

# THE AUDIT OF EUROPEAN COMMISSION STRATEGIC DECISIONS AND THE PROPOSAL OF THE CHANGE HYPOTHESIS

Josef F. Palán

Vysoká škola regionálního rozvoje a Bankovní institut – AMBIS  
Nárožní 2600/9, 158 00 Praha 5, Česká republika  
E-mail: josef.palan@ambis.cz

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## Abstract:

The author analyses the conceptual frame of the Strategy Europe 2020. He suggests complementing the fourth priority, which interconnects European development strategy with global reality. For the analysis of the European Union status quo is used the force field model. The immigration phenomena is considered by the author as a very probable stopper of the European Union shift to the desirable state of a dynamic stability, which can be characterized by the well integrated political, economical and cultural environment. In this context he recommends to focus the European commission strategic decision process together with its global partners to the elimination of immigration exodus causes i.e. to the quick stabilization of a political and economical environment of states which are the major source of the immigration in relation to their cultural environment and traditions. Further the author recommends immediately to secure external boarder protection of Shengen common area on the level, which will be comparable with United States and simultaneously clearly formulate the European immigration politics in the way to guarantee sustainable growth competitive European Union within the global context.

## **Introduction**

In the course of 2015 the European Union found itself in a difficult stage of its political, economic and cultural development. Such a development has been due to different external and internal factors. The Global Risks Report (WEF-Global Risks, 2016) issued regularly at the beginning of each calendar year by the World Economic Forum confirms the key role of geopolitical factors as related to the economic and cultural development of mankind.

“Globalisation generated permanently sustainable growth for generations. It made the world smaller and transformed it by interconnecting and strengthening the mutual dependence of national states and their economics. Nevertheless the benefits resulting from globalisation were not equally divided – it can be said that a minority reaped too much of its fruit. Although the growth of emerging champions contributes to balancing the economic strength between countries, it is evident that on the world scale the economic disparity increases“ (WEF-Global Risks, 2011). The conclusions above were even more true during the following five years. Devastating in economic and political terms was the so called ‘Arabic spring’, not to mention the civil war in Syria supported from outside without taking into account the “functional Syrian government and the real Arabic national state with its historical roots“ (Thatcher, 2002) and millions of refugees of whole families struggling along in refugee camps. This all

leads to the largest exodus in the history of the modern world. In 2011 Syria ranked 111 in The Global Competitiveness Report (WEF-Global Competitiveness Report, 2011). As a memento, we should remember the outlook for world democracy outlined by Dahl (1989: 239).

**In the Summary to the Strategy Europe 2020 the European Commission declares: “Europe can succeed only if it proceeds unanimously - as a Union.** We need a strategy that would help us to overcome a crisis strengthened and that would make European Union a smart and sustainable economics supporting integration and having a high level of employment, productivity and social solidarity. Europe 2020 outlines the vision of European social market economy for the 21st century.

**Strategy Europe 2020 presents three interconnected priorities:**

- Smart growth: develop economics based on knowledge and innovations.
- Sustainable growth: support more competitive and ecological source-efficient economics.
- Integration supporting growth: support of high employment economics based on social and regional solidarity“(EC-Europe 2020, 2010).

Summarising the above, we can say: “The Europe 2020 is the umbrella strategy of the EU aiming at enhancing of the economic growth of EU over the years 2010 – 2020. In this regard it takes into account a number of the economic growth factors listed by the contemporary theories of economic growth, such as the neo – classical economic growth theory (employment), new economic growth theory ( innovations, research and development) and partly in the theory of evolutionary economic growth (economic governance). Furthermore, Strategy Europe 2020 considers the sub-theory of sustainable economic growth (poverty reduction, climate change, renewable energy, and energy efficiency), as well as indirectly – the impact of fiscal indicators upon GDP growth” (Kedaitine et al., 2014).

A key component of Strategy Europe 2020 should also be its international trade and investment policy. “Pursuing of our goals by setting strategic priorities i.e. smart, sustainable growth and integration support growth create a strategic framework for formulation of our international trade and investment strategy and for our common international policy etc. Generally speaking, we implement and will carefully implement a differentiated approach relating to the economic level of our partners. In other words, we pay systematic attention to the consistency of our trade policy with development policies focused on elimination of need and poverty“(EC-Trade, Growth and World Affairs, 2010). Having in mind the importance of the statement in the EC document: Trade, growth and world affairs, we propose to extend the explicitly declared priorities of Strategy Europe 2020.

**Preliminary hypothesis: Proposal on supplementing Strategy Europe 2020 – fourth priority**

Goal: Explicit declaration of fulfilling the political and social dimension of the EU sustainable growth strategy relating to the world.

Action: Definition of the fourth priority: International politics on the basis of partnership respecting the specificities of national states, international trade and investment policy on the basis of reciprocity and mutual benefit.

Since the ‘Strategy Europe 2020’ has been launched in early 2010, its first analysis by the European Commission came on 5 March 2014 to see how its five major objectives have been accomplished on regional and member states level. “EC concludes about there has been a slow economic growth and a mixed progress in the Strategy objectives accomplishment in the 2010-2020 interval, e.g. the education, climate change and energy related objectives approach their full achievement have been nearly achieved, whereas the labour employment, research-development-innovations and poverty reduction ones differently perform. Besides, less satisfaction arises when good regional progress comes to be analysed at the national level, i.e. on the EU’s Member States level” (Andrei, 2015).

We can conclude, that “the Strategy Europe 2020 provides a useful economic road map for some member states. It demands, e.g. investment in research and development (R&D) in education and high-tech industries but promises considerable medium-term growth in return. Findings indicate an ‘innovation gap’ between Middle and Northern European member states and those in the South. Countries, that are able to invest and spend on product and process innovation will gain economic capabilities to generate growth, while those members that are currently unable to do so are threatened with falling behind even further. Structural funds of the EU should be used to replace shortcomings in domestic investment in R&D and help to develop tailored country-specific road maps for sustainable growth” (Ruser and Anheier, 2014).

## **Materials and methods**

The research is aimed to assess the process of strategic decision-making of European Commission and propose elimination of revealed problems, which could negatively influence successful development of European project. The basis for the audit is the strategic framework for decision-making of the European Commission created by Strategy 2020. Framework analysis of its architecture as related to the outside environment of EU follows. To be able to objectively assess the complexity, changeability and ambivalence of EU internal and external factors, the author used the field force model whose adapted version known as Implementation Forces Analysis was used within the framework of the strategic management process for diagnosis of driving forces and forces of resistance to change. The proposed field force model characterising the EU status quo was preceded by content and comparative analysis of relevant data based on selected publications, journals and electronic sources. A synthetic inspiration source was ‘The Global Risks Report 2016’(World Economic Forum, 2016).

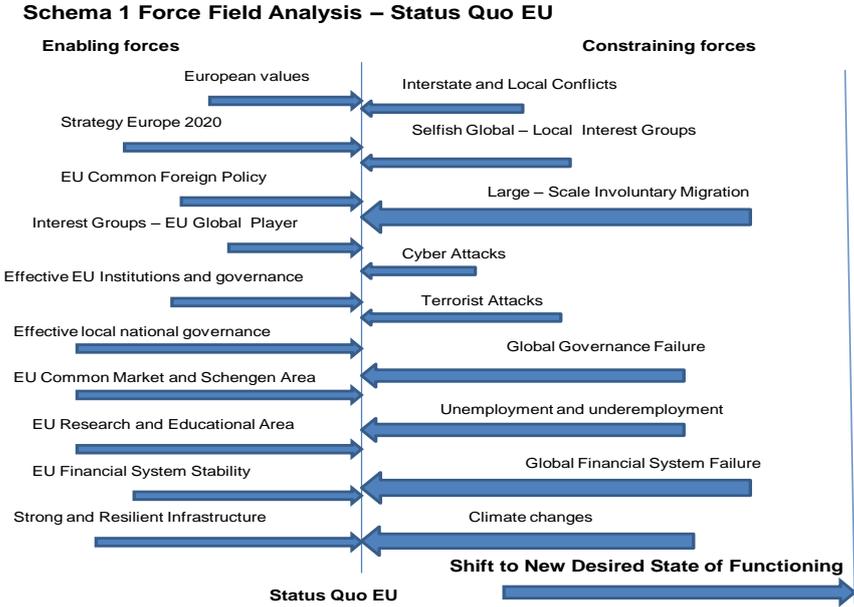
## **Results**

### **Audit of the European Commission decision-making process**

Let us analyse more closely the process of EC strategic decision-making, whose effectiveness substantially affects achievement of EU operational and strategic objectives including solution of crisis situations. First let us describe the role of EC: “European Commission defends the interests of EU in terms of international relations and is the ‘guard’ of agreements. The Commission also defends the unity of EU against individual interests of member states and fulfils the role of key moderator. Its impartiality and detached point of view should be stabilisation factors despite ideological differences of member states governments. **It can be seen as an executive body of EU with vast bureaucratic machine.** The strong political position of EC is supported by the fact that besides European civil

initiative it is the only institution holding the right of legislative initiative in economic and currency union (secondary law). It controls compliance with European legislative and in case of infringement initiates bringing the case to the European Court of Justice. The institutional changes resulting from Lisbon Agreement, namely the new capacity of European Union 'President' (European Commission chairman) did not substantially affect the central political role of the Commission. European Commission is supervised by European Parliament, which can recall the commission as a body“(Hodač et al., 2014). It should be noted that the decisive political strategy and priority objectives of European Commission should be clearly declared by European Council (European Council President). The Council outlines, by consensus of prime ministers of individual member states, operational and strategic aims of European Commission. The progress to achievement of the set aims should be supervised by the European Parliament, and also by the European Council President. Support for extension of management competences in favour of the European Council President was clearly declared by Fabrini (2015). The unbelievably slow handling of crises, e.g. involuntary large-scale immigration to Europe and the Ukrainian crisis on which some EU member states, Unites States and their allies participated in past years confirm this, and seriously harm the further positive development of the European project. The complexity and difficulty of strategic decision-making of European Commission, European Council, European Parliament and European Central Bank are represented by the force field model depicting the forces acting toward the further development of European integration including resistance forces. Their subsequent acting defines the dynamic balance of EU, see Figure 1.

**Figure 1: Force Field Analysis – Status Quo EU**



Source: own processing

Source: author

The audit of strategic decision-making of EC comes from the force field model, see 'Fig. 1 Force Field Analysis - Status Quo EU' supplemented with a rough estimate of the magnitude of acting driving forces and restraining forces based on the probability of their occurrence and rate of impact. The values are taken from The Global Risks Report (WEF, 2016). The set of

driving forces contains forces favourably affecting the political, economic and social stability of EU and contributing to its further development. The author includes the following forces: **European Values**, rooted in Antic, Jewish and Christian tradition of European thinking.

**Strategy Europe 2020** is creating the conceptual and system framework for medium and long-term strategic management of EU by the European Commission. The contemporary architecture of Strategy Europe 2020 does not integrate namely the common foreign policy, see Preliminary hypothesis, i.e. author's proposal to include it in the strategy.

**EU Common Foreign Policy** creating good to optimal conditions for supplying the European project with specific proactive activities for its development. It is the deficit of implementation of well formulated EU global strategy published 30 October 2015 that is currently the source of instability and uncertainty in the further heading of EU. Its effective implementation requires proactive and dynamic decision-making and implementation process on the level of EU bodies and member states.

**Interest Groups – EU Global player** especially the functioning of EC and its operational and legislative initiative are strongly influenced by professionally managed lobbyist groups. The need to strengthen the influence of interest groups focussing on increasing the significance of EU in solving current global international political topics (civil war in Syria, increasing political and safety instability of Libya, Arabic spring and its consequences etc.) is evident and in the interest of the European project continuation.

**Effective EU Institutions and Governance** are crucial for the viability and further political, economic and cultural development of EU. Namely the effectiveness and efficiency of their operation in the context of current global and local problems are largely discussed. The lengthy and hardly understandable way of dealing with the phenomenon of large-scale immigration in terms of its consequences and inefficient efforts to cope with its complexity and roots seriously endanger the further development of EU.

**Effective local national governances** are preconditions efficient functioning of national economics. Stable pluralist political systems of member states create a solid basis for a further development of European integration toward European federation, shifting the role of EU to global political and economic powers.

**EU Common Market and Schengen Area** represent one of the driving forces of European prosperity. Effective functioning of EU Common Market requires permanently optimal conditions. Essential is appropriate protection of the Schengen Area, at least on the level of protection of Great Britain or Unites States. Without such protection a reasonable immigration policy with appropriate level of solidarity can be formulated with difficulty.

**EU Research and Educational Area** is also among the driving forces of EU economic prosperity and helps to create conditions for economic approximation of EU regions and sustainable development of EU. Aims of Strategy Europe 2020 are being achieved in this area. Investment into education and research should become the chief priority of all EU member states, including support from EU structural funds.

**EU Financial System Stability** is an essential condition of EU economic growth. In regard to the global close interconnection of the financial sector, the sources of instability, real or psychological, represent the driving forces of undesirable failure of financial institutions. The

risks connected with the failure of the financial mechanism and institutions are still of importance in terms of occurrence probability and potential impact on global scale. In this respect, it should be stated that the functioning and regulation of the financial system are a high priority of EU.

**Strong and Resilient Infrastructure** is an essential condition of sustainable economic growth based on entrepreneur activities in the private and the public sector. Its continuing modernisation and suitable diversification can be significant driving forces of economic growth in a local and also global context. The development of infrastructure is massively supported mainly in new member states by investment from EU structural funds.

There is a set of restraining forces acting against the above mentioned set of driving forces of EU sustainable development, important for its political, economic and cultural development. Some of them can completely block successful development of EU. These forces are called potential blockers and are plotted with the strongest and longest lines. Successful implementation of the broader framework of Strategy Europe 2020 (see preliminary hypothesis) requires elimination of the restraining forces and maximal strengthening of the set of driving forces. In the following, the set of restraining forces will be discussed in detail.

**Interstate and Local conflicts**-the probability of occurrence and impacts of these risks is considerably high. It is sufficient to consider the local conflict in Ukraine and its economic and social impacts. A plain example is the civil war in Syria supported by six countries. Unforeseeable consequences of forced migration of Syrian population to Europe and migration from the neighbouring countries document the failure of global governance and cooperation with negative effects on EU and its allies.

**Selfish Global - Local Interest Group.** The growing strength of highly selfish professional interest groups forwarding their interests by lobbying and influencing political elites may have unforeseeable political, economic and social consequences, not only on local scale. We can speak about erosion of pluralist democratic systems. An example is the dying away financial crisis that brought about significant national debts and vast social impacts. Understanding and elimination of these forces within the scope of European Commission are of increasing importance in both theory and practice (Eising et al., 2015; Klüver et al. 2015). In formulating the title of this restraining force the author was also inspired by Handy's conclusions (Handy, 1997: 216).

**Large – Scale Involuntary Migration** is a very probable blocker of the next development stage of the European project in terms of occurrence probability and potential political and economic impacts on EU competitiveness. Millions of involuntary migrants from **Middle East** are prepared to enter Europe. This large-scale immigration posing the danger of infiltration of terrorist groups represents a real threat to the stability of pluralist democratic political systems in Europe, and implies unemployment growth, social polarisation resulting from increasing income disparity and nationalism including increase of risks connected with inner safety. Fast and efficient protection of the Schengen Area will not solve the problem. The only reasonable outcome is well handled short-term political and economic stabilisation of Syria, Iraq and consequently Libya under the auspices of UN supported by a coalition of USA, EU, Russia and China.

**Cyber Attacks** are a real threat for the control systems of developed economies on both local and global scale. In terms of occurrence probability and potential social impacts they are a significant risk i.e. serious social threat.

**Terrorist Attacks.** In terms of potential social impact they represent a high risk, and higher occurrence probability can be expected especially in connection with the large-scale involuntary immigration to EU and infiltration by terrorist groups.

**Failure of global governance** consisting in isolated activities of world powers, or institutions striving to maintain and strengthen global influence or even dominance, taking no account of allies, represent a significant hybrid risks based on Machiavelli's divide and rule, with no respect to fundamental civilisation values.

**Unemployment and underemployment** - not achieved strategic aims in employment related to implementation of Strategy Europe 2020 may become a blocker of the continuing political and economic integration of EU. There is a high probability of their occurrence and impact. Moreover, it can be strengthened by large-scale immigration.

**Global Financial System Failure** is not a negligible risk mainly because of its impacts. Let us be reminded of the fundamental economic axiom: *A permanently sustainable economic growth of national economies and global economy requires a stabilised and efficient global financial system.*

**Climate changes** besides the large-scale involuntary migration, climate changes may be another blocker of economic development of EU, mainly due to the failure of adaptation mechanisms and reduction of their effects. In a medium-term horizon we may see extreme climate changes, natural disasters, water and food shortage.

**Note.** The proposal of change hypotheses is implicitly incorporated in processed analytical summaries for individual forces of change.

## **Discussion**

The author's proposal for a completion of Strategy Europe 2020 with the fourth priority aims in the area of foreign affairs confirmed the initiative of Federica Mogherini, the High Representative of the Union for Foreign Affairs and Security Policy, who launched the priority "*A stronger global actor*" (Mogherini et al., 2015), which represents *de facto* EU *Global Strategy*. The EU needs a strong common foreign policy to:

- respond efficiently to global challenges, including the crises in its neighbourhood,
- project its values,
- contribute to peace and prosperity in the world.

Policy areas can include: *Foreign policy, European Neighbourhood Policy, International Cooperation and Development, Humanitarian Aid and Civil Protection, Trade Policy, Security and Defence and EU enlargement.* The European Common Security and Defence Policy aims to strengthen the EU's ability to prevent and manage crises through the development of civilian and military capabilities.

The future role of EU on the global level is aptly discussed by Russer and Anheier (2014). Let us quote: "What role will the EU play on the global stage? The struggle of some of its

members in the current economic crisis, its apparent inability to punch its political weight in international negotiations or play a dominant part in international crisis management ( the Arab Spring, Syria) cast no doubt on the capabilities of the EU as a global player. In order to regain its strength, the EU has to deal with pressing economic and political questions. It has to provide a credible and feasible road map for economic recovery and social cohesion. At the same time, it has to increase the effectiveness and efficiency of European governance without risking its legitimacy etc. Only the combination of a functioning and legitimate system of economic governance on the one hand and credible and feasible recovery on the other can convince member states to give 'Europe' sufficient autonomy that the EU can regain its authority and play a key role on the global stage". Their conclusions are also confirmed by results of force field analysis Status quo EU, see Figure1.

The multipolarity issue of the global governance system as a potential source of political and economic instability can be the driving force of hybrid risks, which gain importance in the European context. It is also the geo-strategic competition between leading political and power blocks that can become the source of local power conflicts for various 'noble' reasons including implicit fight for rare sources. To support our conclusions let us present Blagden's research results (Blagden, 2015). Let us quote "The international system is returning to multipolarity-a situation of multiple Great Powers-drawing the post-Cold War 'unipolar moment' of comprehensive US political, economic and military dominance to an end. The rise of new Great Powers, namely 'BRIC's-Brazil, Russia, India and most importantly, China-and the return of multipolarity at the global level in turn carry security implications for western Europe".

## Conclusion

The discussion above shows the complexity of the development of outer environment strengthened by its permanent variability and ambiguity. The environment and process of strategic decision-making of EU control bodies are therefore influenced by a set of key factors, which can significantly change in time in terms of occurrence probability and impact rate.

The ability to proactively identify and control the critical factors should be decisive in evaluation of the effectiveness and efficiency of EU control bodies. **The quality of the process of strategic decision-making is crucial for the success of the European project,** and is of key importance for permanently sustainable economic growth and quality of life in EU.

In conclusion, the author would like to express his agreement with the opinion that the "State-of- the -art of EU is not sustainable on long-term basis. There are basically two alternatives – heading to federation or return to more autonomous cooperation. The second alternative offers forms of two- or multi-speed EU with different participation of countries and different level of their autonomy"(Hodač et al., 2014).

However, of utmost importance for successful continuation of the European project and political and economic stability of whole Europe will be the ability of EU control system to deal efficiently with the causes of large-scale involuntary immigration, including the process of adaptation and integration of accepted immigrants in compliance with standards of international law.

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