



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

RESOLUTION

ON

**WHITE PAPER FOR THE FUTURE OF EUROPE:
REFLECTIONS AND SCENARIOS FOR THE EU27 BY 2025
EUROPEAN COMMISSION COM (2017) 2025, 1 March 2017**

Sofia, 2017

The ESC President's Board decided to develop a Resolution on **"White Paper on the Future of Europe: Reflections and Scenarios for the EU27 by 2025"**

Mr. Vasil VeleV (Group I - Employers), Mr. Dimitar Manolov (Group II - Trade Unions) and Assoc. Prof. Vera Pirimova (Group III - Other Organisations) were appointed rapporteurs on the Resolution.

At its meeting held on 9 October 2017 the Plenary Session adopted the resolution.

1. General conclusions and recommendations

1.1. ESC welcomes the 60th anniversary of the European project, inspired by the dream of a peaceful and shared future, and acknowledges the significant contribution of the economic and social partners for the transformation of the EU Treaties¹ into a real integration process. ESC notes with satisfaction the 10th anniversary of Bulgaria's membership in the largest union of democracies in the world and the largest trading block as well as the perspective that this membership gives to Bulgaria as part of the political weight of the EU on the global stage.

1.2. ESC characterizes as timely the presentation by the European Commission of a White Paper on reflection and debate on what Europe we want for us and for the next generations, taking into account the challenges we are all facing - globalization, technological change, demographic crisis, migratory pressure, terrorism, regional conflicts, protectionism, economic and social inequalities. At the same time, ESC notes the need for an in-depth analysis of the key causes of the current institutional crisis, which are related to the lack of economic and social convergence, transparency and trust in the decision-making process, violation of the principles of subsidiarity and proportionality.

1.3. ESC acknowledges the efforts to respond collectively to the consequences of the 2008 crisis but at the same time notes with concern the internal challenges that worry Bulgarian citizens and lead to scepticism towards the achievement of common goals:

- the EU is too remote or too much involved in everyday life, without sufficiently taking into account national traditions, historical experience and geographical differences;
- overcoming the consequences of the worst financial, economic and social crises in its post-war history, the EU has not met the

¹ Treaty on European Union, Treaty on the Functioning of the European Union, Charter of Fundamental Rights of the European Union.

expectations of many people, with the young generation most affected;

- the benefits of innovation and technological progress are not evenly distributed, leading to greater disparities in economic development and living standards.

- 1.4. ESC notes with concern that the effects of the crisis, combined with the globalization, raise the concerns of Bulgarian citizens regarding employment, social protection, equal opportunities, solidarity between the generations.
- 1.5. ESC shares the understanding that the challenges of the on-going global changes are of such a magnitude that they can be discussed and resolved only at a pan-European level.
- 1.6. In this context, preserving the unity of the Union of the 27 Member States (after the activation of Art. 50² of the Treaty on European Union by the United Kingdom) should be a starting point for the debate on the future of Europe.
- 1.7. The five illustrative scenarios / options for the development of the EU proposed in the White Paper are a good basis for reflection and discussion.
- 1.8. ESC carefully examined the positive and negative aspects of each scenario and considered that:
 - 1.8.1. Scenario 1 "Carrying on" as a model of development and without underestimating the achievements so far, some of which have been part of the Bulgarian economy and society for 10 years. This model of development showed that the EU is not sufficiently prepared to respond in global crisis situations. The economic crisis, which started in 2008, and the recession that followed, hit the Eurozone Member States the most, but had a slowing effect on other Member States as well. The Migration Crisis³ of 2015 showed that the EU does not have a sustainable framework and instruments to manage sudden and

2 Article 50 1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.

3 In 2015 there has been an unprecedented influx of refugees (1.2 million) since the Second World War.

increased migratory pressures. These developments have challenged the EU's capacity to meet the expectations of European citizens. Undoubtedly, the consolidation of the single market and the development of digital, transport and energy infrastructure, social convergence will continue to be engines of the integration process, but the prospect of mobilizing and adapting to globalization and overcoming social inequalities remains unclear for Bulgarian and European society as a whole.

1.8.2. Scenario 2 "Nothing but the single market" and returning powers to Member States on non-single market issues will bring decision-making closer to the level of citizens and will thus overcome the problem of excessive interference in everyday life on issues that can be resolved at the national, regional or local level. Such a model would lead to the deepening of economic and social inequalities, and would in fact devalue the previous decades of integration process. The EU's capacity to act collectively on issues of relevance to all Member States will be limited. This scenario is disadvantageous for our country as it limits the EU to the single market in a narrow sense.

1.8.3. Scenario 3 "Those who want more do more" differentiating the integration process enables a group of Member States to move forward faster in certain areas by making choices for participation according to national specificities and historical traditions. Essentially, arrangements for enhanced cooperation⁴ and faster progress, when not all Member States are ready or are at some point unwilling to participate in a higher level of integration, are possible under the EU Treaty. This approach was chosen in the creation of the Schengen Agreement and the Eurozone. However, such a model of deepening cooperation should be open⁵ to other Member States and should facilitate those willing to join in. The issue of openness and inclusion, without introducing additional (especially bilateral) conditions, is

4 Art. 20 of the Treaty on European Union: Provisions on enhanced cooperation.

5 Art. 20 (1) Enhanced cooperation shall aim to further the objectives of the Union, protect its interests and reinforce its integration process. It is open to all Member States at any time.

essential in order to avoid fragmentation of the EU. Such a development will test the stability of the EU (differentiated integration at different speeds) and endanger the integrity of the single market. This model of development is likely to lead to significant inequality of citizens' rights, which will be determined depending on whether or not a Member State participates or not. For Bulgarian citizens, such inequality exists when crossing the internal borders of the Schengen Area. Another example of a possible future inequality is the proposal to create a European Pillar of Social Rights⁶ only for the Eurozone countries⁷.

- 1.8.4. Scenario 4 "Doing less more efficiently"** - focusing on selected areas of common policy and withdrawing or practicing a minimum level of pan-European cooperation in other areas would allow us to act more quickly and decisively at the EU27 level to overcome the "remoteness" of the EU from questions that create a feeling of uncertainty in the future. Strengthening and further deepening of pan-European security cooperation (internal and external) will allow Member States to pool their resources and work together above their national weight in the global world. Advances in technology, globalization, the demographic crisis, migration processes are increasingly strengthening the understanding of the need for a collective response to the new challenges. In addition, minimizing the introduction of new standards and detailed harmonization will give more flexibility to the Bulgarian economy to adapt to global competition. On the other hand, considering the fact that the EU budget is limited and the effects of the economic crisis are not entirely controlled, the reallocation of funding to pan-European projects (support for digitization, high-tech clusters, low-carbon economy,

⁶ On 26 April the European Commission presented a Communication to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions on the establishment of a European Pillar of Social Rights COM (2017) 250 final.

⁷ The pillar is designed primarily for the Eurozone countries but is accessible to all Member States wishing to be part of it. The proposal is part of the effort to launch a new process of convergence within the Economic and Monetary Union to deepen further integration.

completion of regional energy hubs) will lead to a reduction in European cooperation in other areas (eg. regional policy). In this context, it is important for the Bulgarian economy to preserve the financial instruments created so far to support economic convergence and social adaptation. It is important when applying this model is the strict application of the principles of shared responsibility, solidarity, loyal cooperation and a clear division of competences at the EU27 level, national governments, regional and local authorities.

- 1.8.5.** Scenario 5 "Doing much more together" - working more closely together in all areas of policy, which means reaching a consensus on sharing more powers and resources at the pan-European level. The understanding that neither the EU in its present form nor the Member States individually can cope with the challenges of the modern world is shared at the political level, both in the EU institutions and in the capitals of the Member States. However, such a model of constitutional leap for further delegation of national powers to the supranational level is practically impossible from the perspective of today's divisions. A new discussion of changes to the EU Treaty is possible but after a broad campaign to clarify the realities and consequences of the possible implementation of this scenario as well as involving the widest possible range of citizens and organizations to reach agreement on the direction and the scope of the changes.
- 1.9.** ESC underlines the need to address the crisis of the legitimacy and European citizens' trust in EU institutions primarily due to the over-empowerment of unelected elites and widespread lobbying. ESC believes that the illustrative scenarios proposed by the European Commission for the future development of the EU reflect partly the mood among citizens - from maintaining the status quo or narrowing the scope of pan-European policies to changing priorities, individual or collective progress. None of the scenarios however, fully meets the expectations of Bulgarian citizens to be considered as a baseline scenario.

- 1.10.** Analysing the proposals made and the opportunities they provide for further convergence, competitiveness, innovation and infrastructure connectivity of the Bulgarian economy, so that Bulgaria can be part of the response to the common challenges, ESC considers that the direction of EU development should be based on a combination of elements in the different scenarios:
- 1.10.1.** Maintaining the unity of the EU27 to further deepen pan-European cooperation in the field of the four freedoms of movement (goods, services, capital and people), the completion of the single digital market, the Banking Union, the Union of Capital Markets, The Energy Union, extending and expanding the scope of the European Globalization Adjustment Fund and the European Strategic Investment Fund. The Deepening of the Economic and Monetary Union, according to the Five Presidents' Report⁸ should not create new dividing lines between the Eurozone and the other Member States. Essentially, building on what has been achieved by consistently applying the principle of better regulation, review and, where necessary, abolishing unnecessary barriers and enhancing cohesion. Reducing administrative barriers to businesses as part of a comprehensive Better Regulation agenda is another factor for accelerating economic and social growth.
- 1.10.2.** To address the social challenges and inequalities in the final decision of choosing a scenario, the leading premise should be the goal of all Member States for achieving "Social Triple A Rating", as stated in the

⁸ On 1 July 2015 the President of the European Commission, in cooperation with the President of the European Council, the President of the Eurogroup and the President of the European Parliament, presented a report on the completion of the Economic and Monetary Union by 2025. The report proposes three stages of completion of the Economic and Monetary Union, with the second phase starting on 30 June 2017 and expected to lead to binding agreements between Member States of the Eurozone (for example, a set of commonly agreed convergence indicators that are legally binding, creation of a financial service of the Eurozone, etc.). Essentially, it follows the model of the 1988 Delors Plan for introducing the single currency. https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf

Five Presidents' Report. Since economic and social development is inextricably connected⁹.

1.10.3. Assessing and agreeing on new pan-European priorities in response to technological advancements, adaptation to globalization, demographic crisis, internal and external security. In this context, the Bulgarian economy has an interest in achieving connectivity through pan-European investment projects in the field of digital, transport and energy infrastructure, as well as from targeting on investments to technological updating to improve competitiveness and structural convergence. The proposed creation of pan-European security and resource combining agencies will enable national budgets to redirect funding to areas linked to raising the living standards. To solve the challenges of the state and development of human resources, it is better to regulate at the EU level the legal migration of qualified staff (incl. the "national Blue Card" for the admission of highly qualified staff from third countries). A concerted Common European Policy on Legal Migration should not be interpreted as general EU-wide access but is specifically tailored to each Member State in accordance with the needs and the legislation in force in the respective country.

1.10.4. Maintaining the convergence policy (cohesion policy) to accelerate Bulgaria's accession to the Eurozone and the single currency on the domestic European market. Bulgaria's joining to the single currency is a strategic decision in view of the process of further strengthening the Eurozone. The latest convergence reports of June 2016 of the EC and the ECB show that Bulgaria fulfils the majority of the criteria defined in the Stability and Growth Pact, and on two of the criteria Bulgaria's indicators are included in the top three in defining the reference values for evaluation. However, before the single currency is introduced, a broad awareness campaign and institutional readiness is needed.

⁹ Again, from the Five Presidents' Report: "In order for the Economic and Monetary Union to succeed, labour markets and social systems must work well and fairly in all the Member States of the Eurozone."

- 1.10.5.** Strengthening the social dimension of the integration process, targeting the Structural Funds in support of skills and qualifications development projects, promoting social innovation and combating poverty, building on the Youth Guarantee initiative supported by EU funds, Bulgaria's participation in the very beginning in the European Pillar of Social Rights¹⁰. Although actions in the social field are the responsibility of national and local authorities and social partners, new initiatives¹¹ in support of their efforts, can be taken at the EU level. In this context, it is important to strengthen the role of collective bargaining in income policy and social dialogue at the sectoral and branch level. In addition, the exchange of good practices between Member States to directly link vocational education and training to meeting the needs of Bulgarian industry and the labour market by skilled labour is essential for enhancing the competitiveness of the economies.
- 1.11.** A strict division of responsibilities at the EU27 level, national, regional and local level.¹² The ESC supports a scenario based on limiting excessive interference and detailed harmonization in order to better regulate, preserve cohesion policy and regional policy to overcome the differences in economic and social development and integration of Bulgaria into a strengthened Eurozone.
- 1.12.** ESC will actively monitor the further development of the discussion, the assessment by the EC President on the state of the Union and the future of Europe (September 2017), the Gothenburg Summit on the Social Dimension (November 2017), the Conclusions of the European Council on the direction of the Union's development (December 2017).

10 The European Commission's Communication of 26 April (cf. Footnote 6) states that the European Social Rights Pillar will be the reference framework for the design of the next EU Multiannual Financial Framework after 2020.

11 Like the Youth Guarantee initiative in the Reflection Paper on the Social Dimension COM (2017) 206 / 26 April 2017 proposes "Children's guarantee" supported by EU funds.

12 Pursuant to Art. (5) of the EU Treaty, the EU shall act only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central, regional or local level, and by reason of the scale or effects of the action, be better achieved at Union level.

- 1.13.** ESC stands ready to interact with the partners in defining the direction of the Union's development in the context of the Bulgarian Presidency of the Council of Ministers (1 January - 1 July 2018).

2. Introduction

- 2.1.** ESC shares the need for a collective response to the global and internal challenges facing the EU: social and economic inequalities, regional conflicts, migratory pressure, terrorism, protectionism.¹³
- 2.2.** ESC also supports the need to preserve EU unity after the UK decision to withdraw from the Union.
- 2.3.** In this context, ESC considers timely the publication on 1 March 2017 - on the eve of the 60th anniversary of the signing of the Treaties of Rome - of the White Paper on the Future of Europe.
- 2.4.** The White Paper is a reflection paper that launched a debate between the Member States, the institutions and civil society to outline the direction of EU development in the period by 2025.
- 2.5.** ESC considers that the starting point of the discussion on the future of the EU should be for a united Union of the 27 Member States that are progressing together.
- 2.6.** ESC welcomes the treaty adopted on 25 March 2017 on the occasion of the 60th Anniversary of the Rome Treaties Declaration¹⁴ of EU leaders, highlighting the determination of the 27 Member States to adopt a new agenda and the agreement of the member states to work on building:
- 1) a safe and secure Europe¹⁵;
 - 2) a prosperous and sustainable Europe¹⁶;

13 Outlined in the State of the Union's 2016 Commission Statement: Towards a Better Europe - a Europe that protects, empowers and defends (Strasbourg, 14 September 2016).

14 Declaration by the Heads of 27 Member States and the European Council, the European Parliament and the European Commission, the Rome Declaration (25 March 2017).

15 "a Union where all citizens feel safe and can move freely, where our external borders are secured, with an efficient, responsible and sustainable migration policy, respecting international norms; a Europe determined to fight terrorism and organised crime."

16 "a Union which creates growth and jobs; a Union where a strong, connected and developing Single Market, embracing technological transformation, and a stable and further strengthened single currency

3) a social Europe¹⁷;

4) a stronger Europe on the global scene¹⁸.

- 2.7.** ESC notes that taking into account the outcome of the referendum held in the UK on 29 March 2017, the British Prime Minister presented to the President of the European Council the intention of his country to withdraw from the EU and formally activates the procedure provided for in Art. 50 of the Treaty on European Union.
- 2.8.** ESC takes into account the five illustrative scenarios for the development of the European Union presented in the White Paper of the European Commission, providing for a general preservation of the status quo, changing the scope and priorities of the EU's Community policies, individual or collective progress on selected policies.
- 2.9.** ESC welcomes the intention of the EC to also present a White Paper on contributing to specific aspects of the debate on the future of the EU EU on the development of the social dimension of Europe¹⁹, the deepening of the Economic and Monetary Union on the basis of the Five Presidents' Report of June 2015, harvesting of the benefits of globalization²⁰, the future of European defence, the future of EU finances.

open avenues for growth, cohesion, competitiveness, innovation and exchange, especially for small and medium-sized enterprises; a Union promoting sustained and sustainable growth, through investment, structural reforms and working towards completing the Economic and Monetary Union; a Union where economies converge; a Union where energy is secure and affordable and the environment clean and safe."

17 „a Union which, based on sustainable growth, promotes economic and social progress as well as cohesion and convergence, while upholding the integrity of the internal market; a Union taking into account the diversity of national systems and the key role of social partners; a Union which promotes equality between women and men as well as rights and equal opportunities for all; a Union which fights unemployment, discrimination, social exclusion and poverty; a Union where young people receive the best education and training and can study and find jobs across the continent; a Union which preserves our cultural heritage and promotes cultural diversity.“

18 „a Union further developing existing partnerships, building new ones and promoting stability and prosperity in its immediate neighbourhood to the east and south, but also in the Middle East and across Africa and globally; a Union ready to take more responsibilities and to assist in creating a more competitive and integrated defence industry.“

19 On 27 April 2017 The European Commission has published a reflection paper on the social dimension COM (2017) 206 of 26 April 2017.

20 On 10 May 2017 the European Commission published a reflection paper on the effect of globalization COM (2017) 240 of 10 May 2017.

- 2.10.** ESC notes that each of the scenarios offers a look at the potential state of the EU by 2025 depending on the choice Member States will make, taking into account the changes that will occur in the coming decade as a result of the impact of new technologies on societies and employment, the effects of globalization, the security challenges and the rise of "extreme and populous populisms" and nationalisms in Europe.
- 2.11.** ESC joins the goal of the Europe-wide debate formulated in the White Paper: to agree on a vision for the future of Europe and a plan to be presented to EU citizens in the next European Parliament elections in 2019.

3. European context

- 3.1.** The ESC welcomes the achievements of the European project, inspired by the dream of a peaceful and shared future.
- 3.2.** ESC notes with satisfaction that joining the largest union of democracies, the biggest trading bloc in countries in the world, Bulgaria has been part of the EU's political weight on the global stage for 10 years.
- 3.3.** In this context, ESC notes with concern the White Paper's projections and trends in the role of the EU as a result of: demographic change: a reduction in the EU27 share of the world population from 11% in 1960 up to the forecasted 4% by 2060²¹; technological development - reducing the economic weight of the EU27, expressed in terms of the EU's relative share of global GDP, amounting to 26% in 2004 and 22% in 2015.²²
- 3.4.** Also worrying is the fact that, for the first time since World War II, there is a real risk that today's younger generation will be placed in more unfavorable conditions than the previous generation. Citizens' doubts in the social market economy of the EU are also worrying.

²¹ Eurostat data.

²² UN and Eurostat data.

- 3.5.** Undoubtedly, Bulgaria and our partners in the EU face the challenge to remain determined and direct our collective energy towards adapting our economies and societies to the dynamics of global processes.
- 3.6.** ESC shares the assessments in the White Paper that European citizens today take peace for granted and at the same time consider that:
- The EU is either too remote or too much involved in their daily lives;
 - The EU does not sufficiently take into account national traditions, historical experience and geographical differences;
 - They raise questions about the standard of living and how the EU can improve it;
 - For many the EU has not met the expectations for overcoming the consequences of the worst financial, economic and social crises in its post-war history;
 - The crises have challenged the basic principles of European integration - solidarity, loyal cooperation, mutual trust;
 - The benefits of innovation and technological progress are not evenly distributed;
 - The credibility of the EU's ability to form fair and successful societies erodes;
 - the differences in economic development and prosperity also remain, the opportunities offered by new forms of employment due to digitization, automation, artificial Intelligence, are not available to many European citizens;
 - Not everyone has an equal chance of success and life will be more difficult for the next generation.
- 3.7.** ESC has carefully considered the illustrative scenarios presented and the options each of them offers for adapting the EU to a rapidly changing global environment, restoring citizens' confidence in the EU's ability to cope with crises, creating a sense of ownership of the direction in which the EU will develop.

4. Assessment of the scenarios set out in the White Paper on the future of Europe

4.1. Scenario 1 - we carry on as we have done so far, by focusing on the implementation of the Union Strategic Agenda adopted by the European Council in a period of change (2014) and the UK Declaration adopted by the UK²³ of the 27 Member States (2016).

4.1.1. ESC takes into account what has been achieved so far through the 2008 Reform Programme to overcome the consequences of the 2008 economic crisis. In this regard, ESC subscribes to the Conclusions of the President of the European Council of 9 March 2017 that "economic growth is again observed in all 28 Member States and that the prospects are encouraging for both the Eurozone and the EU as a whole. Despite of being still too high, unemployment is at its lowest levels since 2009, the state of public finances is improving and investment, albeit weak, is increasing. However, uncertainty persists, and it is therefore important to ensure sustainability of recovery."

4.1.2. EU development under this scenario by 2025 means focusing on employment, growth and investment by strengthening the internal market and developing the digital, transport and energy infrastructure that continue to drive growth and the integration process.

4.1.3. At the same time, the White Paper notes that this path of EU development does not respond to citizens' expectations of concrete European solutions to the truly important issues, including the growing challenges of globalization²⁴, migratory pressure²⁵, security

23 Declaration of the Summit of the 27 Member States (16 September 2016, Bratislava) to adopt a roadmap for the development of the Union, taking into account the outcome of the UK referendum.

24 Globalization is seen as synonymous with job losses, social injustice, a threat to national identity. According to a European Commission survey of 2016 55% of EU citizens perceive globalization as an opportunity, but 45% consider globalization to be a threat.

25 There are expectations for an increase of migratory pressure from different parts of the world as a result of population growth, widespread tensions in the world, and climate change.

(internal and external) and the prospect of adaptation to technological change²⁶.

4.1.4. ESC considers that this direction is useful for Bulgaria in terms of infrastructure development and connectivity but, on the other hand, does not sufficiently address the issues of social cohesion, technological innovation and competitiveness so that the next generation will have greater prosperity than the present, as well as the "sensitivity" of Bulgarian citizens to the issues of security and migration. This pattern of development has shown that the EU is not sufficiently prepared to respond appropriately in crisis situations. The latest economic crisis affected all EU countries, mainly Eurozone countries, the most affected demographic segment was the young generation - according to Eurostat data at the end of 2016 youth unemployment reached 18%²⁷. The 2015 migration crisis has shown that the EU lacks a sustainable framework and instruments to manage sudden and increased migratory pressures. It is unprofitable and impossible for Bulgaria to secure the EU's external borders, as this development option suggests.

4.2. Scenario 2 - Nothing but the single market, through a gradual re-centring on the market and trade policy.

4.2.1. ESC recognizes that the functioning of the single market is one of the key achievements of the EU, with a major contribution to internal regional engagement and integration of the economies of the EU countries. Making further progress is needed at least in view of the effect of intensifying import-export flows, with a strong prevalence of Member States' external trade within the EU above that of other countries in the world. This is also true for Bulgaria - according to NSI data in 2015 imports and exports of

26 Although it is difficult to predict the effects of automation and artificial intelligence, EC surveys indicate that around ½ of today's activities will be automated by 2055.

27 In some Member States - Greece, Italy, Spain - youth unemployment has reached 40%. For Bulgaria, the EC estimates youth unemployment at 6.7%. According to National Statistical Institute (NSI) data in 2016, the unemployment rate in Bulgaria for people aged 15-24 was 17.2%, for those aged 25-34, it was 8.6%. (<http://www.nsi.bg/bg/content/4011/безработни-лица-и-коэффициенти-на-безработица-национално-ниво-статистически-райони>)

goods increase, with over 64% of Bulgaria's exports and imports being made with EU countries (2016 - over 66% according to preliminary data).

- 4.2.2. At the same time, however, ESC expresses serious reservations about the fact that EU development by 2025 in accordance with this scenario, sees the functioning of the Single Market as a single reason for a union of the 27 member states. ESC fears that in this scenario the differences between Member States on emerging issues - environmental and social standards, consumer protection, state subsidies, taxation, workers' mobility, access to regulated professions, etc. will remain and should be resolved on a bilateral basis, as a result, the free movement of services and workers is not be fully guaranteed.
- 4.2.3. ESC shares the White Paper's finding that this development path limits the EU's capacity to act on issues of common interest and does not meet citizens' expectations for common solutions followed by rapid and effective implementation. According to Eurobarometer surveys of 2017, 8 out of 10 Europeans report unemployment, social inequalities²⁸ and migration as the biggest challenges facing the EU.
- 4.2.4. ESC recognizes that the single market and the four freedoms of movement are an achievement that benefits all EU citizens²⁹, but questions remain about economic convergence, the cohesion of societies³⁰, social protection from market inequalities³¹, the differences in the prosperity of individual countries and regions, the challenges of globalization.
- 4.2.5. In essence, this scenario proposes returning powers to the national level through a systemic change leading to the loosening of internal relations between the EU and its member states. Returning powers to the national level brings decision-making closer to the level of the citizens and thus

28 The EC estimates that by the end of 2016 an average of 20% of the richest households have earned 5 times more than the poorest 20%. The largest income inequalities were found in Romania, Bulgaria, Lithuania, Latvia, Estonia, Cyprus, Italy. Moreover, around 1/4 of the EU-27 population is at risk of poverty or social exclusion.

29 According to Eurobarometer data, more than 80% of respondents support the 4 freedoms of movement.

30 According to EC data and a 2016 Eurobarometer survey, more than 1/2 of Europeans think that not everyone has a chance to succeed and life will be more difficult for the next generation.

31 A Eurobarometer survey of 2017 shows that every 7 out of 10 Europeans surveyed think that social policy and employment are poorly managed and want solutions at both the national and the European level.

overcomes the problem of excessive interference in everyday life. Business is exempt from European legislation, which will be removed.

4.2.6. At the same time, European funds, providing regional support to regions severely affected by globalization, will be reduced or closed down, social programs co-financed by the EU will be discontinued; there will be barriers to business from 27 different legislations in other areas (environmental, social standards, etc.). The Union's capacity to act collectively on issues of relevance to all Member States will be limited.

4.2.7. The ESC considers that such a gradual denial of the achievements of the integration process is not in the interest and will not be accepted by the Bulgarian citizens given the enormous national effort to adopt and implement the Community legislation during the country's preparation for EU accession, which took place relatively recently.

4.2.8. Such a model would lead to the deepening of economic and social inequalities and would, in fact, devalue the previous decades of the integration process.

4.3. Scenario 3 - Those who want more do more, through coalitions of those wishing to be more integrated in specific areas.

4.3.1. The ESC notes that this scenario represents an extension of the model of the existing enhanced cooperation between a group of Member States in other areas where deepened cooperation is desired (defence, internal security, tax policy, social affairs).

4.3.4. ESC reminds that several enhanced cooperation initiatives are currently under way within the scope of the EU Treaty: the Euro Area, comprising 19 Member States, a Schengen area comprising 22 EU Member States and four EEA countries³², the Specialized Patent Court³³, which includes 26 Member States, the European Public Prosecutor's Office³⁴, in which includes 17 Member States, a financial transaction tax involving 10 Member States.

³² Norway, Switzerland, Iceland and Liechtenstein participate as members of the European Economic Area.

³³ Bulgaria participates in enhanced cooperation.

³⁴ Bulgaria has declared willingness to participate.

- 4.3.5.** ESC considers that enhanced cooperation leading to deepening integration between a group of Member States in certain areas should be open to other Member States at any time under Art. 328 of the Treaty on the Functioning of the EU³⁵ and Member States participating in enhanced cooperation should facilitate and promote the participation of as many Member States.
- 4.3.6.** In this context, ESC emphasizes that under the Accession Treaty, Bulgaria is part of the Schengen Area and has fulfilled its commitments on the mandatory application of Chapter 2 of the Schengen Borders Code. Nevertheless, no decision has so far been made by the partners to lift border control at internal borders and visa policy to achieve full accession to the Schengen Agreement.
- 4.3.7.** ESC considers with caution the further deepening of the Economic and Monetary Union, to which Bulgaria has committed itself to join, and recalls its recommendation in Resolution of 16 November 2016 on the Communication from the Commission - The Annual Growth Survey, the need to approve a national Euro adoption plan.
- 4.3.8.** The ESC considers that Bulgaria's accession to the Eurozone is a strategic solution as long as the transition of the Economic and Monetary Union from a system based on rules to an institution-based system will lead to inequality between Member States outside and in the Eurozone and will in fact legalize divisions into the EU.
- 4.3.9.** Proposals for individual institutions and the budget of the Eurozone cause concern *over a de facto* division of the EU into separate concentric circles, whose interaction to achieve common goals will be difficult.

³⁵ Art. 328 (1) Where enhanced cooperation is established, it shall be open to all Member States, provided that any conditions for participation set out in the decision to grant it are respected. It is open to them at any other time, provided that both the conditions set out and the acts already adopted in that regard are respected. The Commission and the Member States participating in enhanced cooperation shall endeavour to encourage the participation of as many Member States as possible.

4.3.10. Moreover, the process of convergence for countries outside the Eurozone will be significantly slowed down and accession to the Eurozone would become difficult.

4.3.11. ESC notes that the White Paper also states new areas of enhanced cooperation, which would have been set up by 2025 between groups of Member States:

- defence - enhanced cooperation to create a strong common research and industrial base, common government procurement, integrated defence capabilities, greater readiness to participate in joint missions in third countries;
- security and justice - the establishment of a common area of justice in civil matters, enhanced cooperation between the police forces and the intelligence services of the Member States, exchange of information of all kinds in the fight against organized crime and terrorism-related activities, joint prosecution service for collective investigations of financial fraud, money laundering and trafficking in drugs and arms;
- tax policy and social issues - greater harmonization of tax rules and rates to curb tax fraud; common social standards focusing on the labour market, competitiveness, the business environment and the public administration with a view to better convergence of national social policies, security for business, contributing to better working conditions, strengthening industrial co-operation.

4.3.12. The new areas of enhanced cooperation and differentiated integration proposed in the White Paper are subject to careful consideration if the majority of our EU partners decide that this is the progress formula corresponding to the different levels of national ambition. At the same time, however, it should be borne in mind that the progress of a group of Member States in specific areas should not lead to a disruption of

the EU27 unity and to test everything that has been achieved so far, including the integrity of the single internal market³⁶.

4.3.13. In addition, ESC endorses the findings in the White Paper that new enhanced cooperation in specific areas may result in differences in citizens' rights depending on whether they are living in a country that has opted to participate in enhanced cooperation or not. A concrete example of this is now the Schengen area, dividing EU citizens into two categories when crossing the Union's internal borders. The proposal to create a European Pillar of Social Rights only for the Eurozone countries is a concrete example of future inequality.

4.3.14. According to ESC, issues of transparency and accountability also arise, given the change in decision-making levels.

4.3.15. Without denying the role of the "avant-garde" as driver of progress, it should be borne in mind that the formula of "differential integration", if not open and inviting to join without additional or politically motivated conditions, can lead to undesirable fragmentation in the stability of the European construction as a whole.

4.3.16. In summary, enhanced co-operation between a group of member states in certain areas allows for choice of whether to participate according to national characteristics and historical traditions and whether not to participate when not every Member State is ready or at some point do not wish to participate in a higher level of integration. However, this choice should be a result of national judgment, not pre-determined.

4.3.17. For each of the new areas of expanded cooperation, if proposed, an impact assessment on the Bulgarian economy and society should be made.

4.4. Scenario 4 - Doing less more efficiently through focusing on certain priority policies and withdrawing EU action from areas where responsibilities are delegated at the national (or regional) level.

³⁶ According to Art. 326 of the Treaty on the Functioning of the European Union "Enhanced cooperation cannot affect the internal market or economic, social and territorial cohesion. It can not constitute an obstacle or discrimination between Member States or create competition between them."

4.4.1. This scenario offers opportunities for:

- faster and decisive action and direct implementation of collective solutions in the chosen areas, with attention and resources being redistributed to a limited set of pan-European policies;
- providing more powers and instruments at the EU27 level in areas such as: innovation, research and technology, trade, security, migration, border management, defence;
- investment in pan-European projects in areas such as low-carbon economy and digitization, cooperation in space policy, high-tech clusters, completion of regional energy hubs;
- delegation of more powers at the EU27 level in the area of security and defence, such as the creation of a pan-European Anti-Terrorism Agency, a European Refugee Agency, a European Border Guard and Coast Guard, and the development of common defense capabilities.

4.4.2. At the same time, in other areas, EU competences will be delegated nationally or reduced to a minimum, including:

- regional development, public health, parts of employment policy and social policy which are wrongly claimed to be not directly related to the single market, since, as stressed in the Five Presidents' Report, the success of the economic union is inextricably linked to the labour market and operational social systems;
- new detailed harmonization of standards in the field of consumer protection, ecology, health and safety, safe working conditions;
- further transfer of state aid control to national authorities.

4.4.3. Given the condition of limited resources of the EU general budget³⁷ the redirection of financial resources to new areas will lead to a reduction in European cooperation in other areas and will affect policies directly related to regional development and economic

³⁷ The withdrawal of the United Kingdom (with a share of 11% of the total EU budget) will create additional tension when negotiating the distribution among the priorities.

convergence (in particular cohesion policy), which policies are essential to overcome inequality in the EU as a whole.

- 4.4.4.** Also, this scenario will maintain differences between Member States in terms of wages, social legislation and tax policy.
- 4.4.5.** For such a rebalancing of powers between the EU and the Member States, the greatest challenge is to reach agreement which areas should be given priority at the pan-European level and on which areas to curb EU action in favour of national legislation.
- 4.4.6.** In practice, this scenario implies a full analysis in accordance with the principle of subsidiarity and differentiation of pan-European national and regional responsibilities.
- 4.4.7.** In the policy areas provided by national legislation, decisions will be taken closer to the citizens, while in the areas of pan-European level the distance will increase.
- 4.4.8.** The model allows for faster and decisive action at the EU27 level to overcome the EU's "remoteness" on issues of uncertainty in the future - technological progress, globalization, the demographic crisis, migration processes.
- 4.4.9.** Minimizing the introduction of new standards and detailed harmonization can contribute to the greater flexibility for national economies to adapt to global competition.
- 4.4.10.** ESC emphasizes the need for strengthening and further deepening of pan-European cooperation in the field of internal and external security that will allow member states to pool their resources and work together in the global world.
- 4.4.11.** At the same time, in the context of the underutilized effects of the economic crisis in channelling funding to pan-European projects supporting high technology and the need to reduce European cooperation in other areas, it is important to preserve the tools for further convergence and social protection.
- 4.4.12.** The strict application of the principles of proportionality and subsidiarity and a clear distinction between the responsibilities of the

EU27, national governments, regional and local authorities are another important element of this scenario.

4.5. Scenario 5 - Doing much more together in all policy areas by giving more powers and resources from national to pan-European level.

4.5.1. Undoubtedly, no Member State is sufficiently prepared to meet the challenges of today's world itself. The European project³⁸ as a project guaranteeing peace, stability and security prosperity continues to be a model for other geographic regions.

4.5.2. Modern challenges in the areas of security, demographic change, migration, technological development, globalization are of such a nature that they can be addressed only by the scale of the EU.

4.5.3. ESC supports the idea in this EU27 scenario to work towards the completion of the single market in energy, digital and services, joint investment in innovation and research.

4.5.4. ESC also emphasizes that, given the very large number and share of SMEs in our country, the intention reflected in this scenario is to mobilize resources to finance small and medium-sized enterprises as well as infrastructure projects across the EU. The planned additional EU financial support to stimulate economic development and to respond to shocks at the regional, sectoral and national levels should also be highlighted. All these directions can be assessed positively in view of their possible positive future effects for the EU as a whole and for Bulgaria.

4.5.5. On the other hand, however, reaching consensus on broadening Europe-wide policies and transferring more powers and financial resources to the supranational level, completing the "process of building an ever closer union"³⁹, from the perspective of today's divisions⁴⁰ in Europe does not seem an achievable goal.

38 According to a Eurobarometer survey, nearly 2/3 of Europeans consider the European Union as a place of stability in today's troubled world.

39 Art. 1 of the Treaty on European Union.

40 The feeling of insecurity resulting from global change has led to growing dissatisfaction with basic policies and institutions at all levels. The indifference and mistrust of the actions of public authorities created a vacuum that was easily filled with populist and nationalist rhetoric.

4.5.6. Support for the European project is still strong, but it is not unconditional. European citizens want a European Union that provides protection, preserves the European way of life, assumes responsibility, empowers its citizens. Eurobarometer studies of people's attitudes show that confidence in the EU has fallen from about 1/2 a century ago to about 1/3 in 2016.

4.5.7. The understanding that neither the EU in its present form nor the Member States individually can cope with the challenges of the modern world is shared at the political level, both in the EU institutions and in the capitals of the Member States.

4.5.8. At the same time, given the current sentiment among European citizens, a similar model of constitutional leap for further delegation of national powers to the supranational level is difficult to implement.

4.6. In summary, ESC considers it necessary to emphasize that it is particularly important for the EU and Bulgaria to include convergence issues and improve the coordination of Member States' social policies in the scenarios, given the differences in the economic and social development of individual Member States. In this way, it is possible to contribute to speeding up real convergence, making the EU a real alliance of equal partners.

4.7. According to the ESC, a new discussion about changes to the EU Treaty is needed and expected by European citizens, even if there is no real reform, as reaching agreement will be a particularly difficult process, especially in times of crisis of credibility and legitimacy.

5. Expected challenges to reaching agreement over the direction of EU development:

5.1. ESC recognizes that, given the forthcoming Brexit negotiations, the biggest challenge for the remaining 27 Member States is to preserve the political unity of the EU and in this context the following is necessary:

5.1.1. Overcoming differences in the pattern of development, as some of the partners consider that they can make more progress at the national level, while others, on the contrary, want deeper integration dimensions.

5.1.2. Overcoming the differences as to how and which supranational powers should be preserved or expanded, and whether to return national powers back to them.

5.1.3. Agreeing to allow for new areas of enhanced cooperation between groups of Member States that have the ambition to cooperate more closely with each other in response to the expectations of their citizens.

5.1.4. Agreeing on new priority areas for pan-European cooperation and possible renunciation of other areas where EU-wide added value is considered to be too low.

5.1.5. Agreeing on the financial resources that Member States are willing to jointly allocate to achieve common goals.

5.1.6. Reaching agreement on the balance in the relationship between the Eurozone countries and the other EU Member States in the forthcoming next stage of the Economic and Monetary Union (according to the Five Presidents' Report of June 2015), without jeopardizing the integrity of the Single Market.

5.1.7. Reaching agreement on the degree of openness, respectively the protection of the Single Market in the context of globalization, given the divisions in European public opinion. Let us recall the heated discussion on CETA, and consider that negotiations with other global partners are ahead.

5.2. The challenge of solidarity and unity in the EU will be the continuation of the policy of economic, territorial and social cohesion. The even distribution of prosperity across the EU is that part of the European model that is closest to the citizens, and any departure from this policy risks further deepening the differences in the standard of living of European regions.

- 5.3.** A challenge to the future direction of EU development and the definition of new common priorities is to maintain the social dimension of policies. The social market economy is a key feature of the European model for employment, social justice and protection, intergenerational solidarity, gender equality, combating social exclusion and discrimination.
- 5.4.** The challenge for choosing the future direction of EU development is to reduce the gap between citizens' expectations and the ability of the EU to meet these expectations.
- 5.5.** The challenge of preserving the role of the EU as a global actor is to strengthen the EU's capacity to cope with crises and to respond to the dynamics of global challenges. Recent developments in the immediate Southern and Eastern neighbourhood of the EU and the migration crisis have put the Union's capabilities to a test.
- 6.** ESC will continue to monitor the debate, the opinions of our partners and the assessment of the EU's development perspective.

(signed)

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Source: Appendix to the White Paper on the Future of Europe