

## Cirque du Conseil: Playbill for EU's Mother of All Summits

BY DAVID M. HERSZENHORN AND CHARLIE COOPER

Amid an escalating trade war with the United States, political flare-ups over migration and new urgency around revamping the eurozone, EU leaders will convene in Brussels on Thursday for one of their busiest

*Fireworks forecast as leaders meet*

summits in recent memory.

Indeed, the agenda has grown so sprawling and controversial that European Council officials have scrambled to sweep out issues that might otherwise have been the subject of lengthy conversations – like the question of starting membership talks with Albania and the country that

will soon be known as the Republic of North Macedonia, if a name-change deal with Greece holds up.

Here's what to expect at the Mother of All EU Summits.

**MIGRATION**

No, it's not 2015 all over again. Arrivals of migrants and refugees are

down precipitously from their peaks three years ago. But migration is once again the EU's hottest topic, as domestic politics, particularly in Germany, collide head-on with the failure to revise the bloc's asylum rules. A mini-summit of 16 leaders on Sun-

SEE EU SUMMIT ON PAGE 23



# HOW GERMANY BROKE THE EU

*Angela Merkel's policies on the euro and refugees have divided the Continent*

BY MATTHEW KARNITSCHNIG IN BERLIN

Angela Merkel's response to Europe's refugee crisis earned the German

ILLUSTRATION BY GLENN HARVEY FOR POLITICO

leader a reputation as a modern-day Jeanne d'Arc, a bold defender of Western ideals against a populist onslaught.

"I have immeasurable respect for

Angela Merkel," former U.S. Vice President Al Gore said on a visit to Berlin this week. "I think she's an

SEE GERMANY ON PAGE 22



**BRUSSELS BUBBLE**

**EU staff complain of overwork. Yes, really**

Officials are buckling under the strain of trying to push through legislation before the curtain falls in 2019. PAGE 6



**MIGRATION**

**Why Europe can't agree on how to deal with migrants**

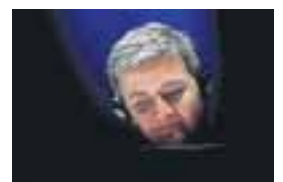
The issue is threatening to bring down the government of the EU's richest country and risks tearing through the European Council summit this week. PAGE 5



**GLOBAL POLICY LAB**

**How best to exit the eurozone**

That question is back on the table, as a Euroskeptic government in Italy clamors for change in the currency union. PAGE 20



**EQUALITY**

**Gender imbalance at competition office**

Margrethe Vestager is among the most powerful officials in the EU – but her department is male-dominated. PAGE 10

## CATCHING OUR EYE



Maxburg — an institution known among local Germans as the only place in Brussels for “proper” German beer, schnitzel and fried potatoes — was seriously damaged in a fire Tuesday. “The fire started in the kitchen and went up through the [cooker] hood,” said owner Andrea Hauptmann, who promised they’ll be back to business as usual soon. PHOTO BY BENAS GERDZIUNAS/POLITICO

# EU CONFIDENTIAL

The dead-tree version of the No. 1 EU news and politics podcast. Your guide to the good, the bad and the absurd in European politics.



PRESENTED THIS WEEK BY GOOGLE

BY RYAN HEATH AND GABRIELA GALINDO

## CATCHING UP WITH...

## Wolfgang Schäuble

PRESIDENT OF THE GERMAN BUNDESTAG

Wolfgang Schäuble isn't fading into the background now that he's out of the German cabinet and president of the Bundestag.

In fact, if anything Schäuble may be closer to the prize of chancellor of Germany than ever. With Angela Merkel wobbling, and no clear successor in sight (let alone one that could unify her CDU/CSU – Social Democrat government) Schäuble, one of Germany's most experienced politicians, is patiently laying out his vision for Europe and staying clear of the fray.

Speaking to EU Confidential at the College of Europe graduation debate in Natolin, Poland, he said: “If you want to make freedom stable you need rules” but “nation states alone cannot make the rules.” The European Union, he said, is necessary not only because of its history as a peace project but because of this global reality.

The task in Schäuble's mind is not to debate whether an EU is needed or wanted, but to make it more efficient.

The EU needs to do more in areas where it can act more efficiently than national governments, such as fighting tax fraud and controlling borders. And EU members



### Fast facts

**Unifier:** Led West Germany's negotiating team for German reunification after fall of Berlin Wall.

**Assassination attempt:** In 1990, Schäuble was shot at a rally, leaving him paralyzed and using a wheelchair.

should be allowed to integrate at different speeds. At the same time, the EU should stay out of issues best handled by national governments, he said.

When it comes to supporting other EU countries to either catch up with Germany or deal with their accidents of geography (Italy's migration challenge, for example) Schäuble takes a principled line: Solidarity is “not a matter of generosity, but a matter of mutual-ity.” It's a philosophy he applies to every EU challenge, from migration to the Greek bailouts.

He said he has no regrets on Greece: that his bailout headline helped Greece and helped Europe, even if it made him unpopular outside Germany.

A softer Schäuble comes out on migration issues: “European integration started with opening borders. We had centuries of war about borders. As long as we disputed borders there was no stability and sometimes there was no peace.”

Whatever else he believes, Schäuble is also a pragmatist at heart. “You can only build European integration as far as you get the confidence of the population,” he said.

## BRUSSELS BUBBLE

## Guest list fights as summer (party) lovin' season heats up

It's the season of summer parties in the Brussels bubble. The bubbles themselves may be prosecco, not champagne, these days (austerity, darling) but that doesn't stop guest list fights and party organizers trying to one-up their competition. Case in point: Rud Pedersen and Fleishman-Hillard held rival parties on the same night, after Rud Pedersen poached FH big-wigs Martin Bresson and James Stevens.

Trends this year: Tougher door policies, including Australian meat producers this week hosting the first-ever casual BBQ that required a QR code for entry. While tech companies are manically juggling their A, B and C lists of invites, the U.S. embassy gets around that problem by holding multiple parties. The party of the week: Paul and Denyse Adamson's garden party in Uccle where post-European Council summit gossip is set to take center stage Saturday.

## DEFENSE

### Erasmus for soldiers

Nine EU countries created the European Intervention Initiative Monday, but its objective that troops “get to know one another so they learn to act together” underwhelmed the European Council on Foreign Relations. They think it sounds more like “Erasmus for soldiers” than a boost to Europe's hard power.

## CULTURE TIP



“Orfeo & Majnun” revisits two Greek and Persian love myths with a multilingual twist. Narrated in Dutch and French, the opera's Greek lovers will break into song in English and the Persian pair will do so in Arabic. From June 29 at La Monnaie.

## Unilever gathering licks the competition

Specialist news agency MLex set the season's early standard: a speech-free and booze-heavy party at Boucle d'Or (chosen because it was the venue of ex-staffer Magnus Franklin's epic wedding reception). But they got stiff competition from ILGA this week. The LGBTI rights organization was smart on two counts: They moved their Equality Gala from the dark Albert Hall in Etterbeek to the light and airy Bozar, and used the event as their big fundraiser for the year.

Unilever had the luck of the gods on their side, but also a great concept, choosing Wednesday's 29-degree scorcher for a lunchtime ice cream party.

Points to the embassy staffer who, before they left their embassy, hacked into their embassy's party database to self-add to the guest list.

## EU WTF?!



## Salvini outdoes Trump with rhetoric

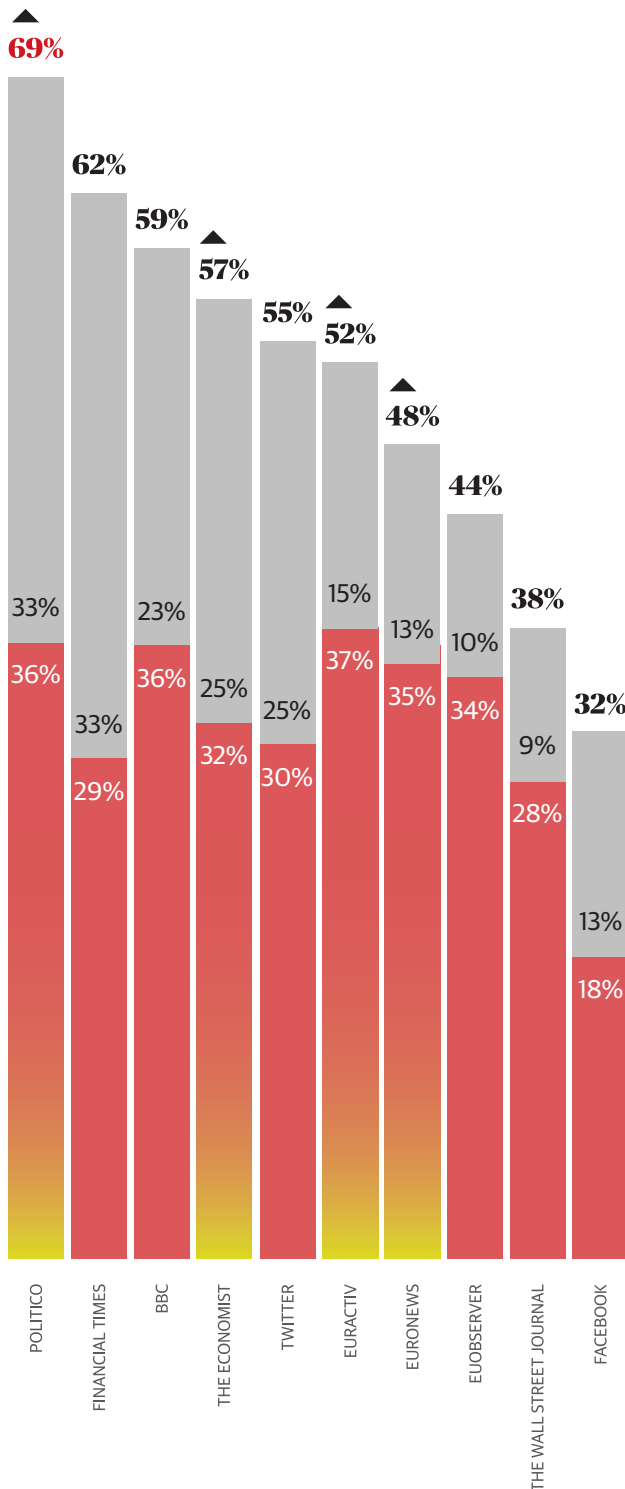
Italy's Matteo Salvini deserves a special mention this week, after telling Italians that common vaccines are “useless and in many cases harmful and dangerous” – a statement most scientists would deem to be false. A tweet Salvini posted later that day – in which he shared a picture of himself in a motor boat, with the caption “Don't worry, the boats you see behind carry no illegals!” – combined the best (or worst) of U.S. President Donald Trump and former Italian leader Silvio Berlusconi.



A message from Google: In 2015, the European Commission revealed the true extent of the digital skills gap. Since then, we've trained over 4 million people in Europe. Next: helping 1 million people in Europe find a job or grow their business by 2020.

## Most influential media source for EU influencers for the second year running. Not bad for a 3-year old.

Influence of news channels and social media on decision making - Top 10



### Influencers choose POLITICO over FT, BBC, The Economist and Twitter

Three years after launch and for the second year in a row, POLITICO is the most influential EU media publication according to the ComRes/Burson-Marsteller 2018 media survey of EU influencers. POLITICO continues to be viewed as more influential than legacy companies including the Financial Times, The Economist, BBC, and the Wall Street Journal - some of which were founded over a century ago. In addition to these traditional media, POLITICO also ranked above modern information channels, such as Twitter and Facebook.

Survey respondents were MEPs, EU Institution staff, and opinion formers. The survey found that 69% of all influencers ranked POLITICO as the most influential media to make informed decisions, which represents a 16% increase compared to last year's results.

Q: In your professional role, how influential are the following media in terms of EU news and providing you with what you need to make informed decisions?  
Base: All EU Influencers (n=230)

■ Fairly influential  
■ Very influential



## Agenda

**Thursday-Friday:** EU leaders meet for European Council summit, Brussels.

**Monday:** First day of four-day European Parliament plenary session, Strasbourg. Ad hoc working party on the Multiannual Financial Framework, Brussels.

## GERMANY

## In Bavaria, Merkel beats state's leaders

The latest Trendbarometer poll by Forsa for German broadcasters found that, regardless of Chancellor Angela Merkel's struggles within her coalition government, she is still more popular in the southern state of Bavaria than both Bavarian state premier Markus Söder and his predecessor, now federal interior minister, Horst Seehofer (who has been the source of recent conflict over migration).

The survey showed 38 percent of Bavarian respondents said they were satisfied with Söder, 37 percent with Seehofer and 43 percent with Merkel. The chancellor holds that lead even among supporters of the Christian Social Union, the party of both Söder and Seehofer.

## AROUND TOWN



German Chancellor Angela Merkel is welcomed to Brussels by European Commission President Jean-Claude Juncker for an informal leaders' summit aimed at tackling Europe's ongoing migration crisis. YVES HERMAN/AFP VIA GETTY IMAGES

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## EUROPEAN PARLIAMENT

## MEPs ramp up 2019 election preparations

The European Parliament vote next May is now less than a year away, and political groups are starting to get into election preparation mode. The center-right European People's Party is holding a four-day "mix and match" event this week with the aim of connecting "national" journalists with European politicians.

But, if you're a Brussels-based journalist, you're not invited, say the EPP spokespeople. Meanwhile, the Alliance of Liberals and Democrats for Europe group is hosting two days of internal workshops with MEPs and commissioners to try to boost their party campaigning skills and whip up enthusiasm.

— Ryan Heath

## Career track

**EXPANDING FURTHER:** The BOLDT expansion continues with Simone Ceruti and Erik Strøm to join as partners in Brussels and Oslo, respectively, while Vibeke Mohn Herberg will join the Oslo team as a director.

**MOVING UP:** John Harris, vice president and head of regulatory and governmental

affairs for Landis+Gyr, was announced as the new president of the association of European Smart Energy Solutions providers, ESMIG.

**NEWS IN RENEWABLES:** ePURE, the European renewable ethanol association, reelected Charles-Albert Peers as its

president. The association's members also elected Alarik Sandrup, director of public and regulatory affairs for Lantmännen, as vice president.

**COMMUNICATIONS:** Cambre Associates' Fernando Anton was named chair of the Best Practices Committee of global

communications partnership IPREX.

**TRADE KNOWLEDGE:** Shanker Singham, described by British Environment Secretary Michael Gove as probably the U.K.'s "leading expert on trade deals" has joined PR company Grayling to serve as a senior adviser.

1<sup>st</sup> annual forum  
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# The Brexit crunch that never comes

*This week was meant to be a milestone in the UK's exit from the EU. Spoiler alert: It won't be.*

BY CHARLIE COOPER  
IN LONDON

With Brexit, D-Day is always tomorrow.

This week's European Council summit, like many before it and several parliamentary showdowns that failed to deliver much-anticipated fireworks, was supposed to be a big

moment in the U.K.'s journey to the EU exit door.

European leaders, most prominently Irish Foreign Minister Simon Coveney had billed it as the deadline for "definitive progress" on the vexed question of the Irish border which, if missed, could jeopardize the entire negotiation.

Not so.

The U.K. has still only half-proposed its alternative "backstop" for avoiding a hard border. Prime Minister Theresa May's top team is yet to agree the second half (the Cabinet will come together for another crunch meeting at May's country residence Chequers toward the end of next week.)

British government officials expect some "finger wagging" from EU leaders and draft summit conclusions obtained by POLITICO note "concern" at the lack of "substantial progress" on Ireland. That's the stick. The carrot, in the same draft, is a reminder from the EU that if the U.K.'s red lines were to "evolve," the EU would reconsider its trade offer.

But on the whole, don't expect Brexit to feature heavily on Thursday and Friday. The main U.K.-Brussels action will be the England vs. Belgium World Cup match, which will kick off about the same time leaders sit down to dinner.

British officials say the EU is too

distracted by the migration crisis to waste political energy turning the screw on the Brits.

The pre-summit run-up has been "more stable than could have been envisaged," said one senior U.K. figure working on Brexit, speaking on condition of anonymity. "There might be a little bit of sniping [at the summit]," said the official, "but Brexit is not top of their agenda. The ball is back in our court."

In other words, attention at the top of the U.K. government is focused on Chequers, not Brussels.

That said, don't expect Chequers

"Brexit is not top of their agenda. The ball is back in our court."

A senior U.K. figure working on Brexit

SEE CRUNCH ON PAGE 14



## WHAT IS EUROPE'S MIGRATION FIGHT ABOUT?

PHOTOS BY JORGE GUERRERO/AFP VIA GETTY IMAGES (MAIN) AND BORIS ROESSLER/DPA VIA AFP

BY JACOPO BARIGAZZI  
AND JAMES RANDERSON

**M**igration is back at the top of the political agenda in Europe. The issue is threatening to bring down the government of the EU's richest country and tear through the European Council summit this week, but leaders seem further than ever from a solution.

Here's POLITICO's guide to Europe's boiling political crisis.

Above, a migrant wraps himself in a Red Cross blanket after being rescued by the Spanish coast guard in May.

### WHY IS THIS NEWS NOW?

Two main reasons – Italy and Germany.

Italy's coalition government – made up of the far-right League and populist 5Star Movement – has pushed the issue to the top of their country's, and hence the EU's, agenda. Italy has been the landing point for the majority of migrants and its government wants more help from the rest of the Continent. It has also adopted a harder line on arrivals.

The country's interior minister, League leader Matteo Salvini, has closed ports to the arrival of NGO vessels carrying migrants rescued in the Mediterranean Sea. One vessel, the Aquarius, which was carrying

629 migrants, was prevented from docking at Italian ports earlier this month but eventually landed its human cargo in Spain.

The second reason is that the political marriage between Angela Merkel's Christian Democrats and her Bavarian sister party, the Christian Social Union, which has sustained Germany's chancellor in power since 2005, is on the rocks over the issue – with tensions even threatening to bring down the government. The CSU wants to turn back asylum seekers arriving at the country's southern border who have registered in another European country to prevent them from

SEE MIGRATION ON PAGE 14

## The Continent can't agree on how to deal with migrants and refugees – here's why



A failed asylum seeker will stand trial for murder of a German girl whose body was found on these train tracks in May.

# Brussels to Trump: We're not backing down on trade

*The US president insists the EU will drop its retaliatory tariffs. Brussels doesn't plan to.*

BY JAKOB HANKE  
AND HANS VON DER BURCHARD

In the escalating trade war with the U.S., Brussels has a clear message for Donald Trump: It's not backing down.

The U.S. president, under increasing pressure from members of his Republican party to de-escalate the conflict, on Tuesday sought to assuage concerns about the iconic American motorcycle maker Harley-Davidson moving some of its production abroad due to retaliatory tariffs imposed by the EU in response to U.S. duties on steel and aluminum.

Trump first tweeted on Monday that "Ultimately [Harley-Davidson] will not pay tariffs selling into the E.U.," adding: "Taxes just a Harley excuse – be patient!"

On Tuesday, he doubled down on his assertion that he could "fix" the situation and Brussels would drop its tariffs to avoid his threat of U.S. duties on cars, tweeting: "We are finishing our study of tariffs on cars from the E.U. ... In the end it will all even out – and it won't take very long!"

This latest skirmish marks a continued escalation in the trade war between the U.S. and the rest of the world that began when Trump slapped a series of tariffs on some countries at the end of March and then extended those to close allies such as the EU at the end of May. In the weeks since, the EU has repeatedly sought to show that it will not give in to such bullying tactics: On the contrary, Brussels is increasingly convinced that its retaliation measures – in unison with many of its allies around the world – are bearing fruit.

"There are no [trade] talks planned," EU trade chief Cecilia Malmström said Tuesday, adding that Harley-Davidson's relocation decision was exactly the type of reaction Europe had been aiming for with its counter-tariffs.

"Of course, the consequences are that the American companies ... will react and they will put pressure on the American administration to say 'Hey, hold on a minute. This is not good for the American economy.' And that's what's happening," Malmström said, adding "there have to be consequences if you do not respect international global rules."

Even in Berlin, which Trump's Commerce Secretary Wilbur Ross has identified as the weak link in the EU because of its dependency on car exports, the view is now that there can't be any offer to Trump just as the conflict is peaking.

If Trump does impose tariffs on European cars, the EU would likely debate further countermeasures.

The EU's hope is that the car tariffs will never become reality because pressure from businesses and lawmakers may force Trump to back down. A growing group of Congress members want to strip the president of his power to impose tariffs.

"If the United States hits us again with a 20 percent increase on cars, we will respond again. We don't want an escalation, but we are the ones being attacked."

Bruno Le Maire, France's economy minister, to the Anglo-American Press Association



## BRUSSELS COMPLAINS OF OVERWORK. REALLY.

*'I don't have a life' – official under pressure to push through legislation before next year.*

BY MAÏA DE LA BAUME

Brussels is in such a rush to finish legislation before the curtain falls on the current European Parliament and Commission in 2019 that EU officials and diplomats complain they're buckling under the strain.

It may seem like a long way off right now, but the Austrian government – which takes over the EU's rotating presidency for six months on July 1 – says there are "over 200 files on the table." Extra staff and translators are being hired for special meetings going on deep into the night to complete business Brussels considers crucial to the EU's future, such as a new budget beyond 2020 and revised asylum rules.

"We have six months," said Austria's ambassador to the EU Nikolaus Marschik, calculating that in his country's 180 days in the presidency "it's not really realistic, unfortunately, for us to conclude one file per day, even if we are very ambitious and very quick."

Adding to the sense of urgency is the impending upheaval in EU membership and jobs, creating what one EU official called a "very tight window of opportunity" to get the job done: The U.K. leaves the bloc at the end of March next year, followed by the European Parliament election in May. A new Commission and Council president should be in place by November 2019.

"I don't have a life," said one EU official. "My life stopped almost one year ago. It's only work and sleep," the official added, saying that there were days when she had "five coffees and two lunches" related to work.

While MEPs, diplomats and Coun-



PHOTOS OF BERLAYMONT BY OLIVIER HOSLET/EPA (TOP) AND SEAN GALLUP/GETTY IMAGES (ABOVE)

cil officials acknowledge that their workload always increases in pre-election years, many say they are straining to cope with the pressure of negotiating, adopting and translating crucial last-minute legislative files like the post-2020 EU budget in only 11 months.

In addition, European officials and diplomats worry that the EU election could produce an influx of Euroskeptical MEPs who will be determined to undermine the work they are doing.

In recent years, the Commission has streamlined the EU regulatory process and many of its employees say it has pushed through most of its 2018 work program. So it is now up to the Council and Parliament to adopt more than 246 legislative texts, according to figures provided by the Parliament. (In total, the Parliament will have to examine 484 texts, including legislative proposals, consultations and consent procedures.)

There are also 26 additional files, many of which include proposals on the budget. By comparison, the Parliament voted on 70 legislative procedures from July to December 2009, and 203 legislative procedures were voted on in plenary from January to April 2014.

The Austrian presidency has pre-

pared itself for around 300 possible "trilogues" – the format in which most key draft laws are shaped – during the next six months.

One compelling reason for adopting pending legislation before the last plenary session in late April next year is that, under European Parliament rules, any unfinished business "shall be deemed to have lapsed" – and could end up on the scrapheap of history.

The push for acceleration also reflects the desire of Martin Selmayr, the new top civil servant at the Commission, to adopt as much of Jean-Claude Juncker's agenda as possible before his boss leaves office next year.

Another strong motivation is pressure from national leaders: Days ahead of their summit in Brussels this week, an early draft of the text they are expected to sign off on used terms like "vital" and "accelerated pace" to emphasize the need to deliver on issues like the budget and the digital single market before this legislative expires.

Cecilia Wikström, a Swedish MEP who heads the Parliament's Conference of Committee Chairs, said there was a tight schedule partly because "the Commission's proposals on the MFF came extremely late, adding that during the last extraordinary meeting, "people worked until 9-10 p.m."

While that may not sound like slavery to people employed in the private sector, some EU translators trying to cope with policy initiatives do seem to have genuine cause for complaint.

"We had a big peak of workload in May and June and had to work with fewer staff," said one EU translator who spoke on condition of anonymity. "Some of my colleagues had to work for 12 consecutive days, and others were requisitioned to work on holidays."

"Some translators don't even know if their leave requests will be accepted this summer," said a member of the Union Syndicale, the EU's main trade union for civil servants.





Eleonora Harwich, head of digital and technological innovation at Reform, Paul Bate, director, NHS Services at Babylon, Manon Benders, head of the Department Neonatology and director of Research Division Woman and Baby at UMC Utrecht, Roberto Viola, director-general DG CONNECT at the European Commission, and POLITICO's Janosch Delcker | via POLITICO

# AI can make health care smarter, more cost-effective

*Applications, regulations needed so that data can help medicine*

Artificial intelligence (AI) can play an important role in delivering health care as societies age and cost pressures rise. But several conditions need to be in place for it to be effective. These include a legal framework, the right deployment of expertise, and awareness of the benefits among both the public and health care practitioners.

Each of these areas has seen tangible progress, according to expert panelists at a POLITICO Outside In event on June 20 - but health care providers could move faster. Of the audience, 41 percent thought that Europe was lagging behind other continents at deployment of AI in health care, while just 18 percent thought Europe was ahead, according to a Twitter poll. However, highlighting the ethics involved in applying AI to health care represents an opportunity rather than obstacle, according to 84 percent.

"The current health care system was designed 70 years ago," said Jeroen Tas, chief innovation & strategy officer, Philips. "It is reimbursed based on input rather than output. It is based on bricks and mortar: hospitals and GP (general practitioner) offices. The current system is not sustainable because the cost increases as the population gets older. A majority of people over 65 have multiple chronic diseases."

Data, however, could dramatically improve health care delivery. "There is only one thing that can help us get inside complex data, and that is AI," said Tas. "It also helps us to institutionalize knowledge, which until now has been in the heads of experts and GPs. What if by combining clinical expertise and data with advanced analytics we can democratize and

provide quality care in places we cannot do today?" AI has been around for decades - though often as an idea more than a practical tool. The opportunity comes from the vast quantities of data that can now be collected, stored, and processed. In April, the European Commission presented a series of measures to boost Europe's competitiveness in AI. In health care this means securing citizens' data while promoting EU-wide interoperability. People will be able to access, manage, and transfer their health data across national borders. At the same time, public authorities will be able to use anonymized data: larger sets will contribute to personalized diagnoses and medical treatment, help anticipate epidemics, and provide the basis for reforms to health systems.

"Without data you don't have real AI," said Roberto Viola, director-general of DG Connect in the European Commission. "Now data belongs to the patients. The patient is king in this respect. You cannot say that data must remain in this hospital: this is illegal now in Europe."

To make the best of these possibilities, hospitals need to understand better the importance of data and how to use them. "Now, hospitals hire doctors and nurses, so we have to convince hospitals to hire more data managers and data scientists," said Manon Benders, head of the Department of Neonatology and director of the Research Division for Woman and Baby at UMC Utrecht. "We, doctors, don't have the knowledge, so we need to collaborate with people who do. We have to convince the boards of hospitals that we need these people to make more progress."

**"People will be able to access, manage and transfer their health data across national borders."**

Though greater use of data and AI may sound disruptive, not taking advantage of it would be unacceptable, said Eleonora Harwich, head of digital and technological innovation at Reform. "It's often forgotten in the debate what the consequences of not sharing data are," she said. "If the data are sitting there and doing nothing, there is a moral duty to do something about it."

How AI is used will be largely determined by the collaboration between health care providers and AI developers. "It is important to think about the type of partnership you want to be involved in," said Harwich. "In the U.K., the National Health Service (NHS) is pioneering different types of public private partnerships."

One of these is called GP at Hand and has just this year attracted tens of thousands of users in the London area. It uses a smartphone app for a video appointment with a GP, during which the doctor discusses symptoms, looks at the patient, and asks them to perform simple checks. The doctors are aided by AI, and sometimes decide the patient needs a face-to-face appointment. "The average waiting time for an appointment is 38 minutes," said Paul Bate, director of NHS Services at Babylon, which developed the GP at Hand app. "In 85 percent of cases, the GP can organize treatment without seeing the patient face-to-face."

In future, the health care applications of AI will go beyond treatment. Studies of large groups of people and a better understanding of the risks associated with certain types of gene will enable potential illnesses to be anticipated - and thus prevented. "The conversation on AI today is focused on sickness care," said Bate.

"We will soon have access to the genetic code and be able to track environmental factors, so we will be able to support people to live well, which will help to keep health care affordable."

Examples could include informed warnings that someone could have a stroke. Doctors will also know what complications are most likely when someone is treated in hospital. And AI-based devices will make life easier for outpatients. "We will be better at predicting things like cardiac arrests in Accident & Emergency departments," said Tas. "With chronic patients at home, we can start identifying how to control their treatment so that they suffer as little stress as possible - continuous glucose meters for diabetics, for instance. If we do these things at scale, it will lead to new ways to deliver health care."



Jeroen Tas, chief innovation & strategy officer, Philips at POLITICO Outside In event on June 20, 2018 | via POLITICO

# Commission to EU27: Prepare airports for a 'no-deal' Brexit

*To handle post-Brexit air traffic, countries will have to hire customs officers, expand airports*

BY SAIM SAEED

EU countries should prepare their airports and aviation sector for a "no-deal" Brexit, the European Commission told diplomats at a briefing earlier this month.

The warning came during a June 12 meeting chaired by Filip Cornelis, the director of aviation at the Commission's transport department, attended by EU27 diplomats and representatives of their civil aviation authorities, according to three officials present.

He advised countries to be ready for the possibility of the U.K. crashing out of the EU without a deal on March 29 next year, saying that they should consider their customs handling capacity and prepare for impacts on security, market access, safety regulations and passenger rights.

Brexit negotiators in March agreed on a standstill 21-month transition period during which the U.K. will continue to abide by EU laws. But the transition period is contingent on a broader deal, and progress in the talks is currently stalled over the future of the Northern Ireland border and other issues that are far from certain. The warning of dire consequences for air travel between U.K. and EU destinations will raise the temperature ahead of a meeting of the European Council this week at which EU leaders will review progress in the Brexit talks.

If the U.K. leaves the EU without an aviation agreement, flights would immediately cease between the islands and the EU27 since EU-issued operating aviation licenses would no longer be valid, and British airlines would no longer have the right to fly to EU countries. The U.K. would also cease being a member of the European Aviation Safety Agency, which certifies and licenses EU aircraft.

The Commission told officials and diplomats at the briefing about the problems that additional customs checks on cargo would impose on airports under a no-deal Brexit.

Currently, a lot of air cargo first arrives in the U.K. and is then shipped on to other EU countries, where it doesn't need to be processed by local customs. But in the event of no deal, those shipments would have to be cleared by customs in the EU — whether flown directly there, or via the U.K., which may entail a large increase in staff and infrastructure.

Leading aviation industry players have complained about the lack of progress in the Brexit negotiations in their sector. Aircraft giant Airbus warned the British government last week that it is "too dangerous" for the company to continue its U.K. operations without more clarity on the impact of quitting the EU. Its risk assessment concluded that a no-deal scenario would mean losses of €1 billion a week, and that in order to prepare for a hard Brexit, it will have to rethink its "footprint in the country."



PHOTO OF MARGRETHE VESTAGER BY TRINE SONDERGAARD/EUROPEAN UNION

## The gender imbalance atop EU competition

*Although Vestager is the most powerful official in Brussels, the top levels of her civil service are still dominated by men*

BY RYAN HEATH

The European Commission's all-powerful Competition department admits it has a problem promoting women right to the top.

That may seem odd when, at the political level, women do hold the very top competition jobs in town. The EU's superstar Commissioner for Competition Margrethe Vestager is backed up by Ditte Juul-Jørgensen as her chief of staff and Linsey McCallum as deputy chief of staff.

It's another story in the highest echelons of the civil service: the Directorate General for Competition. While the 800-person department — the ninth-biggest of the Commission's 45 departments — is evenly split between men and women in its junior and mid-level policy adviser ranks, it's a virtual single-sex environment at the top of the organization.

Of the department's top policy positions — of director level and above, handling individual cases against companies and governments — 12 of the top 13 posts are occupied by men.

The Competition department isn't the most imbalanced in the Commission. In the Commission's Informatics department, which supplies IT services and advice to EU institutions and national governments, men make up 82 percent of adviser-level staff (those who manage policy and strategy rather than administrative tasks), according to Commission statistics from April 2018. Gertrud Ingestad, who heads the department, is female.

The percentage of male advisers is similarly skewed at the Commission's Joint Research Center (76 percent), Brexit task force (73 percent), and Energy department (72 percent),

compared with the Competition department's 55 percent male cohort.

But the Competition department stands out among the big top-flight departments for its lack of women at director level and above.

The Commission's Economic and Financial Affairs department has fewer female advisers but a female deputy director general (Kerstin Jorna) and three female directors out of 10 (Elena Flores, Mary Veronica Tovšak Pleterški, and Michaela di Bucci). At the Commission's Trade department, both deputy directors general are women (Maria Helena Konig and Sandra Gallina).

The Commission says it has undertaken "sustained efforts" — with the full blessing of Commission President Jean-Claude Juncker — to develop and promote more women to senior roles, but admits it has fallen short in its highest profile department.

"We fully agree that we need more women in senior management in DG Competition and in the whole of the Commission," a Commission spokesperson said.

The spokesperson said that from July, it expects that two in five "head of unit" posts — the department's most important middle-management layer — will be held by women.

### GERMAN AND MALE

While the post of European competition commissioner has been held by women for nine of the last 14 years — Vestager since November 2014, and Neelie Kroes from 2004-2009 — there's never been a female civil service departmental chief.

Five German men ran the Competition department and its predecessor nonstop from 1968 to 2002. Since then, Philip Lowe (U.K.), Alexander Italianer (Netherlands) and the current chief, Johannes Laitenberger (Germany), have captained the ship.

The other members of the civil service holy trinity that governs EU competition policy, the department's chief economist (Tommaso Valletti) and the head of the Commission legal service competition team (Theofanis

Christoforou), are men.

The lone female policy director at DG COMP is Maria Valentza, a Greek working on financial sector cases.

Isabelle Benoliel, also a director, has led the department's human resources team for a decade, and is considered by some who work in and with the department as its "unsung hero," stepping in for other directors as needed, and undertaking essential but unglamorous work, like a current overhaul of the department's system for document discovery.

Fabienne Ilzkovitz works as a "principal adviser" to Laitenberger.

There is one category of staff where women dominate: assistants. Three-quarters of secretarial and other administrative staff are women.

A burst of senior female appointments at the department occurred under Neelie Kroes.

She lured Nadia Calviño from the Spanish competition authority at the age of 37, to be a deputy director general. The appointment ruffled many Brussels veterans at the time, because of Calviño's relative youth and the fact she was imported from a national civil service.

Calviño shared the rank of deputy director general with Lowri Evans, also promoted under Kroes.

Just below them in the department's organizational chart sat Irmfried Schwimann, who occupied an outsized role because of her responsibilities for bank rescues during the 2008-2009 financial crisis.

### LIMITED MOBILITY

All three women left the department in order to rise. Evans and Calviño were replaced by two Spanish men — Cecilio Madero and Carles Esteve Mosso — during the term of then-Commissioner for Competition Joaquín Almunia, also of Spain.

Evans and Schwimann left for the Commission's internal market department, while Calviño rose to director general at the Budget department before becoming Spain's economy minister earlier this month.

Another rising star, Céline Gauer, also found herself with limited options for promotion within DG COMP and moved to the Commission's much less powerful Health and Food Safety department in March 2018 to take up a promotion to deputy director general.

While the Commission has a policy of actively encouraging its senior staff to move between departments, and senior women at DG Comp follow that policy, the senior men tend not to.

Stalwarts like Madero and Esteve Mosso (the current deputy directors general), Paul Csizsár, Kris Dekeyser, Karl Soukup, Guillaume Lorient, and Eric Van Ginderachter (all director level) have been on the department's books for up to 31 years.

The department's other deputy director general, Gert-Jan Koopman, is also male.

In their defense, Commission officials argue that competition specialists find it harder than other officials to move around the Commission's many policy departments. That does not, however, explain why senior female competition officials move more often than the men.

McCallum, a Scot who holds only British nationality, is the figure in Vestager's team touted as the woman most likely to scale the summit of the Competition department hierarchy.

Unlike Juul-Jørgensen — her boss in Vestager's office — McCallum is a permanent official of the Competition department and will automatically return to a senior role there once Vestager's term ends in 2019. Yet in her case, the politics of Brexit and the uncertain fate of senior British officials may complicate her rise up the EU's highest civil service ranks.

"One could get the idea that it is for the [EU27] to save themselves in the worst-case scenario."

An official present at the June 12 meeting



# Uber wins back a license for London

*The ride-sharing service is now likely to push further into Europe, where it's faced similar regulatory setbacks*

BY MARK SCOTT  
IN LONDON

Uber was granted a license to operate in London on Tuesday after a British judge ruled that the ride-booking service met the legal requirements to offer its digital services in the country's capital.

The decision marks a significant win for Uber, which had lost its license to operate in London last year when the local transport authority revoked its permissions because officials said the company failed to meet its so-called "fit and proper" test to hold a transportation license.

Since that decision – a major blow for the company as London remains one of its most important markets globally – the ride-booking service acknowledged that it failed to meet the city's requirements and took steps to rectify what local authorities deemed was unacceptable behavior.

"We're open to doing business with cities in the way in which cities want to do business," Dara Khosrowshahi, Uber's CEO, told POLITICO last month. "We're not going to be absolutist in our approach; we will adjust on a local basis."

In a bid to woo London authorities, Uber agreed that its license should



have been revoked, although the company has continued to operate in the city while it appealed the decision. More than 3 million Londoners use the service on a regular basis, and there are approximately 45,000 drivers registered on Uber's platform, according to the company.

The allegations against Uber included claims that more than 1,000 of its drivers in London had been accused of serious crimes, including dangerous driving and sexual assaults. The ride-booking service has faced similar criticisms across its global empire, including a driver in India allegedly raping a passenger. It also has faced a string of other regulatory mistakes, including a massive data breach and claims that it tried to withhold some of its activities from regulators.

The London decision, though, was not a total victory for Uber. As part of the conditions, Judge Emma Arbuthnot gave the company a 15-month

probationary license, instead of the 18-month authority that it had been asking for.

"It is now a fit and proper person under the law. I grant a license," the judge said Tuesday.

By winning a reprieve in London, Uber is likely to push further into Europe, where it similarly has faced a number of regulatory setbacks, including a ruling by the region's highest court that it is a transport, not digital, company. That decision limited the company's efforts to expand its platform across the Continent from traditional taxi services to those offered by average drivers on its platform.

Cities across Spain, France and Germany also have balked at the company's previous tactics, which have often involved Uber expanding into new territories without discussing potential issues with local authorities. Those tactics, according to

company executives and several city authorities, have changed since Khosrowshahi became Uber's chief executive last year.

And the tech boss has made several trips, notably to France and Germany, to win back support from national and local officials.

"If we're going to be in Europe, we need to be in Germany, Spain and, hopefully, Italy as well," Khosrowshahi said. "If you want to have a voice in the debate, you first have to engage. And for us, we want to engage in Germany. It won't be perfect, but it will be better."

Not everyone welcomed Uber's re-emergence in London.

The city's taxi associations have fought a yearslong battle to keep the company at bay in the British capital, including several strikes across the city in protest of what they see as Uber's illegal tactics.

These groups – known worldwide for their iconic black cabs – are now left with few avenues to upend Uber's reinstatement, though several have vowed to fight on, highlighting potential new U.K. legislation to clamp down on the ride-booking service's worst offenses.

Yet Michael, a five-year taxi driver who declined to give his surname as he left the London court on Tuesday, summed up the resignation felt among many of the taxi associations.

"We've been fighting them for years, but they keep being given a pass," he told POLITICO, shrugging his shoulders in defeat. "How many times does Uber have to break the law before someone does something about it?"

"We've been fighting them for years, but they keep being given a pass."

Michael, a London taxi driver, as he left the courthouse on Tuesday

LEON NEAL/AFP VIA GETTY IMAGES

## POLITICO

# HEALTH POST-2019

ARE EU **IN** OR ARE EU **OUT** ?

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FEATURED SPEAKERS INCLUDE:

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ORTWIN SCHULTE, Head of Unit "Health Policy", Permanent Representation of Germany to the EU

Opening remarks by Bruno Wohlschlegel, Head of Middle-Europe Region for the Biopharma Commercial Operation, Merck KGaA

PRESENTED BY



# A love letter to plastics

GETTING WASTED

Presented by



This article is part of a series on the circular economy, Getting Wasted.

*In a museum on the outskirts of Brussels, plastic is still in style*

BY GINGER HERVEY

Philippe Decelle really loves plastics. This is no idle love. The Belgian artist and collector has spent 30 years collecting thousands of plastic items for posterity, from furniture to fashion to art to common utensils. He understands plastics – their history, their chemistry, their aesthetics, their pop culture references.

Decelle's admiration makes him something of a nonconformist.

As public awareness of plastic pollution rises, filtering down through photos of trashy beaches and choked fish, everyone from celebrities to government officials to the Queen of England have disparaged the material. The EU plans to ban or reduce consumption of disposable plastic drastically in the coming years. Plastic straws are society's new enemy.

But in a mirrored museum tucked behind the Atomium on the outskirts of Brussels, there's a quiet haven where Decelle's collection, dubbed the Plasticarium, has lived since 2014. Here, plastic is still in fashion.

## THE COLLECTION

A slight Belgian man in his 60s with a crisp striped shirt and a wide smile, Decelle is leaning in across a table at the Brussels Design Museum cafe and dissecting the recent public backlash against plastics.

Governments and companies are promising to reduce their consumption of plastics. The EU made its move in January with the launch of its Plastics Strategy, which aims to make all plastic packaging reusable or recyclable by 2030 and targets the most frequently littered plastic items, such as takeaway food containers, straws and balloons, for bans or preventive measures.

The problem with society, Decelle says, is that it has a short memory, and it likes things to be black and white. People see the photos of cluttered beaches and forget all the positive things made possible by plastics – the heart surgeries, the electrical insulation, the tennis rackets. They think of plastic as a single material, rather than thousands of synthetic compounds.

"Plastics are everywhere," he says. "Today there is more plastic in the world in production than iron. There are more plastics in your car than iron."

Decelle is wringing a plastic bag in both hands as he speaks. It's one of those ultra-thin ones used for mundane tasks like buying produce or picking up dog feces, and he's stretching it smooth to its full length and then folding it in half over and over, absent-mindedly, until it disappears in his fist.

The bag has a small tear in the corner, which is less likely the result of



the acrobatics it's being put through than from its owner's propensity to reuse such bags "hundreds of times."

The problem is not the material, he explains, rather it's how much we use and how little we're educated about it. Decelle brought the bag to make a point.

"I am living alone, and I don't eat too much, and this is very useful," he says. "When I have bread it takes me more than a week to eat the loaf. Tell me how to preserve it. With paper it will be destroyed. What am I going to do?"

## PLASTICEUROPE

The first synthetic plastic was invented in 1907, by a man born in Belgium named Leo Baekeland. By the 1920s, plastic represented novelty and style. Cheap mass production supplied consumers with everything from plastic combs to radios during the Great Depression.

After the World War II, plastics spelled a clean modernity at odds with the ruins and bloodshed that had so recently enveloped the Continent.

"Plastic was optimism," Decelle says.

The beginning of Decelle's exhibit extolls "that cheerful, unpretentious creative marvel" of the post-war '60s and '70s, the real heyday of plastics. Suddenly, fluorescent colors and shiny appliances and girls in short dresses and bright go-go boots were

ubiquitous. Everyone wanted plastic furniture – and thanks to cheap material and mass production, everyone could afford it. For the first time, design was democratized.

This era makes up the bulk of the Plasticarium, and the optimism shows. Decelle is a kid in a candy store as he describes every object in detail.

The first Apple computer. A text-book-sized calculator from the '80s. Bic pens. A larger-than-life cactus sculpture. Tables and chairs from various decades dreamed up by high-brow designers. A neon orange diner seat he rescued from a theater in Paris and hauled to Brussels in a van.

The collection began when Decelle found a plastic chair by famous Italian designer Joe Colombo sitting in the garbage in a fashionable Brussels neighborhood. He started thinking about society's short memory; about how yesterday's icon can become today's trash; about how many times society's perception and use of plastic has changed.

Today plastic's value lies less in color or style than in convenience: Look at what turns up most often on our beaches – takeaway food containers, drink bottles, cutlery.

Decelle isn't worried about the public's current distaste for plastic.

"It will change," he says.

## FANTASTIC

At one point, in describing the im-

portance of plastic to society, Decelle asks: "Can I caress you?"

After a quick appraisal in which curiosity wins out, I respond affirmatively. Decelle runs his fingertips softly along my forearm and says: "This is the feeling that I have with plastics. Plastic is good for every object in contact with man. It's smooth like the skin. It's something good."

I don't understand his meaning at first. But then – on the metro home – I start thinking about all the plastic I touched just this morning.

I woke up and turned off my alarm clock, turned on my light switch, touched my phone case, my toothbrush, my hair brush, the handle of my coffee pot and frying pan, my headphones, my zipper, the back of my earring, the elevator button, my ID badge, my water bottle, my pen and my notepad cover. I sat in a plastic office chair with my arms resting on a plastic-coated desk and typed on plastic laptop keys under fluorescent lights encased in plastic.

And getting off the metro, I headed back to the office, hungry and rushing, and stop at Bon to get a smoothie. The smiling barista hands me a cup – a single-use plastic cup, the likes of which the EU is trying to regulate – and I pause to look at it and think of all the chemistry and politics and history and love that's gone into this material.

Then I drink the smoothie and throw away the cup.

"When I have bread it takes me more than a week to eat the loaf. Tell me how to preserve it. With paper it will be destroyed. What am I going to do?"

Philippe Decelle.

PHOTOS OF PHILIPPE DECELLE AND THE PLASTICARIUM BY GINGER HERVEY/ POLITICO

## MIGRATION

CONTINUED FROM PAGE 5

entering Germany.

Such a move would reverse Merkel's 2015 open-door policy on refugees and undermine her authority. But more importantly, by acting unilaterally, it risks a domino effect across Europe with other states opting to do the same. Merkel wants the issue to be solved at the EU level and has persuaded her CSU partners to hold off until leaders meet at this week's summit in Brussels.

### THIS IS ALL IN RESPONSE TO THE MIGRATION CRISIS, RIGHT?

Yes and no.

Call it a delayed political reaction to the migration crisis of 2015. The numbers of migrants reaching Europe's shores is actually much lower now as a result of moves to close the route through the Balkans as well as deals with Turkey and Libya. Applications for asylum fell by 44 percent across the EU in 2017 compared to the previous year, according to a report by the European Asylum Support Office (EASO) released earlier this month.

In the first four months of 2018, asylum applications dropped further, according to provisional data from EASO, with about 197,000 people seeking protection in the EU. As of May, data collected by the Council show that almost 26,000 migrants entered Europe by sea so far in 2018. The total number for the same period in 2017 was more than 50,000 arrivals and around 200,000 in 2016.

### WHERE ARE THE MIGRANTS FROM?

Syria, Iraq and Afghanistan are the top three countries of origin for asylum applicants in the EU.

### WHAT HAPPENS TO PEOPLE WHEN THEY ARRIVE?

That depends.

Refugees from repressive regimes or war zones are entitled to asylum. According to EASO data, in 2017 around half of asylum claimants were successful in first instance decisions (462,355 out of 996,685). In the first quarter of 2018, 26 percent (34,400) of all

first-time asylum applicants in the EU made their claim in Germany, followed by 19 percent in France, 14 percent in Italy, 10 percent in Greece and 7 percent in Spain, according to statistics from Eurostat.

Back in September 2015, EU states committed to relocating up to 160,000 people who had arrived in Italy and Greece around the Continent within two years. By May the following year only a few thousand had been relocated, with some countries not taking any at all. In the end, the EU managed to relocate almost 35,000 refugees. Since the quota system expired in September 2017, no permanent relocation system – voluntary or mandatory – has been introduced.

Migrants who are not entitled to protection are returned to their country of origin.

### WHICH OTHER COUNTRIES ARE WORRIED ABOUT MIGRATION?

Hungary under Prime Minister Viktor Orbán and Austria under Chancellor Sebastian Kurz have taken a hard line on migration. The Czech Republic, Poland and Slovakia have also resisted taking in refugees.

### SO THEY'RE ON ITALY'S SIDE?

Not exactly.

They agree that they don't want migrants coming into Europe and all want to strengthen the EU's external borders, but Italy believes other EU nations are not shouldering their fair share of the burden. It wants other countries to take more refugees – something Hungary, Austria and others refuse to do.

Orbán's position that the EU should do everything possible to prevent arrivals, combined with no obligation for internal states to take in asylum seekers, is now gaining traction in the European Council. "We have seen that Hungary's position, which was previously condemned, is now gaining increasing acceptance," Horst Seehofer, Germany's interior minister (from the Bavarian CSU), said in a speech.

### BUT THE EU HAS A SYSTEM FOR DEALING WITH ASYLUM SEEKERS?

Yes, it's called the Dublin System, but it is cracking.

The cornerstone of Dublin is that the country where a migrant first enters the EU is responsible

for their asylum claim. The original idea was that it would prevent migrants from lodging claims in multiple countries and also avoid asylum seekers being shuttled from state to state.

But frontline states on the Mediterranean coast argue that this places an unfair burden on them since they have become responsible for almost all asylum seekers (even though many of those who arrive on Greek or Italian shores see Germany or the U.K. as their desired destination.)

### WHAT DO EU LEADERS PROPOSE TO DO ABOUT IT?

The Dutch, Slovak, Maltese and Estonian presidencies of the Council of the EU all tried and failed to find a solution. The current Bulgarian presidency has a proposal that aims to find a balance between mandatory and voluntary elements in a reform to the Dublin System. Its plan is pushed by Germany, Sweden and other countries eager to avoid a repeat of the 2015-2016 crisis. It revives the idea of applying mandatory quotas for all EU countries to take a certain number of refugees, but such quotas would only be brought in if refugee numbers spike. Under this new system, the EU would push for voluntary "allocations" of refugees from countries that are hardest hit to other willing EU countries, in part by offering financial inducements.

### IS THAT GOING TO FLY?

Almost certainly not. The plan was openly rejected by Italy and there are no expectations that EU leaders will be able to revitalize it any time soon. First, the European Council would have to trigger the measures if it deems there is a severe crisis. Italy wants a more automatic system. Second, in the latest drafts of the Bulgarian proposal, countries would only be responsible for migrants for the first eight years after they registered as asylum seekers. Italy and other Mediterranean countries say eight years is too long and want it reduced to two.

Hungary and other countries are implacably opposed to relocations. "Can there be compromise in the migrant debate? No – and there is no need for it," Orbán said in a speech Saturday.

### IS THERE ANYTHING THEY CAN AGREE ON?

Maybe. Draft guidelines for the European Council summit this week include a proposal for the creation of "regional disembarkation platforms" outside the European Union. These are locations, possibly in North Africa, where officials could essentially perform migration triage: determining who's a refugee in need of protection and who's an economic migrant.

### ISN'T THAT JUST OUTSOURCING THE PROBLEM TO MIGRANT CAMPS OUTSIDE THE EU?

The European Commission insists not. Dimitris Avramopoulos, the European commissioner for migration, said last week the EU won't create a "Guantánamo Bay for migrants," referring to the controversial U.S. detention camp in Cuba. "I'm against Guantánamo Bay for migrants, this is something that is against European values," he said.

Even if EU leaders agree on such a proposal, the problem might be persuading countries outside the bloc to host them.

### HOW COME THERE WAS A SUMMIT ON MIGRATION LAST WEEKEND?

Good question. European Commission President Jean-Claude Juncker organized a mini pre-summit on Sunday ahead of the main Council gathering – a favor to Merkel who is keen to demonstrate to domestic critics that she is on top of the issue. Sixteen leaders attended.

There was no breakthrough and no final text, but following the summit the Commission did send a message to the Council urging it to rewrite draft conclusions on migration for the formal leaders' summit – the latest in an institutional fight over how to manage the issue.

Included in the Commission proposal is a pledge of an additional €500 million for the EU's Africa Trust Fund; money for the next tranche in the €3-billion package for refugees in Turkey; and a plan for "reception" or "welcome" or "disembarkation" centers outside the EU for processing migrants who are rescued or intercepted at sea. There is also a plan to strengthen EU border patrol operations, with 10,000 more guards deployed by 2020.

"We have seen that Hungary's position, which was previously condemned, is now gaining increasing acceptance."

Horst Seehofer, Germany's interior minister

An appeal for urgency came overnight on Tuesday in a rare joint statement from British and EU business groups and unions calling on both the U.K. and EU to "inject pace" into the talks.

## CRUNCH

CONTINUED FROM PAGE 5

to be the final crunch point either. The Brexit talks can't proceed until the U.K. and the EU agree a backstop solution to avoid, in any circumstances, a hard border on the island of Ireland.

The U.K. has only proposed a customs element of the backstop (which got a frosty reception in Brussels) and hasn't made a formal proposal yet on the other main basket of issues relating to regulatory alignment on product standards.

While the first U.K. official said there was "speculation" the Cabinet was about to solve the regulatory alignment question by signing up wholesale to the idea of a "single market in goods," but not services, they added ministers would need to debate the extent to which goods could really be regarded independently from services. A second official talked down the prospects of a major new policy direction emerging from Chequers next week.

High levels of alignment with EU rules on goods have, in any case, been

signaled by May's government since the Mansion House speech in March, and the language of the U.K.'s white paper on the future relationship – expected the week beginning 9 July – is likely to be similar, on this topic, to that text.

The white paper is key because it lays out for the first time since the referendum two years ago, the government's detailed negotiating position on what kind of future relationship it wants with the EU across a range of policy areas. The first official said the paper had been through "many iterations," but there is expectation across government that Chequers should produce Cabinet agreement, if not on regulatory alignment, then at least on which customs arrangement will go into the white paper.

That would finally end the tortuous debate among May's ministers about the relative advantages of two proposed models known as "the new customs partnership" (which maintains many elements of the existing EU customs union) and "maximum facilitation," which involves smoothing the border with new technology. The most likely outcome, both officials indicated, is that the latter option will win out.

The next big domestic moment that May's government is preparing for is a vote on an amendment to the Trade Bill (a piece of Brexit preparation legislation) calling on the government to pursue a customs union with the EU as part of its negotiating strategy. One senior MP in the pro-EU wing of the Conservative party, described this vote, due before the summer recess begins on July 24, as the "real crunch point," after many would-be rebels backed away from voting against the government on the EU (Withdrawal) Bill last week.

But senior officials believe this too could pass without too much trouble. The theory is that some soft-Brexiteer Tory MPs will be dissuaded from rebelling because they believe the government's backstop proposal for a partial customs union will be the plan that is ultimately pursued.

### BUSINESS WARNINGS

Once these three milestones – Chequers, the white paper, and the Trade Bill vote – are cleared, the U.K. is hoping to press ahead quickly. That's something a growing chorus of businesses, from Airbus to the Society of Motor Manufacturers and Traders, has been calling for in re-

cent days.

A further appeal for urgency came overnight on Tuesday in a rare joint statement from British and EU business groups and unions calling on both the U.K. and EU to "inject pace" into the negotiations.

"Decisions will be needed in June and October to finalize the withdrawal agreement and the transitional arrangement, and put economic interests and people's jobs, rights and livelihoods first," the statement from the heads of the Confederation of British Industry, BusinessEurope, the Trades Union Congress, and the European Trade Union Confederation said. "Amid uncertain times, we appeal to negotiators on both sides to put jobs and prosperity before politics when seeking solutions that will matter for generations to come."

U.K. officials, for their part, say they are hopeful the talks can speed up over the summer and into the fall, with agreement on the withdrawal deal still possible by EU negotiator Michel Barnier's October deadline.

Whether they are right depends on the extent to which the U.K. can emerge from this summit relieved in June and use the time to decide what it wants.



## TECHNOLOGY

**E-commerce giants pledge fast removal of harmful products**

Amazon, Alibaba, eBay and Rakuten-France pledged to take down dangerous products from their online marketplaces more quickly, the European Commission announced June 25. The companies agreed to establish a tool for consumers to flag potentially harmful products, and to act on notifications from authorities within two working days and from customers within five. The non-binding agreement is based on standards set by the Commission in its rapid alert system for dangerous products, a list the companies vowed to consult.

## HEALTH CARE

**UK considers new measures to fight child obesity**

Britain will consider compulsory calorie labeling on menus and a ban on sales of energy drinks to kids in a bid to halve childhood obesity by 2030, Health Secretary Jeremy Hunt announced June 24. It is also weighing restrictions to limit stores' ability to place junk food at checkouts and push companies to reformulate products using healthier ingredients. The government plans to consult before moving ahead with any measures, presented as add-ons to the 2016 Childhood Obesity Plan.



Jeremy Hunt

## HEALTH CARE

**Brussels OKs restrictions to tackle drug shortages**

EU countries are entitled to restrict parallel trade in medicines to mitigate shortages at home, the European Commission and national representatives said June 22. Several countries, largely in Central and Eastern Europe, have moved to halt the export of medicines in recent years to keep supplies in the country. This has raised legal challenges, as parallel trade — the process of distributors buying drugs cheaply to resell within the bloc for profit — is legal under EU law.

## TRADE

**Harley-Davidson shifts US production amid trade fight**

The classic American motorbike company Harley-Davidson announced June 25 it will move some of its production outside the U.S. to avoid retaliatory tariffs imposed by the EU on U.S. exports. The EU targeted motorbikes among other products after U.S. President Donald Trump added trade levies on EU steel and aluminum. Europe is Harley-Davidson's largest export market. The export tariffs facing the company rose to 31 percent up from 6 percent, an additional cost of \$2,200 per motorcycle.



MPs voted in favor of a third runway at Heathrow Airport. PETER MACDIARMID/GETTY IMAGES

## TRANSPORT

**Heathrow Airport expansion gets go ahead**

UK MPs backed a £14-billion plan to expand Heathrow Airport on June 25, by 415 votes to 119. An alliance of Conservative and Labour MPs supported the move to construct a third runway at Europe's busiest airport in an attempt to meet growing demands for London flights. A majority of Labour MPs backed the expansion after being granted a free vote. Only eight MPs from the Conservative Party rebelled against the government's three-line whip, mostly representing constituencies surrounding the airport. Environment campaigners vowed to challenge the decision in court.

## COMPETITION

**French authority prioritizes retail rules, drug pricing**

The French competition agency Autorité de la Concurrence detailed its priorities for 2018 in a report June 25. These include clarifying competition rules in retail, assessing the pricing of medicines and ensuring that competition law is fit for the digital age. The agency also promised to publish guidelines on how to apply the new legal framework clarifying the relationship between suppliers and retailers following 2017 EU competition law exemptions for food producers.



Europe is Harley-Davidson's largest export market.

DREW ANGERER/GETTY IMAGES

## ENERGY &amp; CLIMATE

**EU: Svalbard snow crab dispute is proxy for oil rights**

The European Commission said a dispute with Norway over crab fishing licenses around the coast of Svalbard has become difficult to resolve because Oslo does not want to set a precedent for oil and gas drilling. In a March letter obtained by POLITICO, Brussels admitted it is struggling to see eye to eye with Norway's government over who has the right to issue fishing licenses. Norway says a 1920 treaty gives it sole sovereignty over the island's continental shelf, including its resources.

## SUSTAINABILITY

**Commission: Tighter car CO2 targets will cost jobs**

Around 60,000 jobs will be lost from Europe's auto sector if EU lawmakers agree a 50-percent cut in carbon dioxide emissions from cars and vans by 2030, European Commissioner for the Environment Miguel Arias Cañete told national ministers June 25. The Commission wants carmakers to slash fleet-wide emissions 30 percent by 2030, but the European Parliament is pushing for a more ambitious target. The commissioner also identified bottlenecks in raw materials he said could limit the uptake of electric vehicles. "We need to give sufficient time for the transition," said Arias Cañete.

## EU BUDGET

**Leaders asked not to back separate eurozone budget**

European Commissioner for Budget Günther Oettinger called on EU leaders not to "get bogged down" with discussions of a eurozone budget. "We don't think a separate eurozone budget makes sense," the commissioner told reporters on June 25 ahead of the European Council summit. In its plans for the 2021-2027 EU budget, the Commission proposed elements that overlap with proposals for a eurozone budget. Oettinger said that eurozone countries would soon account for the vast majority of the bloc's economy, making a separate budget unnecessary.

## FINANCIAL SERVICES

**ECB issues imminent Brexit deadline for banks**

The European Central Bank urged U.K.-based banks to apply for an EU license by June 29 or face consequences. In a list of Brexit FAQs, the ECB said that for banks that fail to meet the deadline or submit high-quality applications "the ECB cannot guarantee that the authorization process will be completed by the end of March 2019." The regulator added that banks should prepare for Brexit, "including for a no-deal scenario leading to a hard Brexit with no transition."

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PHILIPPE LOPEZ/AFP VIA GETTY IMAGES

## Banksy paints Paris

Seven new works attributed to Banksy were uncovered last week in Paris, marking World Refugee Day. In this one, the anonymous street artist shows a young girl painting a wallpaper pattern over a swastika in the 18th arrondissement, not far from a recently dismantled migrant camp.



**POLITICO**

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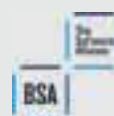
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# In Turkey, politics is a dangerous thing

## FUTURE SHOCK

**In such a fluid, unsteady country, it is difficult, if not impossible, to predict the next month, let alone the future**

BY ELIF SHAFAK  
IN LONDON

In Topkapı Palace, home to Ottoman Sultans for centuries, inside the first courtyard, there was a fountain known to all as the Fountain of Politics. This is where political executions took place. Opponents of the status quo, viziers with the potential to challenge the authority of the sultan, rebels who took up arms or poets who penned

a critical, satirical poem, daring to speak truth to power – this was the place where, one by one, they met their end. Their severed heads would be displayed on a slab of stone nearby for everyone to see.

The location was quite convenient as it allowed the sultan to watch the execution, if he so wished, from the privacy of his own quarters. After the decapitation, the executioner would slowly wash his sword, taking his time,

waiting for his *baksheesh*, and that is why this part of the palace is also called the Executioners' Fountain. They were a terrifying bunch, those old, Ottoman executioners. All of them were carefully selected and all of them were deaf and mute, to ensure that they would never hear their victims' cries.

Growing up in Turkey with stories like these, one of the first things you came to understand is that politics is a dangerous thing.





And opposing the sultan, questioning the regime, even more so.

Soon after the election, news agencies were already reporting that Russia's Vladimir Putin and Iran's Hassan Rouhani were among the first to congratulate the Turkish president on his electoral victory. New alliances are forming in the region. As history repeats itself against this volatile backdrop, it is worth taking a look at what the future might hold. Pick a nice round number. What will Istanbul look like in 2025?

**TO HAVE A RICH HISTORY DOES NOT MEAN** to have a strong memory. In truth, Turkey is a nation of collective amnesia. In lands that are profoundly complicated, forgetting is easier than remembering. But can a nation that systematically refuses to come to grips with its own past ever grow up?

My motherland is a liquid country. And nowhere in Turkey will you feel the truth of this statement

A raucous crowd takes to the streets outside the Justice and Development Party's Istanbul headquarters.

YASIN AKGULI/AFP  
VIA GETTY IMAGES

as powerfully as in Istanbul.

A city of disguises and deceptions, Istanbul abandons its name as easily as a salamander sheds its skin. Just as the creature that wriggles out of the old skin is a different one each time, never quite the same, so Istanbul is a different city with each new name: Lygos, Augusta Antonina, Byzantium, Stanbulin, Constantinople, Istanbul, Polin, Bolis, al-Qustantiniyya, the New Rome, the New Jerusalem, Throne of the Romans ... Thousands of years ago this is how it all began – the flooding waters forming the Black Sea, and the Golden Horn, and the Bosphorus, and the Sea of Marmara. From all sides the waters spurted, and together they carved out a dry land on which someday a fascinating city would be built. It is beautiful and mesmerizing. But it still has not solidified, this unreliable metropolis. Close your eyes and you can hear the water roiling under your feet. Shifting, whirling, gushing.

Still in flux. In such a fluid, unsteady country, it is difficult, if not impossible, to predict the next month, let alone the future. Who can tell with certitude whether or not Istanbul is in Europe, Eastern Europe, Southern Europe, the Balkans, West Asia, Eurasia, the Caucasus, Anatolia, the Levant, the East Mediterranean or the Middle East? Istanbul is an optical illusion. A magician's trick. A fantasy that exists solely in the minds of its lovers and admirers. In reality, there are multiple Istanbuls – struggling, competing, clashing, each knowing that, in the end, only one can survive.

In the year 2025, these clashes will become much more visible and urgent: between religion and secularism, tribalism and globalism, nationalism and humanism, those who want to monopolize power and never let go and those who believe in pluralistic democracy. The inequalities of class, education, gender and ethnicity will matter even more – and the gaps will widen. While the nation's young population keeps growing so will youth unemployment and disillusionment.

There will be more construction sites in Istanbul. More workers will fall to their deaths from skyscrapers. Their stories will not be covered by newspapers. What little green areas are left will continue to shrink in the face of gentrification, with more buildings, more newcomers, more traffic, more profits – for some. And underneath the old cobblestone streets, deep down under the earth, will rumble the sound of a possible earthquake, predicted to hit Istanbul around this time, a sound we can hear even in our sleep but pretend not to. It's a scenario many Istanbulites know deep within but try not to think much about. The last one was utterly devastating and left behind a gigantic amount of destruction and pain. And yet ... since then, authorities have done almost nothing to renew and improve the city's infrastructure. Fatalism triumphed over science.

The role of religion in a future Turkey is far from certain. After observing the enormous and dramatic failure of Recep Tayyip Erdoğan and his Justice and Development Party (AKP) to achieve a "moderate, political Islam in harmony with Western democracy," millions of people in Turkey will have to rethink the relationship between religion and politics.

Years of AKP rule and the sys-

tematic Islamization of society and education could completely change the fabric of the society but it could also create a considerable backlash. Many young people whose parents were supporters of AKP will have had enough of dogmas. More and more citizens will appreciate secularism and democracy, especially women. Because when countries go backward and tumble into authoritarianism, nationalism and fanaticism, women always have much more to lose than men.

But here is the vital question: Will the same people who are bitterly disillusioned with the level of politics and politicians have the power to throw out the political elite?

**TURKEY'S POSITION ON THE WORLD MAP** has always been shaped in relation to the West, and this will not change in 2025. What happens in Europe will have a direct effect on Turkey and vice versa. We cannot envision Istanbul's future without thinking, simultaneously, of what that future might be like in Brussels, Paris or Berlin.

Will Europe be shaken by social unrest, by the ultranationalist, Euroskeptic, protectionist policies and populist demagogues peddling the idea we will all be safer if we retreat into our tribes, the illusion that "sameness" generates "safety"? If these trends accelerate, will there be more than one Europe, divided along, roughly speaking, the fracture lines of tribalism versus internationalism? Could there even be more than two Europes? If Europe splits, Turkey's role will become extremely important. It will have to decide with which Europe to form an alliance.

My liquid motherland is being pulled in two opposite directions.

The first tide is shaped by ultranationalistic paranoia, a political Islamic agenda and conspiracy theories. Authoritarianism does not only corrupt politics and politicians. Sadly, it also damages the soul of the civil society and of millions of individual citizens. If this tide – already so dominant – continues to pick up speed it will only exacerbate anger, aggression, isolation and tribalism, and could lead to a search for new, unlikely alliances in the East or the Middle East. This trend will not disappear in 2025. But will it be dominant enough to pull the entire nation into its dark path?

The second tide is one that sees Turkey as a globally connected nation and longs for a true, pluralistic democracy. It is shaped by the relentless energies and efforts of the youth, of women, minorities and segments of civil society that want a better future for their children. There are many people in Turkey who are fed up with the status quo, and there will be many more by 2025. Many have been mistreated, hurt, ostracized, stigmatized. The feeling of injustice and hurt pervades every segment of society.

Maybe that is one of the endless ironies of Turkey: a nation of millions who have been hurt and yet refuse to see that they are not the only ones, and that their neighbor – the "other" – too, might hurt for different reasons. Without a strong sense of solidarity, an appreciation for diversity and a culture of co-existence that goes beyond political affiliations, Turkey's democrats cannot win the fight against anti-democratic impulses and the state's authoritarian ideological apparatuses. But if we can see that solidarity and

co-existence and diversity are essential, and precious, this second tide still has a shot at being the stronger one.

**WHICHEVER TIDE DOMINATES**, one thing won't change: Turkey is geopolitically too important for the U.S. and the West to discard it. If the U.S. continues to withdraw from the Middle East, Turkey's presence in the region might become more visible. But what the consequence of this engagement might be is another question altogether.

No prediction can make sense without acknowledging that we, as human beings, East and West, are all interconnected. Climate change, food shortages, water scarcity, rising energy prices, youth unemployment, global terrorism, political crises, the movement of refugees – what happens in one part of the world exerts influence on the lives of people elsewhere.

We are often told there are around 3 million refugees in Turkey, but NGOs actively working on the ground whisper a very different number. Maybe twice as many, if not more. In 2025, this number will be even bigger.

Leaders across the globe may see the urgency of international problems, but pressures at home tend to outweigh them, giving us short-term decisions at the expense of long-term vision.

As humanity will be able to act together with shared values and for causes that touch all of us? The answer will also depend on emotions and perceptions – subjects largely underestimated in political science and political analyses. But we live in an age in which emotions guide and misguide world politics. This will still be the case in 2025.

We need to understand anger, anxiety, fear, resentment – how powerful they can be, and how dangerous, too.

My motherland, my beautiful but bruised motherland, is not a democracy.

But one thing that gives me a little bit of hope is that she always finds a way to renew herself. Istanbul, too, will manage to lick her wounds, stand up, bounce back as she has done throughout the centuries. But will Turkey fully embrace pluralistic democracy, the rule of law, separation of powers, media freedom, academic independence, women's rights, LGBT rights, minority rights, or will we continue to repeat the same mistakes, each time with new fervor?

Will we, as a nation, be able to overcome this depressing and arbitrary autocracy that makes everyone deeply unhappy and insecure, including its own supporters and cronies? That is the thing about authoritarians. The more power they get, the more they need, and downward the entire system spirals.

Sometimes what we call "the future" can be eerily similar to "the past." Time does not move in a linear order, it draws circles. Listen to the sound of water under the mega city of Istanbul – moving, searching, longing, not yet sure which way to flow. All I know is that as I write this piece I am longing for democracy to arrive to my motherland.

**ELIF SHAFAK** is a novelist, public speaker and political scientist. She is the author of 15 books, 10 of which are novels, including "The Bastard of Istanbul" (Penguin, 2008), "The Forty Rules of Love" (Penguin, 2015) and most recently "Three Daughters of Eve" (Penguin, 2017).



GLOBAL POLICY LAB

**JOSEPH STIGLITZ**

is a Nobel-prize winning economist and a professor at Columbia University. He is the author of "The Euro: How a Common Currency Threatens the Future of Europe" (W.W. Norton, 2016).

**Italy is right to consider leaving the EU's common currency area**

What's the best way to leave the euro? That question is now back on the table after a Euroskeptic government took charge in Italy. Yes, key ministers have pledged to keep the country in the EU's common currency area. But those commitments should not be seen as immutable. They must be considered in the context of Italy's broader bargaining position: The new government wants to make it clear that it is not just a spoiler. It would prefer to stay within the eurozone, but it wants change.

Italy's new leaders are right that the eurozone is badly in need of reform. The euro has been flawed since its conception. For countries like Italy, it took away two key adjustment mechanisms: control over interest rates and exchange rates. And instead of putting anything in their place, it introduced tight strictures on debts and deficits — further impediments to economic recovery.

The result for the eurozone has

been slower growth, and especially for the weaker countries within it. The euro was supposed to usher in greater prosperity, which in turn would lead to renewed commitment to European integration. It has done just the opposite — increasing divisions within the EU, especially between creditor and debtor countries.

The resulting schisms have also made it harder to solve other problems, most notably the migration crisis, where European rules impose an unfair burden on the frontline countries receiving migrants, such as Greece and Italy. These also just so happen to be the debtor countries, already plagued with economic difficulties. No wonder there is a rebellion.

**GERMAN RESISTANCE**

What needs to be done is well known. The problem is Germany's reluctance to do it.

The eurozone has long recognized the need for a banking union. But Berlin has insisted on postponing the key reform — a common deposit insurance — that would reduce capital flight from weak countries: Capital flight was a key factor in explaining the depth of the downturn in the crisis

countries.

Germany's domestic economic policies aggravate the eurozone's problems. The key economic challenge faced by countries in a currency union is the inability to adjust misaligned exchange rates. In the eurozone, the burden of adjustment is currently imposed on the debtor countries, already suffering from low growth and incomes. If Germany had a more expansionary fiscal and wage policy, some of the pressure would be shifted off of these countries.

If Germany is unwilling to take the basic steps needed to improve the currency union, it should do the next best thing: Leave the eurozone. As George Soros famously put it, Germany should either lead or leave. With Germany (and possibly other Northern European countries) out of the currency union, the value of the euro would decline, and exports of Italy and other Southern European countries would increase. The major source of misalignment would be gone. At the same time, the increase in Germany's exchange rate would go a long way to curing one of the most destabilizing aspects of the global economy: Germany's trade imbalance.

**WHY LEAVE**

The trouble, of course, is that Germany obstinately refuses to take either of the two paths forward. That leaves citizens in countries like Greece and Italy with a choice they shouldn't have to make: between membership in the eurozone and economic prosperity.

A timid and inexperienced Greek government chose to stay in the currency union. The result was stagnation. By 2015 the country's GDP had plunged 25 percent from its pre-crisis level. Since then, it has barely budged.

Italy has the opportunity to make a different choice. In the absence of meaningful reforms, the benefits for Italy of leaving the euro are clear, straightforward and considerable.

A lower exchange rate will allow Italy to export more. Consumers will substitute Italian-made goods for imports. Tourists will find the country an even more attractive destination. All of this will stimulate demand and increase government revenues. Growth will increase, and Italy's high level of unemployment (11.2 percent, with 33.1 percent youth unemployment) will decrease.

There are, of course, many

# HOW TO EXIT THE EUROZONE

the fractious members of the currency union would never take such strong action, since that would confirm the fraying of the eurozone. Then Italy would have its cake and eat it too. It would remain part of the eurozone but would have accomplished a devaluation.

And if Italy lost the wager, the political onus of its leaving the eurozone would be more clearly on its “partners.” They would be the ones who took the final step.

Greece gave into being strangled by the European Central Bank. But it didn’t have to. Athens was already well into creating the infrastructure (an electronics payment mechanism under the new drachma) that would have eased a transition out of the eurozone.

Advances in technology over the past three years make creating electronic currency systems all the easier and more effective. Should Italy choose to use one, it wouldn’t even have to face the difficulties of printing new currency.

Italy could also blunt some of the pain of its departure if it were to coordinate its exit with other countries in a similar position.

The motley group of countries that now forms the eurozone is far from what economists call an optimal currency area. There is just too much diversity, too many differences, to make it work without better institutional arrangements of the kind that Germany has vetoed.

A southern eurozone would be far closer to an optimal currency area. And while it would be difficult to arrange a coordinated departure in a short period of time, if Italy successfully manages its way out of the euro, others will almost surely follow.

## COSTS AND BENEFITS

To be sure, one shouldn’t underestimate the costs of a large devaluation. Any large change in a key price in an economy is a significant perturbation.

The price of foreign exchange is, of course, pivotal in any open economy. It has knock-on effects on the prices of all goods and services. Some – perhaps many – firms will go bankrupt. Some – perhaps many – individuals will see their real incomes decline.

But it’s equally important not to underestimate the costs of Italy’s current malaise. If Italy’s economy had spent the 20 years since the euro’s creation growing at the rate of the eurozone as a whole, its GDP would be 18 percent higher.

The cost of persistent unemployment, especially among its youth, is enormous. Young people in their 20s and early 30s should be honing their skills in on-the-job training. Instead, they are sitting idle, many of them developing a resentment toward the elites and the institutions they blame for their predicament. The resulting lack of formation of human capital will also dampen productivity for years to come.

In an ideal world, Italy wouldn’t have to leave the eurozone. Europe could instead reform the currency union and provide better protection for those adversely affected by trade and migration.

But in the absence of a change of direction by the EU as a whole, Italy needs to remember that it has an alternative to economic stagnation and that there are ways of leaving the eurozone in which the benefits would likely exceed the costs.

If the new Italian government were to successfully navigate such an exit, Italy would be better off. And so would the rest of Europe.

The POLITICO Global Policy Lab is a collaborative journalism project seeking solutions to challenges faced by modern economies in an age of political disruption and technological transformation. We’re currently exploring the future of the eurozone.

other reasons for Italy’s malaise, and these will be at most only partially addressed by leaving the euro. Governments like those of U.S. President Donald Trump or former Italian Prime Minister Silvio Berlusconi – dominated by corrupt rent-seekers with no understanding of the true bases of sustainable long-term growth – do not provide the political leadership necessary for strong and sustainable growth.

At the same time, however, the slow and unequal growth that Italy has experienced as a result of the euro almost surely provides fertile ground for such populists.

There would be further political benefits too. A more prosperous Italy would be more likely to cooperate in other key areas in which Europe needs to work together: migration, a European defense force, sanctions against Russia, trade policy.

Trade or migration policies produce benefits for the entire country, but there are also losers – and the fiscal constraints imposed by the eurozone have made it all but impossible to provide those losers with adequate protections. An Italy outside the eurozone would be better positioned to share the benefits of its international policies, while

mitigating the pain associated with them.

## HOW TO DO IT

The challenge, of course, will be to find a way to leave the eurozone that minimizes the economic and political costs. A massive debt restructuring, carefully done, with special attention to the consequences for domestic financial institutions, will be essential. Without such a restructuring, the burden of euro denominated debt would soar, offsetting possibly a large part of the potential gains.

Such restructurings are a normal part of large devaluations. Sometimes it’s done quietly and obscurely – as when the U.S. went off the gold standard. Sometimes it’s done more openly, as in Iceland and Argentina, with debtors crying foul. But such debt restructurings should be viewed as an inherent risk of cross-border investing, one of the reasons that “foreign” bonds often yield a risk premium.

From an economic perspective, the easiest thing to do would be for Italian entities (governments, corporations and individuals) to simply redenominate debts from euros into new lira. But because of legal complexities within the EU,

and because of Italy’s international obligations, it may be preferable to enact a super-Chapter 11 bankruptcy law, providing expeditious recourse to debt restructuring to any entity for whom the new currency presents severe economic problems. Bankruptcy laws remain an area within the purview of each of the nation states of the EU.

Italy could even choose not to announce that it’s leaving the euro. It could simply issue script (say government bonds) that would have to be accepted as payment for any euro debt obligation. A decrease in the value of these bonds would be tantamount to a devaluation. This would at the same time restore the efficacy of Italy’s monetary policy: Changes in central bank policy would affect the value of the bonds.

## HUE AND CRY

Of course, there would be a hue and cry from other members of the eurozone. Introducing a parallel currency, even informally, would almost certainly violate the eurozone’s rules and certainly be against its spirit. But this way, Italy would leave it to the other members of the eurozone to decide to expel it.

Rome could take the chance that

The motley group of countries that now forms the eurozone is far from what economists call an optimal currency area.

IMAGE VIA ISTOCK





Even if Merkel wins the battle in Brussels, the war over her refugee policies is certain to rage on.

PHOTO OF ANGELA MERKEL BY FILIP SINGER/EPA

## GERMANY

CONTINUED FROM PAGE 1

outstanding leader faced with a very difficult set of challenges.”

While that view persists across much of the West, at home, questions about her leadership are growing louder by the day. More and more of her erstwhile allies are asking a question still considered sacrilegious among much of Germany’s establishment: Is she tearing Europe apart?

“Dear Angela Merkel, after 13 years as chancellor, the only thing Europe has left for you is animosity,” Malte Pieper, a correspondent of the normally staid German public broadcaster ARD said in a commentary this week. “All the meetings in recent months have illustrated this. Help to finally stop Europe from veering toward division instead of unity! Make room in the chancellery for a successor.”

The German leader has what could well be her last chance to prove her critics wrong at this week’s European Council summit in Brussels. She is under intense pressure to return home with a deal on refugees – one that would allow her Bavarian partners, the Christian Social Union (CSU), who face a tough election campaign, to claim victory in a protracted standoff over the potent question of asylum policy. The trick will be to win such a deal without further alienating the rest of Europe.

Trouble is, Merkel is relying on an argument that is losing its resonance. What’s really at stake, Merkel has suggested time and again, isn’t

Germany’s refugee policy, but the survival of the EU.

“Europe has to stay together,” she said this month in an attempt to deflect the attacks against her. “Especially in this situation, in which Europe is in a very fragile position, it’s very, very important to me that Germany doesn’t act unilaterally.”

With the pressure on Merkel rising, much of Germany’s political and media establishment has joined that chorus. “This isn’t a debate about the future of the chancellor, it’s about the future of Europe,” Handelsblatt Editor Sven Aftühpe wrote in an editorial this week. Sigmar Gabriel, the former leader of the Social Democrats and a longtime political rival of the chancellor’s, sounded a similar note. “I only hope that Angela Merkel remains chancellor,” said Gabriel, warning of the repercussions for Europe if she doesn’t.

Such comments betray an extraordinary fear among Berlin’s political elites: Germany’s democratic institutions are not strong enough to preserve Europe; only Merkel can.

With Germany’s elites behind her, Merkel is likely to prevail in her showdown with Bavaria. After all, no one, not even the Bavarians, want to be blamed for “destroying Europe.” And yet there’s mounting evidence that far from being Europe’s savior, it is Merkel who’s gradually, if unwittingly, destroying it.

“Angela Merkel maneuvered herself into this situation,” said Timo Lochocki, a fellow at the German Marshall Fund of the United States, a think tank. “Her actions in the eurozone and refugee crises irritated many European allies she now needs.

And the unsolved conflict within her own party over refugee matters alienated its conservative wing, foremost the CSU.”

In the two major challenges Merkel has faced as chancellor – the eurozone debt crisis and the refugee crisis – the German leader pursued policies that left Europe more divided.

Berlin’s insistence that Greece and other European countries with debt troubles impose tough austerity on their populations – whatever the long-term merits of such policies – exacerbated the economic divide within the eurozone, and deepened resentment of German economic might.

And not just in bailout countries like Greece. In Italy, the pressure placed on Rome by Brussels and the Frankfurt-based European Central Bank to reform its sluggish economy was widely blamed on Berlin. Even as Merkel took pains to portray Germany as Europe’s helping hand, many Europeans came to view it as a financial scold whose solidarity came at a heavy price.

If the eurocrisis cracked the Continent, the refugee crisis left a chasm.

This time around, Germany wasn’t offering to help, it was asking for it. And the answer from much of the rest of Europe was a clear “No.”

When Merkel agreed to take in thousands of refugees stranded in Hungary’s main train station in the summer of 2015, she viewed it both as a humanitarian act and a gesture of European solidarity. Her expectation was that other EU countries would “do their part” and accept some of the refugees.

When they refused, Merkel enlisted Brussels’ help to introduce quo-

tas that would force countries to accept refugees. That too failed. As the influx of refugees into Germany reached record levels, the rest of Europe became even more convinced that they wanted no part of Merkel’s humanitarian mission.

After having their own refugee problems ignored for years by Berlin, Spain and Italy felt little urge to come to Merkel’s rescue. In Eastern Europe, countries with little experience of migration or Islam, wondered why they should sacrifice their cultural homogeneity to help the German chancellor.

Instead of fostering European unity, the debate over the Merkel-sponsored refugee quotas helped fuel the resurgence of identity politics in countries like Hungary, Austria and Italy. During the U.K. referendum on EU membership in 2016, Brexit campaigners used Germany’s refugee crisis as an example of everything that had gone wrong in Europe.

Indeed, Merkel’s refugee policy alienated not just Germany’s European partners, but much of her own political alliance. As Germany struggled to cope with the influx, Merkel, who long enjoyed near universal appeal, became a polarizing figure at home too. The Euroskeptic Alternative for Germany party, which had nearly fizzled into oblivion just before the refugee crisis, sprang back to life with a hard, anti-immigrant message.

What puzzles many observers about Merkel’s reaction to Europe’s growing disunion is that her response has effectively been to sit on her hands.

In the throes of the eurocrisis, Merkel signaled that once the cri-



## EU SUMMIT

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sis had passed, she would embrace a much bolder vision of the eurozone, setting it on a path toward more political integration. Many in Europe believed such a push was necessary to reinvigorate the EU after years of economic turmoil and political division.

So, when Emmanuel Macron was elected French president on a decidedly pro-European platform, expectations ran high that under Merkel's leadership Germany would finally jump over its shadow, accept more risk and loosen its purse strings in the name of a united EU.

Instead, Merkel waited a year to engage Macron on European reform. What she offered in the end, as even her staunch supporters acknowledge, is a far cry from the great leap forward many had been hoping for – just a vague promise for a “fiscal capacity” for the eurozone of a few billion euros.

In other words, Merkel, worried about alienating her conservative base, blinked.

Meanwhile, with next year's European election fast approaching, the window of opportunity for bold action opened by Macron is quickly closing.

When it comes to refugees, Merkel is equally unlikely to deliver. She has all but acknowledged that the best she can probably hope for from this week's summit is that other countries will commit to help alleviate Germany's burden with narrow bilateral deals.

That may be enough to keep the Bavarians at bay. But even if Merkel wins the battle in Brussels, the war over her refugee policies is certain to rage on.

day offered a preview of the tough conversation awaiting the full 28 over dinner Thursday.

Hungarian Prime Minister Viktor Orbán will be able to officially declare victory: The top point on the leaders' agenda is tighter control of the EU's external borders. As for the next steps, first on the list is a plan to set up “regional disembarkation platforms outside Europe.” “Our objective should be to break the business model of the smugglers, as this is the most effective way to stop the flows and bring an end to the tragic loss of lives at sea,” European Council President Donald Tusk declared in his pre-summit letter to leaders.

Two crucial points: Mandatory quotas for relocating refugees across the EU are effectively off the table; and consensus on a new Dublin regulation on asylum rules seems out of reach. Expect leaders to focus on bilateral or trilateral deals for now, in an effort to manage migration within the EU while protecting the Schengen common travel area. Other steps include a new, dedicated financing line within the bloc's budget for combating illegal migration, as well as stepped-up cooperation with countries of origin and transit, including Libya.

### TRADE AND TRUMP

Despite a spell of sunny weather in Brussels, a dark thundercloud hangs over the Council's Europa building and it has a name: Donald J. Trump. The combative, combustible and entirely unpredictable U.S. president and the trade war he has initiated are of great concern to EU leaders. Tusk, in his letter, warned the 28 to be

prepared for “worst-case scenarios.”

Trump is threatening to further escalate the trade war by imposing tariffs on EU automobiles, on top of the levies on steel and aluminum that have already prompted EU retaliation. EU leaders are expected to declare their unanimous support for the Commission's response, which includes not just counter-tariffs but also a continued push to complete free trade agreements with other international partners as a sign of commitment to “international, rules-based trade.”

Commission President Jean-Claude Juncker will soon carry that unified message to Washington, where he has been invited to visit Trump at the White House, as first reported in POLITICO.

The Trump factor also explains the emphasis at the summit on an appearance by NATO Secretary-General Jens Stoltenberg and a plan for increased defense cooperation, including on “military mobility.” Leaders are deeply worried that Trump might put further strains on the alliance at next month's NATO leaders' summit in Brussels.

### EUROZONE REFORM

Leaders of countries in the common currency zone will hold a separate “euro summit” on Friday where they will begin adopting long-planned efforts to strengthen the EU's monetary and banking unions.

These include steps to strengthen the European Stability Mechanism (along with rebranding it with a new name) and providing the bloc more robust tools to absorb economic shocks, including a “backstop” mechanism for the so-called Single Resolution Fund, which is used to wind down failing banks.

Also on the table will be the joint declaration of French President Em-

manuel Macron and German Chancellor Angela Merkel after their meeting at Meseberg Castle last week, including a controversial proposal for so-called “fiscal capacity” – essentially an effort to improve anti-crisis capabilities by creating, for the first time, a budget for the eurozone. A number of nations oppose the concept, and the discussion about it will likely continue through the autumn.

### BUDGET

The EU's budget is usually a summit's highest priority and most controversial topic. Not this time. With so much else going on, leaders are expected to call for speedy work by national governments and the European Parliament on the Commission's proposed seven-year financial plan, the Multiannual Financial Framework (MFF). Few officials think it will be possible to complete the MFF before next year's European election, but Merkel and others see no reason not to try. The Council's draft conclusions call for everyone to get down to business “as soon as possible.”

### BREXIT

The bitter divorce talks with Britain are not much closer to a final resolution. Officials once predicted this summit would be a crucial marker. Instead, Brexit has fallen far down the agenda. There has been little to no progress on the main issues dividing the two sides, most notably on a backstop plan for the border between the Republic of Ireland and Northern Ireland. Leaders will urge negotiators to accelerate the pace of talks and reiterate their hope for the completion of a withdrawal treaty by October, leaving six months for the ratification process in the European and U.K. parliaments before the official withdrawal date of March 29, 2019.

There are many thorny issues on the agenda for EU leaders in Brussels this week.

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