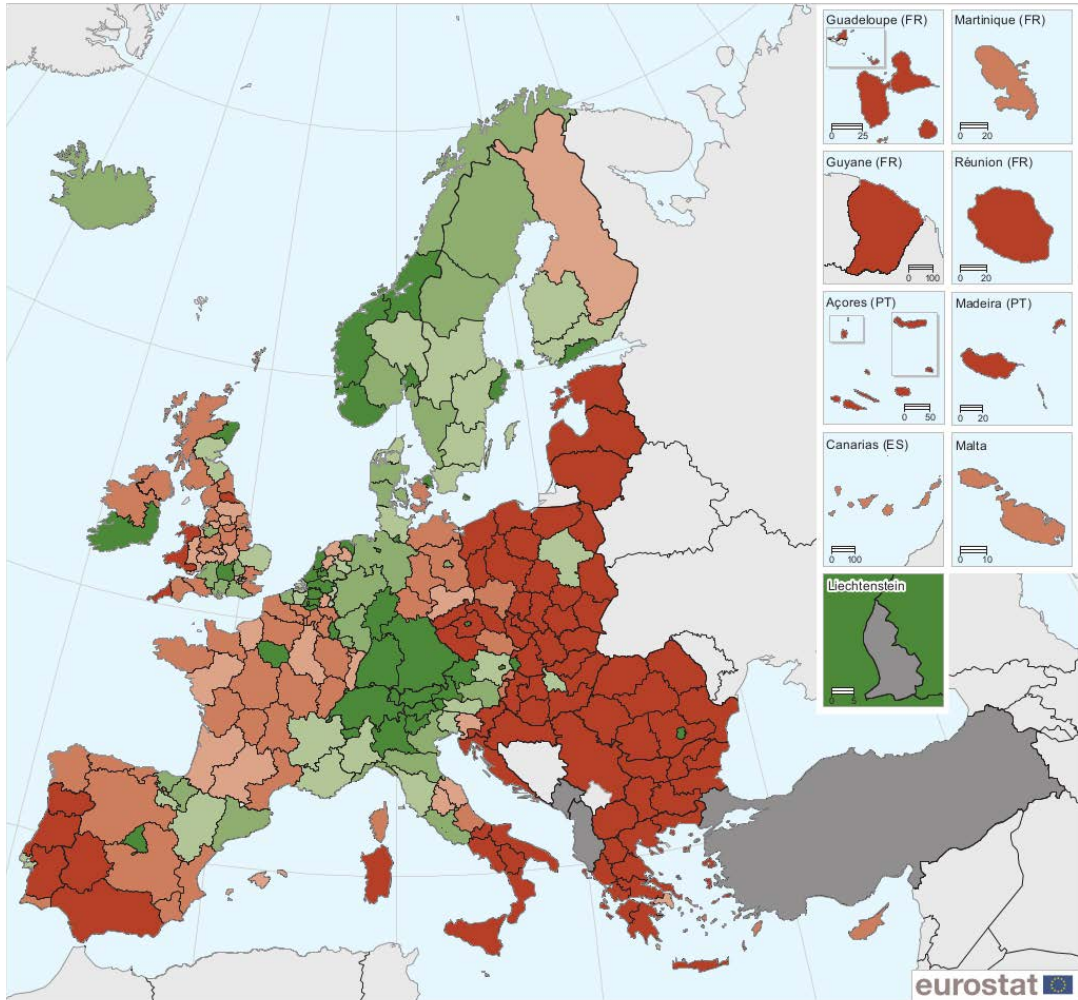
Another result of Europe’s slow growth has been persistent high unemployment, especially among the youth. This was exacerbated by the 2008 economic crisis, and only began to decline since 2012. Youth unemployment was still almost 19 percent for EU28 and even higher—above 21 percent—in the euro area at the end of 2016.

As a consequence of the slow recovery, increasing inequality, and high youth unemployment, Europeans are among those most likely to think that their children will be worse off in the future. For example, 90 percent of the French population, 67 percent of Greeks, and 64 percent of Germans believe their children will be worse off than their parents. In the United States, 62 percent of parents believe that; in China, only 7 percent of parents have a gloomy forecast for their children’s future.

A final challenge for the European economy is its fading position in the global economy. While the United States is the EU’s largest trading partner, and its primary source and destination for foreign direct investment, with the rise of Asia, current IMF projections have Europe’s share of world GDP declining from 17 percent in 2015 to 15.3 percent in 2021.<sup>26</sup> Back in 1980, even though the EU comprised fewer countries, its share of world GDP was 30.2 percent.<sup>27</sup>

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Figure 9. Gross domestic product (GDP) at current market prices by NUTS 2 regions.  
 Source: Wikimedia Commons



(% of the EU-28 average, EU-28 = 100)

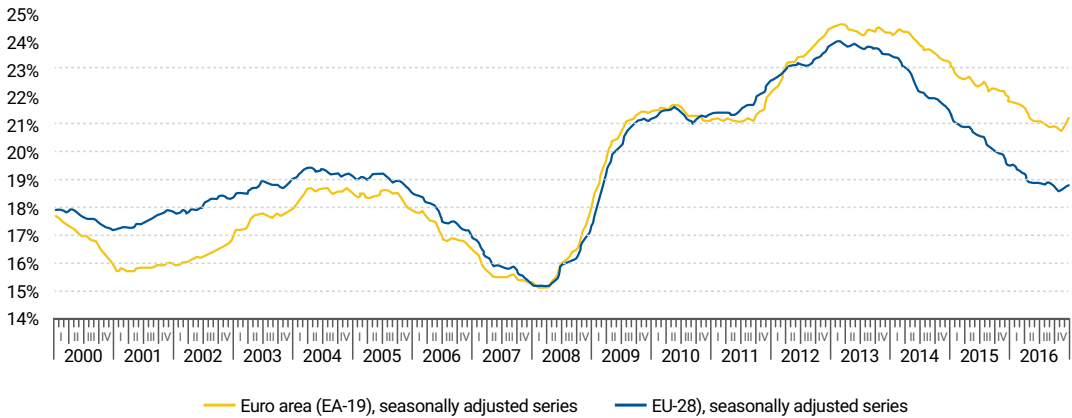
EU-28 = 100

- < 75
- 75 – < 90
- 90 – < 100
- 100 – < 110
- 110 – < 125
- >= 125
- Data not Available

Administrative boundaries: © EuroGeographics © UN-FAO © Turkstat  
 Cartography: Eurostat — GISCO, 05/2015



Figure 10. Seasonally adjusted Youth Unemployment, 2000-2016. Source: Eurostat



The International Monetary Fund (IMF) has shown that the EU's GDP was surpassed by China's in 2015.<sup>28</sup> Even a hard landing in China—which economists believe would occur if Chinese growth drops below 4 percent—would not change these projections, as China's GDP would probably still be equal to or larger than Europe's.

This will present both challenges and potential benefits. Over time, China and other developing countries would expect to play a greater role in the running of multilateral institutions such as the IMF and World Bank, probably to the detriment of Europe's influence. In the next ten to twenty years, the Chinese yuan could become a third reserve currency.

At the same time, Asia's rapid development represents an economic opportunity for Europe. Europe is already China's biggest trading partner. Chinese investment in Europe has soared in recent years, hitting \$23 billion in 2015, up 28 percent from the year before.<sup>29</sup> Chinese interest has been so strong, particularly in European high-tech firms, that there have been reports of the German government thinking about putting limits to it.<sup>30</sup> China's "pivot" to the West, with the One Belt, One Road project connecting Asia with Europe,<sup>31</sup> will likely result in even more economic and cultural interaction.

Figure 11. "When children today in our country grow up, do you think they will be better off or worse off financially than their parents?" Year 2013. Source: Pew Research Center

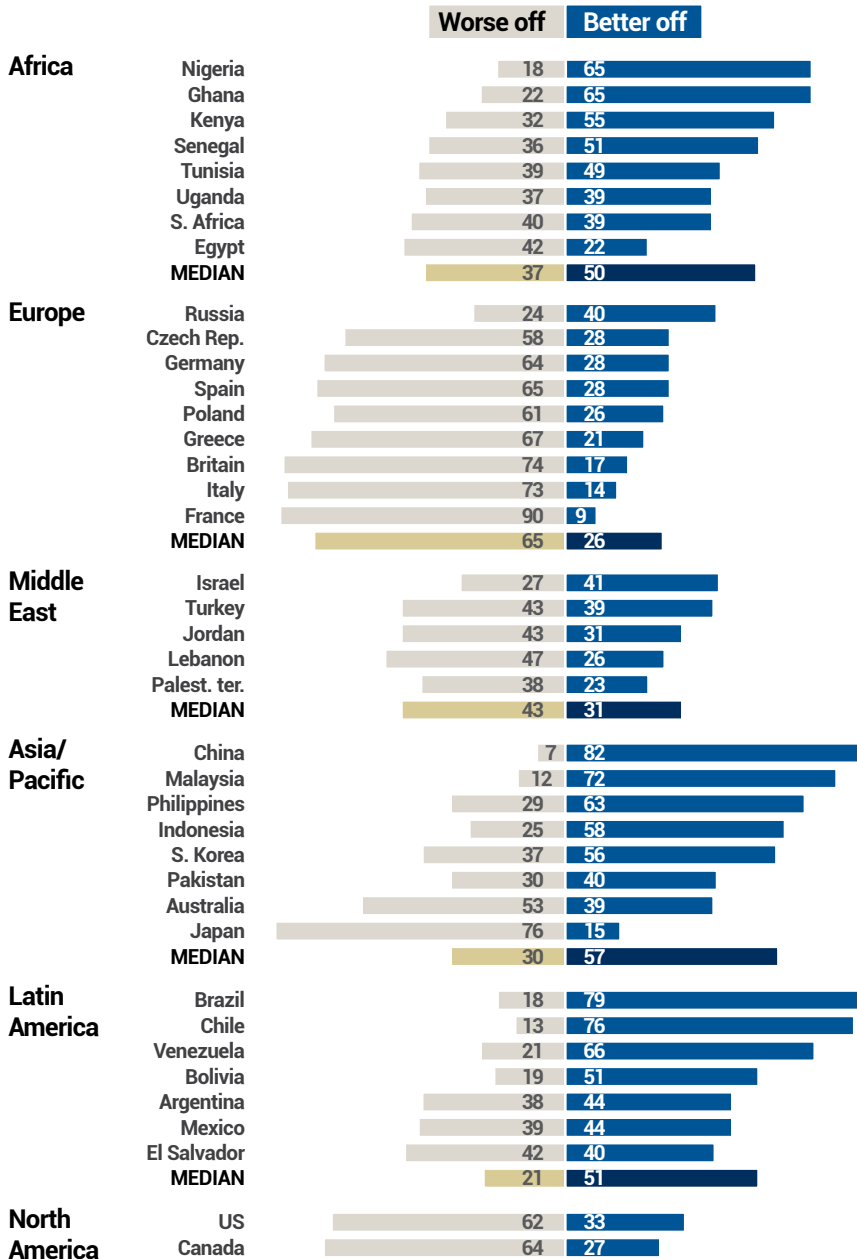
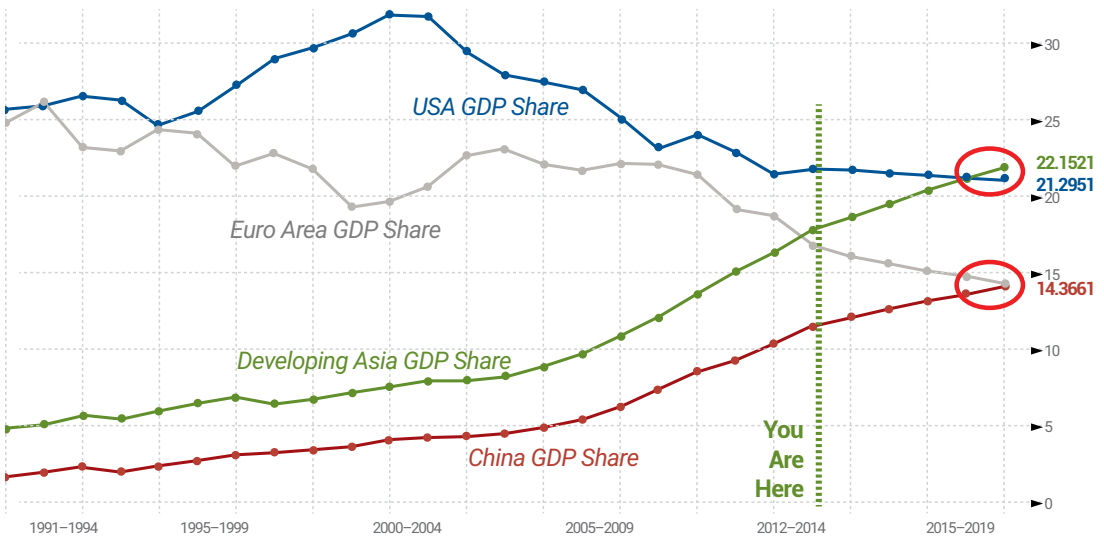


Figure 12. Share of World GDP, Current Prices, PPP. Source: IMF, 2016



### 3. Security: A Continent in Turmoil

Perhaps the biggest change for Europe in the past five years has been the deterioration in its external and internal security situation. Geopolitics has returned with a vengeance, overturning expectations of a postmodern age with less reliance on military power. With a more aggressive Russia to the east, Europe has experienced cyber intrusions, risky overflights, propaganda attacks, and the threat of hybrid warfare—especially in the Baltic countries. For the first time since the end of the Cold War, a major conflict among the big powers, including between NATO and Russia, is no longer unthinkable. The situation to the south is no better, with the conflict in Syria and general unrest in Libya, Yemen, and elsewhere contributing to the 2015 record of more than one million refugees coming to Europe. The EU-Turkey deal cut back the daily flow in the summer of 2016 to a fraction of what occurred the previous year. Nevertheless, in late 2016, there was renewed worry about Turkey continuing to curtail the migratory flow as its ties with EU members deteriorate.<sup>31</sup> At the same time, increasing numbers of migrants from Africa have raised the specter of another massive inflow should the security or economic situation in that continent deteriorate.

At the beginning of 2017, Libya is the primary departure point for many migrants heading to Europe, and European efforts to work with the Libyans to reduce that flow have been challenged by the Libyan government's instability. Throughout the region, the Islamic State of Iraq and al-Sham (ISIS) has added a dangerous element, at times controlling considerable territory

and escalating conflicts in Iraq, Syria, and Libya. In late 2016, ISIS was expelled from Sirte, but most commentators believe ISIS remains a threat in Libya.<sup>32</sup> Even apart from ISIS, the security situation in Iraq and Afghanistan remains a challenge, and encourages the population to seek a better life in Europe or elsewhere. In sub-Saharan Africa, continuing conflicts and economic dysfunction have also attracted the attention of European governments. European militaries are already engaged in operations to stop piracy off the coast of Somalia, to stop people smugglers in the Mediterranean (and to rescue their victims), and to stabilize Mali. The EU has established an Africa Trust Fund to help Africans deal with migration-related costs and is providing a substantial amount of investment guarantees to encourage economic development in sub-Saharan Africa, which the Europeans hope will reduce the incentive for migration.<sup>33</sup>

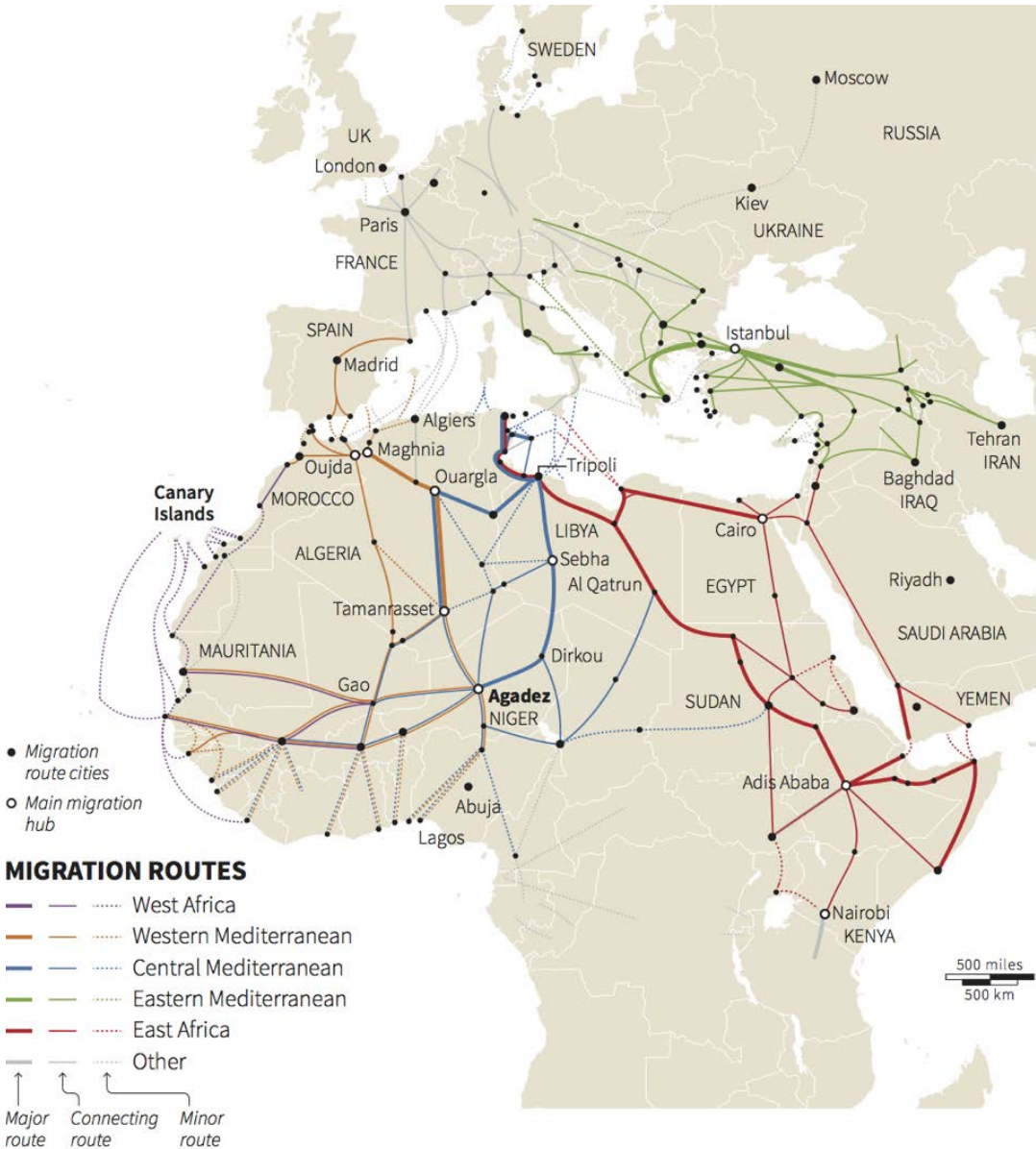
Europe also faces a heightened terrorist threat. In 2015 and 2016, the EU experienced major attacks in Paris, Nice, Brussels, and Berlin, and there was little expectation of a decrease in those attacks. Forty percent of respondents in a 2016 Eurobarometer poll agreed that “the risk of a terrorist attack” is high and “47 percent consider there to be a medium risk of a terrorist attack...At national level, an absolute majority of French, British, and Belgian respondents think the risk of attack is high in their country.”<sup>34</sup> One-fifth of the “foreign fighters” in Syria are estimated to be Europeans, most of whom were radicalized before they reached the Middle East. European governments have stepped up EU security cooperation in the wake of the Paris and Brussels attacks, and again after attacks in Nice and Germany. But, they face a long-term, if not deepening, challenge in countering radicalization and preventing further attacks, especially given the possibility of “lone wolf” actors. Absent the rapid integration of the recent refugee influx, Europe faces a future with more alienated and susceptible European Muslims. As the attacks demonstrate, alienated Europeans—whether Muslim or not—now also pose a serious security challenge.

Europe's security situation deteriorated very quickly, but any reversal is unlikely to be similarly quick. The more peaceful and stable neighborhood that existed prior to 2008 will not re-emerge anytime soon. It is far more difficult to resolve these conflicts—to undo the annexation of Crimea, for example, or the destruction of the Donbass or Aleppo—than to destroy a stable environment. Civil wars tend to last six to nine years, so the Syrian and Libyan conflicts could be nearing settlement by 2022.<sup>35</sup> This might weaken the current European view of a ring of fire on its borders, but, given the fragile state of many countries in the region—the Middle East, North Africa, and sub-Saharan Africa—new conflicts are likely to emerge in the next five years. Moreover, the correlation between instability and conflict and youthful countries (defined as those in which half the population is twenty-five years old or younger) is well established by social scientists. Because of this, most of the world's conflicts will be centered on Europe's doorstep in the Middle East, South Asia, and sub-Saharan Africa for at least the next twenty-five years.





Figure 14. Main Migration Routes to Europe from Africa and the Middle East. Source: *International Centre for Migration Policy*



How Europe responds to these security threats, from both the south and the east, will be key to where it finds itself in 2022. The past certainly does not demonstrate European determination to face these threats with robust military means. European defense budgets have generally declined during the last twenty years, leading to a significant gap between European and US defense spending. Projections for 2016 indicate an average increase in European defense budgets of 8.2 percent—a sharp reversal of the previous trend—but there is significant ground to make up.<sup>36</sup>

This initial increase in defense spending could be threatened if Europe continues to experience only sclerotic economic growth. Without greater growth, there will be little public support for sustained improvements in defense spending, and, thus, in European capabilities. European governments will be forced to be even more selective than they are today with their military engagements. In addition, interoperability with US forces will become more of a challenge, threatening the ability of the United States and its European allies to operate within NATO and in coalitions.

Yet, it should also be remembered that European NATO members and Canada, taken together, spend approximately \$250 billion, versus the \$650 billion that the United States does in the NATO total. The proportion of US spending for NATO defense has actually increased from 68 percent to 73 percent from 2007 to 2013. Taken altogether, European defense spending is not an insignificant sum, but Europe achieves far less in terms of equipment and deployable assets than does the United States, because of a lack of improvement in the efficiency of European defense spending. Improved cooperation within Europe, especially in combining production lines and in R&D, could lead to better-equipped European militaries and larger power-projection capabilities, even if total budgets remain low. Similarly, any increase in defense spending must be accompanied by those improvements, if such spending is to have a serious impact.

Figure 15. Military Spending by Nato members 2016 Total. *Source: The Economist*



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## Part II: Major Uncertainties

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If there are some immutable trends defining Europe's future, there are also many uncertainties that will shape Europe's responses and help determine where it finds itself in 2022. Some will be sudden shocks—"game changers"—that quickly reshape European perspectives and priorities, while others emerge gradually. Some variables will result from developments and decisions within Europe, and the most effective policy response will come from European institutions, national governments, and other players. Along with these domestic uncertainties, there will also be external variables, in which the actions of others will affect Europe's future between now and 2022. The level of US engagement in Europe, or the likelihood of additional conflict on Europe's borders, depends much more on external decisions than European actions. As with the domestic uncertainties, however, Europe's policy response will do much to determine the impact of such uncertainties.

In examining these uncertainties, and Europe's response, it is important to consider which circumstances will contribute to a Europe that is more cohesive, and which to one that is more divided. Some variables will inevitably cause divisions within Europe, and may even threaten the coherence and functioning of the European Union. In dealing with each of the following uncertainties, we should ask about the likelihood that European policymakers will respond in a way that brings Europe closer together, or will pursue a more parochial—and perhaps divisive—response. The degree of Europe's coherence will be a major determinant of the continent's future between now and 2022. Indeed, that coherence is not only a potential result of Europe's answer to these uncertainties, but an influence on its capacity to respond. It is a mutually reinforcing circle.

### Key Domestic Uncertainties

#### 1. *Will Europe Undertake Economic Reform?*

Europe faces a key choice: will it continue to lag economically, with high unemployment and a shrinking share of the global economy? Or will it undertake serious reforms, including in labor markets, and invest in innovation-led strategies that can energize the European economy? A slow-growth economy was identified as one of the key megatrends facing Europe. Clearly, even reforms implemented tomorrow will not reverse a decade or more of stagnation and financial crisis; still, if Europe is ever to escape its low-growth trajectory, reform needs to happen sooner rather than later. Even a prospect of reform can stimulate the confidence needed to start Europe back toward 2 percent of higher growth in five to six years' time.



Fifteen years ago, Germany faced a similar choice, as its economy stagnated and the country was known as “the sick man of Europe.” Following the Hartz Commission labor market reforms from 2002 to 2005, German unemployment fell from 11.1 percent to 7.7 percent in 2010, and the government was able to tackle longstanding deficits. This upturn in the German economy can also be ascribed to the adoption of the euro in 1999 (which kept German exports low priced compared to the deutschemark) and to the possible offshoring of German jobs to Central and Eastern Europe.<sup>37</sup> Nor was Germany the only European country to successfully restart its economy. Latvia went through a severe economic recession in 2008 and 2009, only to become Europe’s fastest-growing economy by 2013.<sup>38</sup> Ireland also suffered a financial meltdown during the eurozone crisis, but, by 2016, was the eurozone’s fastest-growing economy, at 7.8 percent GDP growth.<sup>39</sup> According to some economists, the Irish reversal can be ascribed to a significant jump in services exports, rather than labor market reform, but it demonstrates the capacity for change in European economies.<sup>40</sup>

The eurozone crisis of 2008 to 2012 was certainly a game changer for the eurozone, and made clear the need for widespread reform. It demonstrated the risks of establishing a joint currency without joint economic governance, and forced Europe to begin to put its fiscal house in order. In response to the crisis, the eurozone created a bailout mechanism used to loan funds to Portugal, Spain, Ireland, and Greece. It established a bank-supervisory system and annual budgetary reviews by the European Commission. While these measures have not led to strong economic growth, they have stabilized a once-threatened economy and set the stage for further reform at both the European and member-state levels.

Indeed, Europe may now have a window of opportunity—with low oil prices, a highly competitive euro rate, and a European Central Bank (ECB) determined to use quantitative easing and negative interest rates to fight deflation.<sup>41</sup> But, individual governments will need to undertake deep structural reforms if they want to boost sagging productivity rates, especially those of Italy, France, Spain, and Portugal. Greece remains teetering on the edge of default, with a level of national debt that the IMF considers “unsustainable.”<sup>42</sup> Some analysts argue that European governments need to reduce the share of government spending as part of the overall economy.<sup>43</sup> Also key will be labor market reforms aimed at creating more flexibility. This may require a reduction in employment protection, which is likely to be resisted, as French and Belgian workers have made clear in recent strikes. The Italian government was defeated in a referendum related to labor reform in October 2016. Reform in Europe will also require ending other longstanding protections, such as licensing, that protect certain professions beyond what is required for health and safety. Raising the retirement age will also be essential in this aging society, even though this has been resisted by many. Indeed, the German government recently lowered the retirement age for those who had worked for at least forty-five years. For most Germans, however, retirement is set to rise to age sixty-seven by 2030, while the Bundesbank has recommended that it be raised to sixty-nine by 2060.



On May 29, 2011, 100,000 people gathered in Syntagma square garden in Greece to protest against the austerity measures. *Source: Wikimedia/Kotsolis*

There is no doubt that reforms will involve short-term pain. While European workers have often demonstrated against such reforms, recent research on the chances of reelection for reforming governments, even in the post-2008 crisis period, has shown that “governments that dared to carry out reforms have not suffered worse electoral outcomes than those who did not dare.”<sup>44</sup> In fact, the researchers believe electorates would reward reformist governments, so long as publics can rely on effective welfare systems to protect them against social hardship, and if well-functioning financial markets help frontload the benefits of structural reform and diminish their short-run cost.<sup>45</sup> If it happened, increased growth would probably be the biggest factor in reversing the loss of trust in governments and boosting support for European integration. A survey conducted by McKinsey in August 2014 showed that far from preferring no disruption to the status quo—an often-stereotypical view of Europeans—large majorities of Europeans across a broad array of countries had a great appetite for change.<sup>46</sup>

Despite these research findings, even political leaders who have undertaken some reforms, such as Italy’s former Prime Minister Matteo Renzi, can be affected by a public backlash. In the Greek case, Prime Minister Alexis Tsipras has stayed in power partly because of his championship of the opposition to EU-imposed austerity, although he later acceded to EU demands. Public aversion to the alternative of leaving the eurozone has saved him.





Unfortunately, it would seem—with some reason—that no European politician is yet convinced that their publics are ready for the disruptions that drastic reform would bring. Public trust in national institutions has also been continuously negative since 2004. Trust in EU institutions has been slightly better, but has also turned negative since 2009.<sup>47</sup>

Yet, economic reform need not only be punitive, reducing benefits for workers and pensioners. In some countries, there may need to be a deviation from the current austerity imposed by the European fiscal compact's annual budget reviews, in light of the increased spending required to handle the extraordinary 2015 and 2016 impacts of refugees and the rise of terrorism. Germany is certainly in a situation that could allow for more fiscal stimulus. Although this is politically challenging in Germany, it would provide a strong boost for Germany's neighbors and customers.

More generally, stimulating European economies will require an increased investment in education and innovation, plus improved infrastructure. If national and European-level reforms and investments in innovation, infrastructure, and energy are achieved, sustained GDP growth rates of 2 to 3 percent a year would be possible over the next decade, according to some studies.<sup>48</sup>

At the European level, such an effort is already underway, as the Investment Plan for Europe (the so-called "Juncker investment plan") expects to leverage public and private money to fund €315 billion of investments over the next three years. Although the impact of this plan will not be known for a few years, it seems to be a step in the right direction.

The European economy could also benefit from reducing the barriers that remain to completing the EU's Single Market.<sup>49</sup> Although many obstacles have been removed, especially in terms of internal trade barriers, there is still much to be done. For example, the provision of services—which makes up about 70 percent of European economic activity—still faces many restrictions and barriers within the EU Single Market, as does the process of government procurement.<sup>50</sup> Estimates indicate that completing the Single Market could add 4.4 percent to EU GDP; simply fully implementing the 2006 Services Directive could add 0.3 to 1.5 percent to EU GDP.

Beyond the so-called "traditional economy," Europe also stands to benefit from the new digital economy, if it can break down unnecessary restrictions and effectively foster innovation. To this end, the EU has launched the Digital Single Market (DSM) project, which aims to reduce barriers for both citizens and businesses (for example, making online shopping easier across borders, and also easing the flow of data across borders, consistent with EU privacy policy). Estimates indicate that a fully implemented DSM could add as much as 4 percent, or €415 billion, to the EU economy.<sup>51</sup> The European Commission has also proposed a Capital Markets Union, which may eventually make it easier for European startups to find capital for growth.

Whether these initiatives will actually boost the European economy will depend on implementation. In some cases, this is proposed legislation, and is not yet finalized. What does finally become EU law may be much less effective than initial proposals, especially after member states have tried to protect their special economic interests. If the experience of the Services Directive is any guide, implementation of new laws at the member-state level will face challenges, especially if they disrupt established economic operators. Whether the EU and its member states decide to pursue a genuinely ambitious single market, and then rigorously enforce it, will have a major impact on the future vitality of the European economy.

Finally, a stronger EU economy will require a reshaped workforce. While many European countries have experienced persistent high unemployment, there are also skilled tech jobs that remain unfilled. Much of Europe also has a shrinking and aging workforce population (defined as those fifteen to sixty-five years old), with fewer workers entering the workforce to replace those on the cusp of retiring. Productivity increases alone will not be enough to reverse the reduction in EU workforce. For employment growth to remain positive as long as possible, improving the labor participation of women, low-educated people, and migrants will also have to be a priority.<sup>52</sup> Europe already has a high 79 percent participation rate of women in their prime working years, between twenty-five and fifty-four years old, greater than the 74 percent rate in the United States. However, there are wide variations within Europe.<sup>53</sup> The female participation rate is significantly lower in Italy and Greece. Even in Germany and the Netherlands, where rates are relatively high, women work fewer hours than men.<sup>54</sup> Moreover, only 35 percent of European workers aged fifty-five to seventy-four are economically active.<sup>55</sup> More women will need to enter the workforce in some countries, and workers will generally stay on the job longer as retirement ages rise. Workers will have to become more mobile, willing to move from country to country as jobs shift; mobility among European countries is one-sixth of US state-to-state mobility.<sup>56</sup> Perhaps the most difficult challenge will be to accept the necessity of immigration if the European economy is to remain strong.

### ***2. Will the EU succeed in controlling its external border, and in integrating existing refugees and migrants?***

Although Europe has seen some significant inflows of migrants before—especially after the fall of the Berlin Wall and during the Balkan wars—the arrival of 1.3 million individuals in 2015 was easily a record. Overwhelmingly, these asylum seekers were from Syria, Afghanistan, and Iraq.<sup>57</sup> At the end of the year, Turkey and the EU reached an agreement that has so far restrained the number of migrants traveling from Turkey to Greece and beyond. However, the migration route from North Africa to Italy is now experiencing an increase in arrivals, with those coming from Syria decreasing. Overall, there has been a significant drop in the number of arrivals in Europe, with only 387,739 arriving during 2016, after more than 1.046 million arrived in 2015.<sup>58</sup> Also, according to Eurostat, the number of first-time asylum applicants in the EU28 decreased in the third quarter of 2016 by about 15 percent, as compared to same quarter in 2015.<sup>59</sup> Whether this

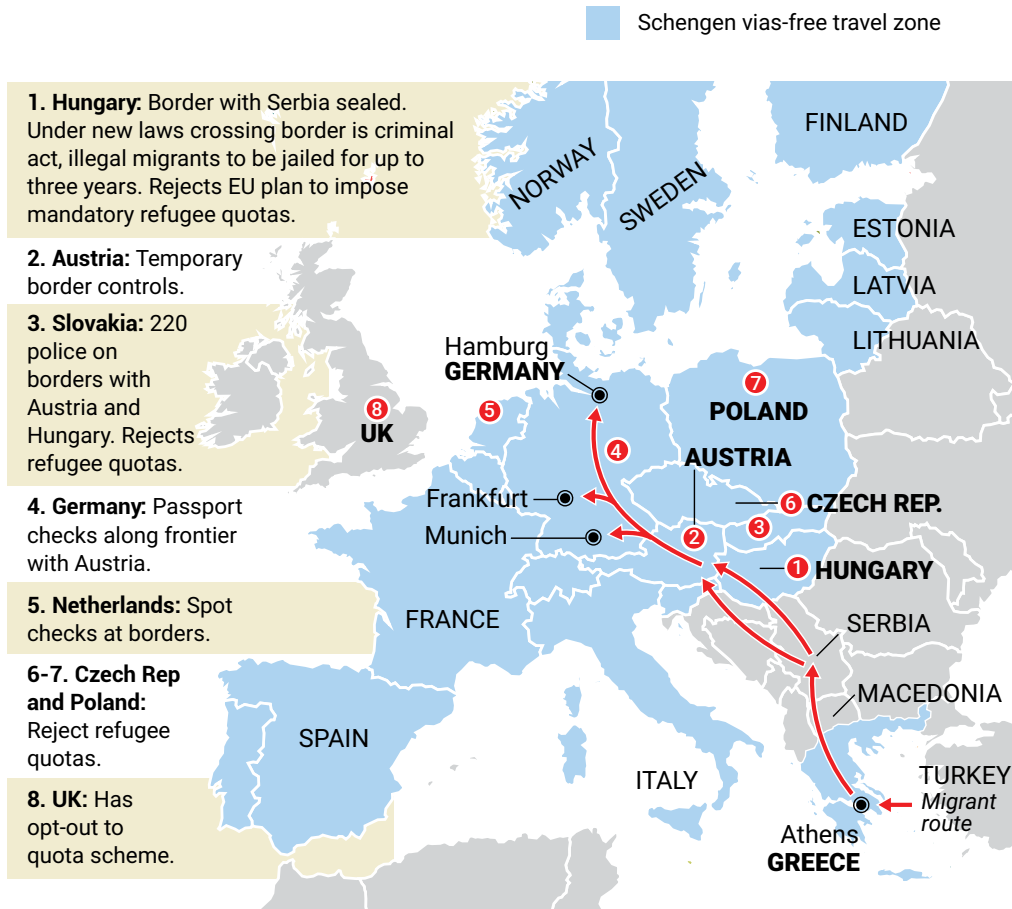


downward trend will continue in 2017 is unclear, but what is certain is that Europe will continue to receive migrants fleeing both conflict and poverty.

This has already been an exceptionally divisive experience for Europe, and particularly the EU. In the views of some European leaders, the migration crisis has been more of a threat to Europe than was the financial crisis.<sup>60</sup> Perhaps the most visible indicator of how the flow of migrants might divide Europe was the closing of several borders within the Schengen region of free movement. Schengen has always allowed border closures for special reasons, such as summits or football championships, but these threatened to become more permanent and caused long delays for EU citizens and for the shipment of goods. Indeed, the collapse of Schengen could cost Europe between €15 billion and €28 billion in annual income.<sup>61</sup> Aside from the physical division of Europe that the failure of Schengen would represent, the migration crisis also divided Europe politically. Many were very critical of Chancellor Merkel for her welcoming attitude, which they saw as encouraging the refugees. Also, the European Commission plan to reallocate asylum seekers— and, thus, take the pressure off some recipient countries—led to other EU members, especially in Central Europe, declaring that they would take no migrants at all. The result has been a split within the EU, although the specific consequences are not yet clear.



Figure 16. Europe Closes Borders to Refugees. Source: Graphic News



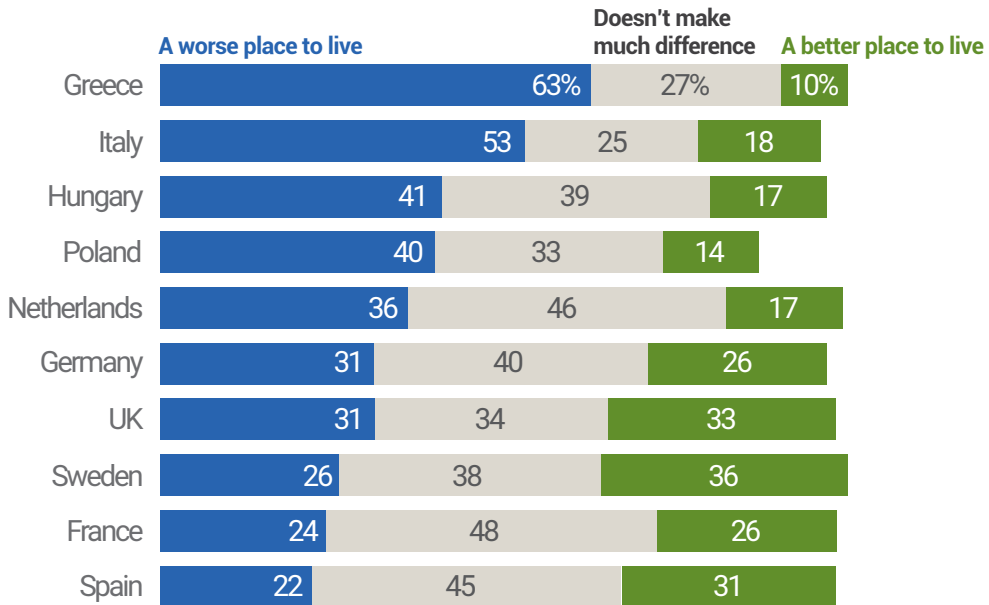
At the same time, the severe inflow of migrants in 2015 has spurred some efforts toward greater cohesion within Europe. The EU military mission engaged in disrupting human smuggling in the Mediterranean, EUNAVFORMED, has been upgraded with a broader mandate. The EU’s initial border-management agency, FRONTEX, was largely limited to coordinating the efforts of national border guards. But, as it became apparent that some countries lacked the ability to truly secure their own borders, the European Union established a new European Border and Coast Guard Agency, with its own personnel and the ability to assist member states when needed, while also ensuring common standards of border security. These are steps toward greater cohesion, but the EU has a long way to go to achieve a Common Border and Asylum Policy.



The migration crisis has indirectly spurred greater EU cohesion on justice and home-affairs matters, especially after it was discovered that some of the terrorists responsible for attacks in Paris and Brussels had traveled as refugees to enter Europe. The growing threat of terrorism over the last few years (especially since the Charlie Hebdo attack) has led to more cooperation through Europol and Eurojust (its judicial equivalent, which seeks to foster cross-border cooperation between judges and courts). The attacks in Paris and Brussels particularly demonstrated the lack of police coordination, both within countries and across borders. The EU has only recently become engaged in information sharing on suspected individuals through such databases as the Schengen Information System, as most intelligence cooperation and police information sharing is conducted on a bilateral basis. Given the cross-border nature of several major attacks, there is a high likelihood of closer cooperation within Europe—both within the EU context and bilaterally.

Perhaps the biggest question about the long-term impact of migration into Europe is whether those migrants and asylum seekers can be integrated into European economy and society. Will they become a productive force, or an alienated element? European governments had already struggled to integrate the Muslim immigrants who arrived before 2015, using such approaches as banning certain apparel, encouraging the creation of Muslim councils that could represent the community, or providing opportunities for religious education in schools equivalent to those available for other religions. The results have been ambiguous, as have been the attitudes of many Europeans toward these new residents. According to a Pew poll, more than half of the citizens in a number of European countries—including Italy, Poland, Greece, Hungary, and Spain—have a negative view of Muslims.<sup>62</sup> Moreover, in all European countries surveyed, more citizens believed Muslims in their countries wanted to be distinct, preserving their own customs and traditions, rather than be integrated. The poll also revealed that many Europeans are not convinced of the value of diversity. Even though most large European cities are now visibly diverse, few respondents thought that diversity made their country a better place to live (Sweden had the highest percentage, with 36 percent of respondents). Many respondents thought it did not make a difference. In Greece and Italy, more than 50 percent thought diversity made their country worse, while in Hungary, Poland, and the Netherlands, that view was shared by 33 to 41 percent.<sup>63</sup>

Figure 17. Few say growing diversity makes their country a better place to live. Source: Pew Research Center



Despite these attitudes, however, there is already evidence that many migrants in Europe are contributing to the economy. A study by the Bertelsmann Foundation found that business owners with a foreign background employed 1.3 million people in Germany in 2014.<sup>64</sup> Another study found that migrants are more likely to start their own business than are non-migrants.<sup>65</sup> Employment by migrant businesses grew 32 percent from 2005 to 2014, which exceeded the growth in migrants as a proportion of the population.

At least in the German case, the ability and willingness of migrants to become entrepreneurs is linked to language skills and educational level. These are also among the prime attributes identified in a Pew poll as comprising national identity and tolerance toward migrants. Among European respondents, 77 percent viewed language skills as very important to national identity, compared to 33 percent responding that place of birth was very important.<sup>66</sup> Education is of obvious importance to encouraging the integration of migrants and refugees, while higher education of the overall population is linked to tolerance of Muslims and other migrants. Thus, whether migrants will be integrated in Europe over the next five years—and become contributors to the European economy—may depend on the willingness and ability of governments to provide language training for those born abroad, and access to education for all.



### ***3. What will be the shape of the UK's future engagement with Europe?***

On June 23, 2016, the British people voted to leave the EU. The most significant impact of this decision will probably be that on the United Kingdom itself, but there is no doubt that it will also greatly affect the rest of Europe. What will that impact be? Will the British referendum spur other countries to take similar votes, and perhaps also decide to leave the EU? Or will it stimulate greater cohesion among member states left in the EU? The latter might be especially true of eurozone members, who will feel less inclined to respect British concerns about the effect of greater eurozone integration on the city of London. But what would be the impact of such eurozone consolidation on non-euro members of the EU?

Among the rest of the European public, the initial reaction to the British referendum result was to increase positive feelings toward the EU. In Germany, support for the EU rose from 39 percent in June to 52 percent after the British referendum.<sup>67</sup> In another poll conducted just after the referendum, support for the EU rose to 81 percent in Germany, 59 percent in Italy, 81 percent in Spain, and 67 percent in France.<sup>68</sup> It is unclear whether this surge in support for the EU will last, or whether it is an immediate—and temporary—reaction. Much will undoubtedly depend on what happens next in the course of negotiations and the eventual settlement with the UK. In an IPSOS Mori poll, 39 percent of French respondents and 34 percent of Belgians thought the EU should offer unfavorable terms to the UK. But, whatever the terms, 54 percent of EU respondents thought that Brexit will make the EU weaker. Only 18 percent thought the EU would be more integrated, 40 percent thought it would be the same, and 42 percent believed the Brexit vote would lead to a less integrated EU.<sup>69</sup>

Negotiations between the UK and the EU will likely be lengthy, and very detailed. The British government is expected to activate Article 50 (the EU exit clause) on March 29, 2017. This will trigger two years of negotiations, which can be extended only by agreement of all twenty-seven other EU members. With European Parliament elections scheduled for June 2019—and other members keen to reallocate British seats—the basic exit agreement should be in place by spring 2019. Negotiations on the shape of the UK's future relationship with the EU could take much longer. At the same time, the UK will be negotiating new trade and investment arrangements—as well as many other matters now in EU competence—with other countries, from India to the United States.

Over the next few years, Brexit is likely to have a negative impact on the European economy, albeit not a truly significant one. Prime Minister Theresa May has indicated that the UK will not remain in the EU Single Market, but will instead seek a bespoke trade agreement.<sup>70</sup> This outcome recovers British sovereignty, but disrupts established trading patterns. When the UK leaves the EU, the union's GDP will drop by 17 percent, and will move from being 22 percent of global GDP to 18 percent.<sup>71</sup> Similarly, the EU's share of global trade will drop from just below 20 percent to 15 percent.<sup>72</sup> While British trade with the EU is a much larger share of UK trade (44 percent) than it is of overall EU trade (7 percent), the EU would still expect a decline in trading

activity, at least during the period of renegotiation. Moreover, the share of some individual EU members' trade with UK is much higher than the combined EU percentage.<sup>73</sup> UK "analysis shows that while 3.6 million British jobs are linked to trade with the EU, some 5.8 million EU jobs are linked to trade with the UK."<sup>74</sup> It is very difficult to predict the extent of trade dislocation, which would depend not only on the final UK-EU arrangement, but also on UK arrangements with other partners. It is not likely to spur a serious economic downturn in Europe, but could be another factor inhibiting economic growth.

On the other hand, the EU27 may benefit from shifts in investment. The UK is currently the preferred investment destination within the EU, and about half of foreign direct investment (FDI) received by the UK is from other EU countries. In the months following the referendum, some multinational companies, including JP Morgan, Airbus, Toyota, and Ford have "all said they will review their investments in the UK after the country voted to leave the European Union," indicating that the result might affect investment decisions.<sup>75</sup> It is likely that some companies will move investments from the UK to the EU27 in order to be within the Single Market. Some from within the EU may curtail their investments in the UK, depending on new barriers that may arise. Overall, the EU27 may find itself better off as an investment destination.

There are many other factors that are likely to have a more significant impact on the European economy between now and 2022. Overall, Europe is still likely to be a slow-growth economy, even if it is a comparatively wealthy one. Brexit will undoubtedly disrupt some trade and investment patterns, but it is unlikely to have a huge impact on Europe's economy overall. It will, however, somewhat diminish the EU's share of the global economy, perhaps with some consequences for Europe's overall influence.

The more serious consequences of Brexit will concern Europe's institutions and global influence. Although the EU's share of the global economy will certainly shrink, whether the EU's influence overall will erode likely depends on whether it maintains or enhances its ability to act coherently. Thus, a key question is whether Brexit leads to greater coordination among the EU27 or leads to more disaggregation.

Both before and after the British vote, there has been much speculation about other member states leaving the EU. A poll prior to the referendum showed that 45 percent of Europeans wanted a similar vote in their country, but only 33 percent would vote to leave.<sup>76</sup> Those numbers can be expected to drop as the complications of Brexit become clear. A number of political parties across Europe have advocated leaving the EU, but—with the exception of the Front National (FN) in France—they have little chance of gaining power (and the FN is expected to be defeated in the second round of the 2017 election, should Marine Le Pen makes it that far). The likelihood that Brexit will lead to an unraveling of the EU, with other countries exiting, seems small.



But, that does not mean that the EU will continue as it is now. Throughout the past year, there have been calls for the EU to roll back some of its activities, returning power to the member states. There has long been a debate within the EU on subsidiarity (the idea of policy being determined at the national level, if possible, rather than at the European level). Whether Brexit or other factors will lead to such a rollback by 2022 is unclear. Nor is it clear what policy areas might be affected if there were such a rollback. It is unlikely that any entire policy area—such as agriculture or research—would be removed from EU competence, as EU involvement often brings advantages, including funds. It is more likely that there would be fewer legislative proposals across the board. The current European Commission has already taken steps to reduce the number of proposals, eliminating more than seventy draft proposals for legislation.<sup>77</sup>

In two areas, however, the UK exit from the EU has created possibilities for greater EU cohesion and integration. First, the British were reluctant partners in the Common Security and Defense Policy (CSDP). Without their objections, proposals such as a common EU headquarters might move forward, along with European Defense Agency efforts to encourage collaboration in equipment-production lines. The British are a top European military power, so their capabilities would be very much missed, but they may continue to join EU operations on an ad-hoc basis. Thus, despite Brexit, CSDP—which is very much supported by the European public—may see the emergence of a more coherent EU.<sup>78</sup>

Second, the eurozone could well experience a move toward greater integration, as its members would no longer need to worry about discriminating against the UK as a non-eurozone EU member but a leading financial hub. The clearing of euro-based transactions would probably be restricted to EU members, and it is unclear whether “passporting” of financial institutions based in London would continue, allowing them to operate across the EU. The eurozone could be deepened further by taking additional steps toward banking union, and by finalizing an ambitious Capital Markets Union. Members would then have to decide whether to move away from national decision-making on key fiscal and economic policies, making more decisions jointly in order to provide a stronger eurozone governance, as advocated by the so-called “Five Presidents’ Report.”<sup>79</sup> Some politicians have argued for a eurozone “Ministry of Finance.” Further integration along these lines will involve tough bargaining among eurozone members, especially as the German government will remain reluctant to embrace debt mutualization. Nevertheless, this is one area where greater integration can be expected.

#### ***4. Will extremists on the right or left gain power in Europe?***

One of the most notable shifts in European politics over the past few years has been the growing attractiveness of extremist parties, both on the far left and far right. Italy’s Five Star Movement, Greece’s Golden Dawn, Hungary’s Jobbik, France’s Front National, Germany’s Alternativ fur Deutschland (AfD), and Spain’s Podemos all share a disdain for mainstream politics and parties, as well as a deep skepticism about the value of globalization. Most also share a distrust of the European Union, although perhaps this is less common among those





Spain's Podemos party rallies during 'The March of Change' in Madrid on January 31, 2015.  
Source: Wikimedia/Barcex

on the left. In specifics, their beliefs and platforms are diverse—some, like Poland's Law and Justice party (PiS), are socially conservative but see a significant role for government in the economy, while others, especially Podemos, are more socially liberal. Some, especially those on the right, have taken strong positions against immigrants, and a few openly tolerate anti-Semitism within their ranks.

Such extremism has frequently existed in European politics, sometimes with disastrous consequences. Because of that history, there has long seemed to be a limited acceptability for these parties, based on an understanding that they would attract only a limited number of supporters who were outside the political mainstream. Before the 2008 financial crisis, these parties would normally attract 8 to 12 percent of the voters in any major election in Western Europe—perhaps a bit more when the government was not at stake and citizens could launch a protest vote.<sup>80</sup> In more recent times, however, that percentage has grown to 25 percent or more. AfD, for example, received 21.9 percent of the vote in Mecklenburg-Vorpommern's regional elections in August 2016. To date, few of these parties have gained power, although the parliamentary systems in Europe sometimes allow a relatively small party, such as the right-wing "Party for Freedom" led by Geert Wilders in the Netherlands, to enjoy the position of kingmaker, by providing support to a government coalition—or threatening to withdraw it.



But, as their percentages of support increase, it is certainly possible that these parties will win positions of power, especially when more mainstream parties are divided.

The influence of the extremist parties is also felt in the popularity and positions of more traditional parties of the right, and sometimes of the left. For example, in order to safeguard its right flank, Fidesz in Hungary has adopted some of the language and positions of Jobbik, although not the most extreme ones. Some candidates for the French presidency, including Nicholas Sarkozy, who tried running for the Union for Popular Movement (UMP) nomination, adopted some of the anti-immigrant language of the FN. Parties such as the Finns in Finland and PiS in Poland have made Euroscepticism central to their political platforms.

The growing support for extremist parties in Europe reflects an antiestablishment mood among the public. Europe's slow growth has undoubtedly contributed to this phenomenon, and it is not coincidence that the rise in support follows Europe's worst economic crisis in several decades. The growing inequality in the European economy probably also plays a role, as does the persistence of high unemployment, especially for those under the age of twenty-five. However, some studies show support for extremism occurs in countries that have seen a relatively healthy economy (such as the Czech Republic, or the Netherlands) rather than those in a more precarious position, or even those edging toward recession.<sup>81</sup>

The rise of extremism has also coincided with the largest inflow of refugees and migrants into Europe in many decades. Some groups are clearly racist, and have substituted prejudice against Muslims for the anti-Semitism of an earlier Europe. They prey on public concern about terrorism and Islamic extremism, as well as competition for scarce jobs and social-service resources. Ironically, these attitudes seem to be sharpest in the countries of Central and Eastern Europe, where there are far fewer immigrants and populations are less diverse.

However, the real reasons for the rise of extremism in Europe are far from clear. Nor have European governments and politicians shown that they know how to counter this phenomenon. Although the edge of the center right is now in power in Hungary, Poland, and elsewhere, the far right has only achieved participation in the ruling coalition in Finland. Wilders' Dutch Freedom Party will probably win one of the biggest numbers of parliamentary seats in the March elections, but the mainstream parties have ruled out cooperating with it in any coalition. Two months before the French presidential elections, polls show Le Pen winning the first round, but not prevailing in the second. What will the rise of extremist parties—and their possible grasp of power—mean for Europe's cohesion? Will these parties govern "against Brussels" and the more moderate forces, with the aim of causing further divisions? Or, if they reach positions of power, will they become "establishment" when faced with the responsibilities and challenges of governing?



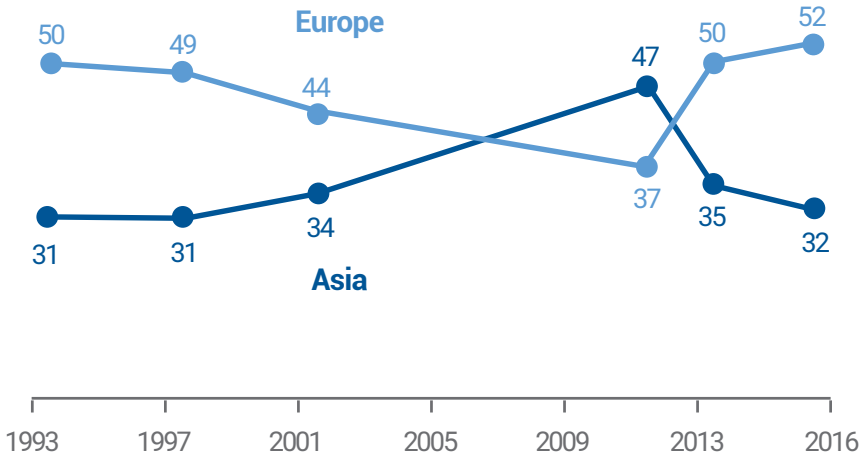
### Key External Variables

#### *1. Will the United States continue to engage with Europe, or will it become more insular or focused on Asia?*

As a new US administration comes into office, US attitudes toward the country's longstanding partnership with Europe seem more ambiguous than ever. In the face of Russian aggression in Ukraine, the United States has responded to the concerns of its NATO allies with an increased presence in Europe, including soldiers, planes, and equipment in Poland, Romania, and elsewhere in the former Warsaw Pact territory. Past US leaders have repeatedly made clear that the United States stands by its Article V commitment to defend its allies. The US public has also been supportive of that guarantee, and of the Alliance generally, even though a recent Pew poll suggested Europeans are less keen about using military action in the Ukraine crisis.<sup>82</sup> But, the Trump administration has sent mixed messages. During the campaign, Trump several times called NATO "obsolete," while also publicly favoring Brexit and saying that he expects other members to leave the EU. He has also suggested that he might favor better ties with Russia over boosting US support for traditional allies. Secretary of State Rex Tillerson and Secretary of Defense James Mattis, on the other hand, have reconfirmed traditional US commitments to NATO and the EU.

A major question facing the Alliance will be that of burden sharing. Like Europe, the United States will face increasing budget pressures on discretionary spending because of an aging population. The more Europeans are perceived to be relying on the United States for their security, and not pulling their own weight, the more the resentment could grow on the US side. President Trump, both as a candidate and now in office, has criticized the allies for not contributing their "fair share" to the Alliance budget, and has implied that the US commitment to defending allies may rest on their financial contributions. President Trump is not the first US official to criticize European defense-spending levels. President Barack Obama's interview in the Atlantic captured this view, as he criticized Britain's and France's "free-riding" in the allied ouster of Libyan leader Muammar al-Qaddafi.<sup>83</sup>

Figure 18. European ties viewed as more important than Asian ties. Source: Pew Research Center

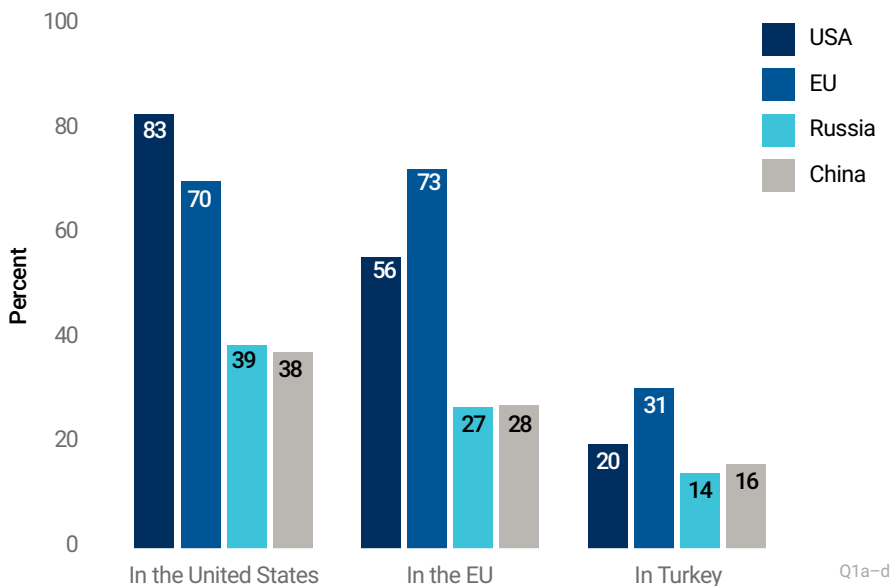


Former US Secretary of Defense Robert Gates also spoke strongly against a “two-tiered alliance” in his farewell address to NATO colleagues in 2011.<sup>84</sup> But, President Trump is alone in implying that the US commitment to defend NATO allies may depend on the level of their defense spending.

Polls show that European ties remain more important than Asian ones to Americans, although younger Americans are more evenly divided.<sup>85</sup> In a June 2016 Pew survey, both sides of the Atlantic now “tend to be inward looking, and many question their country’s importance in world affairs” with Americans “much more pessimistic about the benefits of global economic engagement.”<sup>86,87</sup> “A median of 56 percent across the ten EU nations surveyed, and 57 percent of Americans believe their country should deal with its own problems and let other nations deal with theirs as best they can.”<sup>88</sup> European anti-engagement sentiment has remained roughly the same, but the US attitudes against engagement have grown by 11 percentage points since 2010.<sup>89</sup> Forty-six percent of Americans also believe the United States “is less important today than it was a decade ago.”<sup>90</sup> Forty-nine percent of Americans “say global economic engagement is bad for their country, but 32 percent of Europeans view such involvement negatively.”<sup>91</sup>

Nevertheless, Europeans and Americans are more comfortable with each other than they are with anybody else. Although a majority of European said, in the most recent German Marshall Fund “transatlantic trends” polling, that they would like to see their country take an approach more independent from the United States, both Americans and Europeans still prefer each other over more Russian or Chinese leadership in the world.<sup>92</sup>

Figure 19. Desirability of Leadership in World Affairs. Source: *The German Marshall Fund Transatlantic Trends*



Finally, the United States and EU are each other’s top trading partners, and each other’s primary source and destination for foreign direct investment. Since 2013, they have been negotiating a Transatlantic Trade and Investment Partnership (TTIP). A successful TTIP negotiation would have further reinforced that mutual engagement, and also boosted the likelihood that transatlantic-agreed rules and standards would have become the accepted global ones. But, TTIP—along with an agreement that has been approved with the Canadians—has generated considerable public opposition in Europe, especially in Germany and Austria. With President Trump now in the White House, chances of a resumption of talks in the near term are zero. He has focused mostly on revoking US participation in the agreed Trans-Pacific Partnership (TPP), and his administration has made clear that it will prioritize bilateral, rather than regional, deals, putting TTIP on the backburner for the foreseeable future. Any future TTIP negotiations would be complicated by the interest of the Trump administration in negotiating terms for a US-UK free trade agreement that could be signed once the UK leaves the EU. Trump’s unwillingness to pursue TTIP, and his preference to advance a US-UK deal, would confirm for many Europeans that the United States is no longer a close partner and supporter of the “European project,” and would be a significant blow to transatlantic relations.



## ***2. Will the Balkans continue on a Euro-Atlantic path, or fall again into instability, and even conflict?***

The countries of the former Yugoslavia have moved far from the wars of the 1990s. Slovenia and Croatia have joined NATO and the EU. Albania has also joined the Alliance, Montenegro is in the midst of doing so, and both are now candidates for EU membership. Serbia and Kosovo have not reached a full resolution of their disagreements, but progress has been made. Serbia is now an official EU candidate, and Kosovo has slowly garnered more international recognition. However, some EU and NATO members still do not recognize Kosovo as an independent nation—a situation that will complicate its future membership applications to those two organizations. Macedonia is on the cusp of NATO membership and EU candidacy, but the disagreement with Greece over its name has provided an opportunity for nationalist politicians to exploit divisions. Macedonia now risks falling into interethnic conflict, and tensions are rising with neighbor Albania. Perhaps most challenged is Bosnia and Herzegovina (BiH), where community differences have been perpetuated through the internal structure, especially the division between the Republika Srpska and the Federation of Bosnia Herzegovina, comprising Muslim Bosnians and Bosnian Croats. Policymaking at the national level has been hindered by these divisions, and there are now concerns that Bosnia may also slip back into interethnic conflict.

Despite these challenges, economic growth across the region has slowly begun to stabilize and grow. The World Bank projected growth to rise from 2.2 percent to 2.7 percent in 2016. Growth rates are expected to rise through 2018, reaching 3.0 to 3.7 percent, depending on the country.<sup>93</sup> Yet, growth in the EU—Southeast Europe's main export market—remains slow. Also, corruption remains endemic in the region, with only Croatia and Slovenia scoring about fifty in the annual Transparency International index.<sup>94</sup> The question for the Balkans is whether economic growth and reform can be maintained in the face of lagging export markets and persistent corruption, and whether that growth will reinforce efforts to move the region toward a more stable European future.

The Balkan region also faces significant external challenges. Russia has long had influence throughout the region, with some strong political alliances and economic investments. As tensions rise between the West and Russia, the Balkans risk being trapped in the middle, with Russian interests using various resources to frustrate progress toward the EU and NATO. In October 2016, for example, Russia held a wargame in Serbia, seemingly in reaction to NATO's five-day emergency-exercise drill in Montenegro.<sup>95</sup> Similarly, in recent years, the region has also experienced growth in Turkish engagement, often in the form of schools and other community resources, and particularly in countries with large Muslim populations, such as Albania, Kosovo, and Bosnia. According to observers from the region, this engagement has recently become a source of radicalization within the local population, including stimulating an increase in "foreign fighters" heading for Syria and elsewhere in the Middle East.<sup>96</sup>



Tactical teams participate in drills during in the Russia-Serbian-Belarusia 'Slavic Brotherhood 2016' joint exercises. *Source: Russian Ministry of Defense*

Finally, in 2015, the Balkans became the pathway for many migrants from the Middle East as they moved from Greece to Germany and elsewhere in the EU. Serbia, for example, received five hundred thousand migrants.<sup>97</sup> The pressures on these countries, with their limited resources, was immense—especially as EU member states closed their borders, trapping tens of thousands of migrants on the Balkan side of the border. Although the flow of migrants has decreased in recent months, the crisis has had another effect on the Balkans. For a number of years, citizens of Southeastern Europe—especially the young, who have found fewer opportunities in their own countries—have migrated to the EU in search of more opportunities. Almost one million Albanians reside in the EU, for example, and there are similar numbers from BiH. Serbia has sent more than six hundred thousand citizens to the EU. About 230,000 people have left Macedonia legally since 1998 (and presumably more have left illegally). While this has reduced internal social and economic pressures, and provided some remittance income, it has also removed some of those with the most education and initiative—people who are sorely needed by their home countries. One consequence of the 2015 migration crisis is that the EU has tightened the borders for economic migrants, a category including most Balkan migrants (who are very unlikely to be political asylum seekers anymore). A sudden return to the region of those living in the EU could strain local resources, as well as reduce the flow of remittances.



As Europe moves toward 2022, the stability of the Balkans will be one of the factors affecting how the entire continent evolves. If the region solidifies its economic progress and successfully undertakes political and economic reforms, by 2022 more countries may be in NATO and on the track to EU membership, thus providing more stability in Europe's neighborhood. But, if the economy festers, and Russian and Islamicist influences gain hold, the region could become much less stable, and the possibility of conflict erupting within BiH or Macedonia could become very real. The question then becomes whether instability and conflict on its borders would push Europe to unite in response, or reinforce existing divisions.

### ***3. What will be Turkey's future path?***

Turkey has long had a complicated and ambiguous relationship with Europe. At different times throughout history, Turkey has been on the edge of Europe, very much a power in Europe, or a weak victim. In the mid-1920s, Mustafa Kemal Atatürk turned Turkey firmly toward Europe. After World War II, that orientation was confirmed, as Turkey became a NATO ally during the Cold War.<sup>98</sup> As the European Communities grew into the EU, Turkey signed a custom union in 1995, and in 1999 became a candidate for membership. Although many EU leaders expressed grave doubts whether Turkey could ever join, the Turkish government did implement many reforms. But, as Prime Minister (and now President) Erdoğan has taken his country in a more authoritarian direction, EU membership now seems more distant than ever—and perhaps not even desired by the Turkish leadership. Turkey's foreign policy has also become less predictable, as relations soured first with Israel and then Russia, and then recovered. Yet, even as relations between Turkey and Europe have deteriorated, Europe has found itself dependent on Ankara. The majority of migrants arriving on Greek—and other European—shores in 2015 were Syrians and Iraqis who had traveled through Turkey. Only when Turkey agreed to block the flow of migrants and stop the smugglers did the refugee crisis ease.

The future of relations between Turkey and Europe, even over the next few years, is far from clear. There are elements of stability. Turkey is a major economic partner of the EU, with significant trade and investment between them. Turkey's young population could be a valuable supplement to Europe's shrinking labor force. Also, Turkey is a key member of NATO, one that is now on the front line of the Middle East instability that challenges Europe's security. But, will Turkey remain a bulwark against that instability? Or will it become a victim of conflict in the region, including its own longstanding tensions with Kurds in the region? Will Turkey, despite its NATO membership, see more advantages in a close relationship with Russia, even as tensions rise between that country and the Alliance? Will Turkey's internal politics take an even more repressive turn, one that would further isolate Turkey from Europe? Could such a Turkey even become more similar to the Gulf states or Saudi Arabia, with a strict version of Islam becoming central to its governance and policy? Under these circumstances, Turkey might even become a threat to Europe, especially the Balkans, where Turkish influence could become a divisive factor

in multiethnic societies. While such a dim future is certainly not to be desired, neither should it be discounted.

### ***4. Will Russia continue to be an aggressive factor in the region, or will Europe find a path to constructive engagement?***

Perhaps the biggest question mark in Europe's immediate region is the future of Russia. Will it continue to be an aggressive influence on its Western neighbors, or will its own internal weaknesses lead it to adopt a more circumspect approach? Over the past few years, Vladimir Putin's Russia has openly invaded Georgia and has fomented, and actively supported, secessionist forces in Ukraine, as well as annexing Crimea. Ukrainian secessionist forces were clearly assisted by some Russian forces, despite Kremlin denials. Russia also continues to support the breakaway region of Transnistria in Moldova. It has recently moved nuclear-capable missiles into Kaliningrad, upsetting the security balance in the region, and has practiced large-scale military exercises close to its western border. Aside from these military activities, Russia has also launched significant outreach and disinformation campaigns. These efforts have resulted in closer ties between Russia and extreme parties in Europe on both the left and right—for example, involving financial support from Russian sources to the French Front National. Although a direct link is hard to discern, Russian disinformation appears to have contributed to the general tone of antiestablishment feeling across Europe today.

While such pressure from Russia is likely to be a constant during the years to 2022, it is unclear whether a new act of aggression will take place. If Ukrainian separatists move on Mariupol, for example, or a Russian military jet causes an accident with a civilian or military plane, Europe will find itself faced with a very real crisis demanding some form of response. At the same time, Russia will also seek to divide Europe, using its dominant (albeit reduced) role in European energy supplies, through such proposals as Nordstream II.

Indeed, Europe will inevitably seek some sort of modus operandi with Russia. Russia is a key neighbor, and the impact of its policies cannot be escaped or ignored. Russia has also been a key economic partner of Europe, with European, and especially German, companies very invested in the Russian economy. Although trade has lessened in the wake of the Ukraine sanctions and some investments have been curtailed, other investments continue. The EU has long been Russia's top trading partner, and it is estimated that about 75 percent of foreign direct investment in Russia comes from the EU.<sup>99</sup> In recent years, however, trade has been affected by the sanctions related to Russia's aggression in Ukraine; agricultural exports to the EU have fallen more than 50 percent since 2013; and the value of hydrocarbon exports has also fallen by half, due to the global decline in oil prices.<sup>100</sup> Still, EU-Russia trade remains significant. Despite President Putin's urging Russians to repatriate their assets, many still have significant personal and business investments in Europe.





But, while Europeans try to balance a response to Putin's aggression with longstanding economic and other ties to Russia, Russia itself faces some severe challenges over the next few years. The birthrate is well below replacement level, and life expectancy of Russians is about thirteen years lower than that of Italians, for example. Alcoholism, drug abuse, HIV, and even tuberculosis are at the root of the high mortality of males in their fifties. Russia has historically been one of the biggest receivers of immigrants, although that will not offset the decline in the Russian native population. The economy is still largely based on the sale of raw materials, rather than high-wage manufacturing. These challenges cannot be easily reversed. Over time, they could affect Russia's ability to maintain its military forces, capacity for economic and political reform, and the very health and social fabric of its people. What impact that will have on Russian internal stability and governance is unknown. And, what impact a poor, destabilized Russia could have on Europe is equally unclear.



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## Part III: Will Europe Hold Together?

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**F**or all of these variables, perhaps the most important strategic consequence is whether they encourage—or discourage—Europe from acting in a more unified and effective manner. Will certain combinations of developments make it easier for Europe to grow a strong pan-European economy, with fewer barriers and more growth, more innovation, and more employment? Will certain variables make Europe a more unified foreign policy actor, whether maintaining sanctions on Russia, providing for a stronger defense (including against terrorism), or creating coherent policies toward instability to its south and east?

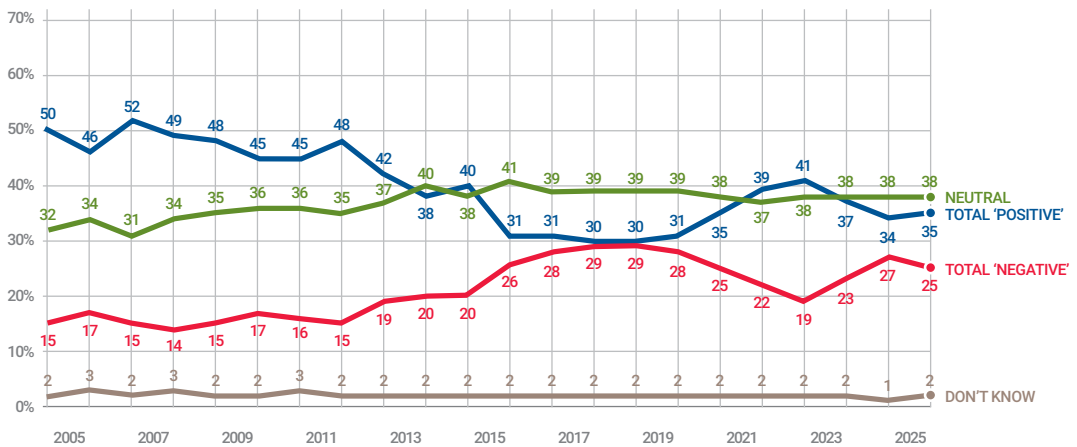
When considering the likely impact of any particular variable, the answer is often far from clear. Will Brexit lead to more differences among those who remain, or will they react by banding together to ensure a strong negotiating front vis-à-vis London? Will US disengagement lead some Europeans to seek security by reaching out to make amends to Russia, or will the NATO allies band together to ensure their security in a challenging environment?

In judging whether Europe will hold together or move apart, three points should be underscored. First, “Europe” has never been a totally coherent concept, but rather includes many different “Europes,” each bringing together the continent for different aims, and with different rules. There is the European Economic Area, the EU Single Market, Schengen, and the eurozone—to list just the prominent ones. NATO and the Organization for Security and Cooperation in Europe (OSCE) bring in even wider definitions of “Europe.” Since the financial crisis, there has been an increasing expectation that a “two-speed Europe” may emerge, with a central core—perhaps based on the eurozone—and other EU countries perhaps being less integrated. Some political parties, such as Law and Justice in Poland, have disparaged the concept of an “ever closer union,” instead supporting an EU of nation states. The EU has gone through such moments before—perhaps most dramatically in 1966, when France walked out of the council in opposition to supranationalist proposals by the commission and, in the Luxembourg Compromise, secured a de facto veto for member states on issues of important national interest. The “European project” has moved in fits and starts throughout its history, and not all members have moved at the same speed, especially as the membership has increased.

Second, while public support for “Europe” and the EU remains lower than it was prior to the financial crisis, in cases it is higher than support for national governments. According to a fall 2016 Eurobarometer poll, 69 percent of Europeans “say they are in favor of a common European policy on migration.”<sup>101</sup> Europeans support free movement of people (81 percent), common

foreign and defense policy (75 percent), common energy policy (73 percent), and even the euro (55 percent).<sup>102</sup> Trust in the EU increased in the most recent poll, from 33 percent to 36 percent in the spring 2016 survey.<sup>103</sup> Trust in national governments has also increased, but remains below trust in the EU.<sup>104</sup>

Figure 20. QA9 In general, does the EU conjure up for you a very positive, neutral, fairly negative, or very negative image? [% - EU]. Source: Pew Research Center



The large “neutral” opinion of the EU, combined with a strong opposition, would seem to make it hard for proponents to argue for a greater EU role in regional and global affairs. But, despite anti-EU rhetoric, most member governments recognize that the solution to many challenges facing Europe is, in fact, “more Europe.” During the migration crisis of 2015, many politicians criticized the EU for lax control of its external borders. But, for most, including Victor Orbán—one of Europe’s biggest critics—the desired response was for Europe to work together to safeguard those borders, even while Orbán criticized Europe in many other areas. In 2008, as it became clear that the financial crisis could not be contained in any one country, the only solution was to move toward more Europe in the form of a nascent banking union. Done under enormous market pressure to prevent the eurozone from crumbling, current steps toward a banking union are “significant,” in the words of one expert, for building institutional integration and a “welcome break from past national banking policies.”<sup>105</sup>

Two key indications of how well—or even whether—Europe will hold together are the French and German elections of 2017. In France, a Front National victory in the May presidential elections still seems a long shot. Marine Le Pen is likely to make it into the second round, but the left and center right will then most likely join forces to defeat her in a second round. But, the election of Donald Trump may have changed that calculation, in ways that cannot be predicted. If Le Pen

were to win, it would boost those who want to degrade the power of EU institutions, roll back the Single Market and Schengen, scrap multiple trade deals, and rebalance Europe's foreign policy away from the United States. In Germany, Europe's electoral calendar could tip the balance in favor of or against a strong Europe in the next five years. Chancellor Merkel will face the voters in 2017, and is expected to have a tough reelection in the wake of the migration crisis. Her departure from the scene would leave a vacuum that no other European leader could fill in the short term. Her forced departure would be indicative of an inward-turning Germany, one unwilling to lead in Europe, especially if narrow German interests might be compromised. By contrast, her reelection would reinforce her reputation as a leader—one willing to take risks and capable of recouping public support, while boosting the role of Germany as a leader in Europe.

These two elections will provide some indication of the likely course of Europe over the next few years, whether it will hold together or begin to erode. As for the impacts of the variables laid out in this report, the table below and the scenarios that follow attempt to illuminate some possibilities for Europe's future.

<b>Impact of Trends and Key Variables on European Cohesion</b>		
<b>Megatrends: Certainties in Europe's short-term future</b>		
Rapidly Aging Europe	Little impact from aging population, or from diversity, as few differences between countries.	Neutral impact
Shrinking Share of Global Economy	Slow growth helps to foster political disunity.	Hinders cohesion
Continent in Turmoil	Despite some differences in threat perception, external threats tend to create cohesion, while terrorism has increased security cooperation.	Builds cohesion
<b>Key Domestic Variables: Uncertainties on Europe's path to 2022</b>		
Economic Reform	Greater reform increases growth and makes national economies more similar/compatible; Schengen persists.	Enhances cohesion
Controlling Borders and Integrating Migrants	In short term, migration causes divisions in Europe, but leads to greater focus on shared external border, while integrating migrants is largely a national enterprise.	Reduces cohesion in short term; perhaps builds it in longer term?
UK Relations with EU	Brexit negotiations force unity in EU27, and removal of UK objections leads to greater EU role in defense policy.	Builds cohesion
Extremists in Power?	These parties have strong Eurosceptic tendencies, but will they learn to cooperate among themselves across borders?	Hinders cohesion
<b>Key External Variables: Uncertainties on Europe's path to 2022</b>		
US Engagement	US engagement can foster coherence, but Europeans often respond together to threats and to criticisms by the United States, while the impact of US disengagement could either unify or fracture Europe.	Mixed result, either enhances or reduces cohesion
Instability in the Balkans	Greater unrest in the Balkans will lead to greater EU focus on the region, but not clarity on how to respond.	Neutral impact
Turkey's Future Path	Current political developments in Turkey have created a unified and critical response in Europe, which will persist if Turkey moves farther from Europe in politics and foreign policy.	Enhances cohesion
Continuing Russian Threat	An overt act of aggression will provoke a unified European reaction, but it will be more difficult to maintain cohesion over sanctions, for example, if Russian efforts are subtler.	Enhances and hinders cohesion

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## Part IV: The Scenarios

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**B**elow is a set of alternative futures for Europe, based on the interaction of the megatrends and key variables. Although there could be an almost infinite number of scenarios, the authors have tried to outline five key futures, all within the realm of possibility in the next five years.

**Scenario #1—Revitalized Europe:** In 2017, Europe begins to experience sustained economic growth and gradually reduced unemployment, even among younger job seekers. The growth rate still rarely exceeds 2 percent, but neither does it drop much below. Ireland, Portugal, and Spain have even higher growth rates, and become examples of successful post-crisis reforms. In France and Italy, as well as elsewhere, the economic demands of internal security and coping with migration bring some flexibility in the EU budget process, and this proves modestly stimulating for the economy. In light of Brexit, some companies relocate their investments to the EU27, although it is not a huge transfer. As the economy begins to spark, intra-European cooperation also seems on the upswing. The EU's new Investment Fund is renewed for a second round, and is enlarged to €500 billion. The Digital Single Market and Capital Markets Union proposals become reality, and, after many legislative tussles, are more ambitious and more innovative than anticipated. As both the EU and national governments put more funds into R&D, both for civilian and defense-related projects, Europe begins to see more startups launched, patents filed, and tech workers hired. Innovation no longer seems distant to most Europeans.

Outside of the economy, Europe also begins to cooperate more in meeting other challenges. Throughout the five years, there continue to be terrorist attacks and other random acts of violence. Instead of causing divisions, these attacks stimulate ever-closer cooperation and intelligence sharing among European governments, and institutions such as Europol. With increasing frequency, security forces announce cross-border efforts that have successfully stopped other acts of terrorism. It is increasingly clear to the citizens of Europe that all the governments are working together to keep them safe. Ironically, this sense of cohesion is also boosted by the Brexit negotiations. Although the UK leaves in mid-2019, the future trade-and-investment accord is still under negotiation. The EU27 somehow manages to keep a consistent unity in its position as its members deal with their British neighbor. Although occasional suggestions of "special deals" emerge in the press, none survive the pressure from other member states. This unity is undoubtedly helped by a series of setbacks for European extremists at the voting booth. In 2017, the near miss of Front National in France and Five Star



in Italy marks the high point of this movement. Instead, France elects Emmanuel Macron in a “Justin Trudeau moment,” and he launches a series of economic reforms. In Germany, a mood of growing optimism leads the electorate to look more confidently at the prospect of change, and Martin Schulz wins the chancellorship. He and Macron become close partners, putting a reawakened Franco-German engine at the center of a revitalized Europe. Some countries continue to struggle. Greece remains on the economic precipice, especially in terms of debt. Romania struggles to recover from the latest corrupt government, and Poland’s economy has stalled, thanks to the government’s support for generous social-welfare payments and its interference in the running of some major enterprises.

Migration remains a challenge for Europe, although the flows never return to the huge levels of 2015. But, by the end of five years, the benefits of younger, educated migrants and refugees are beginning to be felt, especially in the healthcare industry and some manufacturing sectors.

As for its external challenges, Europe continues to keep a wary eye to the east and south. The Russian incursion into Ukraine has become a frozen conflict, and the Minsk agreement is still not fully implemented. In terms of foreign policy, Europe remains relatively under-militarized, despite increasing crises and instability on its borders. Some countries—the UK, Germany, and Poland—have modest increases in defense budgets, but little real impact is expected before 2025. There is discussion of a joint European military force, but the real focus is on joint weapons development and procurement. The European members of NATO remain fully committed to the Alliance, but questions about the US commitment remain.

**Scenario #2—Slow-Growth Europe:** Unemployment rates start rising again in late 2017, as the Trump administration’s plans for fiscal stimulus run into problems in Congress. China’s growth has also slowed more than anticipated. The IMF revised downward its recently optimistic view for increased global economic growth in 2017 and 2018. Worries increase that Brexit will have a harmful effect on the EU’s economic prospects, and not just that of the UK.

Emmanuel Macron wins in France, but the slowdown in growth in Europe and elsewhere means that his economic reforms are met by stiff opposition in the streets. Any economic recovery in France looks like it will not be quick, and each step forward will be hard fought. Le Pen was defeated for the presidency, but her Front National party continues to make inroads in regional and mayoral elections. Angela Merkel barely wins a fourth term as chancellor as economic growth slips in Germany.

German unwillingness to take on mutualization of debt stymies further integration of the eurozone. Greece is finally forced out of the eurozone, heightening criticism of Germany’s lack of solidarity. Divisions within Europe worsen with the onslaught of another inflow of migrants—this time from Africa. Central European governments refuse outright to take any migrants from the Middle East or Africa. Germany strikes back at Poland and Hungary by calling for a sharp reduction in structural funds going to them. Putin’s conservative appeal begins to make further

inroads in Europe, growing even in Central and Eastern Europe and the Balkans. His strongman tactics and anti-Muslim rhetoric are increasingly seen as a counter to Brussels. A coalition among the French, Italians, other Mediterranean countries, and some Central Europeans force Germany, Sweden, and the UK to weaken EU sanctions against Russia.

Trump revives former Secretary of Defense Donald Rumsfeld's "old Europe, new Europe" talk. Avoiding Berlin and Paris, and after a brief "private" meeting with Le Pen in Vienna, Trump and the first lady make a triumphant tour through Central Europe and the Balkans, where he calls on those countries to follow the UK's example and exit the EU. Central European leaders believe they can increase their leverage with Paris and Berlin by calling for more generous terms for the UK. German and French leaders are forced to accede to Polish and Hungarian demands for initiating new constitutional talks. The Single Market is amended, giving countries more ability to opt out of its provisions, and curtailing the rights of EU institutions to intervene in the "domestic" affairs of member states.

Even as the bonds have been loosened with the periphery, Paris and Berlin draw together and forge a new security-and-defense pact, inviting Britain and Italy to join. Britain dithers, but eventually takes the plunge, as it is clear that the US commitment to NATO is weakening. For the moment, London is an auxiliary member. The new Franco-German-Anglo-Italian force intervenes in West Africa to avert a humanitarian disaster that could worsen African migrant flows. Germany relishes the security cooperation with its core partners as a cover for its growing military buildup. Some sixty years after the Treaty of Rome, it looks like the EU is going back to its roots, with the original six (without the Netherlands) now forming the core. The periphery increasingly views the EU as little more than a customs union. Ironically, the core sees security cooperation as an increasingly important basis for cooperation, reversing the original economic focus for the common market.

**Scenario #3—Nationalists in Charge:** In 2017, the far-right elements in Europe gain major victories. In March, Geert Wilders and his Freedom Party (PVV) gained several parliamentary seats in the Dutch elections. After an excruciating effort, the other parties are finally able to form a coalition government, but Wilders charges them with ignoring his enlarged constituency by refusing to engage with him, and says he will do everything he can to obstruct the government. In France, François Fillon is eliminated from the presidential race, and the second round pits Marine Le Pen against Emmanuel Macon, leader of the new En Marche! movement. Continuing disputes among the other parties, and a resurgence in support for FN among working-class voters who normally supported the Socialists, leads to a narrow victory for Le Pen, shocking the French political establishment.

In the aftermath of the election, Le Pen declares her intention to abandon the euro and return France to the franc, albeit one tied to the euro. She also declares that France will impose border checks to ensure that non-EU migrants are not crossing into the country. Almost immediately,



lines of trucks stall at the border as the police implement inspections. Companies that had been expected to move to Paris in the wake of Brexit begin to move toward Frankfurt or Dublin as better alternatives. Expectations for French economic growth plummet, as markets lack confidence in the new government's ability to keep the franc on par with the euro. In response, French voters veer away from FN during the June parliamentary elections, forcing Le Pen to build a coalition cabinet with En Marche! and UMP.

The impact of the election goes far beyond France. In the Italian elections, Matteo Renzi is narrowly reelected as the uncertainty about France leads voters to abandon their early support for the Five Star movement. But, the countries where the far right is already in power, especially Poland and Hungary, reach out eagerly to Le Pen. In a meeting before the September 2017 European Council, Le Pen, Polish President Andrzej Duda, and Hungarian Prime Minister Viktor Orbán issue a call for a "Europe of the Nation States" to be established as the EU reshapes itself following the British departure. But, in Germany, where everyone watches the French economy continuing to slide, Angela Merkel handily wins reelection. In late 2017, France and Hungary launch an effort to repeal European sanctions on Russia. Joined by Italy, they manage to upend the existing consensus, but others, led by Germany—and with the help of Britain—make clear they will take steps to prevent financing of any new deals with Russia. As a major split emerges within the union, France, Austria, Hungary, and Denmark reinforce their border controls.

In late 2018, the Dutch people vote to join the UK in leaving the EU. The Danes follow soon after. But, both governments opt to remain in the Single Market, taking the model of Norwegian membership of the European Economic Area as the best path forward.<sup>106</sup> The Dutch also opt to continue using the euro, even though they are no longer part of the Eurogroup. By 2019, Greece finally bows to the inevitable and leaves the eurozone in return for significant debt forgiveness. And, with the formal departure of the UK in 2019 and the reintroduction of the French franc in January 2020, a two-bloc Europe begins to emerge: a core eurozone, minus France, and a much looser set of periphery countries, each with its own currency and border controls. International investment begins to relocate toward the core eurozone, including the newer Baltic members, while investment leaves the EU periphery.

The split within Europe also begins to affect NATO. France and others in the "pro-Russia" camp begin to question the continuing NATO reinforcement of military capabilities in central Europe, and instead stress the importance of keeping military assets where they can prevent the flow of refugees from Libya. The divisions in the Alliance cause the United States to question European commitment to NATO. Although the Trump administration has some sympathies with Le Pen, Orbán, and other right-wing leaders, it feels no remorse about divisions within the EU. Most of Washington's focus is on Britain and building a stronger "special relationship". Thus, as the United States sees more divisions emerge in Europe, it does little to discourage them, and instead focuses on policy initiatives aimed at specific European countries.



**Scenario #4—Russia Launches an Offensive:** In late 2017, Russian-backed separatists in Ukraine begin an offensive movement toward the city of Mariupol, after months of engaging in low-level conflict throughout eastern Ukraine. A serious bombardment leads to thousands of casualties and, as Mariupol falls, there are fears that the insurgent forces will press on to Odessa, before the Ukrainian military begins to offer strong resistance. In 2019, riots break out in the Russian territory of Kaliningrad. Russia blames the three Baltic states and imposes trade sanctions on the few remaining products not already forbidden, while also moving significant military forces close to the borders of the Baltic states. Estonia, Latvia, and Lithuania also begin to experience a series of mysterious power outages and disruptions of various computer networks, including at a major bank.

As these pressures escalate, an earlier discussion within the EU about possibly relaxing existing sanctions on Russia is replaced by consideration of even stronger sanctions. Especially after the fall of Mariupol, the United States and EU together identify key Russian officials for sanctions, and also begin to discuss a ban on all Western financing of projects in Russia. The EU also finds that the proposed Nordstream II pipeline does not meet the requirements of the Third Energy Package, especially in terms of encouraging greater diversity of supply.

There is also a strong reaction within NATO. Those who have been reluctant to further increase NATO measures in Central Europe now find themselves isolated. Citizens from the Baltic states and Poland begin a vigil outside NATO headquarters, pleading for more signs of commitment before what they believe is an impending invasion. At the NATO summit in 2020, the Alliance agrees to add another battalion to those already in the Baltics and Poland.

In mid-2020, a long-feared disaster finally happens: a Russian military jet, flying over the Baltic in international air space with its transponder turned off, collides with a commercial aircraft. All one hundred and twenty passengers on the Riga-to-Stockholm flight are killed. Sweden presents data at the UN Security Council showing how the reckless behavior of the Russian pilot contributed to the crash. Russia disavows the actions of the late pilot, but NATO reinforces its Baltic air-policing effort, providing escorts for random commercial flights through the area. The number of Russian military flights in the region is reduced, but relations between NATO and Russia decline significantly, with fewer Russians allowed to travel to Europe and more surveillance of their investments and travel. A new Cold War begins to develop, including a proxy war between the West and Russia in the Ukraine.

**Scenario #5—The United States Disengages:** Under President Donald Trump, the United States begins to radically reshape its relations with friends and allies around the world. After pulling out of the TPP, the administration begins an effort to renegotiate the North American Free Trade Agreement (NAFTA), which leads to the abrogation of that trade agreement. It also abandons negotiations with the EU aimed at concluding a TTIP, and instead begins work on a



bilateral free-trade accord with the UK. After four years, however, that agreement is not close to conclusion, as US demands seemed excessive to the Theresa May government.

After attending an initial round of G7, G20, and NATO summits in 2017, President Trump makes clear that he will no longer attend such international gatherings, claiming that his colleagues—especially European leaders—“ganged up on him” with their support for climate-change action. He also refuses to travel for other visits, especially after his 2017 state visit to London leads to violent protests that essentially closed that city, and Prince Charles makes a pointed public statement about climate change.

The reaction in Europe is mixed. Many governments are happy not to have President Trump visit, especially given the likelihood of demonstrations. But, they are concerned by the lack of US presence in international discussions, and the United States' unwillingness to stand by such agreements as those signed by earlier administrations on climate change and Iran. The European Union—often working closely with the British—establishes a network of agreements with countries in North Africa, which are designed to stabilize that region. With the disappearance of the United States from the international scene, relations with Russia increasingly become the main European problem. NATO is not formally abandoned, but the United States withdraws its troops from various reassurance measures. European defense budgets begin to increase slowly and, by 2020, there is a very active discussion about the renovation of both the French and British nuclear deterrents, and how they might be used to reinforce Alliance deterrence. Europe finds itself under increasing pressure from Moscow, and the tension causes increasing divisions among European governments. In 2022, Russia agrees to withdraw its support from Ukrainian separatist forces in return for an agreement with the EU that excludes Ukraine, Belarus, Moldova, and Georgia from future membership (and, by implication, future NATO membership as well). Although many in Europe are suspicious that the Russians will renew their support for the separatist forces, there is a desire to reach an accommodation with the powerful neighbor no longer balanced by the Americans.

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## Conclusion

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It is clear that the past will not be prologue in Europe's case. For almost sixty years, Europe's story was about an ever-expanding and closer union. That dream has not entirely faded, but new economic and geopolitical drivers are making it hard for Europe to go on as it has in the past without major adaptations. As Europe has economically lagged other regions, the social contract is under threat. In this age of globalization, governments are blamed for not ensuring the same quality of life as before for their citizens. Already, it is becoming harder to fund the liberal social-welfare benefits that Europeans think of as their birthright. Externally, the threats have increased sharply from migration, terrorism, and renewed Russian aggression, even as the transatlantic links on which Europe has relied for its security have been weakening. President Trump is not the only US leader to voice frustration with Europeans' low defense spending. Former Defense Secretary Gates complained about it before he left his post, as did President Obama.

If Europe and the EU survive intact (albeit without the UK), they must be more responsive to the growing insecurity surrounding it and growing in the lives of its citizens. This paper cannot possibly predict what the future will be like even five years hence. But, by outlining both negative and positive possibilities, the authors hope to help all those who care about Europe envisage a better future. As part of an organization that is dedicated to maintaining the transatlantic link, how Europe decides its future is no academic exercise for the authors, who believe the United States' destiny is tied to Europe's. For the stability of the global system, it is important that Europe continues to play its key role. Without a strong Europe, there cannot be a strong United States.

<b>Key Scenario Components Linked to Megatrends and Uncertainties</b>					
	<b>#1 Europe Revitalized</b>	<b>#2 Slow-Growth Europe</b>	<b>#3 Nationalists in Charge?</b>	<b>#4 Russia Launches Offensive</b>	<b>#5 US Disengages from Europe</b>
<b>Megatrends</b>					
Demography: A Rapidly Aging Europe	Europe integrates refugees and migrants	Few migrants accepted or integrated into workforce	Few migrants accepted, population ages rapidly	No impact	No impact
Economy: Shrinking Global Share	Europe does serious economic reform	Reform in France is tried, but sputters	Reforms in wrong direction, economy slows more	No impact	Impact is lost opportunity of TTIP, but EU pursues other free-trade agreements
Security: A Region in Turmoil	Current conflicts continue, but no major new ones; Europe launches policies to deal with existing conflicts	An inner core beefs up security cooperation to deal with new flows of migrants	Nationalist governments do not respond to neighboring conflicts in Libya or Ukraine, and they worsen	Ukraine conflict worsens, EU responds in short term with sanctions but looks for future deal	Lack of US engagement leads to EU deal with Russia, but also more cohesion
<b>Key Domestic Uncertainties</b>					
Will Europe Undertake Economic Reform?	Must undertake serious reform	Little serious reform is enacted	Reform in the wrong direction, with high social spending	Little impact on reform	Economic reform slows without TTIP and other US encouragement
Will Europe Control its Borders and Integrate its New Refugees?	Must control borders and integrate refugees	Internal borders closed, little integration of refugees	Internal and external borders closed, little integration of refugees	Russian aggression has little impact	US engagement, or lack of it, has little impact
What will be the UK's Future Relationship with the EU?	UK out of Single Market, but doing well economically	Split between Central and Western Europeans on terms for British exit	More nationalists in government lead to Brexit-style referenda	Russian aggression will push the UK closer to EU in foreign policy	US disengagement may reenergize the special relationship, or push the UK away

## EUROPE IN 2022: ALTERNATIVE FUTURES

Will Extremists on the Right or Left Gain Power in Europe?	Very difficult to revitalize Europe with any significant extremist presence in government	Extremists are not in power, but remain a political force	Extremists gain power in two to four governments	Extremists in power will encourage Russian aggression	Extremists in power will discourage US engagement
<b>Key External Uncertainties</b>					
Will the United States Continue to Engage in Europe?	European revitalization makes US engagement more likely	Slow growth makes US disengagement more likely	Nationalists in power will discourage US engagement	Russian aggression more likely to keep US engaged	US disengages
Will the Balkans Return to Instability?	Revitalized Europe makes Balkan instability less likely	Slow-growth Europe has fewer resources and less attraction for Balkans, and encourages instability	Balkan instability encouraged by nationalists as they neglect region	Balkan instability tied to Russian aggression as Russia takes disruptive role in region	US disengagement makes return to instability more likely
What will be Turkey's Relationship with the EU?	Turkey-EU will depend more on reform in Turkey than health of EU	Slow-growth EU even less attractive to Turkey	Nationalists may be less critical of Erdoğan, but less likely to encourage close ties with EU	Russian aggression alarms Turkey, but does not affect relations with EU	US disengagement from EU makes Turkey less likely to see its future with Europe
Will Russia Continue as an Aggressor in the Region?	EU economic health has little impact on Russia as aggressor, except more likely to keep sanctions in place	Putin's appeal increases, even in Central and Eastern Europe	Nationalists in power may encourage Russia to take political offensive, rather than military action	Yes, Russia launches offensive	US engagement will discourage Russian aggression

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## Endnotes

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## About the Authors

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**Dr. Mathew J. Burrows** serves as the director of the Atlantic Council's Strategic Foresight Initiative in the Brent Scowcroft Center on International Security. He was appointed counselor to the National Intelligence Council (NIC) in 2007 and director of the Analysis and Production Staff (APS) in 2010. As director of APS, Burrows was responsible for managing a staff of senior analysts and production technicians who guide and shepherd all NIC products from inception to dissemination. He was the principal drafter for the NIC publication *Global Trends 2030: Alternative Worlds*, which received widespread recognition

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# Europe in 2022: Alternative Futures European Voices<sup>1</sup>

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## **Wolfgang Ischinger is chairman of the Munich Security Conference and teaches at the Hertie School of Governance in Berlin.**

The Atlantic Council's forecast papers have often helped me think about key trends and developments and how they might be playing out in the future. The new study on Europe in 2022: Alternate Futures is an especially timely and valiant effort.

It is true: The European project is facing the greatest challenge it has had to deal with since the European Union's predecessor was conceived sixty years ago. Current political trends do not favor moderate Europeans: the center is clearly shrinking. Mainstream pro-EU parties of the center-left and center-right have to form coalitions, but their inability to deliver substantial economic growth strengthens the radical right. Identity politics are back with force. The financial and euro crisis could return. Disagreements over how to handle mass migration are unresolved and could erupt again. Disinformation, including leaks affecting the credibility of political leaders, may further erode the public's trust in established leadership.

Thus, advocates of meaningful European cooperation, free trade, and open societies will have an even harder time making their case. Even without the Brexit vote and the uncertainty of Trump, Europe would have problems managing these currents. Now, the challenge has become even greater. Thus, it is not surprising that most of the study's scenarios are pessimistic.

To me, the likeliest scenario is somewhere between a "Revitalized Europe" and a "Slow-Growth Europe," a sort of muddling through with an occasional step forward here and there and some multi-speed elements built in. While the authors are right to note that muddling through is unlikely to work in the long run, in many ways it is how the EU is designed. And Europe is not in an unstoppable downward spiral. Eventually, right-wing parties will have to demonstrate their ability to govern—and most likely will not deliver. A disappointing Trump presidency might also show that close-the-border populists do not have the answers.

As the authors correctly observe, security is one critical area for the EU to prove itself. If citizens get the sense that the EU helps to protect them, they will rally. Thus, better cooperation in

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<sup>1</sup> Comments to *Europe in 2022: Alternate Futures* has been edited according to Atlantic Council style and into American English



intelligence, homeland security, and defense are essential! And even Euro-sceptics know that they are better served if the EU defends their interests collectively. An overwhelming majority of some 74 percent of the population favors a stronger European role in the world, according to a 2016 Pew poll.<sup>2</sup> As much as they may long for a more predictable, less complicated world, European citizens know that, ultimately, little nation states on their own are not the best answer to protect their interests. If this smart outlook prevails, so will the EU.

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**H.E. Ana Gomes MEP, Member, European Parliament**

On the day marking twenty-seven years since the fall of the Berlin Wall, Europeans woke up to the news that the American people elected a president who pledged not only to erect new walls, but to destroy the international order ironically created and sustained by the United States since World War II.

Low and middle classes in de-industrialized regions voted for Trump, rebelling against political elites they see not defending their interests, but rather captured by destructive neoliberal forces fomenting unemployment, deregulation, tax dodging, social dumping, inequality, and injustice. A similar rebellion is happening in Europe and feeding opportunist populist and xenophobic "Brexiters", Front National, Alternative for Germany (AfD), and others. Europeans must get their act together if they are to counter Trump's "America First" impact in disintegrating the UN or any other civilised polity aiming at global regulation to avoid catastrophic destruction. With the US divesting from NATO, democracy, and human rights, a stronger, coherent, and smarter Europe is more needed than ever.

To cope with Brexit (and eventually bring back England, since the UK is imploding), with other potentially disintegrating tensions and with security threats, the EU needs to go back to basics and refuel confidence and capacities in its own citizens. This requires a true "common security and defense policy" fit to face terrorism, cyber, and hybrid warfare and to help solve and prevent conflict in the European neighborhood and beyond.

But, to reconcile EU institutions and governments with citizens, leaders must move forward in Eurozone governance with more democratic control, making the euro deliver on macroeconomic convergence, growth, and jobs. And they must ensure economic justice and fair competition in the internal market by acting Europeans in areas so far kept in the "national sovereignty" preserve: common management of public debts and tax rules harmonization to stop income bloodletting into tax havens are crucial. It is likewise crucial to enable

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<sup>2</sup> <http://www.pewresearch.org/fact-tank/2016/06/13/key-findings-europe/>



reinforcement of national and community own resources and invest in the economy and its social pillar.

Instead of mimicking extreme-right rhetoric about containment of refugees and migrants (who are much needed, given the declining demography) and external borders build-up, Europe needs principled, visionary, and courageous leaders. Enough of reluctant governments and institutions, self-restrained by short-term electoral survival: The Union, itself, will only survive if it will be perceived by citizens as more democratic and efficient in delivering global regulation and justice.

The threat is not external: the European Union may crumble by lack of union. Acknowledging a multi-speed EU, without leaving behind any member state wishing to move into higher integration, may be the solution, provided the steering process remains within the Union's realm. Putin's interference or even aggression and Trump's America denying the traditional security umbrella might turn out to be Europe's great opportunity to reinvest in its Union and develop strategic autonomy.

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**H.E. Jana Hybaskova, Ambassador and Head of the European Union Delegation to Namibia**

I support the key conclusions of Europe in 2022: Alternate Futures. Demography, migration, the lasting pressures to reform economies, the new challenges facing security inside and around Europe are recognized burdens. However, I would question the "crisis" label. If using this word, we should define what is new within it. After the civil war in Algeria modified Europe's security aspirations during World War II, the Berlin crisis, oil crisis, the Cold War and its end, and the Balkan crisis followed. Negative demographic trends have been well known for decades. There is not much Europe can achieve in next five years. After the first Arab Human Development Report was published, the coming turmoil of the Arab Spring was clear to many. Migration has its old roots; we are currently absorbing old negligence to reform the Middle East. It was the war in the Balkans which challenged Pfp3 and opened NATO. Even after states new to NATO adapted to its standards, the US CENTCOM4 operation in Iraq divided Europe as nothing has before and heightened the terrorist threat to the European continent.

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3 The Partnership for Peace is a NATO program of practical bilateral cooperation between individual Euro-Atlantic Countries and NATO

4 US Central Command is responsible for US security interests in twenty nations from the Arabian Gulf into Central Asia

The recent trends in diagnosed areas are clearly positive. The management of migration and integrated border management improved greatly—and asylum systems became more operational—after the Malta Conference, plus cooperation has begun to open with and within Africa. The financial packages after the euro crisis made our banks healthier, and Greece is adapting. The EU-28 has the lowest GINI<sup>5</sup> in the world. National economies are slowly restarting, with investment in education and new technologies growing. Even after Brexit, the EU will still be the world's second largest global economy. In security, Europe in 2022 does not fully recognize the enormous conceptual, legal, and operational progress laid down by new EU Global Strategy (EUGS) throughout the Union—in areas such as NATO cooperation, new EU strengthening of CSDP<sup>6</sup> and CSFP<sup>7</sup> missions, and EU involvement in stabilization of post conflict countries such as Iraq or the Iranian deal negotiations.

External factors are well recognized by EUGS: Erdoğan cannot weaken Turkey's strategic importance and its European understanding. Putin's pressure on Europe has continued to grow since Chechnya, now extending in to Syria and Libya. Three decades ago, Russia was everywhere there, and Europe was integrating. Even US disengagement is nothing new. There was a cold shower flowing when President Obama at Prague Castle announced there where was no Russian or other threats any longer therefore the deployment of missile defense was not required. And the 2011 evaporation from Iraq left us with yet another security vacuum.

Europe does not have an easy period ahead. Beside extremism, slow growth, and terrorism, there are other challenges worthy of acknowledgment: the crisis of established political parties, representative democracy, and the slowdown of legal and tax unifications. New challenges of good governance divide European societies; inside nation states, they lie within remits of politics and policies, not institutions, or sectors.

However, one recognized principle is of utmost critical importance: transatlantic solidarity. Without solidarity, the growth of defense budgets may turn into arms races. European nations will revert to national security as much as to re-nationalization of economy and trade. Transatlantic solidarity is not only the responsibility of the EU and NATO. It sustains the global order across all areas, including: development, demography of Africa, challenges of fragile and failed states, climate change and energy security, and global governance. Without a strong Europe and a strong West, global order may disintegrate, leaving the United States with too many challenges to survival, too.

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5 The GINI coefficient is a measure representing the income or wealth distributions of a nation's residents

6 The Common Security and Defence Policy

7 The Commodity Supplemental Food Program



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## **Sebastian Płóciennik, Head of the Weimar Triangle Programme, Polish Institute of International Affairs, Warsaw**

This report outlines five scenarios for Europe in 2022, from which only one contains a positive prospect of a “revitalized” Europe enjoying economic growth and political stability. This pessimism is understandable in the face of challenging megatrends, like migration, the expansion of extremist political movements, an assertive Russia, a United States reconsidering its global role, as well as the generally poor performance of Europe in the last ten years.

Despite these trends, there are many arguments speaking for more trust in the future of the EU. After years of spinning, economic growth is getting back, fiscal problems and unemployment rates lose vividness, and the Eurozone has more tools to meet potential market turmoil than it did right after its emergence. Many polls show that support for the integration is rising among Europeans, and the feeling of “togetherness” has been growing after Brexit and with rising pressure from non-European powers. If the great election year of 2017 ends with victories of pro-EU parties in focal member states, this may translate into political energy, which may boost further development of the European Union.

But this “revitalized Europe” will not mean the same integration as the previous years. Brexit and the refugee crisis shook a belief in political unity within the integration, which so far had kept together such platforms like the euro and the non-euro or the Schengen and the non-Schengen. Also, there are calls that a stronger Union needs a newer, more efficient decision making process.

This all can translate into a tendency towards a “diversified integration,” with different institutional settings for members and non-members around areas like the euro, social and labor affairs, defense, and policy towards refugees. Paradoxically, this process may be driven by economic boom, which will be based upon digitization of production and energy transition towards green technologies, thus creating and exposing even more differences between the member states.

In other words, even the most optimistic scenario of “revitalization” outlined by the Atlantic Council’s report may be associated with new political challenges for the EU caused by diversification. If things go wrong, its face will be a fragmenting Europe, further exits, domination of the strongest powers, and rising distrust among the member states. If things go better, there will be a more efficient and better legitimized community with open avant-gardes allowing ambitious insiders to move forward and more cautious outsiders to enter the cores when they prefer to, without creating membership classes divided by “velvet” institutional curtains. To achieve this, Europeans will have to prove an artistry in combining realism and solidarity in one political project. They will also need a stable, predictable, and advantageous international environment, the existence of which can hardly be imagined without strong transatlantic ties with the United States.

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**Constanze Stelzenmüller, Robert Bosch Senior Fellow at the Center on the United States and Europe, the Brookings Institution**

The European project is at an inflection point, beset by a multitude of crises that could hardly have been imagined a few years ago in their breadth and complexity. Brexit, the rise of populism and illiberal authoritarianism, a continuing influx of migrants from Middle Eastern and African war zones, the backsliding of the Balkans, Turkey swerving between East and West, a revisionist Russia fomenting insecurity in Europe's neighborhood and even within the boundaries of the EU and NATO: all these are historic challenges. They represent the single largest test of our collective (and perhaps individual) ability to respond to have come before us in a lifetime. They will test every single level of the orders we live in simultaneously: from our social contracts, our markets, and our institutions within the nation state, to our alliances and the European Union itself. Part of the challenge may consist simply in coping and managing forces that are bigger than we are; but at least equally important, we need to understand how to adapt ahead of the curve, so as to be able to shape our strategic environment rather than be shaped (or undone) by it. It is a time to brace ourselves, to look to our resilience and our defenses—and to make sure we have our friends at our side.

That is why the new American administration's mixed messages on Europe, the EU, and NATO are so unsettling. US backing for the Marshall Plan, NATO, and the EU enabled and ensured Europe's democratic transformation, its prosperity, and its security, and anchored it firmly within the West for seventy years. Even the Obama administration's less-than-persuasively conceived and executed "pivot to Asia" pales in comparison to the Trump administration's whipsawing between affirming the US commitment to Europe in one breath and fundamentally questioning it in the next. Of the many ill fortunes besetting the European project at the moment, this is without a doubt the worst.

There can be no question—and indeed it is by now generally accepted in Europe—that the transatlantic relationship has more often than not been one of unhealthy codependency in the past. It needs to be rebalanced by Europe taking on far more responsibility for its own security, including that of its own periphery in the South and East. That includes paying more for its own defense. It also includes fixing some of Europe's structural economic and fiscal problems, such as youth unemployment, banks with unhealthy balance sheets, lack of infrastructure investment, and, yes, surpluses. More EU-level integration may or may not be a part of this rebalancing; if it happens, it will be motivated not by ideology but by a pragmatic search for better solutions to common problems, such as migration, trade, and security.

Perhaps that will enable Europe to develop a more healthy relationship with America. It would be in the interests of both sides.

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*“In this report, Frances Burwell’s transatlantic expertise joins Mathew Burrows’ deft trends analysis to offer a sobering look at the possible future for Europe with the hope of reigniting the bond between Americans and Europeans so that we may build a better future together.”*

– Javier Solana, former Secretary General of NATO

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