

RegCORE Client Alert

European Political Community holds its first meeting

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QuickTake

On 9th of May 2022 (i.e., “Europe Day”¹) French President Emmanuel Macron presented a proposal in a speech at the European Parliament calling for the creation of a European Political Community (**EPC**). The EPC aims to bring together European countries irrespective of their relationship with the European Union (**EU**) to discuss concrete matters of urgent and common concern. These range from tackling the energy and climate change crises through to strengthening security, stability and prosperity of the European continent. Ultimately this is a bold bid to bolster what the EU terms its “strategic autonomy” especially in light of new multifaceted risks.

After months in the making, the EPC, held its inaugural summit on 6 October 2022 in Prague hosted by the then current Czech Presidency of the Council of the European Union.² Leaders from 44 countries, ranging from Iceland to Azerbaijan, along with the President of the European Commission and the President of the European Council were in attendance and met on equal footing.³ This is in many ways a major achievement in its own right. While there was no formal written text following the first EPC meeting, a press conference was held at the event’s conclusion.

Either way, now that the EPC has begun its work, it requires substance, and, more importantly, it will need to deliver for the benefit of all of Europe in order to be effective both on geopolitical strategy, but other risks faced by the continent as a whole.

¹ introduced in 1964 to celebrate “peace and unity in Europe”

² See details [here](#).

³ See details [here](#) on the EPC meeting and its outcomes as well as statements from various meetings in the sidelines as well as the informal meeting of heads of state or government of EU-27 Member States on 7 October 2022.

Finding a way forward

The EPC allows for a much-needed multilateral forum to address problems that are too big and too pressing to be ignored. Equally it serves as a useful medium to accelerate Brexit rapprochements and ease existing or stave-off future tensions between EU and non-EU Member States. This includes traditional rivals such as Azerbaijan and Armenia or Greece and Turkey (both NATO members). The EPC also allows for pan-European dialogue for those not (yet) in the EU-27. The latter is particularly the case if the EPC may be seen by candidate and future candidate states (seven waiting to join the EU were in attendance) as a more meaningful bridge to full EU membership as well as serving to strength stability in the EU's neighbourhood – a policy priority that has long been underinvested in terms of concrete efforts beyond repeated mentions in speeches.

Bringing European leaders together also has a number of spillover effects. A flurry of bilateral meetings took place on the sidelines of the Prague summit. These included those that were focused on EU-27 issues, such as policy discussions on the energy and cost of living crises and how to resolve divisions amongst EU-27 Member States over sanctions against Russia. They also range to those discussions between EU and non-EU states as well as between non-EU members altogether such as a quadrilateral meeting aimed at resolving tensions between Azerbaijan and Armenia.

What direction the EPC will take going forward, notably in terms of its core rationale plus concrete policy deliverables, and what this means for EU enlargement and/or more pressing reforms amongst EU institutions remains to be seen. In the interim, the strong turnout demonstrated a commitment by leaders looking to find consensus on solutions to common concerns. While the EPC currently is the most of informal organisations with no resources of its own and no website, this informality however could be its strength. While “institutionalisation” of the EPC is unlikely, a charter of EPC principles and its governance may be drawn up in the coming months.

Moreover, a meeting schedule was communicated in Prague. The plan is for the EPC to alternate between EU and non-EU members hosting summits. There are plans to hold EPC meetings twice a year with Moldova (currently set to host the next meeting) followed by Spain and the UK. Whether further meetings will be attended by leaders or “just” by ministers (and thus more technical in detail) equally remains to be seen.

The hope is that the EPC, as a novel construct, might be able to nimbly operate and navigate between the rigidity of EU institutions and the flexibility of a simple intergovernmental forum. The EPC does not aim to weaken EU standards but instead it offers a path forward on topics where the EU is not fully integrated and thus avoid clashes. This includes big topics such as security and defence, energy and research but much more in miniscule detail from migration but also market access and trade where the EU-27 itself needs to find consensus but can only truly do so if it discusses this with the wider neighbourhood.

Whether the EPC can produce statements to set political directions in the way that the G7 can, will invariably rest on political support from the largest EU-27 Member States in conjunction with non-EU Member States' engagement. Success will depend on whether the EPC and its members can avoid creating a risk of new ivory towers between those in the EU and those in various stages of joining or not at all.

What impact – if at all – for financial services market participants?

While financial services policymaking is more on the fringes rather than the centre of the EPC's (future) agenda, the start of what is perhaps a new geopolitical era, and a recognition of such by the EU and Member State capitals as well as across non-EU-27 EPC members, the outputs from future EPC meetings may impact financial markets and participants. This is particularly the case if the EPC can advance consensus and cooperation on how to respond to the economic and security fallout from Russian aggression, which if left unresolved, could further complicate the EU's and EPC members' future economic and growth prospects.

Strengthening a common pan-European (and not just EU) approach on energy markets and resilience of supplies (big topics but low hanging fruit) along with redoubling efforts on climate change (comparably more complex) will likely be the areas that could yield the first impacts and possible benefits for European economies, their growth and thus financial markets and participants. This is timely but should also be benchmarked against previous efforts. Assessing the EPC against the foundations of the EU itself: If cooperation on coal was a catalyst that led to building what is now the EU, divisions on oil and gas need to be resolved – and the EPC could be the forum to do so – to avoid endangering the EU's future prospects and its unity.

Moreover, if the EPC can bring the EU's neighbourhood closer together for the benefit of the continent as a whole, while concurrently strengthening ties between EU and non-EU countries (regardless of state of their

accession plans) this will likely have (positive) impacts on trade, cooperation and financial markets as well as much wider-reaching opportunities. This is also important as EU institutions and their governance are in the process of their own institutional reform(s), albeit still at a comparatively slower pace than many commentators and indeed certain national capital would indeed prefer – notably France and Germany – which would need to be completed prior to further EU enlargement.

Outlook and next steps

While the EPC's first meeting is a historic moment, much will be needed over the next couple of meetings to ensure it can deliver what it promises to do. For those non-EU Member States and in particular those that despite deep economic ties with the EU but who are not interested in membership, they now have an opportunity to discuss wider pan-European issues.

Unity and resolve are what the EPC's architects promised would be transformed from paper into practice and capitalising on the momentum of the EPC's first meetings with concrete deliverables will be welcome. If EPC members and respective policymakers fail to do so, then the EPC may be quickly consigned to history (quite a number of previous attempts spearheaded or supported by the EU have met that fate), and this could accelerate fragmentation at a time when the EU as well as the European continent as a whole. In many ways the conflict in the Ukraine acts as a catalyst for action and change.

In any event, the EPC's organisations and functions should be designed to be complement and not displace the EU's efforts in both its enlargement, the strengthening of the Single Market and improvement of ties and relationships between the EU and its neighbourhood. If this is done, then this may yield very welcome benefits for economic growth and financial market participants as a whole both in the EU and the wider neighbourhood.

About us

PwC Legal is assisting a number of financial services firms and market participants in forward planning for changes stemming from these developments.

If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's EU RegCORE Team via de_regcore@pwc.com or our [website](#).

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