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The European Union's Global Role in a Changing World

Challenges and Opportunities for the New Leadership

Christine Hackenesch, Niels Keijzer & Svea Koch (Eds.)

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About this publication

This collective IDOS Discussion Paper seeks to inform the incoming EU leadership and member state capitals about the EU's role in a changing world, main internal and external influences, as well as the prospects and expected challenges in the new legislative period.

The primary focus of this publication is on key challenges for the new EU leadership in the field of development policy. In addition, it analyses the interrelations between development policy and other external and internal EU policies and their influences on global sustainable development.

The publication consists of 17 sections, which in addition have been published as long-reads on the IDOS website.

The views expressed in the sections of this paper are the authors'.

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Introduction

Christine Hackenesch, Niels Keijzer and Svea Koch

State of play

In response to a host of crises including Covid-19, escalating intra- and inter-state conflicts, a changing climate, the threatening loss of biodiversity, and amidst heated geopolitical competition, the European Union (EU)'s understanding and expectations to its global role underwent significant changes during Ursula von der Leyen's first term as Commission President. This has brought major changes to key EU policy areas including foreign affairs, migration, trade, climate action as well as its development policy. After two decades of being a self-standing policy area, EU development policy today plays a more facilitating role by being explicitly motivated and positioned to contribute to furthering the "external dimensions" of other EU policy areas including security, trade, energy and migration. The EU's development policy is expected to promote the EU's interests and visibility, as well as its strategic autonomy and resilience within the new geopolitical context. It also seeks to support the EU in becoming more autonomous regarding security and defence matters by contributing to diversifying its foreign supply chains.

While it is a commendable step for the EU to better and more strategically integrate the full range of foreign and security, development and economic policies in its engagement with its international partners, it is at the same time a challenging step. Delivering on it hinges on the constant and conscious balancing of the EU's own geo-economic interests and those of its partners. During the past five years, the EU appears to have prioritised the pursuit of its more assertive and interest-driven development policy in its effort to adapt to a changing global context. Major initiatives such as the Global Gateway and "Team Europe" that were launched under the first von der Leyen Commission have successfully contributed to increasing the EU's visibility. Global Gateway and "Team Europe" have both in many ways also strengthened cooperation among the EU institutions and member states.

As the policy basis for her second term, Ursula von der Leyen's political guidelines emphasise the need for Europe to become more assertive in pursuing its strategic interests. One concrete way of doing so is by taking the Global Gateway to the "next level" by developing integrated packages that bring together infrastructure investment, trade policy measures and macro-economic support (von der Leyen, 2024, p. 27). While understandable given the audience and the adage of sticking to the plan, continuing the current direction would carry the risk of fuelling conflicts of interest with a more confident and assertive Global South (see Section 1 on the Global Gateway). Moreover, an overly supply- and interest-driven EU approach to international cooperation may come at the expense of the EU's flexibility to respond to its partners' needs and priorities, which would risk eroding ownership and negatively affecting the sustainability of the results that are achieved. The EU's partners may have observed the complete absence of the 2030 Agenda and its Sustainable Development Goals (SDGs) in the political guidelines (von der Leyen, 2024); a notable absence in a year when the United Nations is hosting its Summit for the Future to reflect on progress made towards realising this Agenda, and discussing what should happen next (see Sections 15 and 17 in this publication).

Internal and external challenges

Development policy has been much more controversially debated across EU member states as well as at the EU level during the past few years. One important driver of these more controversial debates on the objectives, instruments and budget was the rise of populist radical right parties. During the European Parliament elections in June, the existing pro-European political groups managed to maintain their majority in the European Parliament. Yet, due to their clustering in three political groups, two of which were newly created, the right-wing parties will enjoy stronger access to the EP's resources and, depending on the level of their fragmentation, also hold a stronger voice in controversial debates. In several key EU member states – notably Italy, Sweden, Finland and the Netherlands – populist radical right parties have taken over government responsibility with immediate implications for development policy. Electoral support for the populist far-right is also surging in other major donor countries such as Germany or France.

Populist radical right parties are far from sharing unified positions on development. But they *do* share a critical view of development aid. They question the relevance of development policy and urge for using development policy to exert a curbing and halting effect on migration flows to Europe. At least partly in response to the pressure by the populist radical right, conservative parties have also taken on more restrictive positions on migration policy in the hope of retaining or winning back voters (for more on the linkage between migration and development policy, see Section 5). Particularly during the negotiation of the next Multiannual Financial Framework (MFF) (that is, the EU's budget) for the period 2028-2034, populist radical right parties are expected to make their voices heard, while in the process also encouraging other parties to raise theirs. As development assistance budgets are currently being reduced across many EU member states, the next MFF negotiations are likely to become particularly tense with regard to the EU's external relations budget.

These strongly inward-looking domestic developments in many member states are at odds with the geopolitical situation the EU needs to position itself in, which ultimately necessitates a stronger European engagement in the world. Notwithstanding the important initiatives introduced during the past five years, which are discussed in detail in the various sections of this publication, the EU's new leadership faces the need to consider larger challenges that concern the EU's place in the world and its international relations. Both on highly visible and forgotten conflicts (see Section 6 in this publication) but also on fundamental policy directions, the EU and the Global South are currently on different wavelengths. These range from migration, extraction of critical raw materials (CRMs), energy transitions, and the continued extraction of fossil fuels to questions of democracy and the wars in Ukraine and Gaza (See Section 5, 6, 10 and 13 in this publication). Linking EU development policy more explicitly and assertively to the EU's own strategic interests will fuel, rather than ease, these tensions. In addition, the EU faces the accusation of developing countries that it has failed to consider the external impacts of internal regulations on their economies, most notably those of the EU Green Deal, including the Carbon Border Adjustment Mechanism (CBAM), the deforestation-free value chain and due diligence regulations (see Section 3, 12 and 13 in this publication). In sum, the EU's continued emphasis on internal priorities has put a strain on its relationship with the Global South.

The EU's leadership acknowledges the need to listen and respond to the concerns of its partners (von der Leyen, 2024, p. 28). These are welcome signals, yet they will have to lead to concrete measures or tangible changes in policies. The individual sections of this publication present ideas and proposals for reconsidering priorities and directions in various EU policy areas, ranging from climate action, energy, biodiversity and trade to development policy.

2024 and beyond: a need for bold choices and ambition

The political priorities for the next European Commission make clear that Global Europe will focus on Ukraine, enlargement as a geopolitical tool, the Neighbourhood, the EU's foreign economic policy, as well as multilateralism. The Global Gateway is supposed to be further broadened to foster the EU's economic interests abroad. While those priorities are certainly key, they fall short in developing a broader narrative as to what the EU wants to achieve in its external relations beyond pursuing its economic and security interests. Notably absent from von der Leyen's vision for the next European Commission is a perspective on whether, and how, the EU seeks to contribute towards sustainable development globally.

Moving forward, the new EU leadership should consider the following three broader aspects. More specific recommendations are developed across the contributions in this publication.

1) Develop a broader narrative on Global Europe that explains how the EU wants to contribute to global sustainable development: In view of the unsustainable directions this world is taking, the EU needs to develop a new Global Europe narrative that replaces the 2016 EU Global Strategy on Foreign and Security Policy. This new narrative should lay out how and why global sustainable development is the key focus of the EU's role and engagement in the world, next to the EU's own strategic interests. This new sustainability-oriented policy narrative should in turn guide the priorities and directions of other policy areas, including migration, climate and energy, trade and foreign direct investment as well as development. The narrative should also guide the EU's engagement in upcoming international dialogues, including the upcoming considerations of what new steps and actions are needed towards and beyond the remaining five years under the 2030 Agenda and its Sustainable Development Goals.

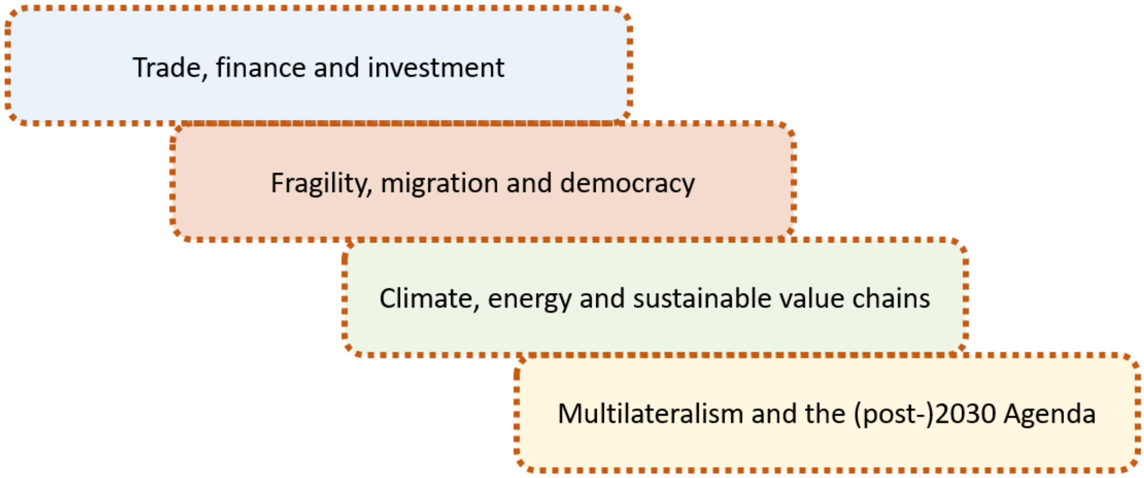
The EU's domestic challenges are deeply interwoven with its global engagement and the EU needs to more carefully weigh in the external dimensions and repercussions of its domestic policymaking on its partners. At the essence, the EU faces the challenge of finding an approach for its global role that reconciles the EU's strategic and economic interests with the needs of its partners, and that acknowledges and addresses the impacts and spillovers of the EU's policies on partner countries in the Global South.

2) Refocus and reform the Global Gateway and its relationship with development policy: Not least to live up to the large investment target that was announced for the Global Gateway, the initiative is currently becoming a catch-all framework for various types of economic cooperation with various countries across the Global South (see Section 1). Moving forward, the EU will need to refocus the goals and main components of the Global Gateway to make it attractive and transparent for partners. The rational of the initiative as a "connectivity strategy" is too narrow and too EU-interest-focused for it to fully eclipse and replace the EU's development policy. On the other hand, aspects of development policy that are not part of the Global Gateway are currently falling off the radar. The EU will thus need to take a two-fold approach: refocus the Global Gateway initiative to make it meaningful and attractive and, in parallel, develop a new and broad political vision for the EU's development policy.

3) Ensure a strong budget for Global Europe, building on a new narrative for the EU's contribution to global sustainable development: In light of the multitude of global challenges, the EU will need a strong budget for Global Europe if it wants to remain a relevant global actor. Realising this during the next MFF negotiations will be a challenge given tight budgets across the member states and more polarised debates on the EU's external action, partly fuelled by populist radical right parties. Building on a new narrative of how the EU wants to contribute towards global sustainable development, the EU institutions and like-minded actors across the EU member states will need to join hands during the preparation and negotiations of the next MFF to ensure a strong budget for Global Europe.

The new EU leadership will need to take bold and ambitious choices to reposition the EU as a leader for global sustainable development in times of systemic and geostrategic rivalry and global polycrises. This publication analyses the status quo, internal and external challenges, and key reform ideas for various policy areas, themes and regions linked to the EU's global role. The publication's sections are grouped into four thematic clusters, each representing essential building blocks to strengthen the EU's global role (Figure 1).

Figure 1: Four clusters for the EU's global role



Source: Authors

Each section addresses three sets of questions and is structured in the same way:

1. **State of play**: Why do we expect this issue to shape EU development policy in the upcoming term, and in which direction? What are the major trade-offs between the EU's own objectives and partners' interests, and how has the EU addressed these so far?

2. **Internal and external influences**: How do internal political dynamics in Europe and geopolitical competition affect EU positioning in this area?

3. **Looking ahead**: What needs to be done or changed to secure a stronger focus on cooperation, sustainability and the needs of partners in this area?

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Trade, finance and investment

1. The Global Gateway: juggling self-interest, geopolitical competition and developmental aspirations

Niels Keijzer, Svea Koch and Mark Furness

State of play

Since its announcement in September 2021, the Global Gateway has gradually come to dominate the European Union (EU)'s external action and development policy discourse. First announced to the European Parliament in September 2021 in response to the EU member states' call for an EU global connectivity strategy, the EU presented its Global Gateway initiative to the world in December 2021. The Global Gateway promises large-scale infrastructure investments in five sectors: digital; climate and energy; transport; health; and education and research. It is designed to promote the EU's own geo-economic interests, and in particular its energy and overall supply chain diversification and strategic autonomy. The next European Commission is set to take the initiative to the next level by further packaging the investment with trade policy measures and macro-economic support (i.e. budget support) (von der Leyen, 2024).

At the time of its introduction, the initiative sought to reconcile two only partially compatible ambitions:

1. Outperforming China and its Belt and Road Initiative (BRI) by increasing the EU's infrastructure investment – broadly defined – and

2. developing a unique and value-driven European approach to providing such investment.

During the past three years, the first ambition was de facto emphasised through the EUR 300 billion investment target that the EU sought to attain in the period 2021-2027, effectively also binding the next EU leadership to deliver on it. The Global Gateway subsequently took a central role in the February 2022 EU-African Union (AU) summit in the form of an EU Investment Package for Africa, as well as in 2023 summits with Asia and with Latin America and the Caribbean.

Notwithstanding subsequent frequent appearances in speeches and summits, the EU's apparent slow progress towards operationalising the Global Gateway in 2022 became a source of debate and critique. By the end of the year, EU foreign ministers subsequently called for the initiative to be concretised by identifying flagship initiatives covering all relevant regions. In a media appearance in May 2024, the Commissioner for International Partnerships reported that there were at the time a total of 225 Global Gateway flagship projects with a total volume of EUR 100 billion, that is, one-third of the 2030 investment target (Financial Times, 2024). It should be acknowledged that the BRI was first announced in 2013 and also took a considerable time to become more tangible.

The Global Gateway represents one of the EU's key foreign policy initiatives with major implications for the substantive orientation of European development policy. At the same time, the Global Gateway is still being shaped and defined ("Europe is building the ship while sailing"), leaving ample space for member states to influence its design and impact. It is the ambition of the EU to develop a new type of partnership that delivers tangible benefits to partners and the EU itself. In doing so, the EU faces the challenge of avoiding replicating traditional patterns of cooperation and dependencies with a new label and stronger focus on EU visibility.

In addition, it remains to be determined whether the Global Gateway is in fact a new strategy and narrative for the EU's development policy, adding to the existing development policy vision, or at least partially eclipsing it. The flexible use of the term "Global Gateway" in the EU's public discourse also means it is hard to demarcate where the Global Gateway stops and the remainder of the EU's development policy begins. The Global Gateway appears the relevant and appropriate EU response to global competition, as a key policy through which the EU seeks to demonstrate results and stands up for its values when challenged. Yet in times of increasing multipolarity, new alliance-building and ever stronger geopolitical competition, it remains unclear under which conditions and how the Global Gateway can best promote the EU's strategic interests and hopes for higher visibility and recognition by its partners. Compared to 2021 when the Global Gateway was first announced, in today's world such an explicitly EU interest-driven initiative carries an enhanced risk of fuelling conflicts of interest with the Global South. Despite this risk, the political guidelines presented by Commission President von der Leyen on 18 July 2024 as the basis for her second term in office highlighted the necessity for the EU to (continue to) be more assertive in pursuing its strategic interests (von der Leyen, 2024).

Internal and external influences

One objective of the Global Gateway is to be more explicit about the EU's own economic and strategic interests. At the same time, the EU also seeks to take partner countries' interests into account and acknowledges that the ownership and interests of its partners are crucial to making it a success. So far, Global Gateway priorities have been decided without consultation with partners. Some alignment of needs and interests may have taken place at the project level, but also here there do not seem to have been standard procedures and processes for determining the 225 flagship projects.

A key next step in further developing the Global Gateway must be to define sectoral strategies for the five different thematic priorities of the Global Gateway, in consultation with partner countries and in respect of their own needs and priorities. Regarding access to raw materials, for instance, the EU has a strong interest in accessing certain raw materials while African countries would like to see support for local industrialisation and value addition (see Section 13 on critical raw materials (CRMs) in this publication). A similar situation relates to Europe's efforts towards a full-fledged energy transition, its demand for green hydrogen, and greater energy independence from Russia, which needs to be balanced with African priorities for improving energy access for its people. The issue of debt sustainability is another key issue the EU must handle very carefully, not least since this issue was one of the key criticisms of China's BRI and one which China's Global Development Initiative (GDI) is now trying to be address. As China seems to be moving away with the GDI from large infrastructure projects and towards smaller and financially more sustainable projects, the EU needs to carefully balance its desire for visibility with an approach that runs the risk of repeating policies that slowly appear outdated.

The value-based agenda is in fact a key point of difference from China's BRI, but also the most difficult for Europe to implement. So far, the issue of linking the Global Gateway to a value-based agenda has received only marginal attention, mainly as the EU's search for energy and raw materials and efforts to diversify its supply chains entails working closely with autocratic regimes (see Section 7 in this publication). For the next EU leadership, the question whether the EU accepts that it must support, and through this also strengthen, autocratic regimes with large infrastructure projects, needs to be addressed much more openly (see also Section 5 in this publication). At the present time, the EU's approach to doing so within the Global Gateway predominantly revolves around integrating social and human rights standards into its infrastructure projects. However, this narrow focus falls short of establishing the Global Gateway as a viable alternative to China's Belt and Road Initiative. Moreover, the larger the volume of investment generated and the closer to the partner's interests, the bigger the potential "soft power" leverage for the EU to pursue such objectives.

Looking ahead

To inform the next steps for the Global Gateway from a development perspective, the next EU leadership should consider the following actions and considerations:

First and foremost, the **EU's leadership needs to clarify whether the Global Gateway is intended to replace the EU's development policy and constitutes de facto its new all-encompassing strategy**. The political guidelines for the next European Commission suggest this, as they announce taking the Global Gateway “to the next level” by means of an integrated offer that extends the infrastructure investment with accompanying trade policy actions and macro-economic support (also known as “budget support”) (von der Leyen, 2024, p. 27). It remains to be seen in what form and how such integrated offers will be offered, though the announced revamping of the EU’s external action financing suggests important steps are being considered in this regard (von der Leyen, 2024, p. 29). Such a clarification must take place in parallel with the development of a new narrative (see Introduction in this publication), as the further development of Global Gateway and the reorientation of the EU’s development policy are mutually dependent.

Plans, however, need adequate resources and commitment to be realised. The ultimate test for this will be budgetary implications and the continued existence and political visibility of development policy priorities outside the Global Gateway. The question of how the Global Gateway could also be implemented in fragile states is a key issue in this respect and currently already being discussed at the EU level (see Section 6 on fragile states in this publication). Other pressing issues – in fact the EU’s main priority in development according to the Lisbon Treaty – relate to poverty reduction and inequality in and between states, issues the Global Gateway has so far left outside its goals catalogue. In addition, given the prevailing trend of autocratisation and the ensuing systemic rivalry, the EU must find a way to navigate engagements with authoritarian governments within Global Gateway projects.

For this purpose, **the EU should allocate significant resources to comprehending local political dynamics, particularly within sectors involved in Global Gateway initiatives**. This understanding is vital to reducing the probability that these projects do not inadvertently reinforce oppressive regimes. Moreover, the EU must ensure balanced engagement by actively involving these countries and their civil societies in democracy support through its development cooperation programmes (see Section 7 in this publication). It is imperative to avoid the unilateral and uncritical promotion of infrastructure development, emphasising comprehensive engagement that aligns with democratic principles and human rights. One way of doing this is to propose that any EU-funded project go through a local consultation process, so that the people impacted by it (both positively and negatively) can have their say at the planning stage. This means extra bureaucracy, but it also means better information all round. This would also address another key weakness of the Global Gateway that relates to the involvement of partners in the design and implementation of Global Gateway projects, also to secure their ownership.

Internally, **matters related to decision-making should be addressed and streamlined**. The process whereby flagship initiatives are determined by the Commission/European External Action Service (EEAS) and its member states remains opaque, with the public finding out about decisions made by means of long lists of project titles. Moreover, particularly if the Global Gateway will in future indeed eclipse the EU’s development policy, the democratic scrutiny of the European Parliament over the Global Gateway needs to be considered.

Finally, the **package of policy proposals for the next EU Multiannual Financial Framework** for the period 2028-2034, expected to be published in 2025, **will be key to consider the further integration and next steps for the Global Gateway**. One possibility would be to incorporate the Global Gateway into the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI/GE). This would also allow one to further determine a **common strategic outlook** for the five thematic priorities of the Global Gateway and further define its objectives between the European Commission, Council, and Parliament.

The litmus test for the success of the Global Gateway ultimately hinges on the extent to which the initiative is able to make the EU an attractive, reliable and effective partner in improving partner countries’ infrastructure and national development objectives. The EU’s own strategic objectives need to be weighed up against this objective, as geopolitical gains can only be made if partners consider the EU a trustworthy and strong partner, dedicated to promoting a joint agenda.

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2. The EU Sustainable Finance Strategy: proposals for reform and extension

Sören Hilbrich and Kathrin Berensmann

State of play

The European Union (EU) has set itself the goal of reducing greenhouse gas emissions by at least 55% from 1990 levels by 2030 and becoming climate-neutral by 2050. Currently, financial markets are clearly not aligned with this goal as investments in environmentally harmful economic activities are still taking place at a large scale. For instance, global energy investments in fossil fuels still amounted to more than USD 1 trillion in 2023 and have even significantly increased since 2020 (after a dip during the pandemic) (IEA, 2023, p. 8). While the investments in environmentally harmful economic activities have to be stopped, substantial investments in the transformation of the economy are also necessary. For instance, the European Commission estimates that Europe will need additional investments of around EUR 350 billion per year in the energy sector in the current decade just to meet the 2030 emissions target (European Commission, 2021). To achieve climate neutrality and reach other sustainability goals, capital flows thus have to be redirected from unsustainable to sustainable economic activities.

Against this background, the European Commission launched the "Action Plan: Financing Sustainable Growth" in 2018 and, building on this, the "Strategy for Financing the Transition to a Sustainable Economy" in 2021 (European Commission, 2021). Since then, the EU has implemented several policy measures with the intention of redirecting capital flows towards sustainable investments, to better manage financial risks associated with sustainability issues, and to increase transparency and long-termism in financial markets. For instance, the EU has developed a complex taxonomy as a classification system for sustainable economic activities. In addition, it has enacted new disclosure obligations that specify what sustainability information real economy actors and financial markets participants have to report (Corporate Sustainability Reporting Directive (CSRD) and Sustainable Finance Disclosure Regulation (SFDR)). The European Central Bank has communicated supervisory expectations on the management of climate-related and environmental risks by banks. A novel regulation (amending the Markets in Financial Instruments Directive (MIFID II)) requires providers of financial advice (among others) to ask their clients about their sustainability preferences. Finally, the EU has prepared measures to improve the supervision of sustainability rating agencies and reduce conflicts related to their business models.

The EU strategy and policies on sustainable finance have important implications beyond the EU member states. Obviously, this concerns the intended impact in reducing the global environmental footprint of investments in the EU and by European investors. However, EU policies in this area also affect international capital flows and emerging international norms, for instance on sustainability disclosure. As many transnationally operating financial market participants are active on the EU market, EU regulations concerning this sector have the potential to influence global market practices.

While several sustainable finance measures of the EU have come into force by now, most of them are still at an early stage of implementation and have yet to prove their effectiveness in steering financial markets onto a more sustainable path. For instance, a delegated act that amended the EU taxonomy with criteria related to four environmental objectives (adding to the delegated acts on climate of 2021 and 2022) was only published in November 2023. Depending on the size and type of the economic entity, companies only have to start reporting according to the CSRD between 2024 and 2028.

Internal and external influences

From the beginning, the EU sustainable finance policies have received considerable attention from interest groups and were a matter of contestation among EU member states. Take, for instance, the EU taxonomy: Drafts of the taxonomy were developed by an expert group consisting mainly of representatives of financial market participants and a small number of civil society representatives and researchers. The different interests shaping the taxonomy became visible, for instance, when several NGO representatives temporarily suspended their participation in the expert group to protest against the design of taxonomy criteria in the areas of bioenergy and forestry that they considered – as a result of lobbying activities – to be too weak. Explicitly against the recommendations of the expert group, the EU made the decision to classify electricity generation with natural gas or nuclear energy as taxonomy-aligned under certain conditions. This decision was apparently driven by the German and French governments which pushed for these classifications on the basis of the structure of the energy systems of their countries and their plans for the future development of these systems (WWF, 2022).

It is to be expected that EU sustainable finance policies will remain in the focus of private-sector interest groups and politicians from liberal and conservative parties that resist the allegedly overly centralised form of economic steering that they associate with sustainable finance policies such as the EU taxonomy (and many other policies that are part of the European Green Deal). In addition, these groups claim that, in light of the burden that the European economies face following the war in Ukraine and other geopolitical and economic turbulences, red tape needs to be reduced (which is frequently also emphasised by European Commission President Ursula von der Leyen) and that additional regulatory strains on the private sector should be avoided. Sustainable finance will thus remain a contested field of EU policymaking in the coming years and a progressive development of EU sustainable finance policies can arguably only be implemented against the resistance of influential interest groups.

The current debates on geopolitical changes and the related EU interests might be one of the reasons why the EU is actively seeking to export (elements of) its sustainable finance strategy. This includes initiatives to disseminate EU standards related to sustainability disclosure and the EU taxonomy to other jurisdictions. If the EU is successful in this respect, this will allow it to shape the global sustainable finance architecture in line with EU interests, which might facilitate financial flows, recognised as sustainable, to and from the EU. As in other policy areas (consider, for example, the Carbon Border Adjustment Mechanism (CBAM)), the weight of the European market is used to achieve a spread of EU regulations or standards to other parts of the world. In this respect, the EU stands in competition with other countries as, for instance, some Asian countries base their sustainable finance policies rather on the Chinese than on the EU model.

Looking ahead

Given the constellation of interests and the important role of financial markets for the socio-ecological transformation described above, it will be crucial that the new EU leadership shows a firm commitment to further develop sustainable finance policies. To advance the stated objectives of the EU Sustainable Finance Strategy, the EU will have to take additional measures:

- Given the novel nature of many of the policy instruments of the strategy, **the EU should closely monitor its sustainable finance measures and further develop and adjust them based on experiences and insights gained in the first years of their implementation**. For instance, financial market participants often currently struggle with vague regulations that allow for different interpretations and some of the key performance indicators (KPIs) that have to be reported by financial market participants (such as the Green Asset Ratio (GAR)) have, in their current form, turned out to be not very meaningful. In addition, it should be evaluated if there are bureaucratic burdens that can be reduced without harming the objectives of the respective policies (the “do no significant harm”-criteria and social minimum safeguards included in the EU taxonomy might, for instance, be revised in this light). It is also crucial to find ways to provide small and medium-sized enterprises (SMEs) access to sustainable finance without overloading them with reporting burdens.

- At the same time, over the years **the level of ambition of the policy measures will have to be substantially increased** if the financial sector is supposed to be transformed from a hindering to a supporting factor for the sustainability goals of the EU. Thresholds and criteria for sustainable economic investments should be raised over the years in line with an ambitious transition pathway.

- So far, EU sustainable finance policies mainly aim at creating transparency on what investments contribute to sustainability goals. However, in order **to achieve a rapid phase-out of harmful economic activities, it is also important to increase transparency on investments in these sectors**. In this respect, it might, for instance, be beneficial to complement the EU taxonomy on sustainable activities with a so-called **"dirty taxonomy"** of investments that are *not* consistent with the EU's sustainability goals.

- More generally, it is not to be expected that the current focus of EU sustainable finance policies on creating transparency alone will be sufficient to achieve a large-scale redirection of capital flows. **The EU should thus also enact policies that set incentives** for market participants to react to the information provided on the sustainability impacts of investments and change their investment decisions accordingly. Measures in this respect might, for instance, make use of mandatory prudential transition plans (Dikau et al., 2024); credit guidance policies (Kedward et al., 2022), or subsidised loans whose interest rates depend on sustainability indicators (Edenhofer et al., 2022).

- Finally, in close coordination with partner countries, **the EU should make efforts to improve the interoperability of sustainable finance frameworks of different jurisdictions**. This is important to simplify cross-border transactions and minimise transaction costs, particularly in the form of information costs for investors. However, at the same time, it is important to take country-specific circumstances into account (Berensmann, 2024). For instance, sustainable finance strategies for countries with large capital markets might require different strategies than countries in which bank financing dominates. Furthermore, differences in data availability and prior experiences with sustainability reporting complicate the alignment of sustainable finance standards. This is evidenced, for instance, by the challenges that South Africa faces in implementing its Green Finance Taxonomy that closely follows the example of the EU taxonomy (Hilbrich et al., 2023). In addition, different industry structures might be a reason to focus on different sustainability challenges. While aiming for an international interoperability of sustainable finance regulations is important, it is thus also necessary to adapt regulations to local conditions. In this respect, **we recommend that the EU continues the dialogue in inclusive fora with countries in various circumstances. Ideally, this dialogue would, for instance, lead to a mutual recognition of taxonomies of a similar level of ambition as equivalent**.

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3. EU trade policy: dare for more flexibility and collaboration

Frederik Stender and Tim Vogel

State of play

Trade liberalisation, traditionally seen as a means to promote economic growth and prosperity, has increasingly come under scrutiny for its adverse socio-economic and environmental impacts. Increased trade is now also held responsible for the rise in global CO2 emissions and the loss of biodiversity. It is also associated with growing inequality, both between high-income countries and developing countries and within the latter. Human rights issues such as child labour as well as safe working conditions remain significant and unresolved, further highlighting the complex challenges associated with global trade practices.

Global trade policymaking is not blind to these problems. Many countries are making efforts to "green" their production and trade patterns to address the climate crisis and transform their economies sustainably. At the same time, however, little of this is happening in a coordinated way under the umbrella of the World Trade Organization (WTO). Indeed, multilateral solutions are increasingly a distant dream rather than a reality, amid rising geopolitical tensions and the renaissance of industrial policy – and with it the scramble to assert key national interests.

The evolving trade policy landscape has also led the European Union (EU) to steer its trade policy in a more "open, sustainable and assertive" direction, as outlined in the 2021 Trade Policy Review. In its wake, the EU introduced a range of "autonomous" policy instruments. Notable among these are provisions on foreign subsidies, anti-coercion, public procurement, and mandatory prior screening of foreign investment, but the regulations on deforestation-free products, corporate sustainability due diligence (CSDD), and the Carbon Border Adjustment Mechanism (CBAM) have attracted the most public attention.

Although they were introduced with good intentions and arguably in line with WTO rules, the EU has not received universal applause for the latter measures in particular. On the one hand, both the deforestation regulation and the CBAM are important foreign policy instruments for the EU's goal of becoming climate-neutral by 2050. By implementing these measures, the EU also intends to serve as a role model for others in pursuing more sustainable production and consumption patterns. On the other hand, a common fear is that the EU's strict standards create unfair barriers for developing countries and could potentially restrict, or otherwise negatively affect, their access to the EU market. Beyond doubts about the effectiveness and enforcement of these measures, there is also uneasiness in the so-called Global South about the lack of voice partner countries have in setting the standards. This underscores suspicions that the CBAM, for example, was introduced not only to tackle the climate crisis (especially by preventing carbon leakage) but also to maintain the competitiveness of EU-based production (Brandi, 2021). Similar concerns apply to deforestation regulations, which are perceived in many places also as a de facto ban on the expansion of industrial production.

The EU's approach to mainstreaming sustainability in trade is reflected not only in its autonomous measures, but also in its trade agreements: These agreements now routinely contain chapters on Trade and Sustainable Development (TSD), featuring provisions on environmental protection and strengthening workers' rights. While the EU is committed to not overburdening partner countries with additional regulations, its trade agreements clearly take an assertive stance on these issues, for example, by reinforcing existing International Labour Organization (ILO) conventions with stronger legal means of enforcement.

In addition to the uncertainty over whether and how the EU's autonomous measures play out in the context of trade agreements, pushing forward the TSD agenda for trade agreements has made negotiations ever more challenging. While an agreement with Kenya was signed in December 2023, negotiations with Indonesia and India are proving extremely difficult. The EU-Mercosur agreement meanwhile appears to have little chance of success. This is partly because some EU members repeatedly call for mirror clauses on issues such as environmental protection, and partly because the EU insists on permanently opening up public procurement in Brazil to bids from large EU companies, which contradicts a central pillar of the current government's political agenda in Brazil.

The EU is aware of the need to enhance acceptance of its TSD chapters in trade agreements and its autonomous measures. In her speech on "Trade Policy in a Changing World" in May of this year, the Director-General for Trade, Sabine Weyand, emphasised the existing support for raising awareness and implementation in partner countries, but at the same time acknowledged that further efforts are needed (Weyand, 2024).

Internal and external influences

Improving external policy coherence – integrating trade, investment, and development cooperation – remains a challenge, however. Despite numerous support programmes in partner countries, the lack of coordination between actions of DG Trade and DG INTPA (Directorate-General for International Partnerships) has long been flagged, also internally. While trade-related development cooperation by the EU and the 27 member states seems to continue to pursue different objectives (Hoekman & Shingal, 2024), another construction site is the effective combination and coordination of measures at EU- and member state-level, known as the "Team Europe" approach.

The changing political priorities of the EU (and its member states), global shocks including climate change and Covid-19, and geopolitical shifts are putting the crucial elements of external policy coherence to reconcile EU trade policy with EU development policy under further stress. With the budgetary situation already strained following the Covid-19 pandemic, the grim reality of the Russian aggression in Ukraine creates a need to both support Ukraine with financial, military and humanitarian aid, *and* increase own security spending. This shift in budgetary focus makes it unlikely that funding for trade-related measures in partner countries will be able to keep pace with the increasing demands for compliance with EU regulations.

Russia's aggression against Ukraine has also accelerated national solo runs by EU member states to secure access to critical raw materials. As a result, EU member states are increasingly prioritising partnerships with third countries that mainly serve their national interests. Germany, for example, is forming specific hydrogen partnerships with strategic export and import partners (see Section 13) such as Namibia. EU member states could thus allegedly "invest" more in these individual relationships than on coordinated efforts to support EU trade policy in partner countries.

The trend of diminishing external policy coherence between EU-level actions and those of member states is further exacerbated by the shift towards more proactive industrial policies at national levels aimed at transitioning to net-zero economies while protecting commercial interests in an increasingly rougher global environment.

Looking ahead

In parallel, developing countries have become much more self-assured in forming international partnerships in today's multipolar world. New partner combinations are now feasible, demonstrated by increased South-South initiatives such as the expansion of the BRICS (Brazil, Russia, India, China, South Africa) group, but also influenced by offers from other major players in the global economy like China's Belt and Road Initiative. **To remain an attractive (trading) partner – and to secure both access to critical resources and partners for maintaining a functional**

multilateral system – the EU must present a compelling offer amidst the increasing geopolitical competition. Initial efforts have been made to promote this offer through the Global Gateway initiative, which promotes significant infrastructure investments in developing countries (see Section 1 in this publication). However, in view of the abovementioned pressure on the scope of financial support and geopolitical competition, the EU must also adapt its trade policy mindset. This could include:

Prioritisation

To attract countries as partners for sustainable trade, agreements with defined standards such as the Economic Partnership Agreement (EPA) between the EU and Kenya must deliver benefits for both sides. Due to the complexity of such agreements, technical and financial support during implementation is key. Given the potentially shrinking financial space, however, the more EU support is concentrated in one area, the less can be allocated to other areas such as infrastructure development in the short term. Technical and financial support is therefore not necessarily a sure-fire success. The EU should thus allocate its resources for accompanying measures in a more strategic and coherent manner. It is therefore **crucial to identify policy priorities and institutional and technical capacity bottlenecks in trade policy implementation accurately and collaboratively, taking into account partner countries' national development strategies**. Without such improved fine-tuning in implementation support, the expanded scope of trade agreements and the associated need for implementation support is at risk of reducing the effectiveness of the funds provided (Stender & Vogel, 2023).

Flexibility

As initial conditions with regard to sustainability standards in partner countries may well differ, more flexibility in the design of EU trade agreements is also possible. **If interests are not fully aligned on certain standards in comprehensive trade agreements, it could be an attractive way forward for the EU and its partners to pursue smaller or modular agreements that prioritise areas of high interest for each party** – an approach that may ensure that the partnership materialises despite diverging priorities. Existing examples include the EU and US plans to establish a sector-specific agreement on green steel, as well as the broader Singapore-Australia Green Economy Agreement (GEA), which aims to promote trade in environmental goods and services. Alternatively, parts of more comprehensive agreements could be backed by joint target measures. Inspiration could come from the recently concluded agreement between India and the European Free Trade Association (EFTA, consisting of Iceland, Liechtenstein, Norway and Switzerland), which includes targets for employment and investment, making not only sustainability but also economic benefits traceable. The EU could also consider bundling parts of the agreements into offers in the areas of technology transfer and security cooperation.

Inclusive collaboration

Lastly, given the controversy that the EU's autonomous regulatory measures such as CBAM are causing in developing countries, **it is prudent for the EU to take a more collaborative approach in the development of its regulations in order to better align with its stated objective of promoting "balanced partnerships of equals"**. More specifically, while the EU's recent policy efforts are valuable within the wider context of achieving more sustainable trade, setting and applying standards should be based on mutual consultations or, ideally, adopted from international standardisation bodies. Despite current obstacles, the WTO should remain a crucial platform for cooperation on trade-related standards and for discussions on comprehensive, multilateral solutions beyond those implemented unilaterally by the EU. In addition, reinvesting CBAM revenues from the decarbonisation of exports from low- and middle-income countries – and more generally transparency on how the EU puts these revenues to use – can increase credibility and counter accusations that the EU is exploiting power asymmetries in its trade policy.

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4. EU development banking: options to strengthen coherence, effectiveness and flexibility

Kathrin Berensmann, Benedikt Erforth, Niels Keijzer and Yabibal Walle

State of play

Europe is home to some of the world's largest public development banks. They are part of a broader group of actors that constitute the European Financial Architecture for Development (EFAD). While a flexible concept, we understand the EFAD to encompass European and national development banks, such as the German Kreditanstalt für Wiederaufbau (KfW), the European Investment Bank, as well as member states' implementing agencies and the European private sector (Karaki & Bilal, 2023). The European Union (EU) and its member states are collectively the largest provider of official development assistance (ODA) with European development finance institutions playing a central part towards achieving 2030 Agenda, realising the EU's development goals and facilitating a transition towards a greener and more sustainable global economy.

Despite their significant lending volumes, European development banks face challenges in several key areas. As public banks, they have multiple mandates to fulfil. On the one hand, they provide concessional funding and loans that the market is either not ready or not able to supply, fulfilling a corrective mandate. On the other hand, they are, to an important extent, political institutions that implement political mandates and serve as a foreign policy tool to strengthen the EU's global role. The balance between these and other mandates can differ greatly from one organisation to the next and is not always easy to achieve. European development banks face the additional collective challenge of working together and ensuring effectiveness as well as the visibility that is needed for the recognition and justification of their continued roles.

Against this backdrop, the contribution analyses two interrelated discussions:

- First, the debates within the EU on how to reform and strengthen the EFAD, also linked to the policy objective to promote external investment with a key role for the European private sector.
- Secondly, the discussion of, and progress towards, formulating a European vision on the reform of multilateral development banks (MDBs).

In 2018, member states commissioned a group of experts (the so-called Wise Persons Group) to develop proposals to improve the coordination and effectiveness of European development finance. The Council did not fully adopt the group's far-reaching recommendations, such as the establishment of a European Development Bank. Instead, it proposed a series of incremental changes aimed at gradually reforming the existing system. These changes were also in line with the European Commission's preference to have a key role in determining the focus of lending decisions.

Starting with the global pandemic and the growing realisation that poor visibility and coordination was hampering the EU's global position, political impetus emerged from the European Commission's aspiration to defend and advance the EU's role in an increasingly fragmented world. The Covid-19 pandemic necessitated extraordinary measures and triggered an era of strong public intervention in the markets. Beginning with the financing and provision of vaccines and medical equipment, the EU's joint efforts soon focused on recovery and reconstruction both within Europe and beyond. To coordinate these efforts, "Team Europe" was established – both a public communication effort and an approach to enhance coordination between member states and EU actors aimed to bolster the visibility of EU actions worldwide. A year later, in 2021, the Global Gateway was announced as the EU's large-scale infrastructure investment programme, the delivery of which depended on the involvement of EFAD actors (see Section 1 in this publication).

Since then, cooperation between Public Development Banks (PDBs) and Development Finance Institutions (DFIs) but also the member states and the private sector has progressed. The focus now lies on operationalising the joint approach and subsequently recognising evidence that this new working method is delivering the desired results. Additionally, a specific policy change being sought is an enhanced and stronger role for the European private sector in the EU's external investments. This focus is in part driven by the acknowledgement that public finance alone will not be sufficient to achieve the Sustainable Development Goals (SDGs), a fact which in the EU led to the announcement of its external investment plan in 2016 that set the basis for the current approach and priorities.

The EU's continuing priority for the private sector was among other measures expressed in the creation of a Business Advisory Group (BAG) in which key stakeholders from the private sector are represented. The role of the BAG is to support the European Commission in increasing cooperation with the European private sector in the strategy and operationalisation of the Global Gateway (European Commission, 2024). The group acts as a forum to discuss the strategic direction of the Global Gateway. It was first convened in the margins of the Global Gateway Forum in September 2023, a meeting that brought together high-level government representatives and other key stakeholders associated with the Global Gateway. More information about the Global Gateway, which will be a key priority for the next European Commission, can be found in Section 1 in this publication.

Yet the policy priority also raised questions about the private-sector expertise within EU institutions and European public development banks. Such knowledge is crucial to determine where the use of public funds is really needed, to ensure value for money, and to avoid distortions in the market and investment climate in developing countries. European DFIs, with their longstanding private-sector expertise, such as the Deutsche Investitions- und Entwicklungsgesellschaft (DEG), can offer support. The so-called open architecture, which was introduced with the reforms of the EFAD, allows for them to be better integrated into the agenda-setting and operationalisation of European lending operations.

Internal and external influences

The above description of the "state of play" illustrates a situation in which European actors are translating ambitious proposals into practice. The EFAD finds itself in a period of change and restructuring, with both the EU and some of its member states simultaneously strengthening their capacities and priorities for external investment. The EU is not alone in this regard, as similar reform debates have been ongoing in the multilateral development banks.

Externally, the EU not only faces real competition but also the real limitations of investing in developing countries which have faced considerable fiscal challenges during and after the pandemic as well as in relation to ongoing crises. Since the EUs increased focus on development banking, investment and private-sector involvement strongly depends on the use of loans, the alarming – and in many cases already unsustainable – public debt situation in developing countries is an external factor that will require careful consideration (Keijzer et al., 2024).

These discussions highlight the need for the EU to strive for coherence in their internal and external engagement on sustainable investment.

Speaking with one voice: the EU and the MDB reform

European countries are among the largest shareholders of the MDBs, including the World Bank Group (WBG). For example, the 27 European Union countries account for almost one-third of the shares of the International Bank for Reconstruction and Development (IBRD), almost half of the contributions to the International Development Association (IDA), and more than two-thirds of the Heavily Indebted Poor Countries (HIPC) Trust Fund (World Bank Group, 2024). Given this substantial commitment, the EU needs to closely examine its relationship with multilateral institutions and ensure that its contributions are targeted to support global development goals and climate action.

EU countries should work towards a coordinated position in the discussions on the reform of the MDBs. It is commendable that EU countries were among the supporters of the World Bank reform process, but they should also coordinate their support in implementing the proposed changes. One priority could be to strengthen the financing power of the MDBs. For example, Germany’s leading role in providing EUR 300 million in hybrid capital to the World Bank has been instrumental in unlocking similar contributions from other EU countries. Moreover, EU countries should actively and collectively promote the use of callable capital by MDBs and help in the efforts to secure the recognition of its value by credit rating agencies. They should also support the channelling of Special Drawing Rights (SDRs) through MDBs, which, unlike through the IMF, can leverage SDRs up to four times. There are notable differences among EU countries in this regard. For example, while France and Spain are actively supporting the hybrid capital proposal of the African Development Bank (AfDB) and the Inter-American Development Bank (IDB), Germany has been cautious on on-lending SDRs. Beyond coordinating these responses, European countries should urge the European Central Bank (ECB) to clarify its position on channelling EU member SDRs to the MDB, an important obstacle in unlocking the full potential of this hybrid capital proposal.

Another important issue in this context is growing calls for governance reforms in the international financial architecture. The EU and its member states should be receptive to, and coordinate, their responses to issues of outdated governance and voting rights in the World Bank and the International Monetary Fund (IMF), a key demand of countries in the Global South. Delaying such reforms will result in significant costs, including the erosion of trust in not only the IMF and World Bank, but also in multilateral institutions in general.

In summary, enhancing the EU’s collective voice on MDB reforms could markedly enhance the EU’s global influence. By presenting a unified front, the EU can more effectively advocate for reforms that align with its values and priorities, such as sustainable development, climate action, and poverty reduction. Moreover, it can present itself as a relevant and credible global actor in an increasingly multipolar world.

Striving for more evidence-based decisions and improved coherence within the EU

When it comes to intra-European challenges, increased policy ambitions translate into a considerable learning curve for policymakers in the EU and its member states in terms of promoting investment and partnering with the European private sector. One clear risk is often referred to as “additionality”, inversely the possibility that the EU’s ODA supports investment that would also have happened without it, thus potentially distorting investment markets. Secondly, a general overview of how the practice is reflecting the policy ambition is still largely missing which makes it hard to assess whether the EU is effective in its investment promotion ambitions. Third, it remains unclear to what extent the focus on investment results in a stronger focus for spending EU ODA in more investment-friendly contexts, thus going at the expense of the EU’s engagement in least developed countries (LDCs) and fragile states. Fourth, the long-term public debt consequences of the EU’s policy ambitions also need to be carefully monitored and addressed where necessary.

A geopolitical Europe will require to further strengthen the role of the European private sector in development cooperation. European engagement in developing countries is not only about promoting sustainable development and economic change, but also about strengthening the EU’s influence and geopolitical weight in competition with countries such as China and Russia.

Resulting from the EU foreign ministers’ call for a European global connectivity strategy, the Global Gateway can be seen in part as a concrete response to this challenge (see Section 1 on the Global Gateway in this publication). This initiative has also created a platform for increasing the visibility of the European Investment Bank’s involvement, which has committed to delivering one-third of the Global Gateway’s target of EUR 300 billion in investment during the period 2021-2027.

A central hurdle will be to mobilise sustainable funding on a significant scale to promote investment in infrastructure. The Global Gateway target of EUR 300 billion (EUR 135 billion in private investments) is based on the assumption that the public funds under the European Fund for Sustainable Development+ have a leverage factor of 3.4 (Szczepański, 2023). This means that EUR 1 of public funds should help mobilise up to EUR 3.4 in private investments. However, while this ratio is more conservative than previous assumptions (e.g. the Juncker plan used the factor 15 and the Neighbourhood, Development and International Cooperation Instrument (NDICI) worked on the basis of a factor 10), this ratio remains difficult to achieve in practice and depends on a variety of factors related to the type of instruments, the actual project, and the composition of the countries.

Looking ahead

So, what policy options could the next EU leadership consider? The bottom line is that the EU's focus on promoting external investment and the involvement of its private sector has been a standing policy priority for 15 years, with the aforementioned important initiatives having been introduced under the previous legislature.

Strengthen the effectiveness of the EU's own instruments and approaches

- Strengthen the DFIs' capacity to work together and in a complementary fashion to facilitate project development and implementation.
- Invest in coherent and credible communication of EU financial action abroad.
- Increase transparency around the leveraging of private capital, highlighting both opportunities and limits of this approach.
- Align pledges and disbursements better.
- Build on and expand coordinated initiatives between DFIs such as the Mutual Reliance Initiative involving the EIB, AfDB, and the German Development Bank KfW.

Ensure a common EU position on the reform of international financial institutions at the July 2025 UN Financing for Development conference

- In 2015, the EU prepared a detailed common position on the UN Financing for Development (FFD) conference in Addis Ababa, expressing a shared European vision at a key point in time when the 2030 Agenda and its Sustainable Development Goals were in the process of being finalised. The EU should once again prepare such a detailed position ahead of the next FFD conference that will be held in Spain in July 2025.
- Given the focus on the need for increasing investments, the EU's common position also needs to give due consideration to, and make concrete proposals for, responding to public debt challenges in developing countries.
- Such a detailed position should in turn inform the EU's engagement in further discussions on the reform of the MDBs (see next set of bullet points).
- The EU should be ready to apply any of these recommendations to its own development banks, as appropriate.
- The EU should actively coordinate and promote the mobilisation of more resources for MDB concessional funds, as this is crucial for global welfare.

Formulate and promote a European vision on MDB reform

- Promote the use of callable capital by MDBs and help in the efforts to secure the recognition of its value by credit rating agencies.
- Mobilise support for proposals to use donated SDRs as hybrid capital in MDBs.
- Urge the ECB to clarify its position on channelling EU member SDRs to the MDBs.
- Be receptive to calls to reform outdated governance and voting rights in the World Bank and the IMF.

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Fragility, migration and democracy

5. Migration policy: crises, partnerships and people

Niels Keijzer

State of play

Migration has been a key issue for the European Union (EU)'s external action, and its development policy more specifically, for at least three decades. While the basis of the EU's external migration policy is its 2005 Global Approach to Migration and Mobility (GAMM), after 2015 a perceived migration and asylum crisis shifted the external dimension to the centre of the Union's migration policy, strengthening its scope and profile – including through a host of bilateral cooperation frameworks. In recent years, the EU has concluded various agreements with third countries on return and readmission, both binding and non-binding, while some member states have also concluded their own bilateral agreements to this end (Niemann & Zaun, 2023).

In July 2019, von der Leyen's leadership pitch to the European Parliament stressed the need for its external migration policy actions to include diplomacy, economic development, stability and security. With regard to development cooperation, she emphasised the need for development cooperation to prioritise "improving the perspectives of young women and men in their countries of origin" (von der Leyen, 2019, p. 16). The Commission considered it a major achievement that agreement with the Council and Parliament had been reached on the Pact on Migration and Asylum, with member states now facing considerable legislative and logistical preparations ahead of the Pact's entering into application in June 2026 (von der Leyen, 2024).

The latter priority followed up on initiatives introduced under the Juncker Commission (2014-2019), including the EU's external investment plan as well as the European Emergency Trust Fund for Africa (EUTF) that was co-funded by the EU and its member states and mobilised EUR 5 billion to fund programmes focused on border management and addressing the so-called "root causes" of migration from Africa to Europe. The EUTF was considered an important policy signal and promoted the more direct involvement of EU member state actors (notably implementing agencies) in EU cooperation programmes. Due to the wide range and number of objectives and associated actions, the effectiveness of the EUTF as a whole was considered hard, if not impossible, to assess (European Court of Auditors, 2018).

Migration also claimed a key place in the mandate of the Commissioner for International Partnerships, who in 2019 was instructed to "be ready to adapt bilateral funding to achieve our objectives on migration management" (von der Leyen, 2019, p. 5). Though no such clear cases were seen of actual migration-motivated official development assistance (ODA) cuts, there was a clear push to increase migration-related cooperation actions – also at the expense of other priorities. The EU's EUR 79.5 billion financing instrument, the so-called Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI/GE) that covers the 2021-2027 budget period, included a requirement that 10% of this budget should be migration-related. On the 1st of February 2024, EU member states agreed to redeploy in order to increase the EU's external action budget by EUR 7.6 billion, of which EUR 3.1 billion would be fresh money and EUR 4.5 billion would be redeployed funds, already present in the budget. A recent external evaluation of the implementation of EU funding under this instrument so far observes that, due to the changing priorities, the Commission's Directorate General for Migration and Home Affairs is increasingly involved in the preparation of overarching country cooperation strategies (MacKellar et al., 2024).

Migration-related funds are increasingly provided in the context of so-called migration partnership agreements with countries geographically proximate to the EU's external borders. The Commission President has referred to the high-level missions for launching these agreements as "Team Europe" (von der Leyen, 2024), which – particularly in the case of Tunisia – has led to criticism by some member states and the European Parliament. To date, the following partnership agreements have been agreed and are in various stages of operationalisation, while, in addition, the Commission made exploratory missions to Lebanon and Egypt during the first half of 2024 (MacKellar et al., 2024) (see Table 1).

Table 1: EU migration partnership agreements

	Concluded in	**Member states involved in the launch**
EU-Tunisia strategic and global partnership	June 2023	Italy, the Netherlands
Migration partnership between the EU and Mauritania	March 2024	Spain
Strategic and Comprehensive Partnership between The Arab Republic of Egypt and the European Union	April 2024	Austria, Belgium, Cyprus, Greece, Italy

Source: Author, based on EU public statements

Internal and external influences

Due to a combination of strong political pressure to act, and the various crises facing the EU, migration policy has had a strong pull on the EU's budgetary resources. This was shown by the recent revisions to the EU 2021-2027 budget that were concluded in February 2024, and which increased funding for migration-related development cooperation through a combination of fresh funding and reallocations of planned funds. A recent external evaluation of the NDICI/GE instrument observed that the mobilisation of the instruments "cushion" of funds to deal with unforeseen challenges for already ongoing crisis – notably funding of Syrian refugees and host communities as well as Rohingya refugees – contradicted the idea of this funding reserve (MacKellar et al., 2024, p. 32). In view of this resource pull, interviewees for the evaluation expressed concern that migration-related needs could go at the expense of EU funding and the priority for human rights, democracy and civil society (MacKellar et al., 2024, p. 46), funds which as per the EU's analytically flawed "root causes" would be assumed to address root causes of migration in the first place.

Although the EU has framed the budgetary and legislative migration policy decisions of 2024 as considerable achievements, in the eyes of its partners the EU's migration policy stance is one of several factors that is negatively affecting relationships and prospects for pursuing mutual benefits through international cooperation. This is particularly the case for the EU's partnership with Africa, which was strongly prioritised by the EU's leadership in the period 2019-2024 but where considerable setbacks have been incurred. One of the many reasons for this, as argued by Foresti and McNair (2024), is that the EU's partnership with Africa can thrive through facilitating the exchange of people and ideas – whereas the EU's migration policy priorities has meant deterring, rather than promoting, the movement of people. While frustrating the exchange of ideas and networking between Europe and Africa in the short term, in the medium to long term this will also influence African citizens' disposition towards Europe and may lead them to more strongly engage with other world regions. Thus migration policy, as currently pursued by the EU leadership, will likely for the foreseeable future remain incoherent with Europe's ambition to strengthen and deepen its partnership with Africa.

The negotiation of the migration partnership agreements was a risky endeavour for the EU: the Union, and especially particular EU member states under domestic electoral pressure to "do something", were compelled to initiate discussions with selected neighbouring and geographically proximate states. Although these days a year is a lifetime in European politics, the discussions of the agreement with Tunisia in the summer of 2023 are still reasonably fresh. Many European stakeholders were concerned over the deal struck with Tunisia's controversial president, including the mass “dumping” of refugees in the Sahara, as well as the concluding of the deal by von der Leyen, the Italian president, and the acting Dutch prime minister that was subsequently announced as “Team Europe”. The relatively informal and non-transparent approach to concluding these recent partnership agreement draws inspiration from the 2016 EU-Turkey deal, which – due to its intergovernmental status – left no room for, nor opportunity of involvement of, the European Parliament or the European Court of Justice (Niemann & Zaun, 2023).

The Tunisia deal was critically received by the European Parliament as well as by selected EU member states, including governing parties in Germany. The plan subsequently descended into chaos as the Tunisian president rejected financial support in October 2023 after the government had blocked the visit of a European Parliament delegation a month earlier. However, the partnership agreement remains in place and appears to be in the process of being implemented. This example also shows that the EU’s neighbouring states are well aware of the political sensitivity of migration for the EU as well as of the electoral demand for the EU to (be seen to) act. This seriously hinders the EU’s initial plans, as instructed to the International Partnerships Commissioner, to use migration (and readmission specifically) as a lever. No migration-related ODA cuts were introduced during the von der Leyen I Commission.

Looking ahead

The above shows that the EU faces a challenging trade-off between responding to the migration-related consequences of crises in its neighbourhood, and its ability to engage with these regions to prevent and provide long-term solutions to the causes of irregular migration and refugees. This reflects a similar dynamic as in the EU’s national politics, with governing parties in many member states misrepresenting migration and integration as representing a “crisis” (in part caused by their own inaction/action) to seek electoral support. The situation for the EU’s external action is one where the resource pull of migration-related cooperation is so strong that other key priorities – and potentially possibilities for the EU to exercise influence and soft power – are compromised.

The next EU leadership should consider the following actions and policy options:

- First of all, it should be acknowledged that **tough language on “punishing” partner countries for a lack of cooperation on return and readmission of migrants and refugees is unrealistic** and not coherent with the EU’s approach to broker “mutual benefit” types of arrangement with those countries. Hence, the next Commission should no longer explicitly instruct the next EU Commissioner in charge of international partnerships to consider adapting bilateral funding in relation to migration management.
- Secondly, **the EU should critically review its migration-related actions that seek to “reduce” human mobility towards the EU**, both as regards the effectiveness of these actions and for any unintended effects. The considerable spending of funds should be a basis for critically evaluating the value for money of such programmes for EU taxpayers, despite their assumed demand for such programmes.
- Third, the low political ownership of and apparent non-standardised preparation of migration partnership agreements is a cause for concern from a European public governance perspective. The **EU should define principles and objectives for migration partnership agreements and share information about these agreements in a transparent manner**.
- Fourth, the **EU needs to strongly invest in and allow for the considerably increased short- and long-term movement of people from Africa to Europe for trade, investment and research** (among other purposes) as a key means to strengthening the EU-Africa partnership, which remains a key geopolitical objective of the EU’s leadership.
- Last, but not least, the **European Parliament needs to be involved in the preparation of the migration partnership agreements**. Not involving the European Parliament is a cause for

concern, given the democratic legitimacy that such partnership agreements require. While understandable for the flexibility it brings in terms of making “deals” (see Table 1), the approach is not consistent with the EU’s established approaches to international cooperation and thus negatively affects how the EU is perceived by its partners.

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6. EU engagement in fragile and conflict-affected states: towards a dedicated strategy

Julian Bergmann and Jasmin Lorch

State of play

State fragility is the new normal of European development policy and a major hurdle for the realisation of the 2030 Agenda. By 2030, an estimated 86% of the world's extreme poor are projected to live in states marked by fragility, up from 75% in 2020. Already in 2020, 60% of all country allocable official development assistance (ODA) (USD 61.9 billion) disbursed by the OECD-DAC (Development Assistance Committee) went to such states (OECD, 2022, pp. 6, 20). State fragility is thus a key challenge for development policy that the European Union (EU) and other international donors have to deal with.

State fragility denotes deficiencies in one or more of the three core functions of the state: authority (that is, the state's ability to control physical violence within its territory); capacity (that is, its ability to maintain a functioning administration and deliver social services); and legitimacy (that is, the ability of the state to achieve the consent of the population). Different combinations of deficiencies result in different Constellations of State Fragility (CSF) (IDOS, 2024).

A multi-dimensional analysis of state fragility illustrates an important trend: Rising illiberalism, repression and human rights violations are often interrelated with state fragility. The Arab Spring showed that states in the EU's neighbourhood, which had looked like bastions of autocratic stability, suffered from such tremendous deficits in legitimacy causing them to quickly destabilise in the wake of policy failures, demonstrations and protest contagion. Some descended into vicious cycles of violent repression, resistance and, ultimately, civil war (IDOS, 2024; Lorch et al., 2024). Accordingly, current EU migration, security and development initiatives in the MENA (Middle East and North Africa) region (and beyond) face a dilemma as they can strengthen autocratic regimes, potentially promoting state fragility in the EU's Southern Neighbourhood in the long term.

State fragility also offers an important lens for policymakers to improve conflict prevention. According to the Organisation for Economic Co-operation and Development (OECD), fragility on the level of both the state and society can spur violent conflict and extra-constitutional takeovers, such as military coups (OECD, 2022, p. 20). Analysing fragility and preventing it from escalating into violent conflict can help prevent human suffering, development failures, and flows of internally displaced people (IDPs) and refugees.

In many partner countries of the EU, state fragility and conflict are key challenges. With few exceptions such as, for example, the Democratic People's Republic of Korea or Venezuela, the EU has multi-annual development cooperation programmes with all of the 60 states that are categorised by the OECD as fragile contexts (OECD, 2022, p. 31). In other words, fragile and conflict-affected states make up more than a third of the EU's partner countries in total. In addition to the MENA countries, this also includes, for example, the countries in the Sahel region, where state fragility and violent conflict can likewise have direct consequences for the EU regarding security threats and increased migration flows. Since the early 2000s, the EU has developed a distinct approach for its engagement in fragile and conflict-affected states, which builds on a wide array of policy documents and strategies along three distinct, though interlinked, thematic strands (Bergmann & Furness, 2023). First, since the adoption of the 2001 Gothenburg Programme on the Prevention of Violent Conflicts, the EU has further developed its approach to conflict prevention, crisis management and peacebuilding through key strategies and policy documents, such as the 2016 EU Global Strategy, the 2018 Council Conclusions on the Integrated Approach, and the 2023 Strategic Compass for Security and Defence.

Second, and more recently, the EU has strengthened its approach to the humanitarian-development-peace nexus (HDP nexus). The Czech Council presidency in 2022 adopted a Presidency Paper on Good Practices on the operationalisation of the HDP nexus, promoting a shared understanding across EU institutions and EU member states (Bergmann & Müller, 2024).

Third, there are two policy documents that define and operationalise the EU's approach to fragile states: The European Commission's Communication on Fragile States from 2007, and the 2015 EU Staff Handbook on Operating in Situations of Conflict and Fragility. However, these documents do not reflect recent important geopolitical developments, such as Russia's full-scale invasion of Ukraine; increasing geopolitical rivalry between the United States and China; and recent military coups in the Sahel. Moreover, they do not constitute an overarching *political* strategy for "Team Europe" regarding the topic of state fragility. Relatedly, they focus primarily on the implications of state fragility for Europe, rather than on the prevention of (increased) fragility or on adopting a holistic perspective that goes beyond a security and migration policy-driven approach.

Regarding instruments, the EU possesses a unique budget support tool to strengthen the capacity of fragile states: the State and Resilience Building Contracts (SRBCs). An evaluation of all 42 contracts implemented between 2012 and 2018 has shown that they can be very effective in stabilising or restoring state functions, in particular when it comes to short-term macro-economic and financial stabilisation (European Commission, 2020). However, it will be necessary to better integrate the SRBCs with other conflict prevention, crisis management and peacebuilding interventions to boost their longer-term impact. At the operational level, EU actors have experimented with innovative tools to improve coordination and to impact in fragile states. One example is the creation of HDP Nexus Task Forces in Myanmar or Chad that bring EU and non-EU actors together to advance coordination and joint messaging

Within the context of the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI/GE), created in 2021, the EU introduced the joint Conflict Analysis Screening (CAS) tool for 68 conflict-affected and fragile states that the EU cooperates with. Incorporated into the NDICI-GE regulation at the request of the European Parliament, the CAS requires the European External Action Service (EEAS) and all relevant Commission Directorate-Generals to base the multiannual programming for all fragile and conflict-affected states on a joint conflict analysis. However, it remains unclear to what extent EU development policy interventions are consistently based on the prior analysis of conflict factors and the drivers of fragility.

Internal and external influences

The EU's approach to fragile and conflict-affected states is influenced by both EU-internal and EU-external dynamics.

Where internal dynamics are concerned, the EU's push for a more interest-driven approach under von der Leyen's "geopolitical Commission" has led to a marginalisation of state fragility as an important topic for EU development policy. One key initiative reflecting this geopolitical turn is the Global Gateway, under which the EU has launched over 200 so-called flagship initiatives for large infrastructure investments (see Section 1 in this publication). However, the fundamental conditions for such investments – including security, good governance, democratic accountability, and so on – may not be present in fragile and conflict-affected states. Hence, it is questionable whether the Global Gateway is an adequate strategy for the EU to engage in fragile states (Hauck & Desmidt, 2024).

Conversely, if the Global Gateway becomes the new overarching strategy and paradigm for the EU's international partnerships, the strategic role of EU engagement in fragile and conflict-affected states in which the necessary conditions for sustainable infrastructure investments are not met becomes unclear. Although there seems to be growing awareness that the Global Gateway cannot be the EU's response to state fragility, the practical implications of this are yet to be spelled out. More generally, there is a risk for the EU in neglecting state fragility due to a narrow focus on nonfragile countries that are more suitable for the Global Gateway flagship projects. This would be problematic, not only because of the humanitarian suffering that often accompanies state fragility but also because the EU's geopolitical competitors, such as Russia and China, are deepening their engagement in fragile and conflict-affected countries, primarily through military cooperation, as the examples of Mali, Niger, Sudan or South Sudan demonstrate.

As regards external dynamics, the failure of NATO's military and the associated civilian mission in Afghanistan has led to soul-searching in EU member states about whether, and under what conditions, external measures to build or strengthen state institutions can be successful. The EU's approach of "Humanitarian Plus" aid, developed for Afghanistan in 2021, potentially signals a move away from ambitious efforts of institution-building towards more short-term approaches centred on humanitarian aid. However, a more thorough engagement with the lessons learned from Afghanistan is required to develop more evidence-based policies for dealing with fragile and conflict-affected states.

External pressures have also emerged in the context of the Russian full-scale invasion of Ukraine, which has laid bare the limits of the EU's capability to mobilise massive additional funding for crisis response at short notice. In times of austerity, when many EU member states prioritise funding for Ukraine at the expense of other funding needs, the EU's ability to prevent a rise of state fragility and respond to crises beyond Europe might be at risk. If Donald Trump was re-elected as President of the United States, this could further increase the pressure on the EU to prioritise investing in security in Europe over global partnerships. These trends and scenarios can enhance global instability in the long term and deprive the EU of reliable partners in trade, development, and cooperation for a rules-based international order.

Looking ahead

As argued above, the Global Gateway is not an appropriate strategic framework for the EU's engagement in fragile and conflict-affected states. Instead, the **EU should devise a dedicated strategy to deal with state fragility and conflict and design tailored approaches for its engagement in fragile and conflict-affected states**. To capture the complex realities in fragile states, such a strategy should be based on a differentiated, multi-dimensional analytical assessment of state fragility (e.g., Constellations of State Fragility, IDOS, 2024). The strategy should also develop a vision on how to strengthen the EU's existing set of instruments for engagement in fragile and conflict-affected states, with a particular emphasis on improving the sustainable impact of SRBCs in fragile states. Moreover, the strategy should be geared towards conflict prevention, harnessing the potential of the fragility lens as an early-warning tool. In connection with this, EU policymakers should also maximise synergies between measures to mitigate state fragility and other contributions to the 2030 Agenda.

Controversial discussions on the EU's engagement in fragile states among EU member states in the first half of 2024, during the Belgian Council Presidency, did not lead to the adoption of Council Conclusions on the EU's engagement in fragile contexts. This indicates that developing such an EU strategy on fragility may not be easy. However, **such a strategy is crucial if the EU is seeking to contribute to international development, crisis prevention, and a more peaceful world**.

Several options for the format of such a strategy exist: One is a joint Commission and EEAS communication endorsed by Council Conclusions that sets out key guidelines and principles for the EU's engagement in fragile states, which member states can then also align with. Another option would be a Compact for EU Engagement in Fragile States developed jointly by EU member states, the Commission, the EEAS, and the European Parliament. Similar to the Civilian Common Security and Defence Policy (CSDP) Compact, such a document could include general policy principles, guidelines, and an action plan for improving the EU's approach towards fragile states regarding coordination, effectiveness and impact. Annual review conferences could ensure that there is a monitoring system to keep track of the implementation, to enable adjustments in the EU's approach and to provide for a constant re-evaluation of the EU's engagement in fragile states, where the political conditions for engagement tend to change quickly.

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7. Democracy protection: fundamental reforms needed to adjust to the new context

Christine Hackenesch and Julia Leininger

State of play

Since the European Union (EU) started to introduce democracy support instruments in the early 1990s, the Union's democracy support has been one of the most controversial aspects in the EU's external action, both regarding its relevance and its effectiveness. Throughout the decades, policymakers and academics have debated to what extent other interests outdo EU democracy support and whether the EU uses double standards when pressuring for political reforms in some countries but not others. Whether the EU is effective in promoting democracy and contributing positively towards political reforms or whether, and under what conditions, the EU unintentionally even strengthens authoritarian regimes remain key concerns. Moreover, the normative question of whether the EU should engage in democracy support at all has recently moved up the political agenda amid geopolitical shifts and increasing discourse on systemic rivalry and domestic challenges in Europe.

Despite these controversies, the EU has developed and institutionalised a whole set of instruments that aim at supporting democratic reforms in its neighbourhood, Sub-Saharan Africa and other parts of the world. The EU uses various forms of political conditionality in its development assistance, trade relations, and the Common Foreign and Security Policy (CFSP). It spends a substantial part of its development assistance in governance and democracy support. For example, about 10% of its development assistance to Africa go to supporting democratic reforms (Hackenesch et al., 2020). Even though the EU has often been criticised for remaining "high on rhetoric but low on delivery" (Crawford, 2005) and for being inconsistent in reconciling differing foreign policy goals, it has arguably become a key player in international democracy support.

Yet, most of these instruments were first introduced and then further developed in the 1990s and 2000s, when political liberalisation swept across Eastern Europe, Africa and parts of Latin America, thereby opening entry points for democracy support. The instruments were developed in an international context of (largely) unipolarity, in which democracy tended to be undisputed as the most successful type of political regime. Today, the EU's democracy support instruments are characterised by high path dependencies and have not (yet) changed much in response to the fundamentally changing international context and changing domestic affairs in Europe.

In parallel to the EU's already existing democracy support policy, Commission President von der Leyen has sought to move democracy higher up the political agenda since 2019 during her first term. One key element in the Commission's attempts to become a geopolitical actor was a stronger emphasis on values and norms in the EU's external relations. In particular, the Global Gateway was presented as an alternative to China's Belt and Road Initiative, which would be more attractive for the EU's partners because the EU – in contrast to China (without mentioning that country explicitly) – would emphasise values, norms and standards in its cooperation with partners. Democracy has thereby become more important rhetorically. In practice, however, the substance of the EU's approach of engaging with partners around the world in political reforms has changed little and has not lived up to the rhetoric.

Internal and external influences

During the next five years, at least five key trends will challenge the EU's role as a norm entrepreneur and the effectiveness of the EU's democracy support. The new von der Leyen Commission will need to fundamentally adjust its approach to democracy support to respond to those trends.

First, autocratisation rather than democratisation has been the dominant trend across many countries across all world regions, including in parts of the so-called Global North. More than 40 countries worldwide currently experience an autocratisation trend. More than 70% of the world's population today lives in an autocratic regime (V-Dem, 2024). On top of these regime trends, violent conflicts have been increasing to their highest numbers since 1989 and create a political vacuum in many places. At the same time, political mobilisation and protests in urban settings are accompanying autocratisation trends. Up to now, EU democracy support instruments have instead assumed a stable situation from which democracy can be built and strengthened or a situation of transitioning towards democracy where the EU can support that positive trend. The EU's support will need to be fundamentally reformed to move from democracy support towards democracy protection in the context of shrinking democratic spaces and political vacuums, particularly in fragile contexts.

Second, the Covid-19 pandemic and Russia's invasion in Ukraine have further fuelled perceptions that autocratic powers are proactively seeking to position their political system as an alternative to Western democracy. During the Covid-19 pandemic, the Chinese government actively sought to promote an alternative narrative on the "origins of the Coronavirus" to present the Chinese authoritarian system as particularly successful in fighting the pandemic and its approach to cooperation as being more helpful for partners in the Global South in comparison to the EU's or US activities. Russia has used recent political turmoil and military coups in West Africa to position itself as an alternative cooperation partner to the EU that "delivers" and provides military and security support with "no political strings attached". With the Global Gateway and "Team Europe", the EU has made first steps to respond to this trend. Moving forward, it is likely that EU support for democracy will be even more strongly challenged to develop a convincing narrative and to provide proof of why democracy is attractive and delivers tangible socioeconomic benefits for citizens.

Third, democracy support is no longer about the EU's external relations only but increasingly about democracy protection at home. In the past, the EU debated on how to contribute to political liberalisation in China, Russia and elsewhere through trade and societal exchanges. Today, discussions about China's and Russia's attempts to exert influence in the EU's partner countries as well as in Europe itself dominate political debates. This was very visible during the 2024 European Parliament (EP) election campaign, when investigations revealed that Russia and China might have paid European Parliamentarians and their political advisors to buy access to information and to influence debates on Russia and China in the EP. Already in 2022 "Qatar-Gate" revealed how foreign entities seek to buy political and economic influence in the EP through corruption and bribery.

Fourth, the EU's external migration policy (see Section 5 in this publication), as well as the rise of populist radical-right parties across many European countries, challenges the EU's normative credibility when seeking to engage on democratic reforms with partners in the Global South. Moreover, populist radical-right parties may pressure the EU from within to reduce activities related to protecting and supporting democracy reforms beyond the EU's borders as well as domestically.

Fifth, the EU's engagement on democracy protection, as well as the framing of a new systemic rivalry in global politics, is being controversially debated across the Global South. Some African governments as well as parts of African civil society do not subscribe to the narrative that Russia's invasion of Ukraine and China's backing of Russia are an expression of a new systemic rivalry between democracy and autocracy. Moreover, some African governments that have decided to "take sides" and to align with the EU, the United States and the West have more broadly been faced with a strong backlash in domestic political debates. In Zambia, for instance, the political opposition used the occasion of the "Summit for Democracy", which was co-hosted by the Zambian government in 2023, to portray the government as a "puppet of the West" that falls into the trap of the neo-colonial practices of Western countries (Kamwengo, 2024).

Looking ahead

Invest more in strengthening a democracy narrative: First, the EU needs to make more efforts to explain how democracy is not only a value in itself, but at the same time also delivers concrete socio-economic benefits for its citizens. Second, rejuvenating democratic values and norms within the EU and its populations is necessary. Democracy as a value and norm has been contested in European societies. Offering spaces for dialogue about a joint vision of democracy could be a valuable approach to re-creating the democratic foundations of the EU and its people. Third, the EU needs to move towards a joint learning approach in cooperating with partners on democracy support. In some areas, for instance regarding the role of social media in election campaigns, European countries face domestic challenges not too different from their partners. The EU should use the opportunity for joint and open exchanges rather than prescriptions and lecturing.

Strengthen "Team Europe" Democracy: The EU has introduced a dedicated "Team Europe" Democracy Initiative (TED) that aims at sharing experiences and lessons among European donors on democracy support. Under this initiative, the EU and several member states seek to share lessons on their democracy support activities. This initiative is an important step forward to strengthening policy-learning across key European actors. Moving forward, European actors engaged in TED should build on knowledge-sharing to strengthen their strategic cooperation at the level of partner countries. Only if the EU institutions and (several) member states join forces can they make meaningful contributions towards political reforms in partner countries.

Rethink the Global Gateway to make sure the European Union at least "does no harm" to democracy: Global Gateway projects on energy, transport or digitalisation are currently designed in a way that does not differ much from previous financing initiatives in how they address the political context in partner countries (see also Sections 1 and 8 in this publication). The projects aim at ensuring that human rights and social standards are well respected. However, large-scale infrastructure projects can also have broader political implications. For instance, if energy projects provide important rents for traditional elites, they can have a regime-stabilising effect, regardless of whether the EU or another international partner provides the funding for them. The Global Gateway does not address these important political economy questions in different ways as compared to previous funding initiatives; democracy support, as such, is not part of the Global Gateway at all. Moving forward, the EU should take the lessons from previous funding initiatives more strongly into account and strengthen political economy analyses in project development and implementation. As a minimum baseline, Global Gateway projects should at least "do no harm" to democratisation efforts in a partner country.

Adjust existing democracy instruments to the new context: EU approaches need to encompass instruments to support democratisation and protect democracy against autocratisation. Both have different logics and are applied in different contexts. Foresight instruments that indicate typical procedures or tools used by autocratisers should be established and complemented with dynamic analysis of processes of regime change rather than the status quo of a political economy only. While the EU has reacted to shrinking spaces with more flexible support to individuals such as human rights defenders and civil society, adaptive approaches are necessary to do justice to current autocratisation trends; in particular, approaches that combine support for pro-democratic actors with diplomatic and economic measures that sanction autocratisers at critical junctures of regime change. Furthermore, **"do no harm to democracy" should be a guiding principle for *all* of the EU's external activities**. This will require a comprehensive approach that takes the potential effects of external EU activities in different policy fields such as trade, economic support or development and military assistance on democratic institutions and practices into account.

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8. The European Neighbourhood Policy South: addressing the autocracy dilemma

Mark Furness

State of play

The European Neighbourhood Policy (ENP) has been the framework for the European Union (EU)'s relations with neighbouring countries to the East and South since 2004. Both neighbouring regions present the new Commission with dangers and risks. This section offers some thoughts on the outlook in the ENP-south region.

From a European perspective, the political and economic state of affairs across the ENP-south in 2024 is bleak. A decade after the Arab Uprisings, Tunisia's retreat from democracy in 2021 appeared to have killed the democratic dream in the Arab world. Autocratic regimes have tightened control with varying degrees of surveillance and repression, especially in Egypt, Algeria and Morocco. The protests in Lebanon, Jordan and Algeria in 2019 were supressed by the Covid lockdowns, and provided a reminder that the issues that drove the Arab Uprisings remain unaddressed more than a decade later (O'Driscoll et al., 2020). Socio-political tension remains high in several countries, and there is a strong likelihood that upheaval will again afflict the region.

The Israel-Gaza war has not only raised difficult questions over the future of the Palestinian people, but has geostrategic, humanitarian and political implications for the ENP-south. Western support for the Israeli government's scorched earth approach to the war, which has breached international humanitarian law, has negatively affected Europe's standing with Arab societies and thereby its legitimacy as a supporter of human rights and self-determination. The Gaza war has further destabilised the Levant and raised the prospect of a regional war involving Iran and its proxies in Lebanon and Yemen, the latter threatening the key Europe-Asia trade route through the Red Sea.

Two long-standing conflicts in the region have become less violent, but their "settlements" have not evolved in ways that serve European interests. In Libya, the de facto division of the country into Eastern and Western blocs ruled by violent militias threatens long-term destabilisation with implications for core European interests in migration management and energy supply. In Syria, the survival of the repressive Assad regime has driven millions of refugees out of the country permanently, while pockets of instability in the country's north and east draw in international actors. Russia has seized its opportunities to engage militarily in both countries. Conflicts on the edge of the ENP-south region, especially in the Sahel, Sudan and Yemen, are creating further waves of instability.

Meanwhile, some countries, such as Egypt, Lebanon, Tunisia and Jordan, are under major economic pressure driven by deficits and persistent high inflation (IMF, 2024). Conflict and economic deprivation are exacerbated by the impacts of climate change and environmental degradation, especially with regard to water resources in an already arid region. This, in turn, is driving migration through and from several ENP-south countries. Thus far, the EU's measures to manage migration have been only partly effective, while incurring significant moral and humanitarian costs.

A review of the ENP is planned for the new Commission, which will have to get to grips with all of these issues. The new Commission is faced with an inescapable dilemma in the ENP-south. The EU must engage with the region's autocratic regimes, because proximity dictates that events there impact on Europe's security, prosperity and social cohesion. However, the EU's leverage is minimal and engaging with autocrats creates pressure to compromise on core values, especially human rights and democracy. Moreover, EU cooperation with autocrats, especially on security, migration management and large infrastructure projects that carry significant prestige, is likely to strengthen their grip on power. The likelihood that social tensions created by repressive authoritarianism will erupt into violent conflict cannot be ruled out (Wehrey, 2023). This means that the authoritarianism that the EU is supporting presents a significant, long-term strategic threat to Europe.

Internal and external influences

The increased global multipolarity of the 21st Century's third decade is becoming a battle of different systems for socio-political organisation, as was the case during the Cold War in the second half of the 20th Century. Notwithstanding major differences within these systems, global competition between "Western liberal democracy" and "Eastern illiberal autocracy" has emerged (Ikenberry, 2024). The competition is most obvious in the Ukraine conflict, where Russia's ongoing invasion is supported materially by China, North Korea and Iran. Russian and Chinese support for and protection of autocratic regimes in the Levant and Africa in return for strategic presence and access to resources is another manifestation. The competition is also playing out in many Western countries, as illiberal forces destabilise and undermine social cohesion with more or less overt support from Russia. The 21st Century systemic competition has at least two major differences to the Cold War: the first is that the Cold War was a battle between communist and social-democratic capitalist blocs, which offered different models for prosperity that promised to benefit whole societies. The current global battel is about two different forms of exploitative capitalism: Western neoliberalism and Eastern oligarchy. The second difference is that the "West" presented a largely united, cohesive and ultimately successful front during the Cold War, which was able to demonstrate the superiority and attractiveness of its model to non-Western societies, some of which even subsequently joined the EU. The West is not so cohesive now, with the implication that it is far from certain that the Western model will prevail.

The ENP-south region is a key arena for this global systemic battle. Competition for geostrategic influence and resources has increased in recent years, with Russia, China, the Gulf states, Iran, Turkey, the EU and the United States all pulling strings. Examples include Russia's military support for the Hafter and Assad regimes in Eastern Libya and Syria respectively. China has supposedly been able to step into a geostrategic space left by the reduced American presence and the relative weakness of European former colonial powers, mostly in terms of economic engagement under the Belt and Road Initiative (BRI) but also as a security actor (Ghafar & Jacobs, 2020).

The EU has responded with migration management deals with several ENP-south countries, including Egypt, Tunisia, Morocco and militias in Western Libya, as well as with Turkey, offering cash, market access, and finance in return for assistance with border control. The EU has launched the Global Gateway infrastructure investment programme, which promises to build "connectivity" and further the European Green Deal in the Mediterranean basin.

The EU's efforts have, however, been undermined by internal weaknesses. Within Europe, the threat to liberal democracy posed by the populist right raises the difficulty of promoting liberal democratic norms and institutions abroad when these are under attack at home. The success of populist narratives regarding migration has pushed the EU to engage in measures that have breached international human rights norms, undermining the EU's authority to discuss human rights issues with ENP-south governments (United Nations, 2023). Compounding this are the long-standing positional differences among EU member states on key challenges in the ENP-south, especially regarding Libya and the Israel-Palestine conflict. The inability to find a way out of dilemmas raised by domestic politics in Europe undermines the EU's legitimacy as well as its effectiveness in the ENP-south.

As the EU prepares to revise the ENP under the new Commission, internal and external views on the ENP were captured by a recent EuroMeSCo expert survey. Respondents expressed consensus that the ENP has had a limited impact on the main areas of the cooperation agenda with Southern partners. The two most ineffective areas were considered to be "Conflict resolution" and "Democracy and respect for human rights". When asked to identify the reasons for this limited impact, respondents mentioned several elements in combination, but largely blamed disagreement among EU and ENP partners about priorities. EU respondents highlighted a lack of cohesion between member states as the main factor in weakening the EU's foreign policy. Respondents agree that the ENP needs to be transformed, with socio-economic development, improving partnership structures, managing migration, supporting democratisation, and adaptation to climate change as the main priorities of a revamped ENP (EuroMeSCo, 2024).

Looking ahead

The ENP revision planned for 2025 needs to outline a strategy for harmonising European foreign policy objectives and development policy principles and the interests of partners, in a region where the autocracy dilemma holds sway. The new Commission faces the reality that EU policies that aim to create stability in the short term inevitably support authoritarian regimes. Their medium- to long-term effect is likely to increase the risk of violent upheaval and the strategic threat to Europe.

Since this dilemma cannot be avoided, it needs to be faced head on. **The new Commission needs to set about demonstrating that the liberal democratic system is better that the Eastern autocratic system, so that ENP-south countries want to cooperate with Europe rather than Russia, China and the Gulf states.** This needs to work on two levels: i) delivering demonstrable results; and ii) standing up for core values when challenged to do so.

The Global Gateway is potentially a good framework for delivering results. It aims to create public goods with smart industrial policy. It is multi-sector, and aims to build connectivity, innovation, employment, and sustainability – all the important areas. Thus far, the main reason why the Global Gateway does not (yet) offer a viable alternative to China's BRI is investment volumes. Since the "democratic standards" aspect is a potential weakness in authoritarian contexts, the Global Gateway needs to offer big, technologically advanced investments in key areas so that autocrats cannot say no to democratic standards. At the same time, the EU does not need to take a confrontational approach to Chinese engagement in the Southern Neighbourhood. Partner countries want to work with both. Europe will achieve its goals if it leads by example, to the benefit of all parties.

The Global Gateway is a framework for building the "hardware" of connectivity infrastructure. The revised ENP will need to keep working on the "software" aspects. In this regard, **continued support for democratic social, political and economic processes and actors is crucial**. The EU has never put enough on the table in the ENP-south region (Bodenstein & Furness, 2009). The ENP review needs to look at what the EU can offer that can incentivise change. Better market access, training programmes with job guarantees, and visas are all things that citizens in ENP-south countries want more of. Offering something to citizens would provide some leverage over their governments.

That the two aspects of the EU's approach need to be coherent in that they complement, rather than undermine, each other, should be obvious. It is not enough to just talk about core values such as democracy and human rights, the EU has to stand up for them when it is challenged to do so, even if this means accepting costs and breaking cosy relationships. This stage can potentially be avoided by a smart strategy, both public and behind closed doors where necessary. The new Commission will have to recognise and deal with real and potential conflicts of interest, instead of expecting automatic win-win scenarios in the challenging environment of the ENP-south, and then being surprised when things do not unfold as expected. The stakes are high, and the danger of "losing" the systemic battle in the region is great. The potential rewards for Europe are, nevertheless, incalculable.

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9. Sustainable development in remote regions: integrating local leaders in EU policymaking

Jacqueline Götze, Anja Márjá Nystø Keskitalo, Elle Merete Omma and Dorothea Wehrmann

State of play

In times of prolonged and multiple crises, shared visions and established forms of cooperation are increasingly weakened, with serious implications for the pursuit of globally agreed environmental and sustainability goals. Notwithstanding the discursive shift from "development policy" to "international partnerships", cooperation is and remains the backbone of the European Union (EU)'s development policy. Leaving no one behind (LNOB) is grounded in the United Nations normative standards and a guiding principle in the 2030 Agenda for Sustainable Development with regard to political action. The principle relates particularly to marginalised groups impacted by discriminatory policies, practices and laws, which often results from exclusion and weak consideration in policymaking processes. Also, with a view to EU Development Policy, the LNOB principle is intended to guide political action both within and outside the EU. The European Green Deal, however, is a telling example of how the EU risks falling short of this ideal.

Through the legislation enacted under the banner of the European Green Deal, the EU wants to become the first climate-neutral continent by 2050 and calls for an unparalleled effort to push for renewable energy promotion and electrification. To develop the resources needed for the "green transition" and at the same time to avoid becoming more dependent on autocratic states for the critical raw materials (CRMs) required, high hopes have been placed on the European Arctic due to its extensive deposits of CRMs, good conditions for wind and hydro energy and sparsely populated territories.

Yet, four million people live on and from Arctic lands, waters and resources, including Indigenous Peoples like the Sámi, the only indigenous peoples within the EU. The "people of the North" have often expressed the feeling of being dominated by actors located in "their South": administrations based in distant capitals of the countries with territories in the Arctic, regional institutions like the EU and other "outside" actors that are not located in the Arctic regions. As a consequence of the EU's policy ban on banning products from seals, for instance, the EU was not granted observer status to the Arctic Council, the main intergovernmental forum convening all countries with territories in the Arctic, because of the opposition expressed by Indigenous Peoples' representatives.

To avoid compromising LNOB as a guiding principle for the Green Deal and its external dimension that is in part furthered under the EU's development policy, we argue for greater integration and complementarity between external and internal perspectives. The EU has been accused of following double standards vis-à-vis its internal and external policies – also with regards to the LNOB principle. Current structures built and shaped by colonial legacies do not only influence societies outside Europe but also relationships between and within societies in the Union (Kinnvall, 2016), also in the European Arctic. To address interdependencies between internal and external policies in the area of development policy, we argue that the EU is not yet using the potential of its citizens including indigenous rightsholders (Åhrén, 2024) with local and Indigenous knowledge, which is crucial for the localisation of regional and global goals. Such internal consultations and alignment with local priorities are further essential to legitimise regional and global approaches, such as the European Green Deal and the positions introduced by the EU at international negotiations like the COPs (Conferences of the Parties) in the context of UNFCCC (United Nations Framework Convention on Climate Change) and CBD (Convention on Biological Diversity).

Internal and external influences

> "We're understanding much more that if we want to have a say and if we want to have ownership and responsibility for our own lives, our own futures then we do need to understand that our existence is not just local, regional, or national. It is international and it is pan-Arctic." (Representative of the municipal administration, Tromsø, interview 24 March 2023)

> "The way that the Arctic could actually benefit from the current interest would be if it generates respect for a rights-based approach through an Indigenous Peoples' perspective to the challenges we are up against." (Åsa Larrson-Blind, Saami Council, 10 November 2021 at the EU Arctic Forum in Brussels)

These two quotes illustrate the strong interest expressed by representatives of sub-national governments and Sámi communities to contribute to policy- and decision-making processes that shape the places where they live. With the establishment of the Arctic Council in 1996, for the very first time Indigenous Peoples' organisations received the status of permanent participants in an intergovernmental setting and have been integrated in the organisation and its knowledge production since. Due to that, at the regional level, the Arctic has often been portrayed as a frontrunner for the inclusion and consideration of diverse (non-)state perspectives, including those of Indigenous Peoples and other non-state actors from and beyond the Arctic regions. However, (potential) conflicts on the use of Arctic territories and waters have been mainly framed as conflicts between states, leaving intra-state disputes, the rights of Indigenous Peoples and their right to self-determination a matter to deal with by national governments and jurisdictions. Yet, many of the interrelated sustainable development challenges in the Arctic regions require cross-border and maritime cooperation as well as the alignment of policies across regions and governance levels: for instance, the expansion of renewable energies.

The disputed wind power plants on the Fosen Peninsula in Northern Norway/the Norwegian side of Sápmi (Sámi homeland) are a typical example in this regard. In a historic decision in 2022, the Norwegian Supreme Court ruled against the Norwegian Ministry of Petroleum and Energy. Windfarms had been built in an area where reindeer herding was practiced as a traditional livelihood and interfered in the traditional Sámi areas, violating the human rights of the Sámi. As this and other examples from the European Arctic show, local perspectives from the Arctic are not well integrated into policy- and decision-making processes affecting the land and sea use in the Arctic regions. In response, the people living in the Arctic regions increasingly use legal means to go against decisions by national governments. These intra-state disputes give leverage to the sentiment of Green Colonialism, understood as imperialistic efforts deployed to control the exploitation of nature and to capture values by actors located elsewhere. This sentiment impairs the reputation of national governments and those benefitting – from the energy developed on the Fosen Peninsula, from critical minerals extracted in Kiruna (on the Swedish side of Sápmi), or from iron ore reserves developed in Kolari (Finland). These intra-state territorial conflicts also empower those who see "Western double standards" and claim that resources are being developed at the expense of social and environmental sustainability goals (Vela Almeida et al., 2023).

Since Russia's full-scale invasion of Ukraine, not only geopolitical tensions but also the demand for critical raw minerals and (renewable) energy developed in Europe has significantly increased. Norway, for example, has become Germany's biggest gas supplier since and the state-owned Swedish mining company LKAB proudly announced at the beginning of the Swedish EU Council Presidency 2023 that "[e]lectrification, the EU's self-sufficiency and independence from Russia and China will begin in the mine" in Kiruna, which holds Europe's largest known deposit of rare earth metals (LKAB, 2023). Kiruna is also home to two reindeer-herding communities which see their traditional livelihoods threatened by the current and potential new mine. Currently, at the EU level, there are no formalised channels for bringing Indigenous Peoples' perspectives into policy- and decision-making processes (Götze, forthcoming). In light of the envisioned green transition, the EU's engagement in the region should achieve a better complementarity between external and internal perspectives, avoid fuelling intra-state conflicts, and counter green colonialism and centre-periphery-thinking, inter alia by supporting the integration of diverse local perspectives into the set of values guiding cooperation with and between the EU's member states (Methi & Wehrmann, 2023).

The EU-funded Arctic Urban-Regional Cooperation (AURC) launched in November 2023 is an important first step in this regard. The programme is the first of its kind to enable local authorities from like-minded Arctic countries to collaborate on sustainable urban and regional development challenges and solutions. Complementarily to the Arctic Mayors' Forum (AMF), which was established by mayors from cities located in the Arctic in 2019, AURC provides a structure to facilitate peer-to-peer learning, to exchange experiences and practices, and to develop common perspectives, ideally making local perspectives more visible in multi-level governance, including policy- and decision-making in the EU. To integrate these perspectives into EU policy- and decision-making, however, formalised structures – so-called "third spaces" or "portals for knowledge exchange" (Patel, 2022) – are needed that facilitate the consideration and co-production of knowledges (Wehrmann et al., forthcoming).

Looking ahead

This contribution has analysed the growing and largely unintended incoherence between the EU's commitment to LNOB and its energy-related geopolitical interests. We have argued that the incoming EU leadership should pursue an ambitious and inclusive strategy to support the pursuit of global goals and to rebuild or establish new forms of cooperation. Further, we emphasise that the successive crises encourage the reordering of priorities and the building of new partnerships, especially with those who have been "left behind" and who have had a limited voice in policymaking before, such as local leaders. **The inclusion of local leaders (mayors and Indigenous Peoples' representatives) holds great innovative potential to address the popular criticism of EU policies being abstract and toothless visions,** as the such local leaders possess both the knowledge and the experience needed to develop context-sensitive policies which balance foreign, security, human development and economic interests. Their inclusion will strengthen not only the priorities and trust in EU Development Policy but also the democratic legitimacy and reputation of the EU, which has been criticized for applying double standards, for example in the wake of green transition policies (Nystø Keskitalo & Götze, 2023).

In a peripheral and sparsely populated region like the Arctic, limited infrastructure and connectivity weakens transregional and transnational cooperation. To travel from Tromsø, one of the largest and best-connected Arctic cities, to Brussels, it is not possible to take a train but necessary to fly via Oslo. Flying from Tromsø to Oslo takes as long as flying from Oslo to Brussels. Moreover, representatives of regions with a low population density are less in number and less considered in representative democracies. Limited human capacities further impede active engagement in policy- and decision-making processes.

As is also known from other remote regions beyond Europe and the Arctic, larger cities and municipalities that are better connected than smaller regions often become "gateways". To mitigate this clubbing effect and the construction of "new peripheries**", EU development policy should develop mechanisms and spaces that secure the consideration of citizen and rightsholder perspectives affected by political actions pursued by the EU.** Decision-makers should critically review how, and to what extent, the EU secures free, prior and informed consent (FPIC) to leaving no one behind and protects the rights of Indigenous Peoples and minorities at the same time.

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Climate, energy and sustainable value chains

10. EU energy and climate policy as a balancing act: the European Green Deal among internal and external forces

Alexia Faus Onbargi and Daniele Malerba

State of play

Climate and energy policy have been two of the European Union (EU)'s top priorities in the last legislature. Despite a turn towards the right at the European Parliament and in several member states and the potential for this surge to complicate EU climate politics, climate and energy are expected to continue to feature centre stage, building on the momentum of the past five years; especially given the fact that Ursula von der Leyen will be President of the European Commission for her second five-year term.

Previously, the European Council posited "building a climate-neutral, green, fair and social Europe" as one of the four main priorities of the EU's strategic agenda for 2019-2024 (European Council, 2019). Main policies and laws here include the European Green Deal (EGD) (approved in January 2020); the "Fit for 55" package to reduce net greenhouse gas emissions by at least 55% (compared to 1990 levels) by 2030; and the European Climate Law mandating climate neutrality by 2050 (Heidegger, 2024). Equally ambitious policy has surfaced in the domain of energy given the sector's overwhelming share of the EU's greenhouse gas emissions (75%). For example, in July 2020 the EU's Green Hydrogen Strategy was approved, aiming to bolster energy security. In the wake of Russia's invasion of Ukraine in February 2022, the EU launched the REPowerEU Plan to ensure the bloc's energy security and phase out Russian fossil fuels, notably Russian gas. In March 2023, a new and more ambitious target of reducing final consumption of energy by 38% by 2030 was adopted, for the sake of energy efficiency and savings; in October 2023, the Renewable Energy Directive was revised to increase the EU's share of renewable energy to a minimum of 42.5% (though aiming for 45%), by 2030.

This domestic attention to climate and energy issues has also translated into important action on the international stage. For example, at COP28 in Dubai, the EU was successful in resisting a final draft text for the Global Stocktake, demanding that clear language around the phasing out fossil fuels was included. Even though the final text was watered down to "transitioning away from fossil fuels", the EU was praised for "holding the line" against clear resistance to the start of the end of the fossil fuel regime (Koch & Bauer, 2023). In addition, cooperation on climate mitigation has greatly rotated around energy transitions, particularly through Just Energy Transition Partnerships (JET-Ps) with select countries like South Africa, Indonesia, Vietnam and Senegal, and bi-lateral green hydrogen partnerships with countries in northern Africa, and the Latin America and Caribbean region.

The EGD, shown in Figure 1 below, has nonetheless been criticised for being a largely eco-modernist project that couples ecology and economy to the detriment of social policy, and for being over-reliant on innovative technology that is not available at scale (for example, green hydrogen infrastructure or carbon capture). The EGD is, in fact, still oriented around economic growth. And while it *does* address the social dimensions of climate mitigation and the energy transition efforts through the Just Transition Mechanism (JTM) Fund, these are limited to EU coal-dependent regions.

Figure 1: The European Green Deal presented by the European Commission on 11 December 2019

Source: European Commission (2019, 11 December)

Internal and external influences

The EGD is a collection of climate- and energy-related legislation focused on the EU and its member states, and designed for the EU to become "the first climate-neutral continent." However, such domestic policy has implications for policy beyond the bloc. For instance, critics have noted that countries in the so-called Global South are structurally disadvantaged when weathering the impacts of the EGD, able only to react to EGD policies rather than helping to define them according to their own needs and priorities (Claar, 2022).

In addition, the EGD has been criticised for lacking a clear strategy on the extraction of critical raw materials (imperative for electric vehicles, for example), many of which are found in abundance in such countries. Some have warned of the potential for unequal ecological exchange and green colonialism, especially in cases where resources such as water and energy (already insufficient in many developing countries) are poised to produce green hydrogen that would then be exported to the EU.

The EU's bid for energy security through such partnerships could also put countries in Northern Africa in competition with each other for exports, as well as with countries in Latin America and the Caribbean, and in addition drive domestic competition (for example, between Spain and Portugal, both of which have great green hydrogen potential). Moreover, the Carbon Adjustment Mechanism (CBAM) to tax excess carbon imported from beyond the EU is poised to have negative impacts on the economies of various countries of the so-called Global South, especially in Africa.

In terms of the internal factors, one important issue is clearly related to the 2024 European elections. The results of such elections have shown that right and far-right European parties have increased their votes, while the Greens lost significantly. Especially noteworthy was the strong support to far-right parties from French and German electorates, which represent large emitters. While legislation introduced under the EGD is now set in law, the stronger presence of right-wing parties could make ambitious new laws and targets harder to pass. A case in point is the recent proposed goal of reducing GHG emissions by 90% by 2040 compared to 1990 (also mentioned by von der Leyen in her inaugural speech for her second term). In addition, the EGD and climate policies need to strengthen social policy and look carefully at vulnerable groups; for example, the protests of farmers in the first part of 2024 showed that the EGD could be cause for serious backlash and retrenching.

Equally, and if not more important, are external factors that have great potential to shape the EGD and broader EU climate policy. Firstly, the war in Ukraine remains a key challenge. In the aftermath of Russia's invasion, the EU focused and prioritised fast and secure energy access, for example, through the Aggregate EU platform to coordinate short-term energy supply and access to energy and gas with other countries (European Commission, 2024). Despite still importing Russian gas to this day, the main challenge for the EU is ending one dependency without falling into another in the medium to long term and ensuring it does not support autocratic regimes in its bid for energy security. To replace imports of fossil fuels (coal, gas, and oil) harmful to the climate, EU member states must accelerate and coordinate the development of their own green technologies.

Efforts here are set to be shaped by global renewable energy supply chains and manufacturing. At COP28, the EU was behind the launch of a global target to triple installed capacity of renewable energy by 2030. However, China dominates clean energy supply chains, and the EU has to protect its manufacturers from both Chinese primacy (also made possible by significant subsidies) and US protectionism and tariffs against Chinese measures and products as part of the US Inflation Reduction Act (IRA).

Indeed, China's decisions can significantly affect the EU's ability to pursue its energy transition and effect European green technology supply chains in the short and medium term. For example, China recently restricted the export of gallium and germanium, metals vital for the making of semiconductor chips; subsequent measures also include export restrictions on graphite, important in battery manufacturing. It also placed a ban on rare earth extraction and separation technologies, in which it is a world leader. Without imports from China of such minerals, green industrial policy in Europe will suffer due to the lack of critical inputs.

Looking ahead

The EU's 2024-2029 Strategic Agenda highlights the importance of pursuing "a just and fair climate transition with the aim of staying competitive globally and increasing our energy sovereignty" (European Council, 2024). This will require action in several areas.

First, **the EU needs to enable domestic acceptability and public support for the EGD if the latter is to survive after 2029 and climate targets are to be met after this legislature**. This will require firmly integrating social policy into all EGD-related policies and laws, including around industry, assuring justice and fairness for other groups of society and communities beyond fossil fuel workers, such as farmers, and enabling a Just Transition beyond the energy sector.

Beyond enabling domestic public support for the EGD, **integrating social policy into climate and energy policies is also imperative if the EU is to protect its industries from Chinese protectionism and grow its green supply chains in a just and fair manner**. Here, the Green Deal Industrial Plan for the Net-Zero Age setting out an industrial policy to boost industrial manufacturing of key technologies in the Union, is a good step in the right direction (Scheinert, 2023). The Plan also includes the European Critical Raw Materials Act (CRAMA), which is supposed to address the current dependence on China for critical minerals by increasing the sustainable and resilient production of such minerals in Europe. This Plan would benefit from being more explicitly linked with social policies and social principles, even if social policies are the competence of national governments. The US Inflation Reduction Act, for example, includes strong links with labour policies. In addition, von der Leyen has promised the new "Clean Industrial Deal" in the first 100 days of her second term. There are nonetheless concerns that a greater focus on shoring up the competitiveness of European firms (even if in the context of renewable energy) will water down climate commitments.

Second, there is a **strong need to consider global justice in the EGD** moving forward – for the sake of both global cooperation and international credibility. For one, the EU must re-evaluate who it partners with to ensure energy imports, foregoing autocratic regimes and focusing efforts on emerging, democratic economies. In addition, there is a need for the EU to better consider and mitigate the potential injustices caused by its focus on securing access to critical raw materials (CRMs) and to green hydrogen in countries in the so-called Global South. The EU must put the principles of equality and equity at the heart of its partnerships; if not, there is a risk of causing resentment and frustration from actors in these states, potentially complicating cooperation on climate and energy.

In addition, and in pursuing climate mitigation and its own energy transition, the EU must also **consider energy demand increases in other, poorer, region**s. For example, it has been estimated that the energy needs of the African continent are expected to more than double by 2040. There is a risk that Africa's energy investments will be skewed into producing fossil fuels for European consumption; it is thus critical that the EU also focus on enabling value chains in partner countries. There is also a need to evaluate current JET-P processes and their shortcomings, especially with regard to how finance is channelled and in what format (for example, concessional loans make up the overwhelming majority of such finance).

Finally, the **EU must be prepared for the possibility that Donald Trump will be re-elected** President of the United States on November 5th. Should that happen, Trump would be widely expected to pull the United States out of the 2015 Paris Agreement for a second time and use his executive authority to weaken climate regulations and expand federal oil and gas programmes so that the EU would need to be prepared for a strained collaboration on climate and sustainability efforts. COP29, which will take place one week after the American elections, will be a crucial moment for the EU to showcase its global leadership in both climate and energy in such a context.

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11. The new UN climate finance goal: will the EU deliver what's needed for a fair, ambitious and balanced new collective quantified goal?

Svea Koch and Mariya Aleksandrova

State of play

When the next European Commission takes office this autumn, the negotiations of the new UN climate finance goal (New Collective Quantified Goal on Climate Finance (NCQG)) will be in full swing. Under the UNFCCC (United Nations Framework Convention on Climate Change) and the Paris Agreement, developed countries are obliged to provide developing countries with financial assistance to address mitigation and adaptation to climate change, with a current commitment of USD 100 billion per year between 2020 and 2025. In November 2024 at COP 29 in Baku, a new commitment replacing the USD 100 billion target building on the needs of developing countries is to be agreed so that this will guide the financial contributions by the EU to fulfil their share of the obligations. These needs of developing countries for mitigation, adaptation and loss and damage are estimated to be in the trillions, so that a minimal increase of the previous USD 100 billion target is largely considered insufficient. Yet, while the NCQG is still in its negotiating phase, it is already clear that it will not only entail a new quantum but also address issues around the quality of and access to climate finance, instruments, sources and guiding principles and, as such, give new impetus into providing a clearer picture of what counts and what does not count as climate finance.

So far, the negotiations of the NCQG have seen entrenched positions from developed and developing countries. Divergences centre around the quantum that developed countries are expected to contribute ("putting money on the table"); debates on the extension of the contributor base of climate finance (referring to growing emissions of emerging economies); the climate finance instruments (grants versus loans ratio and the degree of concessionality of climate finance); the need to better define and account for climate finance; for funds to be additional to official development assistance (ODA); and whether or not to include finance for Loss and Damage under the NCQG.

The European Union (EU)'s role in international climate finance is ambiguous in many respects. On the one hand, the EU prides itself on being the world's biggest contributor of public climate finance. In 2022, when developed countries for the first time reached their USD 100 billion climate finance target, the EU collectively contributed EUR 28.5 billion from public sources and mobilised EUR 11.9 billion of private finance (European Council, 2023). At the same time, the climate finance burden is unequally distributed within the EU. Frontrunners such as Germany provided up to 0.15% of gross national income (GNI) as climate finance (counted on grant-equivalent terms and as part of ODA), whereas other member states have contributed far less (e.g. Italy, Spain, Portugal, Austria or Greece) (CAN, 2024). The quality of the finance provided plays a significant role, too. Even though around half of the EU's funding is provided as grants, the rest is provided as loans, with varying levels of concessionality. The EIB (European Investment Bank)'s share of concessional loans, for instance, decreased significantly between 2017 and 2021, that is, this part of the EU's climate finance is provided on near market-based terms (Climate Action Network Europe, 2024). Developing countries, in turn, face a severe debt crisis and highlight that servicing climate-related debt has become so overwhelming that the necessary investments into addressing the climate crisis cannot be made.

When the EU now turns to developing countries (in particular the high-emitting ones) and calls on them to also contribute to the costs of the climate crisis, it also needs to close the gaps in its own ranks. Within the framework of the UNFCCC, such a mechanism is discussed under the header of "burden sharing" in order for countries to contribute their "fair share" of the collective obligation to provide climate finance. The unequal performance within the EU in this respect puts the EU in a difficult negotiating position to call for emerging economies' contribution to climate finance under the NCQG. In view of the US elections in November, adopting a burden-sharing mechanism would even serve the EU's interests as it could concentrate on its own ascribed contributions rather than having to make up for the failures of other countries in achieving a collective target.

Internal and external influences

Internal political dynamics in Europe are currently at odds with the EU's ambition to more strongly position itself internationally and geopolitically. In many member states, the budget situation is challenging due to the subsequent crisis situations of the past decade and modest GDP (gross domestic product) growth. What is more, the European elections have confirmed the rise of populist and right-wing parties and their increasing influence in many member states as well as in the European Parliament. These parties position themselves strongly around a patriotic and nationalist narrative that either criticises international spending altogether, or demands a stronger conditioning of such spending to curb migration flows to Europe. A broad and shared political understanding – across all parties – of the obligations under the UNFCCC and the Paris Agreement and the required public funding to meet the needs of developing countries to address climate change mitigation, adaptation and loss and damage under the principle of "the polluter pays" seems distant in this current political climate.

Even though the exact nature and ambition of the NCQG is still to be determined, it is already clear that any new quantum will require the additional and concerted efforts of all developed countries to provide more public climate finance, and according to the demands of developing countries, also more grant-based finance. Achieving this in the current political climate is a mammoth task, which is why European diplomats and negotiators focus on additional and alternative financing sources (European Commission, 2024).

Under the UNFCCC, the EU is keen to focus on Art. 2.1c, which aims to align all financial flows with a pathway towards low emissions and climate-resilient development, a demand that has been rejected by developing countries under the framework of the NCQG negotiations. Outside the UNFCCC, there are debates on fiscal policy instruments or new taxes (carbon pricing, taxes on aviation, fossil fuel profits, the "super-rich", etc.), debt restructuring (debt-for-climate swaps), the use of IMF (International Monetary Fund) Special Drawing Rights, or instruments to de-risk climate investments, where the EU collectively still has to position itself. Developing countries also point to the large public sums invested to subsidise fossil fuels (the EU provided EUR 123 billion of such subsidies within its own borders in 2022 according to the European Environment Agency) and on this basis do not accept the argument that public resources are scarce.

Balancing these opposing demands will also be key from a geopolitical point of view. The climate negotiations under the UNFCCC are one of the most prolific international negotiations, and considered key in keeping communication channels open between otherwise rivalling countries (such as China and the United States). Climate finance plays a crucial role in this respect for developing countries and is widely perceived as a "make-or-break" element that not only has the potential to derail negotiations, but also to significantly undermine trust and progress on other climate-related matters. In this vein, the European support for the establishment of the Loss and Damage fund at COP 27 in Sharm- El-Sheikh, was likely also geopolitically motivated as countries in the Global South were reluctant or sceptical to share the West's condemnation of Russia's war of aggression against Ukraine in the UN General Assembly (see Koch et al., 2022). The EU's current position, not to include Loss and Damage in the NCQG, in turn causes great incomprehension on the part of vulnerable developing countries.

For the NCQG negotiations, but also its implementation afterwards, the EU needs to walk a fine line between tight budgets and internal political quarrels around the future of the European Green Deal which also determines the EU's international climate leading role (see Section 10 on climate and energy policy in this publication) and its geopolitical ambitions which require the EU to more strongly position itself as a reliable and trustworthy partner for the Global South.

Looking ahead

The negotiations of the NCQG and its subsequent implementation are a critical moment for the EU and its self-proclaimed international climate leadership role. **The EU's negotiating position, in particular calls for an extended contributor base, need to be matched up with higher ambitions to engage on the needs and positions of developing countries and higher climate finance contributions by all member states.** The new climate finance goal, after all, requires a paradigm shift in climate finance that the EU has so far been reluctant to accept. This relates to demands from developing countries to better define climate finance and demarcate it from other sources of public finance along with improving its accounting and reporting (with necessary adjustments in the OECD/DAC (Koch & Aleksandrova, 2023)). It also relates to a needed clarification of how ODA and climate finance are envisioned to co-exist in the future, given that the increases in climate finance have led to a crowding out of aid for other purposes in many respects.

Different levels of economic development require different funding arrangements, and it is difficult to explain to the European voter, why large middle-income countries such as India or Indonesia are not only the largest recipients of European climate finance but should also continue to benefit from grants rather than concessional loans in the future. The increased differentiation between countries with higher and lower economic development in terms of the amount and kind of climate finance they will receive is something the group of G77 + China also cannot avoid accepting. Such differentiation needs to go hand in hand with greater support to the least developed countries (LDCs) and small island development states (SIDs) regarding both the funding levels for adaptation and loss and damage they receive, and the acknowledgements of their negotiating positions. **The way the EU is playing it right now leads to a hardening of the fronts and a strengthening of the bloc formation (developing versus developed countries) that the EU has been so eager to break up in recent years**.

With the upcoming elections in the United States and a possible backlash in global leadership on climate issues, the EU is particularly challenged to live up to a global climate leadership role. This not only relates to the internal political debates on the future organisation of the European Green Deal and the necessary decisions to achieve climate neutrality by 2050, but also to its international climate policies and diplomacy.

- **At the UNFCCC level, EU support for a successful outcome of the NCQG at COP29 is crucial and requires more flexibility regarding the EU's current negotiating positions**: Setting an ambitious target for the better quality of climate finance (including the willingness to define climate finance with regard to levels of concessionality and additionality), and capturing loss and damage finance needs along with the climate change mitigation and adaptation targets, could help bring developed and developing countries' positions closer together.

- **At the EU level, the next European Commission should draw up a roadmap of how the EU will plan and achieve its contributions to the NCQG**. To that end, the EC should not only address questions of how to bring in line the Global Gateway's focus on climate and energy with international commitments but also focus more strongly on its coordinating role to pursue joined "Team Europe" pledges in the climate negotiations. This also entails achieving a fairer burden-sharing within the EU and improving the quality and concessionality of climate finance provided by individual member states.

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12. The new EU Deforestation Regulation: towards inclusive and sustainable forest and agricultural commodity chains

Marcelo Inacio da Cunha and George T. Mudimu

State of play

It is undisputable that addressing deforestation, biodiversity loss, and climate change with the rise in greenhouse gas emissions is a compound global issue that is important to be collectively addressed and has to be done urgently. Although the private sector – as key element of forest and agricultural value chains – is not doing enough towards internalising their negative externalities on forests, it serves as a paramount lever if such a sector can further effectively engage in halting the expansion of the agricultural frontier into forests.

It is clear that voluntary demand-side measures alone are not enough to address deforestation stemming from unsustainable consumption patterns and lifestyles mostly in higher income countries (tele)coupled with land-use change in middle- and lower-income countries. Further regulatory measures are needed to address globally pressing deforestation due to land-use change to cultivate given raw materials and sourcing products from the Global South including for consumption in the European market (Pendrill, Gardner et al., 2022; Pendrill, Persson et al., 2019). Such interconnected challenges are not solved by voluntary sustainability standards alone and call for binding due diligence rules towards deforestation-free commodity chains. With its legislative lever, the European Union (EU) has gone ahead and adopted the EU Deforestation Regulation (EUDR). The EUDR is a critical piece of legislation for governing deforestation-free supply chains located in the EU market. It is targeted at deforestation-free forest and agricultural commodity chains (cattle, wood, cocoa, soy, palm oil, coffee, rubber).

On 31 May 2023, the EU adopted Regulation (EU) 2023/1115 of the European Parliament and of the Council on the export of certain raw materials and products associated with deforestation and forest degradation to the Union market (EUDR, 2023). The regulation came into force on 30 June 2023 and is to be applied from 30 December 2024 by larger businesses, after an 18-month transition period. Small businesses have been granted a 24-month transition period. The regulation is commonly referred to as the EU Regulation on Deforestation-Free Products, those being (significant drivers of deforestation): beef and leather, wood, cocoa, soy, palm oil, coffee, rubber, and some of their derived products, such as chocolate, tyres, or furniture as listed in the annex of the EUDR (2023). The regulation mandates that the relevant raw materials and products may only be imported into, or exported from the EU, or placed on the EU market, if they are *not* linked to deforestation or forest degradation.

The EUDR aims to mitigate the EU's contribution to global deforestation by imposing stringent due diligence requirements on operators placing certain commodities on the EU market. The regulation requires operators to ensure these commodities are deforestation-free. Furthermore, in paragraph 6, the regulation takes cognisance of biodiversity loss and climate change as a result of human actions that can be addressed when wide-scale deforestation is addressed. The main purpose of this regulation is to ensure sustainable production systems that do not result in deforestation or forest degradation.

As part of enforcing this regulation, it is stipulated that products legally entering the EU are to originate from deforestation-free zones or areas deforested before the cut-off date of the EUDR (30 December 2020). Exporters or suppliers who do not comply with this regulation risk having their export licenses revoked.

Internal and external influences

EU challenges

- Complex value chains: In enforcing the EUDR, traceability has to be ensured across global and complex supply chains. In this process, operators must gather and verify comprehensive data, including geolocation information, on land and production sites. This information must be provided *before* the goods or products are exported into Europe. Prospects of getting concrete and accurate information on time may be a hurdle given the complexity of global supply chains, asymmetries in geographic information systems (GIS) and georeferenced information stemming from asymmetric technical capacities, and the accessibility of upstream chain-producing actors who are sometimes located in remote places in the production zones.

- Enforcement and compliance: To ensure compliance to these regulations requires that EU member states establish effective systems for monitoring and enforcement, including conducting annual checks on a percentage of operators and products. This requires substantial administrative resources and coordination, and also support from production countries.

- Data management and exchange: Developing an electronic interface for data transmission between national customs systems and the EU information system at the latest by 2025 comes with financial and logistical challenges.

Partner country challenges

- Governance and enforcement issues: Numerous producer countries struggle with weak governance and enforcement issues, which can hinder "compliance" with EUDR requirements.

- Economic impact on smallholders: Smallholders in producer countries may be "excluded" from supply chains, including the ones governed by a lead firm or trader which/who may want to be supplied only by large upstream actors who do not face challenges in investing in traceability for transparency within the frame of compliance and due diligence requirements of the EUDR for placing listed products in the EU market. Ensuring their inclusion in sustainable supply chains without imposing undue burdens is crucial. In addition, adhering to this new EU regulation will result in costs for both the so-called producer and consumer countries, a cost which most likely producers of the goods will factor in on the cost of goods thereby to an extent triggering product price increases.

Opportunities

- Transparency and traceability: Through this regulation the EU encourages transparency along the affected value chains. For that, it has come up with a Global Observatory hosted by the Joint Research Centre (JRC) of the EU, while the EU and its member states further encourage the use of traceability per geospatial information of the producing areas and plots, and capacity development, which can improve forest management and compliance tracking.

- Partnerships and cooperation: Advancing with preparation for the EUDR implementation regulation can be more efficient and effective, provided there is inclusive cooperation with producer countries through partnerships, dialogues, and joint roadmaps – particularly if they are aimed at addressing the root causes of deforestation, at promoting inclusive and sustainable commodity production, at mitigating climate change and at building resilience.

Looking ahead

The EU is aiming to strengthen cooperation with producer countries to address deforestation's root causes and support sustainable production practices. This includes not shying away from sourcing areas classified per the European Commission's assessment as being "high-risk" according to the three-teared risk classification (high, middle and low risk areas, depending on how “exposed” they are to commodity-induced deforestation if the area has been deforested after 31 December 2020). It further includes structured trust-building dialogues (including towards market recognition with policies in producer countries being factored into context-sensitive EUDR implementation on a sustainable basis); and cooperation arrangements and joint roadmaps towards environmentally sound value chains based on just transitions. **It is key for the new EU representatives to prioritise partnerships with the producer countries which are mostly low- and middle-income countries**. These partnerships will ensure secure supplies of raw materials and also provide opportunities for value addition in partner countries, while producing co-benefits in the realm of inclusive and sustainable rural “development”.

The **EU is committed to assisting smallholders** through capacity-building initiatives and technical assistance to enable them to comply with the EUDR. This includes raising awareness, disseminating information, and conducting workshops in affected countries. **This support is key and needs to be expanded, while being context-sensitive and tailored to smallholder needs for them not to be left behind by falling off lead-firm-governed value chains with prevailing large-scale suppliers and exclusion of such small-scale suppliers**.

The European Commission is developing guidelines and compiling good practices to help stakeholders implement the EUDR effectively. This includes guidance on due diligence processes, risk assessment, and the use of certification schemes. The development of such guidelines could be done in partnership with representatives from producer countries to enable a “buy in” and easier implementation of the regulation.

The regulation mandates robust monitoring and enforcement mechanisms, including checks on traders, operators and product supply. EU member states are to ensure compliance and address non-compliance through corrective actions and penalties.

The fact that the EUDR was adopted and entered into force in 2023 is already a positive step towards dealing with implications of consumption on production of agricultural and forest products listed in this regulation. However, in the design of the EUDR, partner countries from the so-called Global South where most EUDR-relevant produce and raw materials come from, claim to have not been consulted enough in this process or that smallholders will be partially replaced by larger suppliers of raw materials and products as a potentially unintended implication of the EUDR (ATIBT, 2023). Further, there is a tendency of the high-risk areas of partner countries (classified as such upon completion of the “official” assessment) being left behind as traders tend to minimise the risk of deforestation and the required burden of due-diligence statements for entering products into the EU by shifting their procurement focus from high-risk to lower-risk areas. Still, the European Commission is now proactively reaching out to main producer countries, which is key for “buy in” by countries where most EUDR-relevant raw materials and products come from.

If the goal with the EUDR is to effectively address deforestation in the EU and elsewhere – beyond protecting consumers in the EU from “importing deforestation to their plates” – then the following are crucial: (i) **effective and inclusive implementation which at the same time supports smallholders** so they are included in the relevant commodity chains by large powerful downstream value-chain actors; (ii) **robust enforcement**; and (iii) **strong international cooperation on an equal footing between the EU and partner countries.**

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13. Achieving strategic autonomy: critical raw materials and low-emission hydrogen

Tilman Altenburg

State of play

The agreed shift towards a net zero industry in Europe and elsewhere increases demand for critical raw materials (CRMs) and low-emission hydrogen. CRMs are inputs to many of the essential industrial goods required for a net zero transition, especially lithium-ion batteries, wind turbines, generators and engines, electrolysers and photovoltaics (Prognos et al., 2023). Also, digital hardware, defence and aerospace increasingly consume critical raw materials. Low-emission hydrogen and its derivatives (including green ammonia, methanol and others) are indispensable for decarbonising the so-called hard-to-abate industries, including steel, chemicals, cement, aviation and heavy-duty road traffic. During the coming years and decades, both hydrogen and critical raw materials will be essential inputs for a variety of sectors with strategic importance for the European economy.

However, in both the cases of CRMs and hydrogen – while demand is set to increase drastically – Europe is and will remain heavily dependent on imports from third, and to a large extent developing, countries. Yet such imports are not readily available – for different reasons. This poses a huge threat not only to specific sectors, but to European economies as a whole, as supply shortages in strategic industries can have enormous knock-on effects spreading to almost any economic activity. The semiconductor shortage in 2022/2023 exemplified this (Haramboure et al., 2023). Moreover, any supply bottleneck may decelerate the net zero transition.

In many developing countries, CRMs and hydrogen are seen as emerging opportunities to increase export revenues, value added and employment. Hence, there is a shared interest in developing these markets and establishing stable trade relations. Then again, interests do not always converge, and trade-offs need to be faced and mitigated. This section highlights such trade-offs and suggests policies aimed at strengthening the respective EU trade relationships with developing countries.

Internal and external influences

Booming European and global demand for CRMs, low-emission hydrogen and its derivatives is good news for many developing countries that are endowed with the relevant resources. In the case of CRMs, some countries enjoy monopolistic or oligopolistic supply conditions and thus have a strong bargaining position vis-à-vis importing countries. This holds true, for example, for cobalt from the Democratic Republic of Congo (DRC); iridium from South Africa; and nickel from Indonesia. In the case of hydrogen, demand has initially been focused on green hydrogen based on renewable energy. Many developing countries are blessed with excellent solar, wind or geothermal resources providing the basis for competitive hydrogen prices. Hydrogen can also be used locally to produce derivatives, such as ammonia, that can be stored and transported more easily than hydrogen. That said, green hydrogen is still significantly more expensive than fossil alternatives, making it difficult for producers and customers to conclude long-term purchase agreements, which in turn are essential to bring capital costs down. The attention of importers is therefore shifting to blue hydrogen, made from natural gas with carbon capture and storage, which entails higher emissions, but in many cases still compares favourably with fossil alternatives. This shift impacts the trading partners: Natural gas-rich countries with carbon storage opportunities are now being wooed by interested importers.

Having said that, resource exports (and minerals in particular) have in the past often been associated with negative development effects. Economically, price and demand volatility often translated into economic instability; domestic value added typically remained low, so that resources contributed little to economic diversification and technological learning; Dutch disease effects discouraged other industries; and labour demand was typically low. Politically, resource rents were often captured by small elites, discouraging transparency and accountability and resulting in poor governance overall. Environmentally, resource extraction practices were often harmful, especially where checks and balances were weak (Sachs & Warner, 2001; Van Der Ploeg & Poelhekke, 2016). While green hydrogen production is not a classical extractive industry (as it is not extracted but produced with substantive investments), it shares some of these characteristics: it is highly capital-intensive and high-tech, absorbing little labour and limiting local productive linkages; and it entails rent-seeking opportunities, as investments plans are sometimes at a multi-billion level and entail complex negotiations about land rights, license fees, tax benefits, and the like.

Against this background, societies in resource-rich countries are very critical about any, especially foreign, investments that do not offer broad-based benefits in terms of value creation, employment creation and revenue sharing, and that are prone to opaque, even corrupt deals. The national hydrogen strategies of developing countries therefore regularly stress the need for intensifying industrial linkages and attracting new hydrogen-related industries from abroad. Any EU partnership with exporting countries should recognise these concerns, ensuring shared benefits, inclusive consultations, transparency and accountability. Not doing so would not only harm Europe’s image in the world, but also threaten project implementation, as public opinion may then easily turn against export projects.

This implies trade-offs. First, Europe competes with other import economies, in particular China, for securing favourable long-term contracts. Europe’s primary goal of securing supplies may lead to situations where secondary objectives, such as shared benefits, transparency and appropriate environmental standards, are sacrificed. Second, Europe wants to become independent of China’s dominance in critical raw material processing by boosting its own processing capacity to a minimum of 40% of European demand (European Union, 2024), much higher than its current share. This conflicts with exporting countries’ desire to add value domestically. Similarly, in the case of hydrogen, European economies explicitly aim to become market leaders in new technologies (such as electrolysis and fuel cells) and to retain hard-to-abate industries at home, again creating a tension with export countries’ industrial aspirations to attract such investments from abroad. These tensions call for political compromises that are more attractive for export countries than the alternative: exporting to other markets, including China.

This attitude is recognised in policy documents – the European Union (EU)’s Critical Raw Materials Act provides support for “strategic projects” in developing countries only when they “would be mutually beneficial for the Union and the third country concerned by adding value in that third country” (European Union, 2024, p. 22). In practice, however, it is difficult to find such partnerships, and existing Memoranda of Understanding, for instance, between the EU and Namibia, are clearly geared towards “export only”. When Indonesia legislated a ban on all exports of unprocessed nickel, Europe filed complaints to the WTO (World Trade Organization), whereas China invested in refineries in Indonesia. As a result, China strengthened its access to nickel while also being seen as a contributor to Indonesia’s industrial development.

Europe can mitigate trade-offs by complementing negotiated partnerships with policies at home: increasing resource efficiency, recycling as much as possible, investing in mining within Europe, and developing substitutes. All this calls for a focus on R&D (research and development) and innovations. Resource-saving and recycling technologies and less resource-intensive substitutes for scarce minerals would reduce Europe’s dependence while at the same time strengthening its international competitiveness and bargaining power.

In the case of hydrogen, the main reasons for the slow development of low emission, especially green, hydrogen are the remaining cost gap between fossil and clean technologies and uncertainty about long-term policy frameworks. The most important European contribution to creating new export opportunity for developing countries is thus to create reliable framework conditions for the rapid ramp-up of the hydrogen economy. It should be noted, however, that European countries have differing interests in the hydrogen economy. Some countries are heavily dependent on hydrogen imports, including Germany; others have great renewable energy endowments, including Spain and Greece; again others, including Norway and the United Kingdom, are keen to develop blue hydrogen for exports; France bets on nuclear energy and is therefore less interested in green or blue hydrogen.

Also, in downstream industries using critical raw materials, European countries may prioritise specific national over Europe-wide interests. Hungary for example has been accused of attracting Chinese lithium-ion battery investments based on lax environmental enforcement and primarily uses its battery cluster as a bargaining chip in negotiations with the European Union (Györffi, 2023). These examples show the importance of defining a coherent European resource partnership strategy avoiding beggar-thy-neighbour effects.

Looking ahead

Imports of CRMs and low-emission hydrogen need to be scaled up massively to maintain the competitiveness of European economies. The respective challenges are clearly recognised in comprehensive EU policy documents, such as the Critical Raw Materials Act and the EU strategy on hydrogen. Yet, these strategies are not backed up by sufficient funding, and implementation lags behind. Political determination is required to avoid dependencies that could cost Europe dearly.

With regard to stabilising CRM and hydrogen trade relations with developing countries, the following principles and priorities need to be taken into account: As a general principle, **Europe should offer credible value creation partnerships with exporting countries in which the latter are enabled to increase domestic value added beyond raw material extraction or hydrogen production in exchange for long-term import contracts.** This entails foreign direct investment in refineries, smelters, electrolysers and downstream production, for example of fertilisers, sponge iron or sustainable aviation fuel. In parallel, research cooperation and technology transfer need to be intensified. Europe should avoid the escalation of trade conflicts via retaliating measures when developing countries ban unprocessed mineral exports and rather seek collaborative contributions. This is essential to gain credibility as a “just transition partner” and to avoid partners aligning with China instead. Pilot projects in various segments of CRM and hydrogen markets should be developed that can then serve as a signal to the world that Europe’s stands for just transition rather than extractive partnerships.

These are the Global Gateway’s declared goals. The Global Gateway can be seen as Europe’s – necessary and long overdue – response to China’s Belt and Road Initiative (BRI), yet much needs to be done to fill it with life and mobilise the announced resource flows for more resilient connections with the world (see Section 1 in this publication).

An essential issue, especially in the case of CRM resilience, is to **improve trade relations with China, given its partial or even full (e.g. graphite) control of global processing**. Europe must maintain and deepen its policy of *open* strategic autonomy (Lippert et al., 2019), avoiding the further escalation of mutual sanctions among the big trade blocs. This also entails greater efforts in domestic mining (to the extent possible), and, above all, circularity and research in downstream research. Europe can try to become a global leader in recycling technology, and it can greatly step up research in materials-saving and substitution as well as specialised capabilities in CRM-using technologies, such as new generations of electric vehicle batteries. This would convert a unilateral dependence on China into a mutually beneficial interdependence. Europe should also avoid that such mutually beneficial interdependence creates intra-European dependence, as exemplified by the Hungarian strategy of developing a dominant position in auto battery manufacturing based on Chinese investments.

Regarding low-emission hydrogen, Europe should undertake and accelerate everything that is needed to ramp up the market. This includes the renovation of infrastructure (pipelines, ports), harmonised certification systems, and above all, maintaining and upscaling instruments to close the cost gap between fossil and clean technologies. The latter may include carbon pricing, emission standards, the temporary subsidisation of the cost difference between hydrogen production and purchasing prices as well as Carbon Contracts for Difference.

Europe should clearly prioritise green hydrogen, given the negative environmental externalities of all other forms of hydrogen. Blue hydrogen will be needed as a second-best bridge technology, but Europe should be careful with supporting the scale-up of blue hydrogen: first, by maintaining strict standards and reliable monitoring and evaluation of "hidden" upstream emissions; second, by avoiding any incentives that may lock in natural gas exploitation as a long-term alternative (see Stamm et al., 2023).

Furthermore, **Europe should apply transparency standards to all major hydrogen deals, using the Extractive Industry Transparency Initiative (EITI) standards** – which are widely and successfully applied to oil, gas and mining – as a template. Some of the best-endowed countries for hydrogen exports (both green and blue) fare low on indicators of democracy, public accountability, and participation, and many hydrogen deals are huge relative to the size of the host economy and involve a variety of rent-seeking opportunities. More generally, Europe should encourage inclusive pathways to the hydrogen economy, offering policy space and support for domestic industrial linkages, learning and employment, and encouraging other forms of benefit-sharing that would increase societal acceptance. The latter include, for instance, mandatory oversizing of renewable energy generation and seawater desalination; direct dividend payments to citizens; and avoiding overly generous tax breaks for investors (Altenburg & Kantel, 2024).

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Multilateralism and the (post-)2030 Agenda

14. The European Union and the United Nations: exploring new opportunities in times of fiscal pressure

Sebastian Haug

State of play

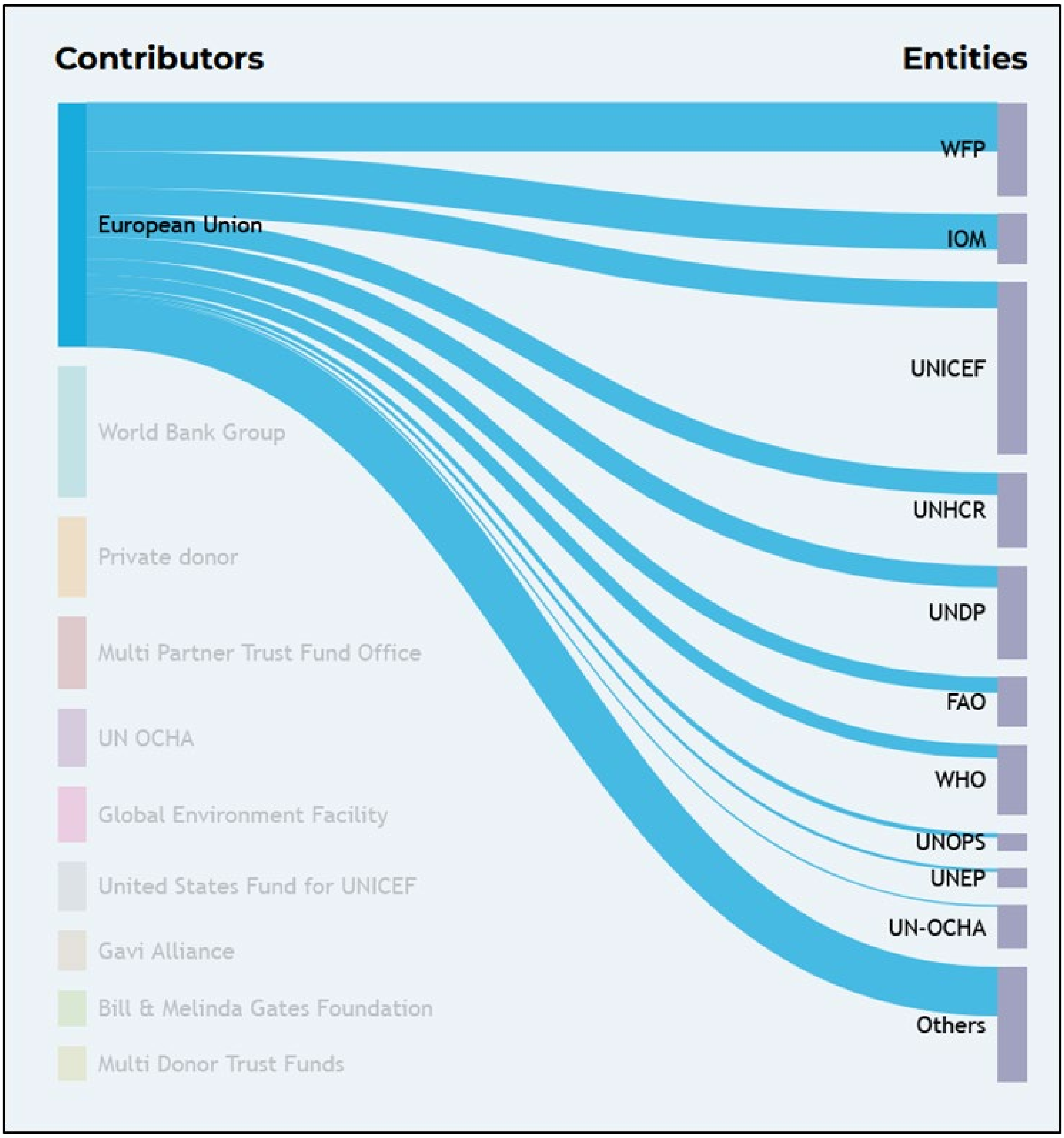
The United Nations (UN) system is the world's foremost set of multilateral organisations with quasi-global membership, and the European Union (EU) has long been a staunch supporter of the United Nations. EU support comes through both words and deeds. EU institutions and representatives regularly speak out in favour of strengthening the United Nations as the multilateral core of world politics. In addition, the EU also acts as a coordinator for its 27 member states in UN negotiations, for instance those on General Assembly resolutions. Given the fact that some of the UN system's most important donors – including Germany, the Netherlands and France (UN-CEB, 2024) – belong to the EU, this coordination function plays a key role in UN negotiations. Compared to most other member states, many EU countries – particularly the larger ones – can count on a substantive workforce in their New York-based missions to prepare and accompany UN debates. This puts the EU in an advantageous position when it comes to co-shaping what are often complex negotiation processes.

At the same time, and maybe more importantly, the EU acts as the United Nations's most important "non-governmental" donor (see Figure 1). This is of particular relevance for the UN development pillar, as most UN development entities depend disproportionately on voluntary funding. With a few exceptions, the EU – as a supranational organisation – has no official membership in UN bodies.[1] Contrary to UN member states that also pay membership fees, the EU therefore only provides voluntary funding to UN budgets, most of which is earmarked, that is, dedicated to a pre-specified purpose in line with EU preferences (Baumann & Haug, 2024). The World Food Programme (WFP), for instance, received about USD 700 million from the EU proper in 2022 (the last year for which complete numbers are available). In the case of the International Organisation for Migration (IOM), this figure stood at about USD 510 million, covering roughly 20% of the IOM's total income that year. The UN Children's Fund (UNICEF), the UN High Commissioner for Refugees (UNHCR) and the UN Development Programme (UNDP) also receive sizable amounts from the EU on an annual basis. While EU contributions to the UN system have fluctuated over the last decade, they have seen an overall and substantial increase: from USD 660 million in 2010 to more than USD 3.4 billion in 2022 (UN-CEB, 2024).

Together with its member states, many of which are individually key donors for UN entities, the EU as both an umbrella for its members and an actor in its own right is thus an important backbone of UN work. Without the EU and its member states, a large number of UN entities would either need to reduce their activities or close down altogether. UN entities are aware of this importance and court the EU as a "vital partner" (UNDP, 2024). Similarly, UN programme countries – that self-identify as "developing" and host a UN resident coordinator – see the EU as an important provider of multilateral development work at the domestic level. If the EU were to reduce its UN funding by any significant margin, repercussions would be felt across the UN system.

1 In 2022, the EU provided (very low levels of) assessed contributions to only four UN bodies: the UN Environment Programme, the UN Framework Convention on Climate Change, the UN Convention to Combat Desertification, and the International Seabed Authority (UN-CEB, 2024).

Figure 1: The European Union as the United Nations's most important "non-governmental" funder: the distribution of EU contributions to the UN system (USD 3.5 billion in 2022, by individual entity)



Source: UN-CEB (2024), https://unsceb.org/fs-revenue-non-government-donor

Internal and external influences

Although the next five years might see a continuation of established patterns where the EU acts as a trusted supporter and funder of the UN system, mounting challenges might well require adjustments in the EU's positions and strategies. Increasing levels of geopoliticisation, potential fractures in the "Western" alliance, and domestic contestation stand out as particularly relevant.

Geopolitically, actions by and the relationship with China and Russia are likely to influence EU thinking about its future approach to UN funding. Across the UN system, the rise and fall of UN support for China's Belt and Road Initiative (Haug, 2024) highlights the extent to which major member state-led infrastructure initiatives – including the EU's Global Gateway – have a difficult standing in an increasingly geopoliticised context. At the same time, Russia and allies, such as Venezuela and Pakistan, have tried to link UN development discussions in the context of Summit of the Future preparations to debates about unilateral sanctions, problematising how the United States and EU member states have reacted to Russia's full-scale invasion of Ukraine (Gowan, 2024). Indeed, while votes at the UN General Assembly have been strongly in favour of restoring the sovereignty of Ukraine, the sanction regime against Russia has been almost exclusively supported by "Western" states (Simes, 2022). The expansion of the BRICS (Brazil, Russia, India, China, South Africa) adds to what many describe as an expanding anti-Western sentiment across world regions. The war in Ukraine and the war in Gaza have brought some of the underlying fault lines to the fore that separate the EU, (some of) its member states, and the "West" more generally from a considerable number of Southern partner countries.

What is more, Trump 2.0 – a potential second Trump presidency in the United States – might well lead the "Western" alliance itself into a(nother) round of internal turmoil (Klingebiel & Baumann, 2024). If Trump is re-elected, the US government is likely to reduce – again – its support for the UN system. This would also affect individual UN entities and raise questions about whether other key donors, including the EU, are ready to step in. With regard to geopoliticisation dynamics in UN fora, it would also point to more far-reaching implications in terms of the EU's ability and readiness to continue with its multilateral support irrespective of US actions. Insights from the UN Educational, Scientific and Cultural Organisation (UNESCO), for instance, suggest that the effective departure of the United States in 2011 opened the door for China to become a more important player, although less so than one might have expected (Meng, 2024). Should the US government decide to reduce its engagement with UN bodies or withdraw altogether, it is through its financial power and coordination function that the EU could become a key player in shaping the future of the UN system.

Finally, ongoing shifts within the EU domestically come with an additional set of potential challenges. A decrease in support for multilateralism could lead to a general scepticism towards EU funding and support for UN bodies. This could be easily exacerbated by a general and increasing wariness about development-related spending abroad. In a context where right-wing parties have gained ground in key states across the EU – from France, Germany and Italy to Finland, the Netherlands and Sweden – official development assistance (ODA) is (again) strongly under pressure. This is likely to also affect decisions about ODA allocations in the next EU budget cycle (2028-2034). In some ways, multilateral ODA flows are an easier target for budget cuts as they do not directly jeopardise bilateral relations with partner countries. The EU might well find itself in a position where – as a concession to more vocal right-wing party groups and their constituencies at EU and national levels – cutting UN funding looks like a necessary step towards finding new internal balances and cross-party consensus on budgetary questions.

Looking ahead

Against the backdrop of potential challenges stemming from geopoliticisation trends, Trump 2.0 and domestic contestations, what should the EU do to ensure sustainable cooperation at and with the United Nations?

Strengthen and expand coordination strategies: The EU should learn from China's challenges with the BRI and is well advised to keep the Global Gateway out of potentially complex UN processes to minimise the likelihood of attacks about undue influence. Instead, the EU should support UN structures through established political and financial means. Despite geopolitical preoccupations and sometimes substantive differences in member state outlooks and capacities, it should also make sure that, for internal cohesion purposes, both smaller and larger EU members continue to contribute to and appreciate coordination at the United Nations under the EU umbrella. The EU should also keep an eye on whether and how the expanded BRICS grouping starts using UN processes for joint efforts. Pre-emptively, the EU should strengthen its coordination with IBSA countries – India, Brazil and South Africa – and contribute to reviving the relevance of this acronym to make sure the anti-Western sentiment that often emanates from China-induced and particularly Russia-led efforts does not spread across UN membership.

Prepare the ground for stepping up alliances: The EU should make a conscious and explicit effort to address long-standing grievances and justice claims across the South, also beyond major Southern powers and beyond heated discussions about Ukraine and Gaza. This includes a reckoning with not only rhetorical faux-pas of the past – such as Josep Borell's allegory of Europe as "the garden" and other parts of the world as "the jungle" – but also the EU's often self-centred approach to migration and trade questions. The more relations are built and strengthened across traditional divides, and across issue areas, the larger will be the EU's repertoire for UN-focused alliance-building in the face of geopolitical turmoil or the unpredictability of another Trump-led US government.

Adapt and protect funding flows: Finally, the EU should strategically review the composition of its funding flows to the United Nations and explore the possibility of shifting from earmarked contributions to core funding, where resources are provided to UN entities with no strings attached. A shift to core funding would increase the ability of UN entities to weather funding shortfalls related to a potential Trump presidency, or to balance an increasingly proactive Chinese – earmarked – funding strategy (Haug et al., 2024). In light of the potential criticism from across EU member states about the relevance of multilateral (development) funding, the EU should get ready before critics mount a more concerted challenge. A geopoliticised context requires a strong(er) case for the geopolitical relevance of UN funding in order to underline why supporting the United Nations is in the interest of the EU and its member states. Ongoing global power shifts, the embeddedness of EU economies in global value chains and – last, but not least – the substantial externalities of Europe's development over the last 200 years provide a wealth of material to craft narratives and arguments that speak to the EU's various different domestic audiences.

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15. The EU's support for the global Sustainable Development Agenda: how to accelerate progress until 2030

Paula von Haaren, Ariel Macaspac Hernandez and Axel Berger

State of play

The current global polycrisis – characterised by wars, geopolitical tensions, pandemics, environmental degradation, climate change, inequality, and social injustice – has exposed the challenges faced by the world community in achieving the Sustainable Development Goals (SDGs). First, it highlights the interconnected causes of multiple crises and the need to move away from siloed thinking and towards more integrated, sustainability-oriented policymaking across topics, sectors and social systems. Secondly, despite the large number of goals and targets, today's crises show that the SDG framework is incomplete and fails to sufficiently capture several key dimensions of human wellbeing, such as social cohesion, mental health, or digital sovereignty. Thirdly, the slow progress and setbacks experienced in realising the Agenda reveal wavering government commitment to the SDGs through, for instance, insufficient financing and regulatory measures to tackle harmful externalities, often referred to as negative spillovers. At present, only 16% of the SDG targets are projected to be reached by 2030 (Sachs et al., 2024).

Notwithstanding this, the polycrisis has also revealed a growing need and public support for effective sustainable development measures, including in the European Union (EU) and its member states (European Commission, 2023). The EU has played an important role in promoting the SDGs globally and, together with its member states, has provided substantial funding to support sustainable development in low- and middle-income countries (see Section 17 in this publication). The EU was also the first region to present a Voluntary Review (VR) at the High-Level Political Forum on Sustainable Development in 2023. The VR outlined the EU's current sustainable development policies such as the Green Deal, the Global Gateway programme and the integration of SDGs into the EU budget, and discussed predominantly positive externalities. However, the report lacks detailed action plans that tackle the structural causes of SDG deficits. Moreover, it largely ignores the persistent negative spillover effects of European financial policy, consumption and production on other countries (Lafortune et al., 2024).

As the 2030 Agenda ends in 2030, the remaining years should be used to accelerate the implementation of the SDGs, while at the same time preparing the ground for the negotiation of a follow-up Agenda beyond 2030. The 2027 SDG Summit – the key gathering of world leaders taking place every four years to take stock of the SDG implementation and provide policy leadership – will be crucial for initiating these negotiations. This presents a key opportunity for the EU's leadership to shape the future of sustainable development policy both within the EU and globally.

Internal and external influences

Despite previously championing the SDGs internationally, the EU recently reduced the priority of and focus on the SDGs in its development and international policies. This shift is connected to various internal and external developments and conflicts of interest between the EU and its partner countries.

One reason for the stalling progress in achieving the Agenda 2030 are insufficient financial means for its implementation. The economic stimulus measures during the Covid-19 pandemic as well as the support for Ukraine after Russia's invasion have put public budgets under pressure. Within the EU, the rise of populist and right-wing political parties has led to questioning and redirection of the focus and fiscal space to finance SDG implementation. Globally, no consensus has been reached on how to distribute the financial burden between current and historical greenhouse gas emitters, and between poor and wealthy countries.

Increasing global conflicts, economic competition, and the prioritisation of national health during the pandemic have created an atmosphere of distrust globally, challenging cooperation and negotiation. This is reflected in greater reluctance of the EU and its member states to share technologies (a central pillar of Agenda 2030) with some states, in particular China. There also exist disagreements about the perceived protection of domestic green industries on both sides (see Section 3 on EU trade policy).

Finally, rising powers from the Global South have become alternative development partners, promoting their own definitions and practices of sustainable development. This introduces competitive dynamics into development cooperation and challenges the values and instruments supporting the SDGs.

Looking ahead

Accelerate progress towards Agenda 2030

Timely measures are needed to expedite progress towards the 2030 Agenda, but also to avoid negative environmental and social tipping points leading to social conflict. To this end, a recent publication (Lafortune et al., 2024) highlights several priority actions for the EU:

Ambitious environmental and social policies: The EU should adopt a new European Deal for the Future with clear targets, timelines and action plans to address *both* environmental and social problems. For instance, it should increase and accelerate efforts to achieve net-zero emissions, including the active discouragement and dismantling of subsidies for unsustainable technologies and practices. New social policies should reduce vulnerability to poverty and social exclusion.

Strengthen engagement at all levels: Engagement can be fostered by creating and institutionalising platforms that engage civil society in EU SDG policies, and by institutionalising the annual monitoring of SDG progress by the European Parliament. The EU should also support sub-national actors in implementing and monitoring local SDG policies, for example, financially, through training, and integration into multinational networks.

Avoid negative international spillovers: To avoid spillovers, the EU must eliminate unsustainable practices in its international supply chains and streamline financial and macro-economic policies to avoid inequitable tax competition and “profit shifting”.

Increase financing for sustainable development (FSD) in other countries: FSD should be anchored in the European Deal for the Future and earmarked in the 2028 budget. Moreover, the EU should increase funding to multilateral development banks and support the inclusion of all sustainability dimensions into the global financial architecture’s mandate.

Promote alliances for the SDGs outside of the EU: To this end, the EU should expand “Team Europe” to coordinate diplomatic action of EU member states and re-orient international partnerships to be mutually transformative.

Consider interlinkages: In addition to the above points raised by Lafortune et al., (2024) planning and implementation should consider interlinkages between different goals, sectors and territories. This can be supported by linking EU financing to a set of SDGs that relate to several sectors.

Beyond-2030: fostering commitment, effective implementation, trust and collaboration

An updated or new global Sustainable Development Agenda beyond 2030 would need to address shortcomings of the current framework. This will involve tackling obstacles to effective implementation, monitoring and peer review mechanisms and improving the formulation of the goals and indicators themselves. To pave the way for a potential agreement on an Agenda beyond 2030, the EU must navigate conflicts of interest between countries, regain trust and credibility, and form new, flexible alliances with governments, the private sector, and civil society.

Increasing commitment and ensuring effective implementation for transformative change

Commitment: Firstly, preparations for the negotiations of a new global Agenda beyond 2030 must ensure in discourse and timing that they do not discourage stakeholders' commitment to pursue the current SDGs during the remaining time until 2030. Secondly, EU states need to develop a unified, evidence-based position on the most important sustainability aims and policies. Thirdly, a new framework must ensure continued commitment from all states to its implementation.

Recent studies show that governments tend to stick with their existing agenda, linking it to selected SDGs while neglecting others. To avoid this selection bias, making the SDGs binding in areas without international legislation – at least amongst coalitions of the willing – could help achieve real change (Bierman et al., 2023).

Moreover, monitoring of SDG policies at all levels should look beyond policy aims and evaluate policy effectiveness. Monitoring should also involve civil society more extensively (Bierman et al., 2023).

Implementation: More attention must be devoted to negative spillover effects, both in SDG monitoring (e.g. by integrating the SDSN's spillover index into the international review system) and in EU policies such as the Green Deal. The EU should also advocate for incorporating guardrails against negative international spillovers, and directly regulate upcoming cross-border challenges, such as water use, in the new SDG framework to pre-empt future conflicts.

Local action and implementation are particularly integrated and committed to the SDGs (Bierman et al., 2023). Acknowledging the validity of local and indigenous knowledge, and integrating it into the framework, is crucial. Opening the SDGs to local sustainability narratives could also strengthen local support.

Revising goals and indicators: Continued progress towards the SDGs will be fostered by guiding and incentivising stakeholders to focus on incremental implementation and root causes, not just on reaching the end goals. Indicators and goals can reflect this by becoming more ambitious over time and by incorporating measures against the underlying causes of deficits in the goals.

Indicators should include non-material measures of wellbeing. For instance, composite measures of welfare and poverty should move away from GDP (gross domestic product), as poverty and welfare deficiency can manifest in various non-material forms such as ill health or poor education. Other neglected non-material aspects of human wellbeing include mental health, culture, social, emotional and creative skills education, employment quality, social cohesion and engagement.

Furthermore, the EU needs to engage in discourse on balancing the ethical questions surrounding digitalisation and North-South technology-sharing in the framework. Sharing policies should support equitable access and accelerate green transformation while ensuring the security of sharing states and protecting citizens in receiving countries from misuse by autocratic governments.

Establishing trust and international cooperation

Achieving cooperation and agreement for an Agenda beyond 2030 requires greater pre-negotiation and trust-building than the 2015 negotiations, due to fluctuating coalitions and a greater diversity of actors and development concepts.

Given the shifts in geopolitical power, the EU needs to take its partners' needs seriously when discussing the Beyond-2030 Agenda and the distribution of financial responsibilities. Negotiations can be structured to enhance mutual understanding. For example, a stocktaking phase before negotiations, as used in 2015, could help establish common knowledge and trust. The Beyond-

2015 process would also benefit from breaking up North-South fronts and involving actors from various policy sectors, such as the less hierarchical environmental community, as well as stakeholders from science, civil society and the private sector *early* in the negotiation process (Fukuda-Parr, 2023).

However, the EU also needs to identify and promote ways to include the voices of groups that are not organised at international level. Global citizen surveys should be supplemented by an accountability mechanism that documents how results are incorporated into the Beyond-2030 process at EU and UN level.

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16. The EU’s engagement in the G20: how to deal with global power shifts

Vy Dang, Sven Grimm, Wulf Reiners

State of play

The European Union has been a permanent member of the G20 since the group was founded in 1999, alongside three member states: France, Germany, and Italy (EU3). Additionally, Spain and the Netherlands are regularly invited as guests to the G20 meetings. Increasing engagement within the G20 is one of the key priorities outlined in the EU’s 2021 multilateral strategy. The EU aims to enhance its influence within informal fora like the G20, particularly due to their ability to “shape and reinforce the multilateral agenda and deliver strong crisis response and concrete solutions for global problems” (European Commission, 2021a).

Building on the “principled pragmatism” concept for the EU’s external action as established in the 2016 Global Strategy, the EU’s 2021 multilateral strategy marked a shift towards a more strategic approach to multilateralism. The revised multilateral strategy has become less apologetic about promoting its interests and views multilateral cooperation as a means to reach objectives. It has departed from the “effective multilateralism” approach previously outlined in the 2003 European Security Strategy, which saw multilateralism as a goal in itself.

This strategic approach is also reflected in the EU’s engagement within the G20, particularly in the area of development policy. In recent years, (sustainable) development has been a key topic in G20 discussions, along with global health, economic recovery, Russia’s war against Ukraine, digitalisation, and climate (see Table 1). Development policy (re)gained particular prominence during India’s G20 presidency in 2023 and is expected to remain a key issue in 2024 and 2025. In response, the EU has consistently reaffirmed its contributions to global development, as outlined in statements by President Michel and President von der Leyen ahead of the G20 summits. Several EU-initiated development cooperation projects with G20 partner countries include the EU financial contributions to public climate funds and the Just Energy Transition Partnership with South Africa. At the 2023 G20 Summit in India, President von der Leyen highlighted the EU’s contributions to the India-Middle East-Europe Economic Corridor and the Trans-African Corridor through the Global Gateway, which aims to enhance critical infrastructure globally (European Commission, 2023). However, there has been criticism that these initiatives are designed to increase the EU’s visibility and counter China’s Belt and Road Initiative. This repurposing of financial assistance for geopolitical objectives could potentially undermine sustainable development goals and the values and principles of the EU, as well as increase scepticism and the loss of trust among partner countries (Dworkin, 2023).

Similar to other areas of EU external action, the EU faces challenges in effective engagement in the G20 both internally and externally. Internally, coordination is difficult because of the involvement of different institutions and divergent interests among them and/or with member states. The broad G20 agenda cannot always be easily translated into the EU’s division of competencies between the institutions and the member states. In some policy matters, member states make decisions unanimously, while in others, the Commission has a negotiation mandate. Consequently, an informal setting like the G20 puts decision-making in the EU to the test; the absence of legally binding processes and divergent political convictions among the EU3 can lead to incoherent voices.

At the same time, the EU3, with their privileged positions in the G20 club, have an interest in controlling the EU internal coordination, either through their informal meetings before a G20 summit or by dominating the EU coordination with non-G20 EU member states and institutions (Amtenbrink et al., 2015, pp. 46-47). Besides the EU’s internal challenges, the G20’s agenda is determined by the rotating presidency and can lead to dynamic discussions. This flexibility sits uneasily with the complexity of consensus-seeking in the EU.

Table 1: Key priorities for G20 discussions and EU's political positions ahead of summits, 2021-2023

Summit	Themes and priorities	EU's political positions and priorities ahead of the Summit	Key topics discussed during the Summit
2021, Italy	"People, Planet, Prosperity" • Global economy and global health • Climate change and environment • Sustainable development	• Global health and pandemic preparedness • Sustainable and inclusive economic recovery in line with SDGs and 2030 agenda • The twin green and digital agenda • Climate finance • Biodiversity and environment	• Economic recovery • Covid-19: increasing the provision of and access to vaccines • Pandemic prevention, preparedness and response: establishment of a G20 Joint Finance-Health Task Force • Climate and energy • Biodiversity and environment • Sustainable development
2022, Indonesia	"Recover Together, Recover Stronger" • Global health architecture • Digital transformations • Sustainable energy transitions	• Russia's war against Ukraine • Food security and energy crisis • Climate funds and partnerships • Treaty on pandemics	• Russia's war against Ukraine • Food and energy security • Climate and biodiversity • Global health • Digital transformations • Strong, sustainable, balanced and inclusive growth after the pandemic
2023, India	"One Earth – One Family – One Future" • Just and equitable growth • Climate finance • Women-led development • Lifestyle for Environment • Digital transformations • Reform of multilateral institutions	• Russia's war against Ukraine • Green and just transition • Inclusive financial systems • International treaty on pandemics • Global development	• Russia's war against Ukraine • Strong and sustainable growth • Sustainable development goals • Climate and environment • Digital transformations • Gender equality • African Union as a permanent member of the G20

Source: Authors, based on European Commission (2021b); European Council (2021, 2022a, 2022b, 2023a, 2023b)

Externally, other G20 members criticise what they perceive as "overrepresentation" by the EU, which is present at the summits with three members, presidents of two EU institutions, and, additionally, two guest countries. Yet, member states are reluctant to give up their place. Indeed, European delegations account for about 25% of the total G20 seats, even if this comes with varying agenda-setting power. Despite being granted full membership, the EU, as a regional organisation and just like the African Union (AU) that joined in 2023 with the EU's support, cannot assume the rotating presidency (O'Sullivan, 2021).

These challenges have led to mixed results in the EU's influence in the forum, if success is measured by the extent to which the EU influences the commitments adopted by the G20. A positive example was the G20 Summit in Seoul in 2010, when leaders endorsed the Basel III accord on international regulatory frameworks for banks, a measure strongly advocated by the European Council (Amtenbrink & Repasi, 2019). Similarly, the G20 Rome Leaders' Declaration on global health governance aligned with the EU's proposals for an international instrument on pandemics, as initially suggested by the President of the European Council before the 2020 and 2021 Summits. However, the EU's influence in the G20 is much lower on matters that are internally contentious or diverge significantly from other G20 members. For instance, the European Council's demand for global taxation of the financial sector has been consistently ignored by the G20 (Amtenbrink & Repasi, 2019). Similarly, the EU's efforts to condemn Russia over its war in Ukraine were not successful during the G20 presidencies of Indonesia (2022) and India (2023).

Internal and external influences

The EU's 2021 multilateral strategy is a response to changing geopolitical developments and the increasing role of emerging economies in the global arena (European Commission, 2021a). Indeed, the international order is under (re)construction. Global power shifts, geopolitical tensions between the United States and China, and diverging views on Russia's war of aggression against Ukraine or the conflict between Israel and Hamas illustrate the struggle over defining international relations. The conflicts are part of environmental, economic, and social megatrends (Hornidge & Berger, 2023, p. 220). At the same time, the inefficiency or dysfunctionality of existing international organisations, including the United Nations (UN) and the World Trade Organisation (WTO), fuel the questioning of existing multilateral solutions.

This "gridlock" in multilateralism (Hale & Held, 2017) has opened up opportunities for the rise of informal *pluri*lateral settings, such as the G20. Such forums are less institutionalised and constitute (self-selected) clubs of states that meet regularly to exchange views and coordinate policies. They are seen and also employed by rising global powers as a tool to gain influence in world politics where traditional powers are reluctant to cede policy space. Rather than integrating into the global governance system and its norms ("socialisation" into an existing system), country groups have created new institutions that help project their global agendas. For instance, Brazil, Russia, India, China and South Africa created BRICS (now expanded to BRICS+), aspiring to balance the influence of the G7. Other examples include the Shanghai Cooperation Organisation (SCO) and the Asian Infrastructure Investment Bank (AIIB), driven by China. The "shadowing" of traditional settings has led to competing institutional landscapes of fragmented global governance (Berger et al., 2019, p. 495).

Amidst growing global cooperation complexities, the G20 has adjusted to better address the demands of effective global governance. Founded in 1999 as an informal gathering of finance ministers and central bank governors after the Asian financial crisis, the G20 was upgraded to the leaders' level in 2008 in response to the global financial crisis. Since then, the G20's agenda has significantly broadened to encompass broader economic, environmental, social, development, and security issues. Particularly since 2022 – and prospectively through 2025 – the G20 has experienced some form of "Southernisation" in line with global power shifts, with Indonesia, India, Brazil, and South Africa holding the consecutive presidencies. These countries share similar development challenges and have significant economic and political roles in their respective regions. Their common background can facilitate the establishment of common understandings of global problems, which is essential for joint, and thus effective, solutions. This sequence of presidencies and the troika system provide the opportunity to prioritise Southern perspectives and development concerns for four consecutive years (Lynders & Reiners, 2022). The Russian war on Ukraine has sharpened geopolitical tensions, having put additional diplomatic challenges and profiles to consecutive presidencies of Indonesia and India. India, for its part, called for inclusiveness and better representation of the Global South in international organisations during its G20 Presidency (Dang et al., 2023). Consequently, following an approach of "differentiated inclusion" to strike a balance between manageable size, the economic and political weight of members, and global representation, the G20 enlarged permanently in 2023 with the admission of the AU.

The thematic breadth and only conservative geographic expansion of the G20 has led the group to work on its legitimacy, with subsequent presidencies creating a whole "alphabet soup" of engagement groups – from Business20 and Think20 to Youth20. This has transformed the G20 into a global governance hub that brings together governments of member states and transnational networks. Rotating presidencies also have a tradition of inviting guest countries and international actors beyond G20 membership. This setup of co-opting additional actors into the G20 processes allows for effective policymaking on specific issues or simply provides the G20 with more legitimacy (Berger et al., 2019).

Looking ahead

Key processes for the global future will be co-shaped by G20 discussions, including initiatives on artificial intelligence and climate as well as the upcoming debate about the successor of the UN 2030 Agenda for Sustainable Development and its Sustainable Development Goals. It is in the EU's interest to acknowledge and respond to the rise of informal plurilateral fora and navigate the "Southernisation" in world politics through meaningful engagement within the group. This interest might be understood as geopolitically driven. It is, however, going beyond this, as the G20's role as a forum for agile coordination might quickly become tested again in the case of another acute global crisis. At the same time, as a committed defender of multilateralism itself, **the EU should advocate for the G20 to aim towards a rules-based order based on cooperative global governance** rather than becoming a parallel structure – and thus preventing further fragmentation of the global governance system.

With the recent admission of the AU, the EU is no longer the sole non-state actor and regional organisation within the G20. **This moment presents an opportunity for the EU (jointly with the AU) to push for elevating the roles and actorness of regional actors in the G20**. One reform idea is to grant both the EU and AU the right to hold a rotating presidency and host a summit, which would thus enhance internal coordination requirements and agenda-setting capabilities. Such a reform could also facilitate the participation of smaller EU states (through the EU) and African countries (through the AU) and promote inclusivity in the G20. Beyond the presidency function, the roles of the EU and AU could also prospectively serve as a model to include other regional organisations with broad-based political agendas, such as ASEAN, the Association of Southeast Asian Nations.

Given the wide range of topics addressed, the EU's engagement in the G20 requires a concrete preparation framework across various policies. **A starting point for the EU is to develop a clearer definition of the EU's priorities in multilateral cooperation, while acknowledging the importance of the G20.**

At the same time, due to pressures from both outside and within, there are calls to streamline the EU's representation in club governance structures like the G20. Proposed changes include either reducing the number of EU seats, improving coordination within the EU, or both. Consolidating the EU's representation is currently being resisted by the EU3. **The less ambitious step of a more pragmatic yet still challenging step forward would be to enhance EU coordination and present a coherent European voice in the G20**. In practice, the EU can seek to gradually improve the consistency and unity of its positions in the forum on a case-by-case basis to counter criticism of "overrepresentation" by other G20 members (O'Sullivan, 2021). In any case, the strategy of a concerted EU voice needs to be used wisely. A single EU stance may seem inflexible at times and hinder the ability to adapt and develop new paradigms on contentious issues (Amtenbrink & Repasi, 2019), thus burdening the interactions with the crucial non-EU members of the G20. Beyond the leader's summit, **it is also important for the EU to seek representation systems for major engagement groups if the EU wishes to maximise its influence in G20-related processes**.

With a potentially looming Trump 2.0 administration in the United States after the 2024 US presidential election, and increasing tensions over China's industrial subsidies, trade wars may escalate in the next years; the WTO could continue to be dysfunctional; and new trade agreements could become both more difficult and more important at the same time. This situation could prompt the European Parliament's attempt to have a stronger voice in the G20 discussions on trade-related issues, which would require the EU to carefully consider how to most effectively engage in the G20 and coordinate internally to this end.

Last, but not least: Given the growing assertiveness of non-Western countries in the G20, EU leaders must recognise that increasing their influence on G20 commitments and advancing their collective (and individual) agendas relies on stronger relationships and deeper ties with rising global powers. These countries do not always share the EU's priorities; still, **joint initiatives and global impact require closer interactions with the world beyond Europe**. This challenge could be exacerbated by the electoral shift in the EU following the 2024 elections. The shift to the right and stronger national swings in several, also key, EU member states (including amongst the EU3 in the G20) influence policies with external dimensions, from trade and immigration to climate. This is likely to lead to even more polarised debates on the rationale and necessity of EU (development) cooperation, diminishing the EU's attractiveness to international partners. Therefore, the next European Parliament and Commission leadership must ensure that **the EU communicates its priorities also in light of partner countries' interests and cooperation concepts for the implementation of global agreements** that show pathways to sustainability – first and foremost the Paris Climate Agreement and the 2030 Agenda (Lynders et al., 2023).

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17. The EU and the Sustainable Development Goals: three options for a post-2030 framework

Andy Sumner and Stephan Klingebiel

State of play

What has been the contribution of the European Union (EU) to achieving the Sustainable Development Goals (SDGs) around the world? An external evaluation report published by the EU Directorate-General for International Partnerships (DG INTPA) in March 2024 addressed this question, focusing on the period from 2016 to 2021 and covering 146 countries. The report found evidence that the EU has played a pivotal role in globally championing the SDGs at a high level (European Commission, 2024). However, the EU's influence was less pronounced at the national level, where the impact of EU delegations on local political landscapes was not as significant. The EU has not made the SDGs a flagship of engagement strategies with the Global South (as the Global Gateway is). If the EU wants to promote the SDGs to 2030 and potentially beyond, this will need attention. Moreover, this may be a pressing matter. A review of 140+ national development plans in the Global South that covers the period 2016-2023 (Munro, 2023) found that, although the SDGs' framing was clear in low-income countries, the SDGs was much less evident in middle-income countries which account for most of the countries and population of the Global South.

Overall, the external evaluation of the EU's role noted that the EU had made three big contributions. First, the high-level political influence: the EU has effectively influenced the global agenda to champion the SDGs, positioning itself as a leader in global politics. Second, undeniably, financial commitments: substantial funding has been allocated to the SDGs and Agenda 2030, highlighting the EU's financial support towards Global Development Goals. Third, a set of policy tools: the EU has developed a suite of SDG policy tools, such as the SDG mapper and the Global Europe Results Framework, to integrate and monitor progress towards the SDGs. The new inequality Marker ('I-Marker') is a further innovation in this area already being utilised.

The same external evaluation highlights that, ahead of 2030, the EU needs to do three things. First, it needs to enhance global influence: strengthening partnerships with other global actors and extending influence mapping to national EU delegations to amplify the EU's impact. Second, it needs to clarify policy positions: developing clearer outlines of policies on how each SDG should be pursued (the research on many specific SDGs is well-known – e.g. child stunting – and needs packaging into short, digestible format as briefs). Third, it needs to develop an understanding of what the causal chain is which is assumed to link EU activities to SDG outcomes, deepening understanding of how EU activities contribute to SDG attainment by delineating causal chains.

Internal and external influences

When the 2030 Agenda and its SDGs were agreed in 2015, the global community was able to take advantage of a "window of opportunity" to make some global progress. Even the Paris Agreement with its overarching goal to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels" appeared feasible to achieve in 2015. Since then, international relations have been characterised by profound geopolitical upheavals. The systemic confrontation between China and Western countries, especially the United States, the Russian invasion of Ukraine, the escalation of violence in the Gaza Strip after the Hamas terror attacks on 7 October 2023 make it clear that the environment for global cooperation efforts has become much more difficult. In recent months and years, global cooperation has taken significant steps backwards. Populism and autocratic trends in all regions of the world are also seriously damaging efforts towards global cooperation. The scope for finding joint solutions, particularly in the fight against climate change, has become more difficult or even impossible and is, itself, becoming part of international conflict lines.

One important aspect, little considered so far, is that of competing geo-paradigms and how the SDGs/Agenda 2030 might be co-opted, adapted, or side-lined between or within competing worldviews on global development. The Millennium Declaration and the 2030 Agenda were drafted and developed as meta-development paradigms under little pressure from geopolitics. This is likely to be very different for any post-2030 agenda. The EU, the United States and other OECD (Organisation for Economic Co-operation and Development) actors, as well as China, most likely supported by Russia, but also Southern actors beyond China, are likely to take a much more geopolitical view of a new global development agenda. Which players will set the tone? Is a new narrative likely to be more influenced by the value system of one actor or group of actors? How strongly can China or India present themselves as opinion leaders of the Global South? All these questions are likely to dominate the discussions in the run-up to 2030.

For the last decade we have already seen the increasingly relevant geopolitical dimension of development topics, not least in development paradigms (Klingebiel, 2023). China's influence on global development paradigm discourses in recent years is seen as a potential factor in shaping the post-2030 debate. The dominance of Western-led narratives is evident, for example, in the context of the predecessors to the SDGs, the Millennium Development Goals (MDGs). Key actors of the OECD Development Assistance Committee (DAC) assert that the DAC played a foundational role in the creation of the MDGs (Carey & Atwood, 2021). One crucial turning point for China's adjusted approach has been and is the use of the development initiatives initiated by that country for national-interest-focused geopolitics in the Global South and beyond, especially since the 2017 Communist Party Congress. The Belt and Road Initiative (BRI), which has been being implemented since 2013, has set new parameters for how an infrastructure initiative can massively change countries (for instance, Pakistan). Further, the BRI is an initiative that is not only aimed at developing countries but encompasses a total of 180 countries and institutions. Other Chinese initiatives have been added in recent years, including the Global Development Initiative (GDI) (2021), which is valued by many developing countries and which advocates its vision by means of six accompanying principles (a people-centred approach; development as a priority; benefits for all; innovation-driven development; harmony with nature; and, action-oriented approaches); eight priorities (poverty reduction; food security; Covid-19 and vaccines; financing for development; climate change and green development; industrialisation; digital economy; and connectivity), along with governance arrangements, and actions. All this demonstrated China's ability to shape global development discourses. China's development initiatives have significantly enhanced its soft power capacities. The GDI meetings draw notable high-level participants from countries of the Global South, garnering close attention in European capitals and Washington alike. These initiatives have prompted various responses from Western actors, exemplified by the EU Global Gateway initiative and analogous approaches from other G7 members. The Indian and Brazilian G20 presidencies illustrate a readiness to propose their own development paradigms as well and assert a crucial leadership role for actors from the Global South. These recent developments suggest that geopolitics will likely shape discussions surrounding any post-2030 agenda. Thus, the traditional Western-led global development paradigm is experiencing much more competition because of China's and other nations' soft power-building evident in development paradigms.

Looking ahead

As the context is different – now being one of competing geopolitical paradigms – there are three options that the forthcoming Commission can choose from:

Option 1: **Push for a "keep it simple" or "too difficult to change" scenario**. This entails extending the SDGs to 2040 or even 2050. Even this simple solution may still be politically arduous, but it has the advantage of not needing any changes (or perhaps only some minor changes – maybe adding new SDGs, although that may not be plausible). The problem is this, however: Can something fail and simply be extended and blamed on the pandemic and the tense geopolitical context? On the other hand, it could also be a pragmatic approach if nationalist populism continues its rise in Europe and elsewhere, creating a difficult environment for global affairs.

Option 2: **Promote a “go ambitious” scenario**. This would entail adopting an ambitious new framework aligned with the contemporary poly-stressor/crisis context. This new framework would presumably align to human security broadly defined as meaning ensuring countries and people do not fall into poverty, or back into poverty, by reducing risk exposure and insuring against risk. Such thinking seems fitting to contemporary times though it is hard to imagine a negotiation again of almost 200 countries at the United Nations given the current lack of enthusiasm within the multilateral system.

Option 3: **Push for a “go low, or give up” or the “default scenario”**. This option is more of a default than a decision. If there is no post-2030 framework then there will be nothing, and an entire generation with a generally accepted framing, originally in the MDGs and then the SDGs will be over (after 30 years, if one goes back to the OECD-DAC goals that led to the MDGs). For better or probably worse, there would be nothing to guide the multilateral system.

In this set of options, Option 1 seems the most politically plausible, even if it not easy. The EU global leadership role will need to come to the fore again, even to achieve this.

In conclusion, renewing the mission of EU development policy amidst global poly-crisis requires charting a multilateral course beyond 2030. As the world grapples with complex interconnected stressors and crises, the EU’s leadership and commitment to the SDGs will remain important in what happens up to, and beyond 2030. One aspect likely to determine the outcome is if the EU’s worldview and Agenda 2030 increasingly compete, lose out, or somehow merge into other worldviews, or not (Sumner & Klingebiel, 2024). The EU’s commitment to global sustainability stands to benefit greatly if it endeavours to foster consensus on a future sustainability agenda.

To achieve this, the EU and its member states urgently need to explore various avenues for informal consultations to initiate a discussion on a new global agenda for post-2030. Such consultations should involve key stakeholders from the Global South, encompassing less powerful actors but also big emerging powers, including China. Engaging in this manner does not imply naivety on the part of the EU amidst geopolitical complexities. Rather, it underscores the EU’s commitment to promoting investment in de-escalation efforts within critical global discussions for global stability, security and prosperity up to 2030 and beyond.

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