

# The impact of the war in Ukraine

## Annual Report 2022







# About the CER

The Centre for European Reform is an award-winning, independent think-tank that seeks to achieve an open, outward-looking, influential and prosperous European Union, with close ties to its neighbours and allies. The CER's work in pursuit of those aims is guided by the same principles that have served us well since our foundation in 1998: sober, rigorous and realistic analysis, combined with constructive proposals for reform.

The CER's reputation as a trusted source of intelligence and timely analysis of European affairs is based on its two strongest assets: experienced and respected experts, plus an unparalleled level of contacts with senior figures in governments across Europe and in the EU's institutions. Since the UK's referendum on EU membership we have reinforced our networks in Europe by opening offices in Brussels in 2017 and Berlin in 2018. The diverse perspectives and specialisations of our researchers, half of whom are from EU-27 countries, enhance the quality and breadth of our work on European politics, economics and foreign policy.

The CER is pro-European but not uncritical. We regard European integration as largely beneficial but recognise that in many respects the Union underperforms, at home and beyond its borders. We look for ways to make it work better and then promote our ideas through publications, the media and various forms of direct engagement.

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THE CER, TOP ROW,  
LEFT TO RIGHT:  
*Camino Mortera-  
Martinez, Ian Bond,  
John Springford,  
Zach Meyers*  
SECOND ROW:  
*Helmi Pillai, Rosie Giorgi*  
THIRD ROW:  
*Luigi Scazzieri,  
Elisabetta Cornago,  
Charles Grant,  
Sophie Horsford,  
Sander Tordoir*  
BOTTOM ROW:  
*Kate Mullineux,  
Jordan Orsler,  
December 2022.*

The CER's audience ranges from European politicians, officials and business people to journalists and the wider public who want to know more about the EU and its activities. The CER believes it is in the long-term interest of the EU and the UK to have the closest economic and security relationship that is compatible with the political realities.

We follow closely the trials and tribulations of the eurozone and the European economies, as well as the EU's single market and its energy, climate, trade and technology policies. We also study the Union's foreign, defence and security policies – including relations with its neighbours, and with China, Russia and the US; its approach to refugees and migration; co-operation on law enforcement and counter-terrorism; the functioning of the EU's institutions; and the state of democracy in Europe. Since the British referendum, the CER has played an active part in developing viable and practicable proposals for the UK's future relationship with the EU.



# The war in Ukraine: Ten consequences

by Charles Grant

## 1) European unity has been impressive, but many tensions lurk beneath the surface

Throughout the year of the Ukraine war, the democracies of Europe have maintained an impressive degree of unity. But on February 24<sup>th</sup> 2022 this was far from certain: while some EU member-states had long seen Russia as an existential threat, many others, particularly in the south and west of the continent, did not. One might also have expected countries dependent on imports of Russian gas, such as Austria, Bulgaria, Germany, Italy and Hungary to be unwilling to take a tough line on Russia.

But EU governments reacted firmly when Russia invaded Ukraine and have in broad terms maintained their unity, despite some cavilling from the Hungarians. The 27 have imposed nine rounds of sanctions on Russia so far. On February 27<sup>th</sup> Germany's Chancellor, Olaf Scholz, described the invasion as a *Zeitenwende* – a historic turning point. He signalled a much harder line on Russia, the desire to end Germany's dependence on Moscow for energy and a new approach to defence – including (finally) meeting NATO's

target of spending 2 per cent of GDP on it. In so doing, he set the tone for an unexpectedly strong reaction from other European governments. It was remarkable that Italy, for so long a country with close ties to Russia, took a firm line, even when Giorgia Meloni, a right-wing populist, took over as prime minister in October. It was also far from certain that Spain, a country whose Atlanticism has often been soft, would take the tough approach to Russia that it has.

No EU member-state or mainstream European politician is calling for Ukraine to bargain land for peace with Russia. Yet there is some uncertainty about European unity in the long run, especially if high energy prices trigger a prolonged period of low or negative growth, and people think the war is making them poorer. Populist politicians – and perhaps some mainstream ones – could then oppose further aid for Ukraine and call for 'diplomacy', 'negotiation' or 'compromise'. Russia has so far done nothing to make things easier for those Europeans who would like to see a compromise: the Kremlin has not offered to withdraw troops from other occupied territories, if Russia is allowed, for example, to keep the

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ABOVE:  
Charles Grant



Donbas and Crimea. But we should not assume that President Vladimir Putin will always seek to discourage negotiation. If he came up with a 'reasonable' peace offer, he might be able to undermine European unity.

Underneath the EU's united front, two rival camps hold very different views on how to respond to the war. The Baltic countries and Poland are hard-liners, sometimes backed by the Nordic countries, Czechia and Romania. They think that one cannot negotiate with a regime as brutal as Putin's, that the only way forward is for Ukraine to liberate all its territory, and that the ultimate objective is regime change in Moscow. France, Germany and Italy, and many other member-states, think that at some point there will have to be a negotiation; that it may deal with territorial issues – though that will be a matter for Ukraine; and that the West should avoid punishing Russia, since the country is not going anywhere and governments will have to find a way of dealing with it in the long run.

*“If Vladimir Putin came up with a ‘reasonable’ peace offer, he might be able to undermine European unity.”*

This rift has been exacerbated by French President Emmanuel Macron's sometimes unguarded comments, such as when he has said in public that Russia should not be humiliated, or that it would need security guarantees; and by Germany's initial reluctance to impose sanctions and its painful slowness to supply weapons to Ukraine. Some figures in Poland's ruling Law and Justice party have been vehemently critical of the French and the Germans.

Adding to these tensions are old arguments about EU enlargement. France has long been among the most cautious on the extension of the EU's frontiers into the Balkans or Eastern Europe. Poland and the Baltics have been among the most favourable. Yet France and Germany – and other countries that believe in further integration among existing member-states – have always said that the precondition for enlargement must be institutional reform. And that means changing the treaties, for example to extend qualified majority voting into new areas like tax and foreign policy. However, it is the Central and East European countries, many of whom favour enlargement, that are most reluctant to embark on another round of treaty change or give up national vetoes.

The arguments over the rule of law, between Poland and Hungary on the one hand, and much of the rest of the EU on the other, have also contributed to tensions between Western Europe and some parts of Eastern Europe. In 2022 the EU's institutions and many member-states became increasingly fed up with Poland's and Hungary's reluctance to respect the rule of law in areas such as the independence of the judiciary and the misuse of EU funds. The Commission, backed by most member-states, brandished a new weapon in this dispute, the withholding of money from the Recovery and Resilience Facility (RRF) and from structural funds.

Poland and Hungary have supported each other over the rule of law in their arguments with Brussels. But the war strained their relations considerably, given that Poland was one of the uber-hawks and Hungary – far more than any other member-state – was reluctant to sanction Russia. Viktor Orbán, Hungary's prime minister, sought to enhance his leverage on the EU by holding up several rounds of sanctions against Russia. At the end of the year he temporarily blocked financial assistance for Ukraine and the replenishment of the European Peace Facility (EPF), much of whose seven-year budget had already been spent on financing arms for Kyiv. But the EU's threat to withhold funds seemed to make an impact and by year-end Hungary was removing vetoes and appearing to introduce the reforms requested by the EU.

Even among the older member-states, serious differences emerged in 2022. France and Germany did not disagree much on Ukraine, but they did not agree on a host of other important issues – including a putative cap on gas prices, defence procurement, fiscal rules, how to respond to US President Joe Biden's Inflation Reduction Act and China. It did not help that the personalities of Macron and Scholz are like chalk and cheese: the former excitable, loquacious and hyper-active, the latter dour, stolid and sober. But a more important source of tension was the worry in France that, because of the war, the EU's centre of gravity was shifting eastwards and northwards, towards the Nordics, Balts and Poles, who tend to mistrust the French and align with the US, particularly on security issues.

In his first year in office Scholz appeared to be a relatively weak German chancellor, beset with the difficulties of running a three-party coalition and not easily able to articulate a vision for Germany's role in Europe and the world. This contributed to Macron's pre-eminence among European leaders.

## 2) The war has strengthened the European Commission

With France and Germany seldom working together as a united bloc, Poland largely isolated because of the rule of law problem, Spain seemingly unwilling to become a big hitter in EU politics and Italy also – at least after Mario Draghi stepped down as prime minister – underperforming, the EU has suffered from something of a leadership vacuum.

All that helps to explain why the European Commission has grown more powerful during the war. Since she took over as president in the autumn of 2019, Ursula von der Leyen has proved to be a tough and decisive leader. She is not uncontroversial: her centralising style, which often involves her advisers rather than her fellow commissioners taking key decisions, alienates many people in Brussels. But she and her cabinet have focused on the essential issues, and by and large succeeded in handling them well. She has good political instincts that have helped her to take initiatives and set the agenda, often at the right moment. The Commission handled Covid fairly well: the delivery of vaccines was slower than in the US and the UK, but joint procurement meant that poorer member-states did not have to compete with richer ones for vaccine supplies.

In the first year of the Ukraine war von der Leyen made no significant mistakes. She immediately responded to Russia's invasion by backing a firm line in support of Ukraine, and pushed through the first five rounds of sanctions with great speed, sometimes cutting bureaucratic corners. She understood before many member-states did that Ukraine would have to be made a candidate for EU membership. She led from the front on that issue, annoying several governments, but Ukraine (and Moldova) did receive candidate status in June. The EU's response to the war's impact on energy prices has been slower and more hesitant, but that is hardly the Commission's fault, given the huge divisions and competing interests among the member-states (see below). Overall, the Commission has exploited the war to enhance its authority.

## 3) Transatlantic unity is holding well, for now

The Europeans and Americans have worked together constructively on Ukraine. That is a pleasant change compared with the Trump years, when the US president was disdainful of most Europeans, and even with the start of Joe Biden's presidency, when the US pulled out of Afghanistan in a hurry, without consulting its allies.

The Americans would have liked the Europeans to give more help to Ukraine, more speedily, than they have done, but overall have been impressed by the European performance – and in particular by the strength of the sanctions the EU has imposed on Russia. There has been a lot of consultation between Washington DC, Brussels and the major European capitals, much of it handled by von der Leyen and her cabinet, who are well-connected in Washington.

In the autumn, tensions built up over industrial policy. Biden's Inflation Reduction Act promised subsidies for manufacturers and consumers of green technologies in the US, but the subsidies would not apply to imports from Europe. Europeans feared that the subsidies, combined with Europe's high energy prices, would suck significant amounts of investment out of Europe and into North America. By the end of the year they were preparing a response involving subsidies of their own – but neither side allowed these arguments to affect co-operation on Ukraine.

This transatlantic comity faces two potential challenges. First, one wing of the Republican party leans to isolationism and is unenthusiastic about aiding Ukraine. Such views are held by a minority of the Republicans in Congress, but seem to be advancing. The mid-term elections in November left a clear majority in both houses for supporting Ukraine. However, though most Senate Republicans back Ukraine, many Republican voters and a growing number of House Republicans are sceptical about spending more taxpayer money on the country; a vocal minority are actively hostile to Kyiv. Funding for most of 2023 is assured, but there may be a tough fight to extend it much further. If Donald Trump or someone with similar views moved into the White House in 2025, the US's backing for Ukraine would falter. Ron DeSantis, the governor of Florida who has emerged as a front-runner to be the next Republican presidential candidate, and agrees with Trump on many issues, has said very little about Ukraine.

The second caveat is that the longer the war continues, the more the arguments over burden-sharing are likely to deepen. Americans like to remind Europeans that they have delivered much more military aid to Ukraine. They also point out that the €9 billion of EU budgetary support for Ukraine that was promised in 2022 was not delivered in its entirety. Europeans respond that they have taken the biggest economic hit, in terms of lost trade with Russia and in particular because of their dependence on Russian gas leading to a huge hike in energy

prices. They have also taken in about five million refugees from Ukraine. And they have approved €18 billion of budgetary support for 2023. The real crunch will come when it is time to reconstruct the Ukrainian economy, post-war. Estimates of the cost are in the region of half a trillion euros. The US assumes that the Europeans will pick up the biggest share of this.

#### 4) European defence has made progress

The war has led to both NATO and the EU's embryonic defence structures getting more attention and investment. NATO has grabbed the headlines: more than at any time since the end of the Cold War, it is seen as an essential organisation that binds the US to defend Europe against acute threats such as Russia. The US has sent 20,000 more troops to Europe, in particular to the Baltic states, Poland, Slovakia, Romania and Bulgaria. Finland and Sweden reacted to the invasion of Ukraine by applying for NATO membership – though the tardiness of Hungary and Turkey in ratifying their accession has been bad for NATO's image.

*“The individual European countries are spending more on defence. Since the war began, EU governments have announced about €200 billion of defence budget increases.”*

Technically, however, NATO has stayed out of the war. Wary of giving Russia an excuse to escalate, NATO forces have played no role in the fighting. Even the 'Ramstein process', through which the allies have generated supplies of military equipment for Ukraine, has had nothing to do with NATO.

Meanwhile, out of the spotlight, the EU has been quietly building up its role as a defence organisation. The European Peace Facility – with a budget worth €5.7 billion over seven years – has been largely spent on the provision of arms for Ukraine. This fund is also paying for the training of 30,000 Ukrainian soldiers in EU member-states in the winter of 2022-23. The fund is likely to be doubled in size. The EU is also moving ahead with plans for a 5,000-strong 'rapid deployment capacity', as well as the collective procurement of defence equipment. Its €8 billion European Defence Fund is helping to support co-operative European defence research. The EU is also focusing on military mobility: it has a project to reduce the obstacles – both regulatory and poor infrastructure – to the movement of troops and equipment across Europe.

Most important of all, the individual European countries are spending more on defence. Since the war began, EU governments have announced about €200 billion of defence budget increases, half of which is accounted for by the special fund that Germany set up to raise the standards of its armed forces. Much of the rivalry that had beset EU-NATO relations has dissipated: more people now see the two organisations as complementary.

#### 5) Russia will gradually weaken

The reason why many Western pundits failed to predict the invasion of Ukraine is that they foresaw – correctly – that such an action would inevitably inflict real harm on Russia, in the long run. It is true that the rouble has maintained its value, thanks to exchange controls and the rise in energy prices boosting Russia's foreign exchange earnings. Countries like China, India and Turkey stepped in to buy much of the oil that used to be sold to the West. Russia's GDP only fell by 4 or 5 percentage points in 2022.

But the long-term prospects for the Russian economy are bleak. Oil exports can be redirected away from Europe – if Russia can find enough ships to carry the oil – but that is much harder to do for gas; most of the gas pipelines coming out of Russia end in Europe. Russia has lost major energy markets for good. It is also suffering from US and EU bans on high-tech exports, including microchips and equipment for the oil and gas industries. Chip shortages are hurting Russia's armaments industries. There is only so much that smuggling and import substitution – both of which raise costs – can do. Perhaps a million young Russians have left the country, some of them to avoid military service, and many of them from key industries such as IT. The real damage to the Russian economy is seen in the figures for imports, which fell by 20-25 per cent in 2022; it will become more obvious over time as Russia lags further behind neighbouring countries, including China.

These economic problems have not yet undermined the strength of Putin's regime. There is little sign of popular discontent and anyone who challenges the authorities is liable to be arrested or killed. It is clear that many sections of Russian society, especially older people, support Putin and his war. But in the long term, it cannot be good for the regime that real incomes are about 10 per cent lower than they were in 2014, that stories of huge numbers of conscripts dying in Ukraine are circulating and that many people are aware that the war has not gone according to plan.



Russia has become much more dependent on China, politically and economically. Few significant powers view Russia as a friend, so the Chinese connection is crucial for Moscow. Putin is the supplicant and therefore has to accept the relationship on China's terms. Thus when Chancellor Scholz met Chinese President Xi Jinping in Beijing in November, they both said that nuclear weapons should not be used or threatened. Subsequently Putin and his top generals stopped their talk of using tactical nuclear weapons, at least for the remainder of the year. It suits China to have Russia as an ally on the UN Security Council and in other diplomatic forums such as the UN Human Rights Council and the Shanghai Co-operation Organisation. But Xi is probably irritated that the quick victory promised by Putin never materialised. He has been careful to ensure that China neither supplies arms to Russia nor helps it to evade Western sanctions to a significant degree.

#### **6) China's relations with the West have become more strained**

Ever since Xi Jinping became leader of China, ten years ago, its increasingly assertive foreign policy has contributed to a worsening of relations with the West. So has China's mistreatment of people in Hong Kong and Xinjiang. The war in Ukraine has reinforced this trend. Despite China's cautious approach to aiding Russia over Ukraine, its diplomatic support has been considerable. On Taiwan, China has become more aggressive, responding to the visit by US Speaker Nancy Pelosi with multiple intrusions of its ships and aircraft into the island's seas and airspace.

Like earlier US efforts to deter Europeans from buying Chinese 5G equipment, the US's recent restrictions on high-end chip exports to China, designed to impair its military capabilities, will do nothing to improve Sino-American relations. Many Western businesses are assuming that economic decoupling will not extend much beyond high tech; thus BASF, the German chemicals giant, has cut back on investments in Europe to expand them in China. Other major global companies, like Apple, have shifted some production to Vietnam and India but remain big investors in China.

By the end of 2022 China appeared to be facing significant economic and even political difficulties. Its tough zero-Covid restrictions hit GDP growth – the official figure for 2022 is 3 per cent but the true level may be lower – and led to demonstrations across the country. Those protests, plus a surge of Covid infections,

triggered the abrupt relaxation of the zero-Covid policy at the end of the year. That may be good for growth in the long term but in the short term caused many deaths.

It is at least possible that, given the many domestic difficulties they face, Chinese leaders may try to avoid open confrontation with the West. As 2022 gave way to 2023, their tone seemed a little softer. The leadership may also draw lessons from the Ukraine war vis-à-vis Taiwan: mounting an invasion could prove militarily difficult, especially in the face of a relatively united West.

There are constant tensions across the Atlantic on how to handle China. The Biden administration has made a big effort to consult Europeans on China policy, and both have reacted to recent Chinese actions by hardening their positions. But their starting points and interests are not the same. Europe depends more on trade with China than the US does, and is less worried than the US about Chinese power per se. Its main concern is Chinese behaviour – and if China respected human rights more and stole less intellectual property, many Europeans would welcome closer ties with China.

But the more that China seems willing to join Russia, Iran and other autocracies in an anti-Western geopolitical bloc, the harder it will be for Europe to resist lining up alongside the US in a new Cold War.

#### **7) Much of the 'global south' disagrees with the West on the Ukraine war**

Even before the war, food prices were rising, because of droughts and a dearth of fertiliser (partly caused by Western sanctions on Belarusian potash exports). But the war has led to real food shortages, by preventing Ukrainian exports of grain and plant oil, and by disrupting the gas supplies from which fertilisers are made. The June deal between Moscow and Kyiv that Turkey brokered, after which Russia permitted some exports of Ukrainian grain, led to cereal prices falling, though they still stayed above normal levels.

Much of the global south – the poorer and middle-income countries of Asia, Africa and Latin America – has been critical of the West's line on Ukraine. Many governments – wrongly – blame Western sanctions on Russia for the shortages of grain and fertiliser, and for the rocketing energy prices that have caused hardship across the world. Though food and fertiliser exports are exempt from the sanctions

on Russia, it is true that the EU, which can afford to pay, has siphoned up surplus liquefied natural gas. That means that a country like Pakistan can no longer afford to buy gas and has therefore had to boost its use of coal. There is also hostility to the way the US weaponises the dollar's centrality to the global financial system: having frozen many of Russia's overseas assets and blocked most dollar-denominated bank transactions with the country, it could choose to punish other countries in a similar way. OPEC has not shown much sympathy for the West: when Biden and European leaders urged it to raise oil production to put downward pressure on prices, they were ignored.

*“Many other French-inspired measures are in the pipeline. With the British having left the field, there is not much resistance to the embrace of industrial policy at EU level.”*

When the UN General Assembly voted on whether to approve Russia's annexation of four provinces of Ukraine, in October, 143 out of 193 countries opposed the annexation. But the abstainers included not only China but also important countries like India, Kazakhstan, South Africa, Thailand and Vietnam. Others like Brazil, Indonesia and Mexico voted against the annexations but nevertheless reject the Western narrative of what is happening in Ukraine. Many developing countries have complained about the West's obsession with Ukraine and its double standards on the use of force: why does the West always call for ceasefire when wars flare up – except in the case of Ukraine? And who bombed or invaded Serbia, Iraq and Afghanistan? By end of year there were few signs that Europeans and Americans were winning the battle of narratives.

#### **8) The war has boosted the case for European economic autonomy and more secure supply chains**

For several years politicians in Europe and other advanced economies have been increasingly focused on the security of supply chains. Covid showed the dangers of becoming dependent on a small number of suppliers for important products like vaccines or protective equipment. The war reinforced such worries, by highlighting the risks of dependency on Russia for energy. Now European governments fret that China could cut off supplies of rare earths – for many of which it has a near-monopoly of processing. Green lobbies also point to the environmental costs of transporting goods in long supply chains.

Globalisation is not ending: trade in goods and services grew by 4 per cent in 2022. That is a decline from the 10 per cent achieved in the previous year, though 2021 was the year of post-Covid reopening. More significant are the long-term trends: trade has grown more slowly since the global financial crisis of 2008-10 than during the 30 years that preceded it.

Politicians in Europe, the US and elsewhere emphasise the need for shorter and more secure supply chains. Janet Yellen, the US Treasury secretary, has spoken of the need for 'friend-shoring', meaning that one should move production to friendly countries.

European governments have become increasingly sympathetic to French thinking on 'strategic autonomy', the idea that the EU should be the master of its own destiny in critical technologies. Hence the EU's current emphasis on Important Projects of Common European Interest – which has led to the suspension of state aid rules in areas like batteries, microchips and hydrogen. The new Single Market Emergency Instrument would allow the Commission to intervene in supply chains during a crisis, for example by banning exports. A forthcoming Critical Raw Materials Act aims to improve European access to the materials – including rare earths – which are essential for the digital and green transitions. And many other French-inspired measures are in the pipeline. With the British having left the field, there is not much resistance to the embrace of industrial policy at EU level.

#### **9) The war has led to some Europeanisation of energy policy, and will boost the EU's plans for decarbonisation**

The war sparked off a huge rise in energy prices, as well as fears of gas shortages, so unsurprisingly the Commission stepped in to give the EU a bigger role in energy policy. This proved extremely difficult, because the national interests of the 27 vary enormously – for example some depend on Russian gas and some do not, and some have invested in nuclear power while others oppose it. Furthermore, most of the relevant powers over energy policy rest with the member-states.

The Commission nonetheless increased the co-ordination of national energy policies, in a number of ways. In the course of 2022, the EU decided to phase out two thirds of Russian gas imports, and all sea-borne oil imports, by the end of 2023; to introduce new rules on the mandatory refilling of gas storage facilities; to

impose an EU-wide cap on the revenues of non-gas electricity generators (such as nuclear or renewables companies); to adopt new rules for cutting red tape for investment in renewables; to cap the price of gas if it reaches certain levels (though how that will work in practice remains to be seen); to take the first steps towards the common purchasing of gas; and to hatch a plan that should ultimately decouple the price of electricity from the price of gas.

The short-term impact of the war on Europe's efforts to decarbonise energy markets was harmful. Facing shortages of gas, several member-states, including Germany, burned more coal. With consumers in many countries suffering from high energy prices, governments implemented generous support measures, from cuts in energy taxes to transfers to households and businesses.

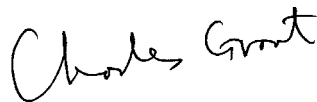
In the long run, however, the war will accelerate Europe's efforts to curb carbon emissions. Everyone can see the benefits of having home-based wind, solar or hydro power, compared with dependency on imported hydrocarbons. Rather belatedly, European governments have been making moves to persuade consumers to cut consumption of energy. The EU gave a lead in September by adopting a target for reducing gas consumption by 20 per cent by 2023, compared with 2016-21 levels, and the member-states have broadly complied. Much of the Fit for 55 package – a set of measures designed to cut the EU's greenhouse gas emissions by 55 per cent, by 2030 – was passed at the end of the year, including a reform of the Emissions Trading System so that it will cover road transport and heating.

#### **10) The war has created the conditions in which the UK and the EU could engineer a *rapprochement***

More than six years of Brexit negotiations have spawned much ill-feeling between the UK and the EU – with the EU side keen to demonstrate that Brexit must have visible downsides, and the

UK constantly threatening to renege on parts of the Brexit deal that it recently negotiated. The war, however, reminded policy-makers in London and continental capitals that their fundamental interests were to a large degree aligned. The UK worked closely with the EU and the US to co-ordinate sanctions packages on Russia. And the UK's generous military support for Ukraine impressed, in particular, the Central European member-states most committed to Ukraine, as well as the Baltic and Nordic countries. Several of the latter were already linked to the UK via the Joint Expeditionary Force – a pool of high-readiness forces for use in crises – which it leads (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Netherlands, Norway and Sweden are members).

The mood between London and the major EU capitals certainly improved. It helped that in October the sober and serious Rishi Sunak became prime minister – EU governments had tired of the strange antics of the governments led by Boris Johnson and Liz Truss. But at year-end the Northern Ireland protocol remained a huge obstacle to any genuine improvement in UK-EU relations. The UK persisted in saying that the protocol – which prescribes checks on goods travelling from Great Britain to Northern Ireland – needed radical surgery, because of the problems it created for businesses in Northern Ireland, and because it threatened the unionist community's British identity. The EU insisted that the protocol had to stay, since the only way to remove the need for checks on the border between Northern Ireland and the republic was to control goods crossing the Irish Sea (see next article). But by the end of the year there was a strong political will in London and Brussels – and Dublin – to reach a deal on the protocol.



**Charles Grant**  
Director, CER

# The CER in 2022

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Fashions change, in think-tanks as in clothing. When the CER opened its first office, in London in January 1998, our focus on the benefits of European integration made us *à la mode*. In recent years the increasingly anti-EU attitudes of successive Conservative governments meant that the CER became less fashionable in the UK. But in Rishi Sunak the UK now has a prime minister who avoids the tub-thumping europhobic rhetoric of his immediate predecessors. It is very plausible to imagine that in a few years time the UK will be led by Labour's Keir Starmer, who would certainly seek a constructive UK relationship with the EU. So, as we celebrate our 25<sup>th</sup> birthday in 2023, we shall look forward to being in vogue again.

Leaving aside the vexed questions of UK-EU relations, most of the CER's output – today, as 25 years ago – concerns the EU itself. Russia's invasion of Ukraine, and its consequences for security, energy markets and economies, made 2022 a particularly busy year for the CER. We produced 75 publications and 20 podcasts, while organising 39 events. The latter included pre-Covid-style in-person dinners, breakfasts and conferences, as well as hybrid roundtables and webinars.

The CER's research team lost Christian Odendahl, our chief economist, from our Berlin office, when he joined *The Economist* in March. He was replaced in Berlin by Sander Tordoir, who arrived from the European Central Bank (ECB) in October. We bade farewell to Sophia Besch, our defence

analyst, who went from Berlin to the Carnegie Endowment in Washington in September. In London in October we welcomed Helmi Pillai as the 2022-23 Clara Marina O'Donnell fellow, while in December we lost Rosie Giorgi, a key member of the admin team, to Brentford Football Club.

On the CER's advisory board, two longstanding members retired: energy expert Iain Conn, and former *Financial Times* editor Richard Lambert. New recruits were a more recent *FT* editor, Lionel Barber, former Spanish foreign minister Arancha González Laya and former Estonian president Kersti Kaljulaid. We were also delighted that former board member Heather Grabbe was able to rejoin, having had to stand down while she was running the Open Society European Policy Institute.

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## Foreign and security policy: European security and Russia's war against Ukraine

Russia's assault on Ukraine dominated the CER's work on foreign and defence policy in 2022. When the year began, many (including the leaders of France, Germany and Ukraine itself) doubted that Vladimir Putin would attack, despite his bellicose rhetoric and the build-up of Russian forces on the border. But in a CER webinar in late January, Ian Bond correctly predicted that Putin would try to take control of Ukraine. Also in January, Ian joined Chatham House's Duncan Allan in writing a [CER bulletin article](#) and a [Chatham House paper](#) that urged the UK to respond to Russia's menacing activity around Ukraine by building up resilience at home, shifting more defence resources to the

Euro-Atlantic area and countering damaging Russian activity outside Europe.

The Daimler Forum, organised by the CER, Stiftung Wissenschaft und Politik (SWP) and the Brookings Institution, was held online in early February and in-person in Washington in October, and continued to be a unique gathering of policy-makers and thinkers on the two sides of the Atlantic. The February meeting was held shortly before the invasion. American officials included deputy secretary of state Wendy Sherman, US ambassador to NATO Julianne Smith and the National Security Council's Eric Green. European participants included the





political directors of the French and German foreign ministries, Tjorven Bellmann and Philippe Errera respectively, as well as the EU ambassador to Russia, Markus Ederer.

At that stage, there remained a significant gap between the expectations of most Western Europeans and those of the Americans. A senior US official warned that Putin had his forces in position to attack if he chose to. The US focus was on deterring Russia and reassuring and uniting NATO allies. A senior European official, however, thought that in the end Putin would confine himself to deniable activities that would divide Western opinion, because of the potentially high costs to Russia of an all-out attack on Ukraine. The threat to Ukraine from Russian troops on its border was, the official said, designed to get the US to negotiate on Russia's concerns about European security, and did not presage an invasion. Other Europeans, while stressing the need to deter Putin and stand by principles such as territorial integrity, were also keen to offer him some kind of 'off-ramp'.

Three weeks after the war began we hosted a seminar with General Sir Richard Shirreff, the former Deputy Supreme Allied Commander of NATO, Iuliia Osmolovska, a leading Ukrainian security analyst (who travelled from Kyiv for the event) and historian Timothy Garton-Ash. Richard analysed the failings of Russia's military campaign, already evident at that early stage, while Iuliia left no doubt that the Ukrainian people would continue to fight, whatever the difficulties. Timothy reminded us that Putin had been questioning Ukraine's sovereignty since

the mid-1990s when he was deputy mayor of St Petersburg – but most Western leaders had not taken him seriously.

In March our researchers produced a plethora of publications on aspects of the war, including an [insight](#) that covered the scope for compromise with Putin, German defence spending, Ukrainian refugees and EU neighbourhood policy; a [policy brief](#) on how the EU should develop a coherent strategy for sanctioning Russia; an [insight](#) of the impact of the war on ordinary European citizens, and the challenge that this would pose to Western cohesion; and an [insight](#) on the obstacles that Russia would face in trying to reduce its use of Western currencies.

In April, we discussed the impact of the war on Ukraine's economy with a panel including Maxim Timchenko, CEO of Ukraine's largest private energy company, DTEK – even then dealing with the consequences of Russian attacks on the country's energy facilities. Ian then chaired an online discussion with John Lough of Chatham House, Katja Yafimava of the Oxford Institute for Energy Studies and Elisabetta Cornago on the potential impact on the EU and Russia of the latter cutting off oil and gas supplies to Europe.

In July an [insight](#) by Ian made the case for the West to do more to help Ukraine win the war and thrive once peace was re-established. In August, a [bulletin article](#) by Camino Mortera-Martinez and Zach Meyers looked at the scope for using sanctioned Russian assets to rebuild Ukraine, concluding that it would not be easy.

ABOVE (L TO R):  
General  
Sir Richard  
Shirreff, Iuliia  
Osmolovska  
and Charles  
Grant

*Discussion on  
'The war in  
Ukraine:  
Strategic,  
military and  
historical  
perspectives',  
London*



As the year went on, our focus shifted to the longer-term impact of the invasion on European security. In a [policy brief](#) published in August, Ian and Luigi argued that the conflict had re-invigorated NATO, which would have to do much more to deter Russia. The EU would also have to play a bigger role by providing financial and military support to Ukraine and other partners, ensuring energy security, fostering the development of military capabilities and tackling non-traditional threats like cyberattacks. Closer co-operation between the EU and NATO would remain difficult but was more necessary than ever.

*“Western unity had lasted so far, but it could be challenging for the West to continue giving Ukraine as much support as it needed.”*

In October, Russia was on the agenda of our annual Bodrum roundtable with the Turkish think-tank EDAM, which met in-person for the first time since 2019. Speakers included former Swedish prime minister Carl Bildt, NATO assistant secretary general Baiba Braže, the European External Action Service’s Angelina Eichhorst, US ambassador Jeff Flake, Carnegie’s Alexander Gabuev, the German Parliament’s Alexander Graf Lambsdorff, the *FT*’s Gideon Rachman and IAI’s Nathalie Tocci – as well as Turkish politicians Volkan Bozkır, Ünal Çeviköz and Bilge Yilmaz. Odile Renaud-Basso, president of the European Bank for Reconstruction and Development, provided the keynote address.

Participants warned that, despite the poor performance of the Russian army, Putin showed no sign of wanting to end his assault on Ukraine.

Western unity had lasted so far, but it could be challenging for the West to continue giving Ukraine as much support as it needed. Some participants were concerned about the risk of nuclear escalation, arguing that Putin might be tempted to use nuclear weapons if faced with a humiliating defeat.

The revitalisation of NATO in the wake of the war was apparent in the decisions of Finland and Sweden in May to seek membership of the alliance. Helmi Pillai examined the change in Finland’s relationship with Russia, and the end of the last vestiges of ‘Finlandisation’, in an [insight](#) in December.

We also continued to assess the EU’s efforts in security and defence. In March, the EU released its ‘Strategic Compass’, setting out its plans for the next five years in security. In an [insight](#) on the Compass, Luigi argued that the EU had an important role to play in supporting partners like Ukraine, fostering joint defence investments and capability development by member-states, and facilitating movements of troops and equipment around Europe.

The war did not put an end to the divisive debate on European ‘strategic autonomy’ in security and defence. But, as Luigi argued in an August [insight](#), the conflict was pushing all Europeans to take on more responsibility for their own defence. The member-states had announced substantial increases in defence spending, the EU had provided over €2.5 billion in military assistance to Ukraine through the European Peace Facility, and there was new momentum behind initiatives to strengthen European military capabilities and member-states’ co-operation on defence.

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## China

Russia was not the only country shaking the rules-based international order in 2022. China was also an increasingly assertive and sometimes disruptive international player. While the Daimler Forum was taking place in February, Putin was meeting China’s leader, Xi Jinping, at the opening of the Winter Olympics in Beijing. Their joint statement on their ‘friendship without limits’ highlighted another of the foreign policy themes of 2022: China’s relationships with the other major powers, and above all the extent to which it might support Russia in the war.

In collaboration with François Godement of the Institut Montaigne and Hanns Maull and Volker Stanzel of SWP, Ian contributed to a major [report](#)

on ‘Rebooting Europe’s China strategy’, published in May, which looked at the challenges posed by the rise of China to European economies, values and security. In an October [analysis](#) of the US’s new National Security Strategy, our board member Carl Bildt drew attention to the problems that might arise for Europe if America focused so much on its competition with China that it neglected or, still worse, unwittingly damaged its European allies.

The October meeting of the Daimler Forum was the first in-person meeting of the group since before the Covid pandemic. Participants on the US side included Philip Gordon, the National Security Adviser to the Vice President, Victoria Nuland, Under Secretary in the State



Department, and the National Security Council's Julian Gewirtz and Thomas Wright; and on the European side, David Miliband, Carl Bildt, and the British and German heads of policy planning, Melinda Bohannon and Michael Scharfschwerdt respectively.

Much of the forum was focused on China and on the West's place in the world. From US speakers, there were dire warnings that Xi Jinping was empowered, emboldened and ready to take risks after installing a new and loyal leadership team at the 20<sup>th</sup> Party Congress. The Russia-China relationship was a source of real concern. The US did not think that Chinese policy was likely to change, so its aim was to shape the environment around China by building partnerships with other countries in the region. It was clear that the era of big free-trade agreements was over: they did not enjoy public support in the US. But China would remain integral to the global economy and to solving global problems, so the US and China would have to find ways of working and living

together. The US was also clearly keen to see a more robust China policy from Europe.

Europeans were more inclined to stress the long-term problems that China faced with demography and its economy. They were alert to the risks posed by Beijing, without wanting to sacrifice economic opportunities for European businesses. At the same time, they were uncomfortable with US policies that could lead to large scale decoupling of Western economies from the Chinese economy (though US officials insisted that was not their aim). Europeans worried that an approach to China based on contestation would harm joint efforts to tackle global problems. And they underlined the risk that some US industrial policies designed to enable it to compete better with China would end up disadvantaging Europe instead. But Americans and Europeans shared concerns about China's dominance of some important technologies, especially in renewable energy and batteries, and the threat that this could pose to Western economic and energy security.

ABOVE: (L to R)  
Charles Grant,  
Odile Renaud-  
Basso and  
Sinan Ülgen

CER/EDAM  
18<sup>th</sup> Bodrum  
roundtable,  
Bodrum

## Enlargement and the European neighbourhood

EU enlargement was an important area of our foreign policy work, with European leaders giving Ukraine and Moldova candidate status in June. In that month, we looked at what the accession process could mean for Kyiv at an event in our Brussels office. The speakers were Katarína Mathernová, the Commission's deputy director-general for neighbourhood policy; Ivanna Klymush-Tsintsadze, Chair of the Ukrainian parliamentary committee on European

integration; Natalie Forsyuk, general-director of the Ukrainian government's office for European integration; and Mariia Mezentsseva, Chair of the Ukrainian delegation to the Council of Europe Parliamentary Assembly.

In November, Luigi published an [insight](#) on enlargement, arguing that recent momentum would be hard to maintain. The candidate countries faced major challenges, especially

in strengthening the rule of law. At the same time, many EU countries were lukewarm about enlargement and wanted the EU to reform before it admitted new members. These difficulties, Luigi argued, meant that the EU should put even more focus on helping candidate countries address their challenges, and on finding ways to integrate them more closely before membership.

The CER continued to focus on Europe's southern neighbourhood. Turkey's objections to Finland and Sweden joining NATO had not been resolved by year-end. In an [insight](#) in May, Luigi argued that, even if that problem could be solved, Turkey's relations with Europe and the US would remain troubled, with disagreements on issues ranging from Turkey's domestic governance and its foreign policy, to American policy towards Syria and Turkey's relationship with Russia.

In September, Luigi published a [policy brief](#) in which he argued that, while European policy-makers were rightly focusing on the war in Ukraine, they could not insulate themselves

from developments to their south. Lower food exports from the Black Sea, higher energy prices and broader inflation would compound long-standing social and economic challenges in the Middle East and North Africa. In April, Megan Ferrando, our 2021-22 Clara Marina O'Donnell fellow, published a [policy brief](#) on water insecurity in North Africa. She argued that it was in the EU's interest to help Maghreb countries gain better access to water – to live up to the Union's commitments on climate and social justice, and to prevent conflict.

At the Bodrum roundtable, participants in the panel on Turkey's foreign policy warned that there was scant trust between Ankara and Washington. If President Recep Tayyip Erdoğan were re-elected in 2023, there would be little chance of a better relationship. If the opposition alliance won, relations were likely to improve, although there would still be US-Turkey tensions on issues such as sanctions against Russia and policy towards China. Moreover, rebuilding trust would not be easy since anti-American sentiment ran deep in Turkish public opinion.

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## The view from Brussels: The big member-states and the European Political Community

In an [analysis](#) of the state of the Union in September, Camino identified the political winners and losers of the war: the German president of the European Commission, Ursula von der Leyen, was having a comparatively good war. However, Germany, which normally takes a leading role in EU crises, was providing little leadership. This was partly because of the difficulties Scholz faced in keeping his fissiparous three-party coalition together, and partly because he was taking some time to adjust to the theatricality of European summitry. We [discussed](#) Germany's *Zeitenwende* with Berlin's ambassador to the EU, Michael Clauss, at a CER-Kreab breakfast in March.

*“Ursula von der Leyen was having a comparatively good war. However, Germany, which normally takes a leading role in EU crises, was providing little leadership.”*

With the retirement of Angela Merkel in 2021 and the new German government taking time to find its feet, Emmanuel Macron was on course to become the dominant figure in the EU. First, however, he had to win re-election. In April Macron defeated Marine Le Pen and her 'France first' platform, though by a much narrower margin than in 2017. In an [insight](#), Charles

explained Macron's pre-eminent position in the EU – aided by his unrivalled ability to generate policy proposals, the relative weakness of Scholz and the fact that many of the key figures in Brussels were French *protégés*. But Charles also highlighted the challenges to Macron's authority, especially from Central and Eastern Europeans concerned about his seemingly accommodating approach to Russia before the war.

One measure of Macron's influence was the inaugural meeting of the European Political Community (EPC) in Prague in October. As Charles explained in an [insight](#) in August, the point of the EPC – the brainchild of Macron – was to create a forum where EU leaders could discuss strategic challenges, such as the war in Ukraine or energy security, with non-EU European partners. The British and the Turks only turned up because everyone else agreed that the format should be inter-governmental, with the EU institutions staying in the background. The first meeting was viewed as a success by those taking part; the heads of government welcomed the chance for informal discussions without the bother of having to draw up formal conclusions.

But the EPC is not guaranteed to become an enduring institution. At a panel on the EPC at our Bodrum conference in October, Turkish and British participants welcomed the creation





of an institution that included their countries. But others emphasised that maintaining a light institutional structure would prevent the EPC from making a significant impact. Then at a seminar in Brussels in December, run jointly with EUROPEUM and Think Visegrad, there was evident hostility from both federalists, who also argued that without strong institutions the EPC would achieve little, and many Central and East Europeans, who feared the EPC could become an alternative to enlargement.

Italy was the member-state that underwent the starkest political change in 2022. The year started with Mario Draghi, the former head of the European Central Bank, in charge. Draghi had managed to advance key reforms and adopt a plan for spending money from the Recovery and

Resilience Facility (RRF) that would encourage future governments to continue his reforms. But in a January [insight](#) Luigi highlighted deep fissures in Draghi's coalition. Draghi's government eventually collapsed in July, to be replaced after elections by a new right-wing coalition led by Giorgia Meloni. In a September [insight](#), Luigi predicted that Meloni would govern more moderately than many feared: while there would be turbulence in relations with European partners on issues like migration, Italy's economic policy would remain restrained and its policy towards Russia would not change. At the end of the year these predictions held true: Meloni's government had passed a moderate budget law, picked a fight with France on migration policy and voted to extend arms deliveries to Ukraine.

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ABOVE:  
Klaus Welle

*Breakfast on  
'The future of  
Europe',  
Brussels*

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## The rule of law

The longstanding rule of law dispute between Poland and Hungary on the one hand, and Brussels on the other, took an unexpected turn at the end of the year. Many in Brussels and national capitals thought that because of the war, the Commission was being too indulgent of Poland's and Hungary's rule of law breaches. In June, the Commission controversially approved Poland's national plan for spending money from the RRF.

Hungary's Viktor Orbán had been irritating other EU governments by threatening to veto crucial decisions on Ukraine and energy. But in September, the Commission proposed to freeze €7.5 billion of EU funds for Hungary because of

breaches of the rule of law. The decision followed a landmark ruling by the European Court of Justice, which in February had greenlighted the EU's new rule of law conditionality mechanism. Camino and renowned rule of law expert John Morijn discussed the impact of the ruling in a CER [podcast](#) in March. In a later [episode](#) in November, Camino and senior economist Sander Tordoir weighed the economic and political impact of freezing funds to Hungary and called for the European Council to take a tough line on democratic backsliding in Warsaw and Budapest.

The Council of Ministers eventually decided to block €6.3 billion of Hungary's EU funds but approved its plan for spending the RRF –

although, as in the case of Poland, no money will flow until the EU is satisfied that rule of law standards have been met. To unfreeze the money, both Budapest and Warsaw indicated that they would undo some of the controversial

reforms that had upset Brussels. In Poland, the ruling coalition was riven with internal disagreements over whether to comply with Brussels' requests.

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## Britain and Europe: Hints of a *rapprochement*?

There was a stalemate in relations between Britain and the EU in 2022 – a year in which the UK got through three prime ministers but the negotiations over the Northern Ireland protocol hardly budged. The failure to sort out the protocol was by far the biggest reason for the cantankerous state of UK-EU relations.

The UK does not like the protocol because goods travelling from Great Britain to Northern Ireland need to be checked, since they are at risk of entering the EU's single market. The unionist community in Northern Ireland hates those checks, because they inconvenience some local businesses, and are an affront to their sense of British identity. For its part, the EU insists that the UK should stick to the terms of the protocol that Boris Johnson negotiated and signed in 2019 – and that the checks are necessary to avoid controls on the border between Northern Ireland and the Republic of Ireland. But the EU offers to interpret the document in more flexible ways.

*“The EU was adamant that if the bill became law, there could be no further negotiation on the protocol, and retaliation would ensue.”*

The EU made an explicit link between the lack of progress on the protocol and other areas where the UK needed its good will. For example, it vetoed the UK's participation in the Horizon programme of scientific research and the Copernicus satellite programme, postponed talks on energy co-operation and blocked a memorandum of understanding between regulators of financial services.

In May's Northern Irish elections, the Democratic Unionist Party (DUP) – the biggest unionist party – was edged into second place by the largest republican party, Sinn Féin. This pushed the DUP to harden its line on the protocol, demanding that it be completely scrapped; until that happened it would boycott the Northern Ireland Executive. At year-end the region remained without a government.

In June, Boris Johnson's government unveiled the Northern Ireland Protocol Bill. If passed, it

would allow ministers to unilaterally disapply most of the protocol and to implement alternatives. The bill pleased the Tories' hard-line Brexiteer MPs, and the DUP – but infuriated the EU. When Liz Truss replaced Johnson as prime minister in August, she persisted with the bill. And when Sunak replaced her in October, he – at least initially – did the same; like Truss, he did not want to upset his party's right wing or the DUP.

In an [insight](#) published in June, Anton Spisak – a former government official who is now with the Tony Blair Institute – explained that the government's legal justification for the bill was extremely tenuous, that the scale of the changes sought exceeded the genuine problems thrown up by the protocol and that the bill would make the EU less willing to compromise. The EU was adamant that if the bill became law, there could be no further negotiation on the protocol, and retaliation would ensue. Negotiators from the Commission and the British government continued to discuss the protocol, but each side expected the other to make the first major concession.

Despite the political difficulties, outside observers were able to sketch out what a fair compromise could look like. One such effort came in a [policy brief](#) in September from Hilary Benn, one of Westminster's most experienced MPs. He encouraged the EU to allow the UK to extend 'grace periods' on some of the controls on goods crossing from Great Britain to Northern Ireland (that is, to extend the non-application of the controls). He also urged the EU to accept that most supermarket supply chains posed no risk to the integrity of the EU internal market, and that it should therefore enforce only minimal checks. But Benn also told the UK to drop the Northern Ireland Protocol Bill, and to acknowledge that many businesses in the region welcomed access to the single market and would want to stay in step with EU rules and standards. He urged both sides to forge an agreement on veterinary standards.

By the end of the year there were some hints of optimism from both sides. The mood had lightened a little when Rishi Sunak became prime minister, and he delayed sending the





Protocol Bill into the House of Lords. The EU responded by delaying some court cases against the British. Then the UK gave the EU access to its new database that covers trade across the Irish Sea. If Sunak is able to find a compromise on the protocol, it could trigger the start of a broader *rapprochement* with the EU. But he would need the courage to face down both his own right-wingers and the DUP. As Peter Foster, the *Financial Times*' Brexit guru, reminded us in a [podcast](#) in November, it would not be easy for Sunak to disregard their views.

So long as the Tory party remains essentially eurosceptic, there are limits to the scale of

*rapprochement* that is possible. This became clear at the fringe meeting that we organised with the Hanns Seidel Foundation at the Conservative Party conference in Birmingham in October. Our panel consisted of Greg Hands, a former trade and energy minister (who rejoined the government soon after our event), Theresa Villiers, the former Northern Ireland Secretary, Thomas Erndl, a senior Bundestag member from the Christian Social Union, and Juliet Samuel, a *Telegraph* columnist. There was a near consensus among Conservatives at the event that the government had to proceed with the Protocol Bill to 'scare' the EU, and thus make Brussels soften its position on the protocol.

ABOVE:  
Keir Starmer

CER 24<sup>th</sup>  
birthday  
reception,  
London

## Labour and Europe

A real burying of the hatchet will probably have to await the arrival of a Labour government, which the opinion polls at year-end suggested was likely after the next general election. A government led by Keir Starmer would certainly want friendlier ties with the EU. But the substance of the relationship, at least concerning economics, would not change a great deal. Starmer made this point when he delivered a major [policy speech](#) at our 24<sup>th</sup> birthday party, hosted by the Irish ambassador to the UK, in July.

"Under Labour, Britain will not go back into the EU", he said. "We will not be joining the single market. We will not be joining a customs union.... We will not return to freedom of movement to create short term fixes; instead we will invest in our people and our places." But Starmer did call for a compromise on the

protocol, including a new veterinary agreement that would eliminate most border checks on food and agricultural products, and a scheme to allow low-risk goods to enter Northern Ireland with minimal checks.

Starmer also said he wanted mutual recognition of professional qualifications, the restoration of access to funding for vital research programmes, and closer co-operation on security. This argument was taken further by shadow foreign secretary David Lammy, who spoke at a CER breakfast in October. He insisted that he wanted structural ties between the UK and the EU on foreign and defence policy.

The reason for Starmer's cautious approach is evident: he believes, perhaps rightly, that his party will not win back seats in the north and

in the Midlands unless he makes it very clear that Labour will not rejoin either the EU or bits of it. Some party members find this caution frustrating. Stella Creasy MP, the chair of the Labour Movement for Europe, spoke for those

who would like closer ties with the EU, when she joined Lammy (and EU ambassador João Vale de Almeida) at the CER fringe meeting at the Labour Party conference in Liverpool in September.

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## The cost of Brexit

By the end of the year, a shift in British public opinion was becoming evident. Ever since the 2016 referendum, people had been evenly divided on whether Brexit was a good idea or not. But during the course of 2022 opinion evolved: one YouGov poll in December found that, if another referendum was held, 47 per cent would vote to rejoin and 34 per cent to stay out (with the remainder undecided or abstaining). The poll also found that 41 per cent of Leave voters said that Brexit had proved to be worse for Britain than they imagined in 2016.

*“One reason for this shift [of opinion] was undoubtedly the growing realisation that Brexit was hurting parts of the British economy.”*

One reason for this shift was undoubtedly the growing realisation that Brexit was hurting parts of the British economy. The work of John Springford on the [cost of Brexit](#) received considerable attention, including from the *Financial Times*, *The Independent*, *The Economist*, the *Telegraph*, the *Guardian*, the BBC and ITN. He has constructed a *Doppelgänger* economy, based on a basket of countries that closely matched the UK before the 2016 referendum. This allowed him to compare the UK's post-Brexit performance with that of the *Doppelgänger*.

In a [policy brief](#) published in June 2022, ‘What can we know about the cost of Brexit so far?’ – our most downloaded publication of the year –

John concluded that, by the final quarter of 2021, the UK's GDP was 5.2 per cent smaller than that of the *Doppelgänger* UK. In his [latest estimate](#), published in December, and based on data up to June 2022, John found that Brexit had reduced GDP by 5.5 per cent, investment by 11 per cent and goods trade by 7 per cent (services trade was about the same). John also highlighted the connection – which few politicians have dared to make – between the smaller economy and the need for higher taxes to fund public services and welfare. If the UK economy had grown as fast as the *Doppelgänger*, tax revenues would have been about £40 billion higher. In his March 2022 budget, then-Chancellor Sunak announced tax rises of £46 billion.

Certain sectors of the economy have been particularly hard hit by Brexit. John and Zach looked in detail at how Brexit impacted UK science and technology, an area critical for long term prosperity, and published their findings in a [policy brief](#) in November. Losing membership of the EU Horizon programme – which hung in the balance at the end of the year – would make UK science funding less certain over the long term and significantly reduce collaboration between British and EU scientists. A national programme could not replicate many of the advantages of Horizon, such as its economies of scale. Brexit was also already hindering the supply of skilled workers in science, technology, engineering and medicine – and thus adversely affecting the development of new technologies and their diffusion across the economy.

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## The European economy: The spectre of inflation

The economics debate was dominated by two related issues in 2022 – inflation, and how to deal with the energy crisis. In 2021, inflation had already been rising rapidly in the US, which was faster to reopen after the pandemic than Europe. Consumer demand came roaring back thanks to very strong fiscal stimulus by the Trump and Biden administrations. But the supply side of the economy could not respond quickly enough.

These problems were less acute in Europe. However, even before the invasion of Ukraine, inflation had been rising; Putin restricted gas

supplies to Europe in 2021, adding to higher costs of imported food, commodities and goods. After February, the EU avoided blocking Russian gas exports, and instead tried to hurt Putin's war effort by sanctioning investment, capital flows, trade and assets held by Putin and his circle, and by freezing Russian central bank reserves held in the EU. The RePowerEU plan promised to end European imports of Russian energy by 2027, but Putin further reduced gas flows, in order to push up inflation and turn voters against their governments. By the early autumn, almost all European governments had enacted price controls on gas and electricity.



Even so, by the end of the year headline annualised inflation rates (which include imported food and energy) in Europe had risen to over 10 per cent, and core inflation had reached 5 per cent. The ECB started to raise interest rates in July, when government borrowing costs were already rising as inflation took hold. The monetary policy consensus became more hawkish, with the ECB hiking rates rapidly in subsequent meetings. The fiscal policy consensus, by contrast, remained far more dovish, as the EU's pandemic suspension of its fiscal rules continued, and governments borrowed heavily to offset high energy costs for households and businesses.

Over the course of the year, the CER's researchers set out three priorities for economic policy-makers after Putin's invasion: the ECB should continue to keep inflation to its target level in the medium term; governments should maintain adequate public investment; and the EU needed to reform its financial institutions.

On the first, the energy crisis is a classic 'terms of trade' shock, meaning that the price of imports (in this case, energy) has risen relative to the price of exports. As a result, there was nothing that policy-makers could do to prevent Europeans from getting poorer – they could merely distribute the costs fairly between rich and poor households, between workers and employers, and preferably, between stronger and weaker member-states. The ECB's job was to tighten monetary policy to bring core inflation back to target, while minimising the rise in unemployment that would ensue;

meanwhile governments should use fiscal policy to ensure the costs of the energy crisis were distributed fairly.

In March, Christian Odendahl and John Springford argued in an [insight](#) that central banks would have little choice but to tighten monetary policy if core inflation and wages rose further (as subsequently happened). But governments should provide sizeable cash transfers to households, especially poorer ones, to help with rising energy bills, rather than subsidise energy prices directly. If they reduced retail energy prices, governments would weaken incentives to curb energy consumption and invest in energy efficiency measures.

In a June [insight](#), John discussed whether the ECB should buy Italian government bonds in order to keep down the 'spread' (gap) between the borrowing costs of Italy and Germany. Italy's bond yields had been rising, with Meloni clearly on course to lead a right-wing coalition government. That led some central bankers to worry that, by buying Italian bonds, the ECB would encourage fiscal largesse in Italy (and in other member-states). John argued that the ECB had two duties – to prevent a financial crisis in Italy because of the threat this posed to the eurozone at large, and to ensure inflation fell back to target. It was up to the Italian government and the EU to ensure that Italy's fiscal policy was sustainable, not the central bank.

We also advised national governments and the EU not to repeat one of their biggest policy

ABOVE (L TO R):  
Stella Creasey,  
Charles Grant,  
João Vale de  
Almeida and  
David Lammy

*Labour Party  
Conference  
fringe event on  
'The future  
of the EU-UK  
relationship',  
Liverpool*



mistakes of the 2010s: cutting public investment in their efforts to balance the books. Because the energy crisis meant that the European economy would be smaller than pre-invasion forecasts, more governments would have to cut spending and raise taxes in the future. Reducing investment seemed the path of least resistance: voters were less likely to object to the cancellation of a new train line than to tax rises. In May, Christian and Claudio Baccianti, a researcher at the Agora Energiewende think-tank, published a policy brief in which they [calculated](#) how much additional investment would be needed to meet the EU's emissions targets by 2030; Italy, France and Spain would each have to raise public investment by more than 1 per cent of GDP a year.

*“Much climate investment entailed large upfront costs, followed by a prolonged period of payoff in the form of energy savings.”*

In October, John [explained](#) in an insight why governments borrowing to invest in climate action represented sound economics, if the investments were well designed. Much climate investment entailed large upfront costs, followed by a prolonged period of payoff in the form of energy savings. Renewables, electricity grids and home insulation cost a lot in the construction phase; but governments could reduce the upfront cost of capital for these projects, by lending at subsidised rates, and get paid back over time

as energy companies and households benefited from lower running costs.

Finally, we did not neglect the ways in which higher inflation and interest rates should prompt institutional reform at the EU level. In an [insight](#) written in December with Shahin Vallée of the German Council on Foreign Relations, Sander proposed that the ECB should be more open about disagreements on its governing council over rate rises, as were its equivalents in the Federal Reserve and the Bank of England. Then investors would have more information about the future course of monetary policy. More robust and open debates would also help to prevent groupthink and clarify the tricky trade-offs the ECB faced, boosting its credibility.

In November, Sander [proposed reforms](#) to the European Stability Mechanism (ESM), the EU's permanent bail-out fund. He noted that during the pandemic and the Ukraine war, no government had asked for ESM lending. This was because the RRF and SURE, a lending facility for governments to tap for unemployment costs, had superseded the mechanism, as had the ECB's decision to raise asset purchases during the pandemic. Sander argued that the ESM's €410 billion in lending capacity could be used to help finish the banking union, the EU's stalled project intended to strengthen its banking sector, for example by providing money to wind up failed banks and to reinsure national deposit protection schemes.

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## The Ditchley conference and other events

Our annual economics conference at Ditchley Park, Oxfordshire in November was on 'Macroeconomics in a time of pandemic and war', and featured Agnès Bénassy-Quéré of the French Treasury, Marco Buti of the European Commission, Benoît Cœuré, president of the French competition authority, Swati Dhingra of the Bank of England's Monetary Policy Committee, Clare Lombardelli of the British Treasury and Martin Sandbu of the *Financial Times*. Inflation had proved more persistent than many dovish commentators expected, and some participants argued that central bankers should therefore continue to raise interest rates and start quantitative tightening. Others countered that, with European economies on the brink of recession, and given the fact that monetary policy operated with lags, there was a risk that central banks would raise unemployment too far if they did not stop tightening.

Most participants agreed that governments were right to subsidise energy in the short term, in order to allow households to adjust and prevent poverty. However, there were disagreements about how governments should do this; if price interventions were poorly designed, they would encourage households and businesses to consume scarce energy. Most agreed that governments should invest more in energy efficiency, because that was the best way to curb spending on energy without reducing output.

In May, we hosted a dinner with Andrew Bailey, the Governor of the Bank of England, who talked about the future of UK finance. Andrew discussed the impact of Brexit on the sector, and the controversy over the British government's plans to press the Bank and the Financial Conduct Authority to consider the international



competitiveness of the City of London when designing new regulations.

And in a January launch event for their [paper](#) arguing for a permanent RRF, John and Elisabetta

Cornago pressed Marco Buti of the European Commission to consider an enlarged, climate-focused investment fund at the centre of the EU's fiscal framework.

ABOVE: (L to R) Lucrezia Reichlin, Megan Greene, John Springford, Benoît Cœuré and Charles Bean

## Energy and climate

The Ukraine war will have lasting consequences for global energy markets, as Nick Butler, Chair of the King's College Policy Institute, wrote in an [insight](#) in July: he believed that by 2024 Europe would have achieved its goal of cutting gas imports from Russia by two thirds, replacing them with long-term deals with other suppliers. He also thought that by then Europe's electrification of the heating and transport sectors would allow a lot of gas consumption to be replaced with renewables-based electricity.

To cut the Kremlin's revenues from energy exports, the EU decided to apply sanctions to some fossil fuels, embargoing Russian coal as of August and seaborne Russian oil as of December. In December, the G7 approved a price cap on Russian oil; this prevented G7-based companies providing insurance and shipping services to transporters of oil sold at a price higher than \$60 per barrel. In an [insight](#) published in July, Elisabetta argued that a tariff would be preferable to a price cap, as it would limit the impact of oil market volatility on prices in Europe, while extracting the rent that Russia gets from oil exports.

As high gas prices spilled over to the European electricity market, the EU increased its efforts to

protect consumers. This included partly breaking its taboo on market price intervention, by implementing a 'revenue cap' to tax the windfall profits of electricity generators and recycle them in favour of consumers. Elisabetta discussed this and other policies needed to improve EU energy security through the winter in an [insight](#) published in September.

While no EU-wide sanctions have been applied to Russian gas, its flows to Europe have dropped sharply, and EU governments have been scrambling to secure alternative supplies and to reduce demand to keep prices down. In an [insight](#) published in November, Elisabetta argued that governments should deploy a mix of prompts, advice and rewards to get consumers to cut their energy usage. In an [op-ed](#) published in the *Financial Times* in December, she further argued that only investment in energy efficiency could durably curb Europe's dependence on fossil fuels.

Meanwhile, negotiations on the EU's Fit for 55 climate policy package continued throughout the year. In a series of insights and a [policy brief](#) published in March, Elisabetta provided recommendations for expanding and

*Conference on 'Macroeconomics in a time of pandemic and war', Ditchley Park*



strengthening carbon pricing in the EU via the Emissions Trading System (ETS). She argued that the EU should tighten the ETS's cap on emissions more rapidly, expand carbon pricing to road transport and buildings, and devote more ETS revenues to subsidising green investment.

The EU's proposals for a 'taxonomy' – a set of rules for what should count as a green investment – proved highly controversial. In March, Mairead McGuinness, the commissioner responsible for financial markets, spoke at a CER-Kreab webinar on the taxonomy. She argued that the Commission proposals on which financial assets were environmentally sustainable,

or not, would help investors to make their portfolios greener, despite criticisms from some environmentalists that the taxonomy was not tough enough on natural gas and nuclear power.

One of the themes of a CER dinner in June, at which UK energy minister Greg Hands spoke, was the scope for greater collaboration on energy policy between the UK and the EU. The discussion revolved around the 2022 UK energy strategy, which embraced the quest for more gas exploitation in the North Sea and highlighted openness to various 'colours' of hydrogen (pink from nuclear, blue from natural gas and green from renewables).

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## Technology and industrial policy

The EU's longstanding efforts to tame (mostly American) big tech platforms made great strides in 2022. The Digital Markets Act (DMA) was signed into law in September and aims to make digital markets more competitive and fairer. It was followed by the Digital Services Act (DSA) in October, which endeavours to make social media more accountable – a task which became more urgent given the spread of Russian disinformation about the invasion of Ukraine, and Elon Musk's chaotic takeover of Twitter. Zach's [policy brief](#) and [bulletin article](#) on the DMA highlighted ways in which it could better accommodate innovation, some of which were adopted in the final version. On the DSA, Zach's [insight](#) welcomed the law's accountability but cautioned against the risk of it undermining free speech.

hybrid event with its main author, the OECD's Pascal Saint-Amans, in September.

New sources of tension emerged, however. One was the Commission's flurry of other digital legislative proposals, such as the Artificial Intelligence Act, the Data Act and various cybersecurity initiatives. In an insight in July, Zach argued that parts of the EU's technology agenda, such as those on [data](#), risked being too *dirigiste* and therefore ineffective. American commentators considered many of these as disguised attempts to hamstring American big tech firms and support European ones. The EU considers the laws important to improve trust in emerging technologies and to maintain competition in new digital markets.

The EU had its own concerns about US initiatives, in particular its industrial policy. One of Biden's few legislative achievements in 2022, the Inflation Reduction Act (IRA), offers vast subsidies for onshoring production in green sectors like electric vehicles and batteries. But Europe thinks the IRA breaches international trade rules and will suck investment from Europe, threatening the EU's own green industrial ambitions. The US belatedly agreed to a formal dialogue with the EU, which should lead to parts of the IRA being implemented in ways that allow firms in Europe to benefit.

At the end of 2022, however, the EU was also considering its own response. The EU now has a range of instruments with which it can retaliate against what it perceives as other countries' unfair trade and investment policies. Many of these may be used for the first time in 2023. Zach explained in a [policy brief](#) that these are targeted instruments, and they may be used against the US – for example by limiting

*“The EU now has a range of instruments with which it can retaliate against other countries' unfair trade and investment policies.”*

In the months immediately after Russia's invasion of Ukraine, the US-EU Trade and Technology Council (TTC), established in June 2021, served as a springboard for close transatlantic co-operation on sanctions against Russia, but it also made progress in other areas. The US and EU agreed to re-establish arrangements for the free flow of personal data, after the previous scheme was struck down by the European Court of Justice. At the end of 2022 EU members also agreed to implement the OECD-brokered international corporate tax deal. This provides a US-endorsed alternative to the digital services taxes adopted by many EU countries, which the US viewed as discriminatory. The tax deal was discussed at a



US firms' access to EU public procurement opportunities.

The EU is also considering relaxing state aid laws and creating its own subsidy package to compete with the IRA. Zach cautioned that the EU's [chip-making](#) plans were unrealistic, given both the vastly higher subsidies being offered by the US and China and the profoundly interconnected nature of the global semiconductor market, which makes onshoring a mirage. The EU would be better off funding new technological niches where it has, or could have, potentially durable competitive advantages.

The EU's economic liberals were in retreat in 2022, however, as became clear in a CER-Kreab webinar in March with Peter Altmaier, Germany's former economics minister. He explained why most people in Berlin now believed in a more interventionist industrial policy at national and EU level: the US had turned against free trade, while an increasingly authoritarian China was not prepared to play according to liberal rules.

Nevertheless, Europe was increasingly concerned about the US's uncompromising approach to China. During 2022, China's largest chip-maker achieved an unexpected breakthrough in chip manufacturing, bringing it close to the cutting edge, despite Western tech export controls designed to prevent that outcome. In response, President Biden adopted much harsher technology export controls to constrain China's progress in chip manufacturing and artificial intelligence, and pressured other Western

countries to adopt a similar approach. But many European leaders want to take a more measured approach, and not only for mercantilist reasons. They are also concerned that splintering technological supply chains is risky while China still dominates certain critical sectors, such as battery production, and suspect that China's recent breakthrough may indicate that harsher export controls will not work.

**Ian Bond, Elisabetta Cornago, Charles Grant, Camino Mortera-Martinez, Zach Meyers, Luigi Scazzieri and John Springford**

ABOVE: (L to R)  
Elisabetta  
Cornago and  
Beatriz Yordi

*Launch of  
'The EU  
emissions  
trading system  
after the energy  
price spike',  
Brussels*

# CER events 2022

## 18 January

Webinar on 'The future of the recovery fund'  
with *Pierre Beynet, Marco Buti, Elisabetta Cornago and John Springford*

## 25 January

Webinar on Russia and Ukraine  
with *Ian Bond*

## 27 January

CER/Open Society European Policy Institute launch of  
'Is there a future for the EU's area of freedom, security and justice? A plan to build back trust'  
with *Giuliano Amato, Elizabeth Collett, Giulia Laganá and Camino Mortera-Martinez*

## 4 February

Daimler US European Forum on Global Issues  
speakers included *Tjorven Bellmann, Markus Ederer, Philippe Errera, Eric Green, Martin Harris, Wendy Sherman and Julianne Smith*

## 17 February

Members' webinar on the Russian threat to Ukraine and the Western response  
with *Ian Bond and Charles Grant*

## 2 March

CER/Clifford Chance webinar on  
'Transatlantic tech co-operation'  
with *Frances Burwell, Kim Jørgensen and Ed Vaizey*

## 11 March

CER/Kreab webinar on 'Global economic challenges ahead: Implications for European industrial policy and competition'  
with *Peter Altmaier*

## 15 March

Hybrid discussion on 'The war in Ukraine: Strategic, military and historical perspectives'  
with *Timothy Garton Ash, Iuliia Osmolovska and Richard Shirreff, London*

## 22 March

CER/Kreab webinar on  
'The EU taxonomy and the role of finance in climate action'  
with *Mairead McGuinness*

## 23 March

Members' webinar on Russia's war on Ukraine  
with *Ian Bond, Camino Mortera-Martinez and John Springford*

## 31 March

CER/Kreab discussion on 'The EU policy of the new German government'  
with *Michael Clauss, Brussels*

## 4 April

Hybrid discussion on the impact of war on Ukraine's economy  
with *Anders Åslund, Vadym Prystaiko, Bob Seely, Maxim Timchenko and Kurt Volker, London*

## 6 April

Webinar on 'Can Europe live without Russian gas supplies? Can Russia live without European gas purchases?'  
with *Elisabetta Cornago, John Lough and Katja Yafimava*

## 21 April

Launch of 'Anticipating instability in the water-scarce Maghreb'  
with *Megan Ferrando, Bernd Gawlik, Heather Grabbe, Kishan Khoday and Olivia Lazard*

## 28 April

Webinar on 'The French elections and what they mean for Europe'  
with *Benjamin Haddad, Pascal Lamy and Christine Ockrent*

## 29 April

Hybrid launch of 'The EU emissions trading system after the energy price spike'  
with *Elisabetta Cornago and Beatriz Yordi, Brussels*

## 5 May

Hybrid discussion on 'Looking ahead to China's 20th National Party Congress'  
with *James Miles, London*

## 26 May

CER/IMF hybrid seminar on 'A greener labour market: Employment, policies and economic transformation'  
with *Niels-Jakob Hansen, London*

## 31 May

Dinner on 'The future of UK finance'  
with *Andrew Bailey, London*

## 14 June

Dinner on 'The UK-EU energy relationship'  
with *Greg Hands, London*

## 23 June

Hybrid discussion on 'Ukraine's place - in Europe?'  
with *Natalie Forsyuk, Ivanna Klymush-Tsintsadze, Katarína Matheronová and Mariia Mezentsseva, Brussels*

#### 4 July

##### 24<sup>th</sup> birthday party

with a keynote speech by Sir Keir Starmer, hosted by Ambassador Adrian O'Neill, London

#### 12 July

Aspen Institute Italia/CER webinar on 'EU-US: What to make of Russia and the competition with China'

with Oksana Antonenko, Carl Bildt, Heather Conley, Giovanni Farese, Sergei Guriev, Andrei Kortunov, Charles Kupchan, Stefano Sannino, Paola Subacchi, Pasquale Terraciano, Nathalie Tocci and Pierre Vimont

#### 13 July

Hybrid discussion on 'EU-US co-operation on public health'

with Pierre Delsaux and Gary Disbrow, Brussels

#### 14 September

Hybrid discussion on 'Prospects for global corporate tax reforms'

with Pascal Saint-Amans, London

#### 21 September

CER/Clifford Chance hybrid lunch on 'How to achieve energy security in Europe'

with Maria Rita Galli, András Hujber and Øyvind Vessia, Brussels

#### 22 September

CER/AIG Geopolitical Risk Series: Webinar on 'EU enlargement after Russia's invasion of Ukraine'

with Laura Ahrens, Heather Grabbe and Andreas Metz

#### 26 September

Labour Party Conference fringe event on 'The future of the EU-UK relationship'

with Stella Creasy, David Lammy and João Vale de Almeida, Liverpool

#### 4 October

Conservative Party Conference fringe event on 'Britain and the EU: What kind of relationship do they need?'

with Thomas Erndl, Greg Hands, Juliet Samuel and Theresa Villiers, Birmingham

#### 7-9 October

CER/EDAM 18<sup>th</sup> Bodrum roundtable

speakers included Carl Bildt, Volkan Bozkır, Baiba Braže, Ünal Çeviköz, Angelina Eichhorst, Jeff Flake, Alexander Gabuev, Alexander Graf Lambsdorff, Gideon Rachman, Odile Renaud-Basso, Nathalie Tocci and Bilge Yılmaz, Bodrum

#### 17 October

CER/AIG Geopolitical Risk Series: Webinar on 'China's 20<sup>th</sup> Party Congress'

with Jörn Beißert and Stefan Gätzner

#### 27-28 October

Daimler US-European Forum on Global Issues

speakers included Carl Bildt, Melinda Bohannon, Julian Gewirtz, Philip H Gordon, David Miliband, Victoria Nuland, Michael Scharfschwerdt and Thomas Wright, Washington

#### 2 November

Breakfast on 'Labour's plans for UK foreign policy'

with David Lammy, London

#### 3 November

Members' webinar on Ukraine

with Ian Bond

#### 8 November

CER/Kreab breakfast on 'The future of Europe'

with Klaus Welle, Brussels

#### 10 November

CER/AIG Geopolitical Risk Series: Webinar on 'The US midterm elections'

with Laura von Daniels, Tim Prange, Christoph Schemioneck and Leslie Vinjamuri

#### 18-19 November

Conference on 'Macroeconomics in a time of pandemic and war'

speakers included Agnès Bénassy-Quéré, Marco Buti, Benoît Cœuré, Swati Dhingra, Clare Lombardelli and Martin Sandbu, Ditchley Park

#### 29 November

CER/Kreab breakfast on 'How to strengthen the EU?'

with Lars Danielsson, Brussels

#### 29 November

CER/EUROPEUM/Think Visegrad – V4 Think Tank Platform roundtable on 'From Prague to Chişinău: What future for the European Political Community?'

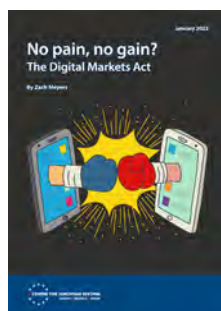
with Roland Freudenstein, Charles Grant and Jan Kovář, Brussels



# CER publications 2022

## **No pain, no gain? The Digital Markets Act**

policy brief by Zach Meyers *January 2022*



## **How carbon pricing can decarbonise European heavy industry**

insight by Elisabetta Cornago *January 2022*

## **What Italy's presidential election means for Europe**

insight by Luigi Scazzieri *January 2022*

## **Britain needs a new Russia policy**

bulletin article by Duncan Allan and Ian Bond *January 2022*

## **Transatlantic turmoil is not over**

bulletin article by Megan Ferrando and Luigi Scazzieri *January 2022*

## **How the Digital Markets Act will challenge consumers**

bulletin article by Zach Meyers *January 2022*



## **Is there a future for the EU's area of freedom, security and justice?**

### **A plan to build back trust**

policy brief by Camino Mortera-Martinez *January 2022*

## **The EU should remove tariffs on environmental goods**

insight by Sam Lowe and John Springford *January 2022*

## **Why big business may learn to love EU competition policy**

insight by Zach Meyers *February 2022*



## **Ditchley conference report: The politics of climate change**

report by John Springford, Christian Odendahl, Elisabetta Cornago and Zach Meyers *February 2022*

## **How the world has changed in 25 years**

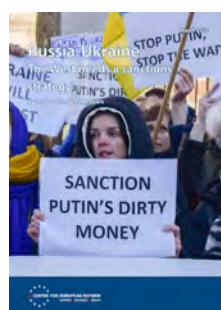
annual report 2021 by Charles Grant *February 2022*

## **Could EU-endorsed 'coalitions of the willing' strengthen EU security policy?**

insight by Luigi Scazzieri *February 2022*

## **Stronger sanctions on Russia: Essential, but not a strategy**

insight by Ian Bond *February 2022*



## **Four questions on how the Russian assault on Ukraine will affect Europe**

insight by Sophia Besch, Ian Bond, Camino Mortera-Martinez and Luigi Scazzieri *March 2022*

## **How to make the new emissions trading system work for consumers**

insight by Elisabetta Cornago *March 2022*

## **The cost of Brexit: December 2021**

insight by John Springford *March 2022*

## **Russia-Ukraine: The West needs a sanctions strategy**

policy brief by Ian Bond and Zach Meyers *March 2022*

## Russia's war on Ukraine: There is worse to come (for the West as well)

insight by Ian Bond, Elisabetta Cornago, Camino Mortera-Martinez and Luigi Scazzieri *March 2022*

## High energy prices threaten the EU emissions trading system

insight by Elisabetta Cornago *March 2022*

## The EU must triple down on green investment

insight by Christian Odendahl and John Springford *March 2022*

## Does the Strategic Compass herald a stronger EU in security and defence?

insight by Luigi Scazzieri *March 2022*

## Russia may ditch the dollar – but it needs the euro

insight by Zach Meyers *March 2022*

## Can the West stay united on Ukraine – and what will China do?

bulletin article by Charles Grant *March 2022*

## Europe must stop paying for Russia's war

bulletin article by Ian Bond, Zach Meyers and Elisabetta Cornago *March 2022*

## Russia's assault on Ukraine and European security

bulletin article by Luigi Scazzieri *March 2022*

## The EU emissions trading system after the energy price spike

policy brief by Elisabetta Cornago *April 2022*

## What would President Le Pen mean for Europe? A manifesto for trouble

insight by Ian Bond and John Springford *April 2022*

## Boiling dry: How the EU can help prevent instability in the water-scarce Maghreb

policy brief by Megan Ferrando *April 2022*

## Will the Digital Services Act save Europe from disinformation?

insight by Zach Meyers *April 2021*

## A very French Europe?

insight by Charles Grant *April 2021*

## How to make EU fiscal rules compatible with net zero

policy brief by Claudio Baccianti and Christian Odendahl *May 2022*

## Rebooting Europe's China Strategy

report by Ian Bond, François Godement, Hanns Maull and Volker Stanzel *May 2022*

## Turbulence ahead for Turkey and the West

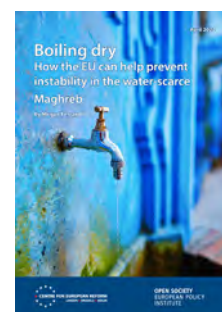
insight by Luigi Scazzieri *May 2022*

## State of the Union: The EU, three months into Putin's war

insight by Camino Mortera-Martinez *May 2022*

## Will the EU rethink enlargement?

bulletin article by Luigi Scazzieri *May 2022*



## Europe needs a China strategy

bulletin article by Ian Bond, François Godement, Hanns Maull and Volker Stanzel *May 2022*

## Can the UK keep up with Europe on digital competition?

bulletin article by Zach Meyers *May 2022*

## Why would anyone use a central bank digital currency?

insight by Zach Meyers *June 2022*

## What can we know about the cost of Brexit so far?

policy brief by John Springford *June 2022*

## Four reasons why the UK's Northern Ireland Protocol bill is a mistake

insight by Anton Spisak *June 2022*

## A new EU fiscal regime could make the ECB truly independent

insight by John Springford *June 2022*

## The EU's plan to unlock industrial data needs a rethink

insight by Zach Meyers *July 2022*

## A G7 energy tariff on Russia would be better than a price cap

insight by Elisabetta Cornago *July 2022*

## The impact of the Ukraine war on global energy markets

insight by Nick Butler *July 2022*

## Italy after Draghi

insight by Luigi Scazzieri *July 2022*

## First help Ukraine win the war. Then help it win the peace

insight by Ian Bond *July 2022*

## Macron is serious about the 'European Political Community'

insight by Charles Grant *August 2022*

## Using sanctioned Russian assets to rebuild Ukraine will not be easy

bulletin article by Zach Meyers and Camino Mortera-Martinez *August 2022*

## The US could cope with deglobalisation. Europe couldn't

bulletin article by John Springford *August 2022*

## Beyond European strategic autonomy?

bulletin article by Luigi Scazzieri *August 2022*

## The EU, NATO and European security in a time of war

policy brief by Ian Bond and Luigi Scazzieri *August 2022*

## The EU needs a bigger playing field – not a level playing field

policy brief by Zach Meyers *September 2022*

## How to fix the Northern Ireland Protocol

policy brief by Hilary Benn *September 2022*

## The EU's energy plan for a difficult winter: What are the options?

insight by Elisabetta Cornago *September 2022*

## What Giorgia Meloni would mean for Europe

insight by Luigi Scazzieri *September 2022*



## Europe should not forget the challenges to its south

policy brief by Luigi Scazzieri *September 2022*

## State of the Union: Seven months into Putin's war

insight by Camino Mortera-Martinez *September 2022*

## Trussonomics has failed at the first hurdle

bulletin article by John Springford *September 2022*

## Can Truss reset relations with the EU?

bulletin article by Charles Grant *September 2022*

## A world of troubles for Liz Truss

bulletin article by Ian Bond *September 2022*

## In defence of borrowing for climate action

insight by John Springford *October 2022*

## The EU should abandon chip nationalism

insight by Zach Meyers *October 2022*

## The new US National Security Strategy: Battling China for technological leadership

insight by Carl Bildt *October 2022*

## Can EU enlargement gain momentum?

insight by Luigi Scazzieri *November 2022*

## How to save energy in a smarter way

insight by Elisabetta Cornago *November 2022*

## Europe's migration problems are back

insight by Luigi Scazzieri *November 2022*

## UK science and technology after Brexit: How to fix it

policy brief by Zach Meyers and John Springford *November 2022*

## The European Stability Mechanism is not ready for the next crisis

insight by Sander Tordoir *November 2022*

## Now is not the time for Ukraine to negotiate

bulletin article by Ian Bond *December 2022*

## How the pandemic strengthened the EU

bulletin article by Camino Mortera-Martinez *December 2022*

## The UK needs a chips strategy

bulletin article by Zach Meyers *December 2022*

## China and Russia: Are there limits to 'no limits' friendship?

insight by Ian Bond *December 2022*

## Europe's central bankers should cherish their disagreements

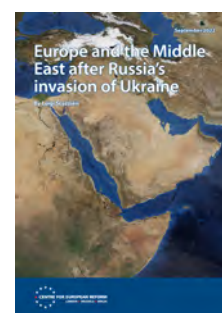
insight by Sander Tordoir and Shahin Vallée *December 2022*

## A new era of Finnish foreign policy begins

insight by Helmi Pillai *December 2022*

## The cost of Brexit to June 2022

insight by John Springford *December 2022*





# CER staff 2022

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**Charles Grant** is the director.

His interests include Britain's relationship with the EU, European institutions, European foreign and defence policy, Russia and China.



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**John Springford** is the deputy director.

He specialises in Britain's relationship with the EU, the single market, international trade and the economics of migration.



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**Ian Bond** is the director of foreign policy.

He specialises in Russia and the former Soviet Union, European foreign policy, Europe-Asia relations and US foreign policy.



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**Christian Odendahl** was the chief economist.

He focused on macroeconomics, the eurozone, the European Central Bank and Germany.



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**Camino Mortera-Martinez** is head of the Brussels office.

She specialises in security, migration and EU law. She also covers Spain and EU institutions.



---

**Sander Tordoir** is senior economist.

He specialises in eurozone monetary and fiscal policy, the EMU, European integration and Germany's role in the EU.



---

**Sophia Besch** was a senior research fellow.

She specialised in NATO, European defence and German foreign policy.



---

**Luigi Scazzieri** is a senior research fellow.

He specialises in European foreign and security policy, particularly towards the Middle East, and transatlantic relations.



---

**Elisabetta Cornago** is a senior research fellow.

She specialises in EU energy and climate policy from an economics perspective.



---

**Zach Meyers** is a senior research fellow.

He specialises in competition policy, economic regulation, industrial strategy, technology and innovation.



---

**Helmi Pillai** is the Clara Marina O'Donnell fellow (2022-23).

The fellowship is aimed at those at the start of their careers who are interested in foreign, defence and security policy.



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**Megan Ferrando** was the Clara Marina O'Donnell fellow (2021-22).



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**Kate Mullineux** is the head of publishing, branding and digital. She designs the CER's publications, organises their production and is responsible for all branding and digital content.



---

**Sophie Horsford** is the fundraising and operations manager. She is responsible for the day-to-day management of the CER, particularly finance and fundraising.



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**Jordan Orsler** is the events manager. She is responsible for the planning and execution of the CER's events programme.



---

**Rosie Giorgi** was the media co-ordinator and PA to Charles Grant. She handled press enquiries and produced the CER podcast.



# Financial support 2022

## Members: 10-19K

BAE Systems  
Barclays  
Boeing  
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Flint Global  
Ford of Europe

Montrose Associates  
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## Project and events support

AIG Europe Ltd  
The City of London Corporation  
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European Commission  
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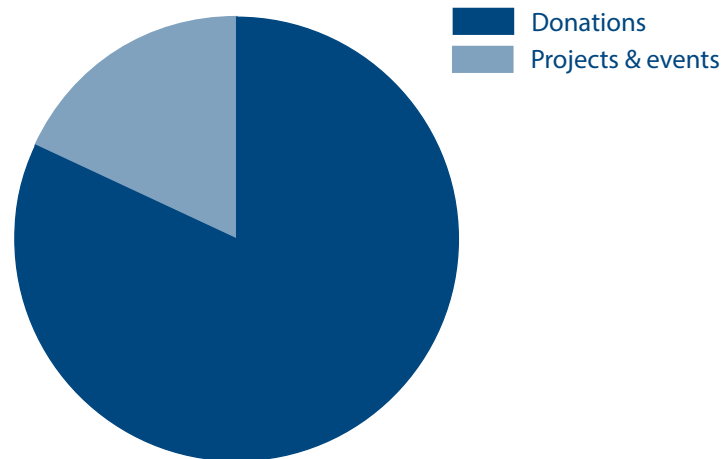
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NATO  
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Türkiye Raporu

# Financial information

Accounts for year ending 31.12.2021

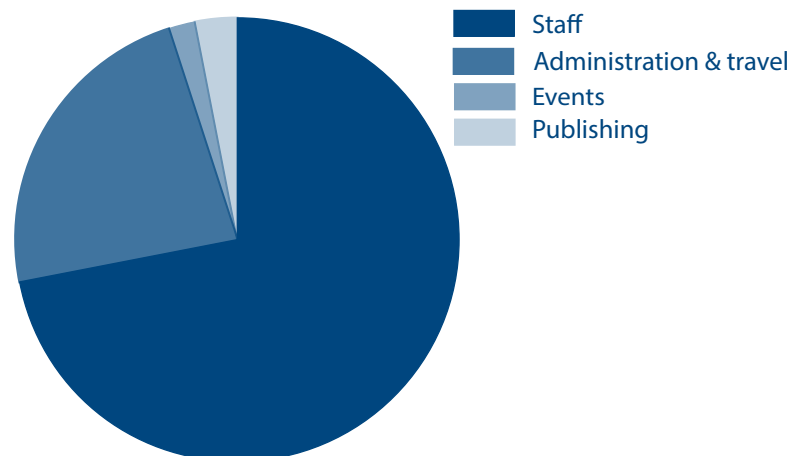
## Income for 2021:

Total £1,196,677



## Expenditure for 2021:

Total £1,342,096





# Advisory board 2022

**Paul Adamson**

Chairman of Forum Europe and founder of Encompass

**Esko Aho**

Chairman of the Board, Cinia Oy & former prime minister of Finland

**Joaquín Almunia**

Former vice president and competition commissioner, European Commission

**Lionel Barber**

Former editor, Financial Times

**Catherine Barnard**

Professor of European Union and labour law, University of Cambridge

**Katinka Barysch**

Head of marketing intelligence, Allianz SE

**Carl Bildt**

Former prime minister and foreign minister of Sweden

**Nick Butler**

Visiting professor and founding chair, Policy Institute, King's College London

**Tim Clark**

Former senior partner, Slaughter & May

**David Claydon**

Partner, Kaya Group

**Sir Robert Cooper**

Former special adviser to the High Representative and former counsellor, European External Action Service

**Lord Darroch**

Former UK Ambassador to the EU and the US

**Dame Carolyn Fairbairn**

Non-executive director, HSBC

**Sir Jonathan Faull**

Chair, European public affairs, Brunswick Group LLP

**Stephanie Flanders**

Senior executive editor and head of Bloomberg Economics, Bloomberg

**Anthony Gardner**

Senior advisor, Brunswick Group LLP and former US Ambassador to the EU

**Timothy Garton Ash**

Professor of European studies, University of Oxford

**Arancha González Laya**

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