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Withering the exogenous shock: EU policy responses to the Russian war against Ukraine

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ABSTRACT

The EU responded quickly to the Russian invasion of Ukraine. The analysis of defence, energy, fiscal and migration policy shows that although the EU reacted in all fields its reactions were strongly embedded in already actively pursued agendas and limited to the most pressing dysfunctionalities, except for migration where a reaction was possible by decoupling the policy response from the disputed ongoing policy agenda. As in earlier crises, exogenous shocks do not trigger ad hoc policy overhauls, let alone instant integration. Reactions depend on the partial agreement policymakers have already established. In sum, the EU is a venue for quick reactions to exogenous shocks but responses are closely linked to the ongoing every-day problem-solving for which the EU provides the infrastructure. The empirical findings on four policies highlight that the sustainability of the ad hoc policy responses will depend above all on the more fundamental decision about the EU's future fiscal governance.

KEYWORDS Russia-Ukraine war; policy making; EU integration; exogenous shock; crisis

How did the European Union (EU) react to the war in Ukraine and how able is it, more generally, to respond quickly to exogenous shocks? The article offers a comprehensive overview of EU-policy reactions in the areas most affected by the war and thereby contributes to the understanding of the conditions under which exogenous shocks trigger EU-policy change. Ad hoc responses do not unveil a deep-rooted change of institutional structures, normative underpinnings or practices; they do not cause integration as such. Still, the snapshot analysis makes a significant contribution to identifying possible *roots* for further integration because linkages between exogenous shocks and policy change can be isolated more accurately in the immediate aftermath of the external impulse. Assuming that a sharp shock creates pressure on decisionmakers to react, the core question is: under which conditions is the response developed jointly on the EU venue? The next section introduces a

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theoretical model that draws from the recent theory developments that analyse crises as a cause for EU integration. The model speaks to calls for further, comparative research given the cases-specific variable explanations that have been generated (Anghel and Jones 2023: 780–781; Ferrara and Kriesi 2022).

The following empirical analysis focuses on four policies that went into crisis mode in February 2022: defence, energy, fiscal and migration policy. The model is useful in explaining how decisions do not depend only on pressing functional and legitimacy demands. Decisions also stay very much within the limits of already-established political agendas. Concretely, this means that ad hoc reactions were by far not as revolutionary as political declarations about fundamental turning points suggest (cf. Anghel and Jones 2023; Fiott 2023; Genschel 2022). At the same time, it shows that continuous EU-cooperation offers a complex and, across policies, rather messy infrastructure for ad hoc decisions that enable effective ad hoc reactions.

EU-policy responsiveness to exogenous shocks

To explain why policymakers respond to an exogenous shock with a joint EU-policy, the abundant recent literature on crisis reaction as a trigger for integration serves as a starting point (Fabbrini and Schmidt 2019; Riddervold *et al.* 2021; Zeitlin *et al.* 2019). Whilst this literature has provided valuable insights applying general integration theories (Ferrara and Kriesi 2022; Hooghe *et al.* 2018; Hooghe and Marks 2019; Wiener *et al.* 2020), or public policy theories such as multiple streams, agenda setting and policy entrepreneurship (e.g. Blumenau and Lauderdale 2018; Saurugger and Terpan 2016), the respective explanations remain case-and context specific. To solve the puzzle, I suggest a compound theoretical model (cf. Ferrara and Kriesi 2022: 1352 who justify such a pragmatic approach) that focuses on the conditions under which responses are formulated, thus adding to the theoretical understanding of ad hoc crisis responses.

First, the literature refers to two crisis types that create functional and ideational pressure. On the one hand, crisis is an expression of *dysfunctionalities*: existing policies do not deliver on the new problems. I use the term *policy crisis* as pars pro toto for individual policy-specific dysfunctionalities, which are the focus of a great number of case-study based analyses (Riddervold et al. 2021).[1] On the other hand, *legitimacy crisis* captures shock-induced uncertainty over EU-policy capacities which, if not resolved, delegitimise existing policies and can thus reinforce EU-sceptic, national identity notions (Lichtenstein and Eilders 2018). While dysfunctionalities are mostly theorised as a push-factor for (functional) integration, legitimacy crises are accordingly primarily used to

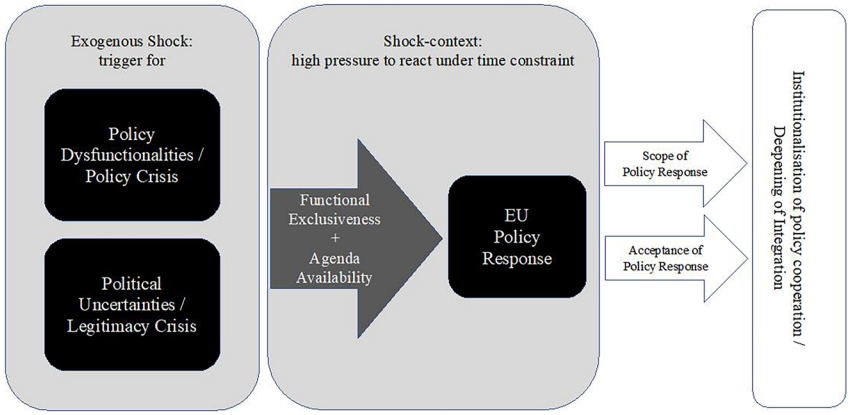

Figure 1. Conditions for shock-induced ad hoc policy response. *Source*: own figure.

explain (identity-driven) opposition to further integration. Yet, the 'emerging conflict may lead to a restructuring (in Lipset-Rokkanian terms) of the axis of polarization of the debate, which in turn might eventually foster supranational identities' (Kuhn and Nicoli 2020). Following this logic, a strong exogenous shock that undermines the legitimacy of existing responses is modelled as a push-factor to re-create new legitimacy *via* EU responses. In short, an exogenous shock sets off policy and legitimacy crises, which create pressure for a policy response.

Second, the urgency posed by an exogenous shock is significant for the decision-making context. Agent-centred constructivism formulates a delimitation that allows integration of the exceptional context into the model: 'war and crises ignite processes of persuasion between elites, from elites to the mass public, and from the mass public to elites. In making persuasion rather than socialisation the causal mechanism of interest, we can more easily identify how various agents frame "what should be done"' (Widmaier, Blyth *et al.* 2007: 749). In other words, policymakers act under time pressure, which means common decision-making processes are not available, in particular in-depth interest aggregation, negotiation, mediation, deliberation or even socialisation that are of particular relevance in the complex EU decision-making process (Scharpf 2006; Tsebelis and Yataganas 2001). Accordingly, for joint action, two variables need to be met: the availability of a solution, i.e. what should be done jointly, and whether this solution is immediately persuasive, i.e. what is acceptable, especially if the solution involves the pooling of power or financial resources on the EU level (Figure 1).

Third, it follows that under the specific pressure of the exogenous shock that triggers crises and hinders the scope for actorness – both in

regular consensus or compromise building and for entrepreneurs – the model privileges a structural explanation. Concretely, 'what should be done' depends on *EU-venue exclusiveness*: whether a policy is ad hoc persuasive depends on prior coordination efforts, that is an *actively pursued agenda*. Both variables are backed by crisis research. *Functional exclusiveness* is defined as the actors' perception that only an EU solution can reduce dysfunctionalities and uncertainty. This functional pressure is independent of whether the EU already has a competence in the field, as past crisis reaction illustrates. During the Eurozone crisis, the 'unconventional measures of the ECB [European Central Bank, the author] constitute a case of fiscal integration by default' (Schelkle 2011: 105), whereas for the crisis of European migration policy, in which the EU has shared competences, no policy-agreement could be found even if 'such crises would normally create impulses for major policy reforms, driving integration forward' (Bosilca 2021: 469). A precondition for an EU response is that there is 'no alternative' resolve policy crisis. But why do states opt for policy failure instead of selecting the singular EU venue to agree on ad hoc policy responses?

Availability of an *accepted EU agenda*, speaks to this question. Under time pressure that suspends mechanisms of compromise or consensus-building among the EU's multiple veto-players, only policy options that are already on the agenda can serve the purpose. This is similar but differs from the 'garbage can model' (Cohen *et al.* 1972); actors are assumed as bounded rational, yet, attention is not dispersed which leads to apparently contingent choices from the 'garbage can' but multiple actors need to be persuaded quickly, limiting the garbage can to issues already on the agenda. Similarly, urgency limits the scope for policy entrepreneurs to place completely new issues on the agenda and, as uncertainty triggers national rather than community identity notions, policy agendas need to have already created sufficient acceptance. I do not conceptualise further under which conditions a policy agenda is accepted but limit the argument to conditions for ad hoc decisions. The accepted agenda is similar to path-dependency which explains continuity rather than change in historical institutionalism (Thelen 1999), but for the present snapshot analysis, the shorthand of an accepted agenda is sufficient to identify if ad hoc persuasion is possible. Crisis research provides a crucial example of policy failure due to non-accepted agenda implementation fostering non-compliance and thus further delegitimisation. On the one hand, during the Eurocrisis, short of a political agenda as basis for sufficiently effective political decisions, the ECB rather than political decisionmakers played an important role as the ideational agenda-setter (Carstensen and Schmidt 2018: 619–20), levelling the ground for *subsequent* legislative agenda setters (Blumenau and

Lauderdale 2018: 476). On the other hand, during the migration policy crisis, following the existing but not accepted agenda, by passing the regulation of a reallocation scheme for migrants (Council of the EU 2015) was not a breakthrough for a common solution but failed to achieve its goal (European Commission 2017). Even if the Court confirmed EU competences (Court of Justice of the European Union 2017), the actual decision had already been ineffective (Renkin 2020). In a nutshell, functional pressure due to policy and legitimacy crises does not lead to ad hoc EU-responses short of an accepted agenda under conditions of an imminent exogenous shock.

Finally, as pointed out above, ad hoc policy responses are not to be confused with the institutionalisation of new rules and lasting behavioural change that may, however, ensue from ad hoc responses. In order to make the snapshot analysis accessible for future work on more deep-rooted effects, the empirical analysis includes an indicative examination of scope and acceptance of the ad hoc responses.

Methodology, case selection, operationalisation and data

Based on a qualitative content analysis (Mayring 2014), the problem-driven design applies the model to four case studies. The dependent variables are formalised *policy responses*, measured as documented policy decisions passed on the EU level in the first six months after the war in Ukraine started. The central decisionmakers are the European Council, the Council of the EU and, less prominently, the European Commission and the Parliament (depending on EU-competences).[2] Data was retrieved from the EU websites, in particular the Council and the Commission sites, and the Official Journal/Eur-Lex databases, complemented by academic analyses and media coverage.[3] To examine the functional exclusiveness and policy agendas, the larger EU policy context before 24 February 2022 is analysed using the same sources.

The case studies are selected in line with the problem-driven motivation to answer whether we see EU responses in the policies most affected. In fact, this selection method itself implies some policy and/or legitimacy crisis for the selected cases. Examining which crisis types the problems identified before and after 24 February allows for more precise identification of which shock-induced crises were at stake. The case selection rests on immediate problem definitions by the European Council and Council of the EU. The first statement by the Heads of State and Government, the so-called *Versailles Declaration* (4 March), highlights 'three key dimensions: (a) Bolstering our defence capabilities; (b) Reducing our energy dependencies; and (c) Building a more robust economic base' (European

Council 2022c). In addition, flaking sanctions against Russia, the Justice and Home Affairs Council immediately agreed on humanitarian emergency responses and recognised that the 'influx of people seeking refuge' would require mutual support to accommodate fleeing people from Ukraine (Council of the EU 2022b).

The policy cases are presented in narratives that review the policy before the invasion to identify in how far the war created new or amplified prior crisis perceptions. The actual decisions taken in the first six months after it are reported (dependent variable), followed by a tentative outlook that reviews how encompassing the decisions were (scope) and initial reactions (acceptance) which give a hint for how sustainable the decisions may be and thus lead to further institutionalisation. The empirical analysis begins with an overview of general crisis policy reaction, which is important to identify the key decisionmakers and also which rules apply for ad hoc decision making.

Ad hoc policy responses to shock-induced crises

On 27 February 2022, the acting rotating EU presidency, France, fully activated the EU *Integrated Political Crisis Response* (IPCR) that had been codified in response to the prior crises in 2018 (Council of the European Union 2018). The IPCR increases quick response capacities, in particular, the roundtables that bring together EU institutions and member states can table proposals for concrete EU response measures. The rapid and full activation of the ICPR sets the more recent crises apart from the earlier ones, especially the banking and sovereign debt crisis after 2008, and highlights the leading role the Council has developed.

The full ICPR activation entails an intense and continuous sharing of crises reports, the use of a round-the-clock contact point, the production and sharing of analytical reports, the use of a web-platform for information sharing and distribution, regular crises meetings among Council of the EU members, and the objective to produce concrete proposals for the EU. It thus strengthens the Council's toolkit to develop ad hoc responses, including the introduction of legislation. Accordingly, the Council and national actors play a pivotal role in crisis reaction compared to ordinary decision making.

Defence policy: strategic decisions for the EU and multiple venue linkages

The invasion of Ukraine created an imminent urgency for EU defence policy, which was in a reform process and a declared priority of the French presidency. The European Council agenda was therefore already

focussed on defence. Although not many changes were introduced in substance, the new *Strategic Compass* was passed against a radically revised geopolitical view on Russia across the EU, reflected also in notably increased national military budgets. While these decisions mark major breaks, their institutionalisation pends on actual implementation and long-term budgetary adjustments across the member states.

Policy context: between intention and action

The last major effort to strengthen the *Common Security and Defence Policy* (CSDP) was the introduction of the *Permanent Structured Cooperation* (PESCO) (Council of the EU 2017). PESCO, like other advances before, suffered a backlash in the concrete implementation, echoing that 'CSDP reforms have often been slow to materialise, lag behind the reform ambitions of key EU foreign policy actors, and fail to address important shortcomings experienced by CSDP' (Bergmann and Müller 2021: 1669). The continuous dysfunctionalities of the CSDP are essentially a matter of actual capacities and (clever) investment combined with a lack of a shared threat perception and strategic culture. At the heart of it, CSDP lacked 'an updated common vision and change in mindset to think and act as Europeans – as a way to bolster also both national and transatlantic frameworks' (Molenaar 2021).

Faced with the war in Ukraine, the EU venue offered certain *functionally exclusive traits*. However, EU-potentials overlapped with some of the longstanding dysfunctionality of the CSDP. Lacking EU capabilities for effective defence and deterrence, NATO remains the crucial grantor of security. In reaction to the Russian invasion, there was agreement that NATO involvement was to be avoided by all means in order not to provoke an open conflict and uncontrollable escalation of the war, thus passing the ball back to the EU. The question raised was if solidarity and mutual defence guaranties could be delivered in the EU framework, in particular how Article 42.7 TEU (together with Article 222 TFEU) could be interpreted in terms of mutual defence. The second functional uniqueness of the EU is its independence from the US's commitment to NATO, which had suffered during the Trump presidency. However, member state positions about the desirability of an autonomous EU 'strategic sovereignty' or closer integration with NATO remain unresolved. Besides, national arenas remain crucial due to the intergovernmental nature of defence policy and the independent national control over military budgets, structures and security strategies. National investments are not competing but are an essential means to strengthen EU and NATO defence capacities, with possible conflicts regarding compatibility of new recourses with US or EU-partners material.

Uncertainty was extremely high in security, with a chance to raise EU legitimacy by means of a more credible defence policy. Despite being a core state power, public sentiments towards EU integration in the field are supportive and the slow integration progress has been attributed to reluctance by political elites rather than public discontent (Schilde *et al.* 2019). Even more so, citizens that hold an exclusive (national) rather than inclusive (EU) identity, show more openness for EU external rather than internal integration (Moland 2022). Rising uncertainty could therefore resonate with some prior sense of joint identity and openness to EU solutions rather than a strict backslide to national decisions. In addition, the French Presidency had put the matter of EU 'strategic sovereignty' at the top of its agenda (French Presidency of the Council of the European Union 2021), including agreement on the *Strategic Compass* in March 2022.

Ad hoc responses: pushing the agenda in a new context

In the *Versailles Declaration*, the European Council stressed the relevance of EU-NATO cooperation and reiterated the will to take more responsibility for the EU's security and autonomous capacities by increasing defence spending (European Council 2022c). The key instrument passed on the EU venue on 21 March is the *Strategic Compass* (European Council 2022b). It aims at no less than a 'quantum leap forward' for EU defence and security policy in the face of the geopolitical shifts. Already in November, the preparatory Commission White Paper identified Russia and China as potential threats and provoked the critique by EU diplomates 'that the threat from Moscow should have been better specified by including military threats and occupation, weaponising energy supply and hybrid actions' (Brzozowski 2021). The revised Commission proposal presented in March 2022 (European Commission and High Representative of the Union for Foreign and Security Policy 2022) sharpened the wording on Russia, stressed the EU's role in its wider neighbourhood, and put more emphasis on hybrid and cyber threats (Koenig 2022: 2–3), based on the first-ever *Threat Analysis* conducted in 2020. Also, the four main pillars (act, secure, invest, partner) did not substantively change, as well as the goal to realise specified over 50 deliverables, most of them before 2025.

The major action with direct war-relevance was the provision of military funding and weapons to Ukraine under the *European Peace Facility* (EPF), an instrument introduced in 2021 (Council of the EU 2021). The EPF has been described as a real shift with further strategic potential because the 'speed and scale with which the EU deployed this new instrument was staggering. Four days after the Russian invasion, the Council agreed to provide €500 million for the supply of lethal (€450 million) and non-lethal (€50 million) material to Ukraine. On 23 March and on 13 April, the Council

added two more packages of €500 million, thereby tripling the Instrument's initial ceiling for 2022. The magnitude of the shift becomes clear when considering that it took the EU a large part of last year to agree a €31 million EPF package for Ukraine over three years' (Koenig 2022).

Third, in May the Council agreed on a Commission proposal on how to boost defence investment to close the identified gaps (European Council 2022a). Defence spending commitments went up significantly, especially in the EPF. Estimates highlight in particular Germany, for which the German Chancellor announced an extra of €100 billion military investment to meet the 2% NATO target, but also Poland, Belgium, Romania, Italy, Norway and Sweden immediately announced an increase in military spending (cf. Koenig 2022: 3).

Finally, the EU-NATO partnership was intensified. The emphasis in the *Strategic Compass* remains rather unspecific about how collaboration should be structured and how much actual 'strategic sovereignty' from NATO the EU should establish (Koenig 2022: 5). Ad hoc cooperation and exchange were increased, the 2022 annual EU/NATO report stresses that due to 'Russia's invasion of Ukraine, NATO and EU staffs have intensified their interaction' (European Union and North Atlantic Treaty Organization 2022: 9). Especially the political dialogue reached 'unprecedented levels, and was instrumental in fostering EU-NATO unity of purpose and complementarity of efforts' (European Union and North Atlantic Treaty Organization 2022: 11). In addition, Finland and Sweden signed NATO *Accession Partnerships* on 5 July (North Atlantic Treaty Organization 2022).

Outlook: implementation, the Achilles heel

The *Strategic Compass* offered a well-prepared agenda. In fact the war did not substantially change the scope of the compass but the changed risk perception, and the approximation of member state assessments of Russia's geopolitical role changed the agenda's relevance and public perception. The decisive question remains whether the decisions taken will, unlike strategic CSDP planning in the past, bridge the 'chasmic gap between ambition and implementation' (Koenig 2022: 4). The strengthened Commission involvement in planning and coordination of investment appears to be an important stepping stone in this respect, but unanimity voting in the Council is maintained and a political definition of a more strategically sovereign EU and a clarification on how to read Article 47.2 TEU remain open. Despite an approximation of member state positions on Russia, the joint problem definition and security culture remain underdeveloped. Besides the significant shifts inside the EU, especially the future White House position on NATO, its interest in Europe and willingness to engage in international cooperation altogether will play a major

role. Future external events, including the length and outcome of the war, will remain decisive for the institutionalisation of EU defence, both regarding the long-term spending commitments and the further development of a common security understanding. This will also be crucial to ensure the proclaimed quality and quantity of national spending in the mid- and long-term. This holds also for commitments to the EPF, which has quickly established itself as the most relevant direct military support instrument for Ukraine (European External Action Service 2023: 5). These additional costs have been linked to the acute threat of the war, if they will be accepted once the public threat perception wears off remains to be seen.

Energy policy: boosting efforts under Fit for 55 and invoking solidarity

Energy policy is one of the areas in which the EU has recently been advancing multidimensional integration projects. The most acute issues in relation to the Russian invasion were the shortfall of Russian imports of fossil energy supplies and the structural implications for the ongoing restructuring of EU energy policy at large.

Policy context: greening energy in the focus

EU energy policy is located between three partially competing objectives: geopolitical independency, energy security, and climate protection. The anchoring of energy policy in the Lisbon Treaty granted energy policy a prominent place on the EU agenda. Especially since the Commission's launch of the *Energy Union* (European Commission 2015), EU energy policy has moved steadily forward. Legislation to realise the *Energy Union* was completed in December 2019, immediately followed by the Commission's launch of the *European Green Deal* (European Commission 2019) as a new grand policy template.

The functional exclusiveness of the EU venue is the mirror image of the persisting dysfunctionalities. The shared competence in the field a national competence – i.e. questions of energy supply the mix of energy sources – can eventually only be addressed jointly in a fully integrated energy market. This is reflected not least in the reference to the 'spirit of solidarity between member states' in Article 194 TFEU. However, the past track record of uncoordinated national policy decisions emphasises that the EU venue competes with national venues (Andoura 2013: 35), not least because member states diverge on the solutions they prefer to resolve each one of the shared objectives. The crucial question is whether the immediate crises persuaded policymakers to cooperate, and if these

reactions have triggered paradigmatic shifts of positions that had before impinged energy solidarity in the EU.

Since its introduction, the *New Green Deal* dominates the policy-making agenda. As the crisis hit, negotiations on details of the *Fit for 55* package, the legal framework to reduce carbon emissions by least 55% till 2030 (European Commission 2021), were in full swing. This agenda offered a template to develop responses – but also raised the question of new trade-offs between energy security and emission reduction (Fernandez 2018). While the active agenda covered all significant aspects, the war changed the hierarchy of issues and pushed energy security and independence as well as the structure of energy markets to control prices to the forefront.

Ad hoc responses: moving towards structural changes

In essence, three points matter about the immediate policy responses on the EU level, which complemented and framed the considerable actions taken nationally. First, the *Fit for 55* agenda was not rolled back but the Commission explicitly integrated decisions in the *Green Deal* agenda. Second, the European Council expressed a strong commitment to solidarity which suggests the acceptance of national investment and engagement at the narrower profit of EU partners. Third, the Commission adapted targets to speed up energy independence, including financing objectives of the fund established for the Covid-19 recovery. Agreement on none of these measures had been self-evident in early February.

The Commission presented *REPowerEU* on 18 May (European Commission 2022d), which takes the *Fit for 55* package as the vantage point to complete the actions on energy security, supply and storage. In addition, to accelerate the phasing out of Russian fossil fuels, the Commission proposed a Regulation to revise the funding targets under the *Recovery and Reconstruction Facility* (RRF), to ensure 'synergies and complementarity between measures funded under the RFF and actions supported *via* other national or Union funds' (European Commission 2022b: 2). Quick action was also taken to revise existing legislation on gas storage, obliging member states to fill at least 80% of their gas storage capacity before the winter of 2022/23 (European Parliament and Council of the EU 2022c). Given the projections of energy shortages and escalating energy prices, the Council adopted a regulation to voluntarily reduce gas demand by 15% on 5 August (Council of the European Union 2022). Even though the regulation is peppered with national exemptions, two aspects appear noteworthy. First, it includes a 'Union alert' under which a qualified Council majority can render the reduction of gas obligatory. Second, the

regulation acknowledges that despite in the effect of energy disruptions 'all Member States could be negatively affected and could contribute to limiting the economic harm caused by such disruption […]. This Regulation reflects the principle of energy solidarity, which has recently been confirmed by the Court of Justice as a fundamental principle of Union law' (par. 14).

Outlook: more to come?

The crisis in energy supply met a market that was already under strain, and it was distributed asymmetrically across states (Celi *et al.* 2022), which reduces the likelihood for sustainable solidarity. Even though EU solidarity was invoked, some member states expressed early on their disagreement and likely non-compliance, which indicates that the immediate acts of solidarity are hardly based on deep-rooted acceptance beyond the 2022 ad hoc responses that were inevitable to counter the threat of instant negative economic downturns and political unrest. The initial reactions were quickly followed by the Commission drafts to negotiate further controls of energy price escalations, including proposals for market interventions and an overhaul of the EU energy market altogether. The ongoing *Fit for 55* and RRF agenda served as a base for joint action, yet, it remains open if this suffices to institutionalise solidarity in practice. Doubts about whether the Commission's *REPowerEU* measures will show success have been voiced because they require substantive additional EU funding (Redeker and Jäger 2022). This raises the question of whether the measures taken will link an integrated, independent and sustainable energy policy directly to steps taken in economic and fiscal policy.

Fiscal policy: reluctant awaiting and silent tolerance

Energy supply and prices have had decisive economic implications; they are a central element of the much wider economic implications. Given its exceptional role in the EU crises response and for further EU integration at large, the spotlight is put on fiscal policy. Initial fiscal reactions were placed foremost in the national venues, but it appears unlikely that the economic implications of a longer-lasting war can be fiscally contained without new EU-level instruments.

Policy context: the Eurozone elephant in the room

The war created an economic shock because it led to EU sanctions on Russia, to real income losses, and to rising inflation due to higher food

and energy prices (Pisani-Ferry and Blanchard 2022). The global economic shock aggravated, once more, the root problems of the imbalanced EU monetary and fiscal competences. The implications of energy shortages and prices, causing inflation and a terms of trade shock, urged policymakers to act in order to calm rising uncertainty and mitigate economic burdens. Whereas in 2021 climbing energy and commodity prices could be partially buffered by higher demands, '[t]his does not hold for the war in Ukraine. Renewed supply shortages emerging from the war drive up prices of goods exported by Ukraine and Russia, such as energy, food, and metals', which entailed real income losses (Strauch 2022). While in the short term, effects on low-income groups and energy intensive industries can be mitigated by national fiscal interventions, mid- and long-term effects tap into the Eurozone's core integration issues and the single market design.

Which venue should be privileged to receive a fiscal response pends on economic convictions and is accordingly politically disputed. Especially for the Eurozone, the EU is a crucial player that has shown its capacity to act, together the 'Central bank interventions since 2008, fiscal interventions during the pandemic, and vaccine developments have demonstrated a level of policy resilience that is impressive' (Siklos 2022: 85). The varying responses to past crises have created a system in which the Commission exercises fiscal surveillance in the strengthened *European Semester*, but also controls and manages the distribution of *Next Generation EU* (NGEU), the largest EU budget ever. Besides the political venue, the ECB has prominently stepped in when political decision making was lacking in the Eurozone crisis. The response capacity of the ECB in the face of the Ukraine war was more restricted because high inflation rates pressed the ECB to normalise its monetary policy (Jones 2022; Redeker 2022; Sapir 2022). The ball was thus clearly back in the field of EU and national politics. The division of competences 'implies that the task to deal with the demand shock should be borne by national fiscal policies, even though it comes at a time when budget deficits are unusually large' (Wyplosz 2022: 12). Joint fiscal responses on the EU venue are functionally more apt than national venues to respond to an asymmetric distribution of losses and gains across EU member states, linked to further market imbalances as well as the dangers of excessive state debts, especially in the Eurozone.

The active agenda that met the exogenous shock was the first noteworthy EU fiscal instrument, agreed to in 2020 in response to the pandemic (European Council 2020). NGEU combines the *Multiannual Financial Framework* (MFF) with the exceptional *Reconciliation and Recovery Facility* (RRF) and amounts to €750 billion in grants and loans, as well as the *Support to mitigate Unemployment Risks in an Emergency* (SURE)

instrument that provides €100 billion for temporary loans – thus successfully 'overcoming resistance to creating an EU-wide form of fiscal policy' (Siklos 2022: 83). In parallel, it strengthened the Commission's capabilities to control national spending, introducing conditionality for RRF disbursement linked to the *European Semester*. To pass the RRF and to ensure its legality under the current Treaties, the RRF is explicitly exceptional and must not set a precedent for further EU fiscal competences, stressing the political tensions regarding fiscal competences in the EU.

Ad hoc policy responses: leeway for national fiscal interventions

The *Versailles Declaration* acknowledged the need for additional national investment to 'reflect the new geopolitical situation' while ensuring 'debt sustainability for each Member State' (European Council 2022c). The key response was to grant member states more scope for national interventions and compensation payments, relaxing state-aid rules, guidelines for company support, and the restrictive rules on national spending (Redeker and Jäger 2022). The adapted Commission's *Fiscal Guidance for 2023* (2 March) outlined the relaxed fiscal controls, in particular 'the so-called "general escape clause" of the Stability and Growth Pact (SGP) will continue to apply in 2022' (European Commission 2022a: 1). Beyond this, the adaptations to the RRF offer additional EU funding.

Immediate responses do not include additional EU fiscal capacities, and previous diverging positions among EU actors continue to accentuate the need for different national fiscal responses and debt sustainability. Overall, the immediate response was cautious and observant (Euro Summit 2022). Ad hoc measures enabled member states to take fiscal measures by relaxing EU constraints as far as possible. According to ECB estimates, the discretionary fiscal support offered by Eurozone governments amounts to almost one percent of GDP, which in 2022 'consists of fiscal transfers and subsidies, as well as cuts in (energy-related) indirect taxes', but will change for 2023–24 (Checherita-Westphal *et al.* 2022). In the first half year after the invasion, calls for a substantive EU fiscal response – following the RRF precedent – were rare, but the Commission started to level the ground for a more deep-cutting debate.

Outlook: increasing the budget or repeating the exception?

While in the short-term national responses appeared sufficient (Sapir 2022), mid- and long-term spending obligations raise the issue that a 'new EU budget that should put much more emphasis on European public goods, and a new off-budget package to finance the pressing ramping up of energy

security, humanitarian assistance and joint defence expenditures, may soon be indispensable' (Pisani-Ferry 2022), for which NGEU would provide the template. The Commission used its economic outlook to foster the debate on the EU's economic structure at large, including 'possible changes to the economic governance framework', and suggesting that '[i]t should be further discussed what insights can be drawn from the design, governance and operation of the RRF' (European Commission 2022a: 8–10). This indicates a further strengthening of the Commission's leverage over member states' economic planning in line with the new RRF linkages between surveillance and EU distribution (Nguyen and Redeker 2022), but does not answer how the above-listed EU policies in response to the war are to be financed. The unequally distributed transition costs for the *REPowerEU* imply that, short of 'common financing, funding will come up short and the EU runs a serious risk of failing to achieve green energy independence any time soon', which can be either achieved by additional contributions to the current MFF or through additional EU borrowing (Redeker 2022:7). The initially circumvented controversies about the EU's fiscal capacities are inevitable as the effects of the war unfold and expose structural asymmetries in the EU economy, as well as the need to strengthen its resilience. However, this debate will fall into the context of much more profound strategic decisions about the EU's fiscal base. While the immediate fiscal interventions were substantive and accepted, they were achieved by circumventing the eventually inevitable question of institutionalising EU fiscal capacities. Stretching not redefining the agenda made quick responses possible, thus giving the exceptional solution more thrust. Whether NGEU is indeed a mere exception or if its applications 'are likely to change the Union permanently in establishing a semi-permanent, non-conditional redistributive mechanism, yet justified with reference to an acute emergency' (Leino-Sandberg and Ruffert 2022: 450; for a competing view on the NGEU legality De Witte 2021) are essential for a prospective institutionalisation of all policies reviewed in this article.

Migration policy: same, same but different

Migration policy has been in pending crisis since 2015. The EU response to Ukrainian asylum seekers and refugees was quick, smooth and coordinated in contrast to all prior experiences. This was achieved not by cutting through the Gordian knot, the Dublin system, but by decoupling the response to refugees from Ukraine from the regular migration policy agenda. While some progress on the EU migration policy agenda occurred, there is no issue-linkage with the response measures for Ukrainian refugees.

Policy context: the Dublin stalemate

After the migration policy crisis in 2015, the Commission proposed 'the third revision of the entire legislative *acquis* in less than 15 years' (Scipioni 2018: 1360) – which basically added new instruments to the existing system (Trauner 2016: 312). In addition, weak supranational authority has led to spill-overs into the Schengen system and in 'migration policy, the compliance problem tarnishing EU policy effectiveness (Treib 2014) seems to be particularly serous' (Scipioni 2018: 1365). In essence, deadlock between member states in intergovernmental (Zaun 2018) and differences between the co-legislators in the legislative negotiations mark the policy field (European Parliamentary Research Service and Anja Radjenovic 2020: 4) and perpetuate asymmetries in burden sharing. The *New Pact on Migration and Asylum* (European Commission 2020) aimed to put solidarity at centre stage to tackle the long-standing dysfunctionalities with a new comprehensive legislative package.

Even though it is widely recognised that the EU venue is the single one to resolve interdependency problems, the asymmetric effects of the Dublin system persistently hinder agreement. Politicisation and rising uncertainty about the implications of high migration numbers have increased public resentments and strengthened the national venue – at the expense of functionally superior EU policies (Di Mauro and Memoli 2021: 1318). The parallel effect of policy and legitimacy crises thus privileged national venues which, again, entails policy failure in migration policy and in the Schengen system.

The active agenda in the policy field, the *New Pact*, includes a renewed revision of the Dublin system in the form of a compulsory solidarity mechanism. To establish a cooperative level playing field, it foresees that states unwilling to relocate migrants to their territory offer support in the form of 'return sponsorships' (effectively financial compensations for opt-outs). The 2021 Commission report depicts continuity, in that 'continued migratory challenges at different parts of the EU's external borders but also within the Schengen area have continued to highlight existing shortcomings. […and despite] good progress at the technical level, but political agreement on some key elements is still distant' (European Commission 2022c: 13). Notwithstanding that the functional exclusiveness of the EU venue is acknowledged, amongst the member states the acceptance of the *New Pact* remains insufficient. Against this backdrop, the French presidency prioritised migration policy and set the agenda to advance agreement on legislative proposals and fostering solidarity.

Ad hoc responses: decoupling Ukraine from the New Pact

The single most relevant measure is the Council's decision (Council of the EU 2022a) to activate the *Temporary Protection Directive* (Council of the EU 2001) that had never been previously applied. The directive alleviates pressures on asylum systems by offering refugees far-reaching harmonised rights, including the right to movement, access to the labour and housing markets, medical assistance and education. In addition, on 4 April the Council adopted measures that amount to some €17 billion to assist Ukrainian refugees by opening Cohesion funds (Cohesion for Refugees in Europe, CARE) and recovery assistance for cohesion and territories or Europe (REACT-EU) (European Parliament and Council of the EU 2022a, 2022b).

Parallel to these distinct measures, the *New Pact* was advanced. In June, the Justice and Home Affairs Council agreed to start negotiations on a revision of the screening procedure, the Eurodac database and Schengen border code, all aiming at strengthening external border controls and management. In addition, the French Presidency could assemble 18 EU plus three associated states behind a *Solidarity Declaration* with the aim to implement 'a voluntary, simple and predictable solidarity mechanism […] by offering relocations (the preferred method of solidarity) and financial contributions' (French Presidency of the Council of the European Union 2022),[4] a fully voluntary agreement, which was passed on to the so-called *Solidarity Platform* for implementation.

Outlook: rebounding the shock effect while advancing on the old path

Enacting the *Temporary Directive* offered a quick and effective response to evade the well-known dysfunctionalities and the lack of legitimacy in many national arenas that marks EU migration policy. Even though some progress was made on the broader policy agenda of the *New Pact*, there is no issue linkage. The treatment of Ukrainian refugees is decoupled from regular migration policy, which means that despite the considerable scope it has in terms of breaking with previous smaller numbers of migrants arriving in the EU, it is not likely to serve as a precedent for migration policy at large, as promoted by civil society and groups of the EP. The decoupling is also reflected in more positive public attitudes towards Ukrainian refugees than towards refugees from other regions, with varying dynamics during the first five months already, namely some spill-over in that 'individuals who became more supportive of Ukrainian refugees during the first four months of the war were also more likely to become more supportive of other types of refugees' but at the same time a 'small decrease in the overall support for refugees' (Moise, Dennison

et al. 2023: 21), which means that overall the acceptance of the *Temporary Directive* pends on positions about the war and, should views about the war change, the acceptance of the exceptional treatment of Ukrainians will decrease.

Discussion and conclusion: exogenous shocks as integration driver

The Russian invasion caused painful policy problems and put policymakers under pressure to re-establish legitimacy. For all cases, the European Council's initial urge to react can be expressed as concrete policy and legitimacy crises (for a summary of the results see Table A1, Appendix A). Most dysfunctionalities and uncertainties were not new but were re-accentuated and aggravated. In defence, emphasis shifted to previously neglected territorial defence (vs. a global role) which aggravated doubts about actual capabilities. In energy, energy security (vs. greening) moved to the forefront, including whether member states could act in solidarity despite conflicting views on supply policies. In contrast, in fiscal and migration policy, the hierarchisation of problems did not change but amplified the severity of unresolved dysfunctionalities. Notably, in defence and energy policy dysfunctionalities linked to broad, rather diffuse public uncertainty, whereas in fiscal and migration policy public concerns centred on immediate, concrete economic and identity concerns.

Regarding the tangible reactions, for all policies the exclusive functional value-added of the EU-venue were identified. Notably, the functionally exclusive potential of EU responses echoes known dysfunctionalities in various policies: for defence (strategic planning), energy (solidarity) and migration (burden sharing). In fiscal policy, dysfunctionalities touch on fundamental disputes about the imbalance between EU monetary and fiscal competences. In addition, the venue selection in defence was used complementarily to the national and NATO venues, while questions of power distribution were implicit in energy, finance and migration. Responses varied across cases: in defence, the well-prepared *Strategic Compass* was passed, in energy the long-standing clause on solidarity was invoked and EU-funds were shifted, and in finance already in-place crisis funds of the NGEU and pre-emptions ('general escape clause') for increased national spending were used. In these three cases, agendas already in the pipeline (defence), actively under negotiation (energy), or in the implementation phase (finance) were used and extended ad hoc, reinterpreted and slightly adapted. The migration case differed in that the active agenda, the *New Pact on Migration*, was not sufficiently accepted but, unlike the other cases, the Council could activate a ready-to-use

political decision that effectively decoupled Ukrainian migration from the migration agenda. In sum, the cases do not provide a generalisable pattern with respect to the type, scope or acceptance of the ad hoc responses. The empirical findings actually tell us less about how shock-induced integration proceeds and more about how EU decisionmakers react to exogenous shocks. Faced with policy and legitimacy crises, the EU produces workable ad hoc responses and it does so across substantively different policies, relying on a broad variety of solutions available in its tool-box.

A few lessons can be drawn beyond the case-specific findings. First, we observe neither a withdrawal to the national venue, nor a shock-induced push for EU integration. In fact, the binary conceptualisation of competences seems misplaced. Policymakers quickly referred to the EU to rebuild legitimacy in their actions and showcasing results. This was possible within the ongoing agendas, which implies that the day-to-day coordination and exchange of policymakers is crucial for ad hoc reactions. Short of an active agenda or existing decisions that can be activated, the EU is neither quick nor effective. Multiple, continuous interactions offer an infrastructure that enables ad hoc responses. In this respect, the messiness of EU decision-making options and the multiple policy agendas contribute to the EU's actorness and resilience. The outlook that commitments are not met in future, that precedents of solidarity and EU-fiscal capacities are not institutionalised and that effective rules on migration remain decoupled, do not contradict this finding but emphasise that the ability to react jointly on the EU-level in exceptional situations differs from integration.

Second, it follows that theoretically exogenous shocks should not be expected to have a direct effect on integration – the EU system is not that agile. Previous crisis reaction underpins this finding: the revision of the political agenda during the Eurozone crisis was initially strongly driven by the ECB, not by political decisionmakers, and the inability to redefine the political agenda in migration led to a long-enduring policy failure. However, this does not necessarily imply the inability to react quickly if problems can be linked to ongoing business. Equally, it does not preclude integration at a later stage. The outlook in each case study is no sufficient base on which to hypothesise what will be institutionalised – but they offer a base for further investigation.

Finally, the empirical analysis showed that all ad hoc responses involve temporary EU funding: the EPF in defence, *REPowerEU* in energy, the RRF funds as an EU fiscal instrument, and the support to refugee-receiving states. The fundamental question that ensues is if funding must be channelled through the EU, and whether it can be provided nationally, or must be cut back to re-instal fiscal discipline. Whether for (clever) defence coordination, sustainable energy supply,

socially accepted migration or for the adjustment of EU economies, future fiscal governance will condition the context for further institutionalisation. The findings of this article show that under stress, fiscal resources are made available but are not instantly institutionalised – and that this issue is unlikely to be resolved in a quick response to an exogenous shock.

Notes

1. The European Research Council funded project SOLID - *Policy Crisis and Crisis Politics. Sovereignty, Solidarity and Identity in the EU Post 2008* uses the term explicitly in this sense, implicitly it is used accordingly in a project-related publication (Ferrera *et al.* 2023).
2. Key actors vary according to policy. Besides the overarching role of the European Council and the Council of the EU, which can take binding legislative and budgetary decisions, and its presidencies, in defence also the High Representative plays an important guiding and coordinating role while the EP is by-and-large excluded as legislator. Fiscal competences remain largely in the hands of the member states (Council of the EU), yet the European Semester and the increasing control functions of the Commission provide it with leeway to take decisions regarding rule application and a limited re-allocation of EU funds, the Euro-Group has further coordinating functions as well as communication, and decisions by the ECB impact directly on fiscal policy; the EP has limited co-legislative powers only if substantive legislation is proposed. Energy and migration policy fall under the ordinary decision-making procedure. Tthe EP has thus a larger role, except exceptional decision-making rules apply that allow the Council of the EU to take fiscal or legislative decisions without the EP (in particular Article 122 TFEU on crisis measures has played an important role in this respect in the the past years, see Duff, Andrew (2023) "The rise of Article 122 TFEU" *Verfassungsblog*, 1 February, at: https://verfassungsblog.de/the-rise-of-article-122-tfeu/(accessed 23 October 2023).
3. No systematic media analysis was intended or conducted. Only where data from official actors did not suffice to contextualise decisions or crucial information was missing (e.g. the actual amount of additional defence spending in government communications), additional information was gathered in searches of quality media reporting or other reliable sources, mainly policy briefs by analytical think tanks. Where used, sources are cited.
4. Among the EU member states, Poland, Hungary, Austria, Denmark, Estonia, Latvia, Slovakia, Slovenia and Sweden did not sign up to the Declaration, besides the remaining EU member states, Norway, Switzerland and Liechtenstein signed.

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Appendix A

Table A1. Summary of EU-policy responses to war-induced crises.

	Defence	Energy	Finance	Migration
Crises	**Policy:** insufficient territorial defence and deterrence **Legitimacy:** creditability to deliver EU common action and support to Ukraine	**Policy:** energy supply shortage (asymmetric) **Legitimacy:** solidarity among EU states in question, divergent approaches	**Policy:** compensatory & reform budgetary needs **Legitimacy:** fear of rising cost of living for citizens due to inflation	**Policy:** lacking template/ cross-border migration policy **Legitimacy:** since 2015 failure of common EU response and solidarity
Venues options	**EU:** independent European strategic positioning **NATO:** prerogative not to become involved in war, exclusive for credible defence **National:** responsible for resources, both for NATO and EU	**EU:**short-term solidarity for energy security,rebalancing market asymmetries **National:** individual energy supply efforts (competition among EU states)	**EU:** suspension of fiscal rules, provision of EU-fiscal resources **National:** extended fiscal measures under relaxed EU rules, asymmetric resources to back economies	**EU:** solidarity and mutual support across states to respond effectively and secure Schengen system **National:** no sustainable responses (non-compliance)
Active agendas	**EU:** Strategic Compass, strategic autonomy priority of French presidency	**EU:** Fit for 55 agenda with strong focus on greening economy	**EU:** crisis agendas in action: NGEU, RRF, leeway for national spending	**EU:** New Pact on Migration under negotiation
Responses (ad hoc)	**EU:** Strategic Compass (essentially based on 2020 risk assessment), EPF strengthened (fiscal) **NATO:** EU-NATO cooperation reinforced, accession EU member states to NATO **National:** Commitment to more (NATO) funding	**EU:** Solidarity evoked, mutual assistance, re-design of EU funding instruments/ RePowerEU (fiscal) **National:** Independent replies: continuation/ break with pre-existing energy mix (depending on politics, technical options, funding, etc.).	**EU:** Re-design of EU financial instruments (consolidation NGEU, EU fiscal capacities) extension of 'general escape clause' **National:** Asymmetric increase of national spending	**EU:** Decoupling from EU-agenda: exceptional regulation enacted without linkage to New Pact

Source: own table.