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# **EU reforms in view of enlargement and economic security:** towards an integrated approach to european self-transformation

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## Summary

- Although formulated as a response to external challenges, the European Union's enlargement and economic security agendas have a transformative potential: they call for wide-ranging reforms that could fundamentally change the EU's institutional set-up, decision-making processes, budget, and core policy areas.
- Lithuania has an interest in seeing the full and complete implementation of these agendas. However, the existing official proposals for possible reforms and Lithuania's position towards them still pose many unanswered questions.
- Implementing these agendas will be a long-term process. The European Commission is still in the early stages of pre-enlargement policy reviews and has only recently initiated the economic security risk assessment process and launched the public consultations on potential ways to expand the EU toolkit. Accordingly, Lithuania will have plenty of opportunities to make its views known and to shape further discussions in the near to medium term.
- In future discussions, Lithuania should develop and present an integrated approach to the enlargement and economic security agendas. The two agendas are mutually complementary: by strengthening the single market, industrial base, and value chains, enlargement will be a key contribution to EU's economic security. By committing more investment and joint programmes for friendly markets, the economic security agenda can further support the candidates' accession efforts.

- An integrated approach to the two agendas would help move beyond the current and largely unproductive discussions of whether and what reforms are required for enlargement. Instead, as enlargement is itself a contribution to economic security, the EU should set the goal of ensuring long-term economic security as the benchmark for the scope and nature of necessary reforms.
- An integrated approach can help refocus the budget debate away from how to distribute financing across the so-called traditional (agriculture, cohesion) and other programmes to a more fundamental question of budgetary policy objectives and their complementarity.
- Finally, an integrated approach reveals what additional efforts are needed to achieve both enlargement and the economic security objectives. A major obstacle to delivering on either of the two agendas is the livelihood insecurity felt by many European citizens and residents. As this feeling plays an important role in generating popular resistance to economic integration, the EU needs to take the lead in tackling livelihood security to make enlargement and economic security possible.

## Introduction

As Lithuania enters its third decade of EU membership in 2024, the debate on the future of the Union is intensifying across Europe. Irrespective of the outcome of the European elections in June, the new political cycle for 2024-2029 will present the EU with a set of acute yet long-term challenges: Russia's war against Ukraine and its broader confrontation with the West, systemic competition between China and the US, the growing fragmentation of the global economy, accelerating climate change, and the technological transformation. The decisions made by the new EU leadership may thus have consequences for the next several decades of European and Lithuanian security, prosperity, and development.

Two factors frame the current debate on the future direction of EU policies. First, given the relatively broad support for Ursula von der Leyen among European party families and leaders, it is likely that she will continue to serve as President of the European Commission after 2024. Second, the likely rise in the far-right representation in the European Parliament could increasingly influence EU policy, both directly and by putting pressure on the centre-right parties. While the influence of the far-right parties has so far been the strongest on migration issues, it has recently become more prominent in determining EU-level debates on climate policy as well.

It is no coincidence that von der Leyen's last State of the European Union [address](#) in September 2023, widely seen as the first speech of her then-unannounced campaign, emphasised continuity while acknowledging the need for course correction. The Commission President reaffirmed her commitment to key initiatives of the 2019-2024 mandate, including delivering on the Green Deal, facilitating Europe's post-pandemic recovery, establishing robust regulations for digital markets, supporting Ukraine, and coordinating the EU's response to Russian aggression. However, beyond this commitment to continuity, von der Leyen also sent a message that the new political cycle will be more attentive to the concerns of the right-wing parties and their electorates. For example, in response to criticism of the Green Deal from farmers and businesses, von der Leyen obliged the Commission to reduce regulatory burdens on business by 25%, initiated a strategic dialogue on the agriculture, commissioned a report on enhancing EU competitiveness, and stressed that green policies should ultimately be beneficial for industry.

The focus on continuity and course correction notwithstanding, the next political cycle also includes

two agendas that invite us to think about a different future for the EU: enlargement and economic security. At the end of 2023, the EU made the [decision](#) to open accession negotiations with Ukraine and Moldova, as well as to reinvigorate the negotiation process with the Western Balkan countries. This marked a revival of EU's enlargement policy after almost ten years of relative stagnation. Earlier, in June 2023, the Commission [presented](#) the EU's first-ever economic security strategy, outlining a three-pronged approach to managing economic threats to Europe's security: promoting the EU's economic base, ensuring adequate protection against economic risks; and developing strategic partnerships with other countries. This introduction of the principle of economic security suggests a paradigm shift in the EU's international economic policy, which has historically prioritized openness and free trade for the past three decades.

Both agendas reflect the EU's broader "geopolitical transition" in response to Europe's rapidly evolving security context.<sup>1</sup> Today, enlargement is described as a "[geostrategic imperative](#)" in response to Russia's aggression against Ukraine and the growing influence of authoritarian regimes in the EU region. The Economic Security Strategy signals the Community's "[geo-economic revolution](#)" in effort to counter the threats posed by China's aggressive economic policies and to restrain the fragmentation of the global economy.

Even if both agendas are reactive in origin, their implementation would have transformative effects on the EU. Enlargement will change the composition of the Community by redrawing its borders, and is likely to require institutional, political and budgetary reforms. The implementation of the Economic Security Strategy cannot be achieved without changes in the EU's trade, competition and internal market policies – that is, the EU's traditional core policy areas, the integration and supranationalization of which was among the first steps in the creation of the European Community.

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<sup>1</sup> The concept of a "geopolitical transition" has been used to analyse recent developments in the EU's industrial, trade, competition, energy and other policy areas, as well as in the context of its bilateral relations with China. See Sophie Meunier and Kalypso Nicolaidis (2019) The Geopoliticization of European Trade and Investment Policy, *Journal of Common Market Studies*, 57, 103-113; Sophie Meunier & Justinas Mickus (2020) Sizing up the competition: explaining reform of European Union competition policy in the Covid-19 era, *Journal of European Integration*, 42:8, 1077-1094, Kathleen R. McNamara (2023) Transforming Europe? The EU's industrial policy and geopolitical turn, *Journal of European Public Policy*, DOI: [10.1080/13501763.2023.2230247](https://doi.org/10.1080/13501763.2023.2230247)

Since the enlargement and economic security agendas are of strategic importance to Lithuania, Vilnius has been among the most prominent supporters of both initiatives. Lithuania has consistently advocated for further enlargement of the EU since becoming member in 2004, seeing it as a way to expand the zone of stability, security, prosperity further East. Notably, the Lithuanian Parliament (Seimas) was the first in the EU to adopt a resolution supporting Ukraine's EU membership after Russia's full-scale invasion. Aligning with Washington's strict stance on Beijing and pursuing its own "values-based" foreign policy, Lithuania has actively highlighted the systemic threat posed by China's authoritarian regime to European security while actively pursuing economic diversification by strengthening trade relations with other Indo-Pacific countries. When the Commission's Economic Security Strategy was discussed in the Council of the EU, Lithuania was one of the few member states to demonstrably support all of the proposed measures.

While Lithuania considers delivering on enlargement and economic security to be in its national interest, implementing these agendas also presents significant challenges. Enlargement might entail reduced EU budget payments to Lithuania and increased competition within the single market from the new member states. The potential shift from efficiency-driven to security-oriented economic policy could result in higher consumer and producer prices. The potential EU institutional reforms considered when discussing enlargement, such as the abolition of the national veto, would limit Lithuania's ability to defend its own critical national interests. The drive to strengthen economic security could distort competitive conditions within the EU, which would disproportionately affect its smaller members.

In anticipating the complexity of the issues related to EU enlargement and economic security agenda, Lithuanian authorities have started assessing the various opportunities and challenges presented by these agendas. This paper seeks to contribute to this process by analysing the current proposals for EU reforms related to the enlargement and the economic security agendas. After doing so, the paper outlines the contours of an integrated approach to the challenges and needs associated with the implementation of the two agendas.

The paper's central argument is that an integrated lens to enlargement and economic security can help more effectively articulate the need for institutional reforms, highlight the potential synergies between the two agendas, stimulate discussions on the fu-

ture of the EU budget, and identify additional EU initiatives necessary to secure the support of European societies for these policy goals. As a leading advocate for both agendas, Lithuania has a unique opportunity and responsibility to take the lead in reconfiguring the parameters of the emerging debates on the EU's future.

## EU enlargement and institutional reforms: an impossible necessity?

Today, supporters of EU enlargement see it as a geostrategic investment, and even a geopolitical necessity. Even if, in the short term, the decision to open accession negotiations with Ukraine and Moldova served mostly a symbolic function, in the long-term enlargement could become the EU's most significant contribution to Ukraine's reconstruction and prosperity, and thus to the stabilisation of the EU's eastern region. A successful integration of the Western Balkan countries, meanwhile, would consolidate the strategically important south-eastern European region as a unified political and security space. Conversely, the potential cost of a failed enlargement includes heightened regional instability in the Balkans, damage to the EU's image as an effective international actor, a likely further rise of the influence of external actors in the EU neighbourhood, and the stagnation of democratization processes in the societies of the candidate countries.

Despite the potential benefits, the prospect of integrating eight diverse countries, coupled with the negative experiences of the 2004 "Big Bang" enlargement, has sparked legitimate concerns within the EU. First, the democratic backsliding and violations of the rule of law in Hungary and Poland raise questions about the candidate countries' capacity to implement governance and judicial reforms necessary for membership, as well as about the EU's own ability to ensure that the new members comply with EU rules and values after accession. Second, certain member states have expressed concerns about the EU's overall "integration capacity": that is, whether the current EU structure can ensure efficient decision-making and implementation processes with eight new members and whether the existing budgetary system and funding allocations would remain sustainable and appropriate after such an expansion.

Recognising both the geopolitical imperative for enlargement and the multiple challenges posed by the accession of eight new members, the EU emphasises the need to make the Union “[ready to enlarge](#)”. To this end, in the first half of 2024, the Commission has committed to presenting a “[roadmap for policy reviews](#)” to identify the need for, and the direction of, potential EU reforms in view of the potential enlargement. So far, discussions among European capitals, institutions, and experts have been dominated by questions of institutional reforms and budget revision. The most relevant proposals currently under discussion are briefly presented below.

## Institutional reforms

The stated motivation behind the current proposals for reform of the EU's institutional set-up and decision-making procedures is to ensure that the EU can continue to act effectively after the enlargement.

The question of whether the EU is (still) capable of acting in a changing world is not new. It was actively debated before the 2004 enlargement, [has been vigorously reintroduced by Emmanuel Macron since 2017](#), and assumed a renewed sense of urgency in recent years due to Hungary's obstructive behaviour in particular and the increasing influence of far-right parties and politicians throughout Europe in general. However, while there have been many proposals for institutional reforms before Russia's full-scale invasion – including those from the [Conference on the Future of Europe 2020-2022](#) – the current debate is mainly focused on the [recommendations](#) of the Franco-German expert group and the [report](#) of the European Parliament's Committee on Constitutional Affairs (AFCO) on the revision of the EU Treaties. These proposals cover a wide range of issues, including the organisation of the EU institutions, legislative procedures, national and European competences, and the protection of the rule of law. The main elements of the proposals are presented in Table 1 below:

**Table 1.** Comparison of EU institutional reform proposals

	Institutions	Competences	Legislative procedures	Protection of the rule of law	Changing the EU treaties and broader principles
Proposal from the Franco-German high-level expert working group	<ul style="list-style-type: none"> <li>Limit the number of MEPs to 751, and redistribute seats according to the Cambridge Compromise formula.</li> <li>Reduce the number of commissioners and / or introduce a hierarchical model of commissioners.</li> <li>The Presidency of the European Council to be planned as a "quintet" rather than a "trio"</li> </ul>	<ul style="list-style-type: none"> <li>Regulate the competences for responding to unforeseen developments, with greater involvement of the Parliament</li> </ul>	<ul style="list-style-type: none"> <li>Extension of qualified majority voting to all remaining policy areas, with safeguards for the national interest, a revision of the weighting of votes and "non-participation" provisions</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the budgetary control function</li> <li>Review the application of Article 7 when amending the Treaty</li> </ul>	<ul style="list-style-type: none"> <li>In favour of modification, offer six alternatives to a treaty modification</li> <li>Reinforcing the principle of differentiation: a Europe of four concentric circles</li> </ul>

	Institutions	Competences	Legislative procedures	Protection of the rule of law	Changing the EU treaties and broader principles
Proposals from the European Parliament Committee on Constitutional Affairs (AFCO)	<ul style="list-style-type: none"> <li>• Change the procedure for appointing the President of the EC</li> <li>• Strengthen the role of the EP and the Court of Justice</li> <li>• Strengthen transparency in the Council</li> </ul>	<ul style="list-style-type: none"> <li>• Establish the EU's unique competences on the environment, biodiversity and climate change</li> <li>• Share competences in the fields of health, civil protection, industry and education</li> </ul>	<ul style="list-style-type: none"> <li>• Implement simple majority voting as the main voting procedure in the European Council, with qualified majority voting in other areas</li> <li>• Give the EP the right to initiate legislation</li> <li>• Develop the use of European referendums</li> </ul>	<ul style="list-style-type: none"> <li>• Revise the application of Article 7 by abolishing the principle of unanimity, while strengthening the Court of Justice</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate for changing the Treaties</li> <li>• Reinforce the principle of subsidiarity</li> </ul>

Although the Franco-German and AFCO proposals have similarities – they both advocate for amending the Treaties, stronger protection of the rule of law, and the extension of qualified majority voting (QMV) – they are informed by contrasting underlying logics. The AFCO report reflects a maximalist integration vision, including an expansion of EU competences, the empowerment of supranational institutions, and a more direct link between EU institutions and citizens. Meanwhile, the Franco-German experts advocate for differentiated integration without changing the EU's predominantly intergovernmental model. According to this vision, member states would choose their own level of integration but could not oppose the higher ambitions of other capitals. In addition, the design and functioning of the EU institutions would be reviewed in order to achieve greater efficiency from the perspective of governments, but not a greater concentration of power at the EU level.

The proposals of the Franco-German experts and AFCO are not only at odds with each other but also diverge from the positions of other member states. For example, Portugal, which has set up an informal "Atlantic" group on the enlargement and reforms in 2023, also supports a differentiated model of EU integration, but opposes the Franco-German hierarchy of concentric circles. The Portuguese suggest that the reformed EU could have a minimum membership package covering the single market and fundamental rules, and all member states could be equally free to choose further areas where they seek deeper integration. The former Polish government also advocated for a more flexible integration model and opposed a multi-speed Europe, but unlike Portugal, it

stressed the need to bring more competences back to the national level. While the new Polish government is unlikely to be so categorical, it is also not in favour of "revolutionary changes" towards more integration. The countries of the North-Baltic region and Central Europe also question the need for a broad EU reform. They see the EU institutions as adaptive and the Lisbon Treaty as providing enough room for targeted adjustments to the decision-making process. At the same time, they see the process of amending the EU Treaties as too long and divisive, and therefore not a viable option given the urgent geopolitical imperative to implement enlargement.

Today, the issue receiving arguably the most attention and generating most advanced debates is the possible extension of the QMV procedure – i.e., the rejection of the principle of unanimity – in the Council of the EU. Germany, a seeming champion of the cause, launched "The Group of Friends on Qualified Majority Voting in Common Foreign and Security Policy" in May 2023, with over ten member states joining since, including the Nordic countries. While this initiative signals the growing attractiveness of the idea, many traditional defenders of unanimity, particularly in Central Eastern Europe, remain sceptical about extending QMV rules, both because it could limit their ability to defend their national interests and because it could have a negative impact on the EU's overall foreign and security policy. Although, in case the QMV rules were expanded, small states could still strengthen their bargaining power if the underlying weighted-voting system were reviewed (as, for example, the AFCO report suggests), this would require a revision of the EU Treaty, which is opposed by most member states.

To overcome the current impasse Germany and other supporters of QMV have proposed solutions that do not require treaty changes, such as a more widespread use of the practice of "constructive abstention", introducing changes gradually and in a clear-cut manner, and providing safeguards to protect the interests of small states. However, progress on this issue is likely to be slow, as it cannot be isolated from other EU reform proposals. For instance, the impact of losing veto power on the influence of smaller member states would also depend on whether and how the Commission were reformed in the event of enlargement. The current "one country, one Commissioner" principle and the Commission's collegial decision-making procedure offer more opportunities for small state influence, while the Franco-German report, in addition to advocating for the extension of QMV, also suggests reducing the number of Commissioners and implementing a hierarchical model within the Commission. In short, it may be difficult to resolve specific issues until and unless the member states have clearly agreed on the overall agenda for EU reform.

## Budget policy reform

The second prominent debate about the enlargement-related reforms revolves around the EU budget. Member states widely acknowledge that without budgetary reform, a significant portion of the EU budget would be directed towards agricultural and cohesion funding for new members, particularly Ukraine. This would leave less funding available for other programs as well as for the current member states. Certainly, the €800 billion NextGenerationEU (NGEU) instrument set up in the wake of the Covid-19 pandemic demonstrates the EU's ability to use temporary instruments based on joint borrowing to finance specific objectives outside the budget, and there are currently [discussions](#) on the use of similar instruments for defence. However, the possibility of using alternative mechanisms does not address questions about the continuing adequacy and sufficiency of the EU budget and its different programmes *per se*, particularly in view of the potential impact of enlargement.

The evolving debate can be segmented into three clusters: the overall size of the budget, funding sources, and the specific policies and programmes to be financed by the budget. The table below shows the most important proposals in the budget review so far: Franco-German expert report, AFCCO report, the upcoming EP [report](#) on enlargement and reform, and the Commission's [proposal](#) for a revision of the EU's Multiannual Financial Perspective (MFF) published in 2023 (see table 2).

**Table 2.** Comparison of EU institutional reform proposals

	Budget size and management	Sources	Budget areas
Franco-German proposal	<ul style="list-style-type: none"> <li>• Increase the budget (both in absolute terms and in relation to the EU GDP)</li> <li>• Consolidation of the QMV procedure on financing issues</li> <li>• MFF reduced to 5 years</li> </ul>	<ul style="list-style-type: none"> <li>• New own resources at the EU level</li> <li>• Joint borrowing</li> </ul>	<ul style="list-style-type: none"> <li>• Comprehensive review of funding programmes</li> </ul>
AFCCO proposals on treaty reforms	<ul style="list-style-type: none"> <li>• EP and EU Council decide together on an appropriate own resource framework</li> </ul>	–	<ul style="list-style-type: none"> <li>• Dedicated EU defence budget</li> </ul>
EP report on reform and enlargement	<ul style="list-style-type: none"> <li>• Increase the budget</li> <li>• Introduce safeguards against the misuse of funds</li> </ul>	<ul style="list-style-type: none"> <li>• New and "real" own resources</li> </ul>	<ul style="list-style-type: none"> <li>• Health, energy, R&amp;D, climate and environment</li> </ul>
Commission proposal for the revision of the MFF	–	<ul style="list-style-type: none"> <li>• New own resources based on corporation tax</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Technologies for Europe Platform (STEP)</li> </ul>



Compared to the debate on potential institutional reforms, the discussion on the future of the budget is underdeveloped and unspecific. Most proposals argue for a bigger budget and new sources of funding, most also propose adjustments to budgetary governance. As in other areas, France and Germany push for the extension of the QMV procedure to MFF negotiations; AFCO calls for a stronger role of the EP in the formation of the budget, and the EP report on enlargement and reform seeks to develop strong sanction mechanisms in the event of a misuse of the EU funds. Yet the positions on budget priorities remain abstract: the Franco-German simply call for further review, while the EP suggests most policy areas as potential priorities.

More broadly, the emerging debate on budgetary reform will likely reflect the traditional differences between various member states coalitions, such as the "austerity" countries of the North, France, and the "cohesion" friends of the EU in the East and South. Judging by the intensity of the intergovernmental negotiations on the economic governance review, when the negotiations seemed on the brink of collapse the day before the vote was due, these divisions remain deep and seem difficult to transcend. The parallel process of the MFF mid-term review also illustrates the challenge of finding consensus on any new financing commitments: while member states ultimately agreed to increase the budget to address the unforeseen demands related to managing the consequences of the war in Russia, the Commission's proposals to increase funding for migration and crisis management or neighbourhood and innovation policies have been either rejected or substantially curtailed.

## Lithuania's priorities and position to date

Lithuania, a traditional advocate for further enlargement and a strong supporter of Ukraine, sees the potential accession of new members as a strategic investment to strengthen the EU. Like most of the "new" (i.e. 2004 and later) EU members, Lithuania is stressing that the 2004 enlargement was also beneficial for the "old", and that the EU institutions have successfully adapted to a larger Community. Lithuania also consistently highlights the cost of non-enlargement for European security and the EU's influence in the region and throughout the world. In

view of these provisions, Lithuania – while underlining that only countries that meet the conditions for membership can be admitted to the EU – advocates for the fastest possible enlargement process and warns that the reform debate must not be used as an excuse to delay this process.

While Ukraine's accession is undoubtedly Lithuania's top priority, it also strongly supports enlargement to Moldova and Georgia, consistent with its long-standing focus on the EU's Eastern neighbourhood. Lithuania has always supported enlargement in the Western Balkans as well, although this mainly reflects its general commitment to the EU's "open door" policy rather than any specific interests in the region. In the current debate, commitment to Western Balkans membership is seen as a political prerequisite for all member states to support Ukraine's accession. At the same time, given the growing influence of external actors (Russia, China, Turkey, etc.) in the Western Balkans, Lithuania appreciates the geopolitical significance of integrating the region with the EU. However, this geopolitical perspective also means that Lithuania now suggests on that the accession of the Western Balkan states should be conditional on them aligning their geopolitical orientation and foreign policy with the EU policy, e.g. on the implementation of economic sanctions.

**Institutional reforms.** Lithuania exhibits a dual approach to institutional reforms. On the one hand, decision-makers recognise that institutional reforms will be necessary and possibly "inevitable" in the future. On the other hand, Lithuania stresses that enlargement must not become "a hostage of EU institutional issues" seeks to limit the debate on reforms to the specific challenges that enlargement may pose to the EU's effectiveness. According to Lithuanian diplomats, such challenges can be managed within the framework of the Lisbon Treaty or by organizational adjustments and even informal practices, such as establishing intergovernmental formats for coordinating positions, etc.

Accordingly, like most other Nordic-Baltic countries, Lithuania is opposed to broad EU reforms and treaty changes. Lithuania also opposes hierarchical models of integration or visions of a "multi-speed Europe", both because of what they could entail on Lithuania's ability to remain in the "core" of EU integration and because of the risk that the new member states would be left in a permanent state of "second-class" membership. Historically, Lithuania has also opposed the extension of the QMV procedure, especially in the areas of foreign and security policy and

tax policy. However, due to the growing frustration with Hungary's behaviour as a "veto player", support for the use of QMV is slowly growing at [the political level](#), and on specific questions.

As in other countries, Lithuania's position on the EU **budget review** is not yet fully developed. Historically, Lithuania has supported a larger EU budget but has been cautious of proposals for additional own resources. Like many member states, Lithuania seems to be mostly concerned about the enlargement's impact on cohesion and agriculture funding. However, preliminary assessments at the national level and by [international experts](#) show that the negative impact on agricultural payments to current members would be significantly reduced with transitional periods and the unification of common standards. The debates on cohesion funding similarly acknowledge the fact that Lithuania's projected economic development will make the country no longer eligible for some of funding programs, so the relative cost of enlargement would be lower than it appears today. Accordingly, while recognising the need for a budgetary review, Lithuania has not yet put forth specific or ambitious calls for reform.

Lithuania's position to date leaves a number of issues unresolved. First, although Lithuanian representatives stress the need to avoid delaying the enlargement process with institutional debates, without certain institutional changes the enlargement process could be held back by the behaviour of individual veto players in the Council. While several proposals to address this challenge by reviewing the accession process procedures (e.g. extending QMV to the votes on opening/closing negotiation chapters) are currently being [discussed](#), these may not be sufficient as veto players could still exploit issue linkages between enlargement and other policy areas, where unanimity would remain. Accordingly, Lithuania cannot avoid the discussion on what design for QMV extension could realistically limit the potential abuse of veto powers while allowing member states to protect their most sensitive national interests. As any further revision of the QMV procedure (e.g. changing the relative weights of member states' votes) requires Treaty change, it is difficult to see how the debate on the reforms needed strictly for enlargement can be isolated from the discussion on broader reform. In short, Lithuania's current position, defined by active support for the fastest possible enlargement and by maintaining the institutional *status quo* – is at least [somewhat](#) contradictory.

Second, while Lithuania opposes the vision of a multi-speed Europe, it also has an interest to ensure

that the new members would be subject to sufficiently long transition periods on agriculture funding and other policies with budgetary implications. Further, given the experience of member states that joined the EU after 2004, it is likely that new members would face a long and difficult road to joining the Schengen system or the Eurozone. These considerations mean that, for at least a decade after the enlargement, differentiation within the EU would *de facto* increase, with possible consequences for the development of the Community as a whole. These issues remind us that the distinction between enlargement-required and broader reforms is not clear, and Lithuania needs to prepare a detailed assessment of the possible, plausible, and preferred institutional reforms.

## Institutional reforms for what policies?

As the debate on enlargement and institutional reforms gained momentum across Europe, Lithuania initiated a series of discussions among experts from the Baltic region on how the EU could use enlargement to strengthen the Community and prevent the enlargement process from becoming hostage to institutional debates. The [report](#) based on the first of these exchanges stressed that the importance of institutional issues or "integration capacity" should not be overemphasised, and that the key factors determining whether the EU will be successful in delivering on the enlargement are member state preferences for the EU's future policy priorities. Although EU institutions have become more autonomous and influential in setting the common policy agenda, they remain fundamentally tools for implementing decisions agreed upon by member states. Accordingly, it is impossible to have a meaningful discussion about the need for, and the impact of, institutional reforms without thinking about the content of the policies to be institutionalized.

It is doubtful whether the current proposals can serve as a productive basis such a discussion. The maximalist vision of the EP's proposals, advocating for an ambitious Green Deal, a "health union", EU's greater role in foreign and security policy, etc., already evidently lacks support in European capitals. After the upcoming EP elections, it may also be lacking support in the EP itself. The Franco-German experts, meanwhile, do not talk about substantive policies, and their vision of differentiated integration

simply suggests that the EU would remain as it was, while new policy directions would be defined by the countries in the "[inner circle](#)". As far as changes in the EU's overall policy are concerned, the report points to the need to ensure sustainable and potentially permanent structures in areas with a high probability of transnational crises, such as health, climate, and security policies. Even if such proposals are acceptable to member states, these three areas represent a rather narrow field of EU policy and leave many relevant questions unaddressed.

Lastly, if institutional issues are not highly salient among and relevant to European societies, substantive policy questions would be much more sensitive and lead to a significant politicisation of the enlargement and reform agenda. The potential constraining effect of politicisation is probably the highest with respect to budgetary policy. Already, farmers across the EU, including in Lithuania, are increasingly concerned about the future of the agriculture sector: while most protests are directed against the Green Deal agenda, the protests in Eastern Europe over Ukrainian grain imports show mobilisation around the challenges related to enlargement is also likely in the future. Further, [academic research](#) shows that cohesion policy has a limiting effect on anti-EU sentiment. Accordingly, there is a risk that poorer regions in the existing member states would lose some of the cohesion financing could lead to a new wave of Euroscepticism, which in turn could have a negative impact on the enlargement prospects. These issues are even more pressing with the growing demands for other or new EU budget programmes – including those aimed at promoting the EU's new economic security agenda.

## EU economic security strategy: slouching towards paradigm shift?

As in the case of enlargement, supporters of strengthening the EU's economic security present this agenda as a necessary response to a rapidly changing geostrategic context. Globally and in the EU, the growing focus on economic security is driven primarily by the systemic and geo-economic competition between China and the US. Beijing's economic statecraft for the last ten years was aimed at reduc-

ing China's dependence on the rest of the world and increase its influence over others, resulting in an expansive and sometimes aggressive industrial policy. Since Donald Trump's victory in 2016, the view that China's economic policies, and in particular Beijing's growing leadership in strategic technologies, threaten US national security interests has become a broadly shared position in the US and also guides the Joe Biden administration. Accordingly, since 2020, Washington has introduced a number of [major initiatives](#) aimed at limiting China's ability to develop strategic technologies (e.g. the 2021 semiconductor export controls) and at strengthening the internal capabilities of the US (e.g. the CHIPS and IRA acts). At the same time, the broader US [approach](#) to international economic cooperation has changed: Washington is increasingly moving away from multilateral trade cooperation and liberalisation, and towards alternative, strategically-informed partnerships with like-minded or "friendly" countries.

In short, the growing geo-economic competition between China and the US is destabilising the norms and institutions of economic openness, free competition and multilateral cooperation that have underpinned both the EU's external economic policy and the EU's integration project over the past 30 years. In addition to this long-term trend, the EU's economic orthodoxy has been upset by specific unforeseen events, such as the Covid-19 pandemic and Russia's war in Ukraine. The former, by paralysing global supply chains, revealed the EU's economic vulnerability and dependence on imports of critical materials and components, especially from China. The challenges associated with the Russia shock – the need to move away from Russia's energy imports, to enforce successive sanctions regimes on Moscow and those who aid its war effort, or to find alternatives to multilateral export control regimes now paralyzed by Russia – have led to a rethinking of the links between the economy and national security.

The EU was relatively late to join the global debate on economic security. For example, Japan was one of the first countries to initiate a systematic review of its national policies in 2021-2022; in 2023, during its presidency of the G7, Tokyo took the lead to develop a unified approach to economic security challenges among the group members. The EU's relative [tardiness](#) can be explained both by its institutional set-up, which draws a sharp distinction between economic and national security policies, as well as by the divisions among the member states, many of whom remain strong supporters of open trade and competition, and some of whom pursue highly

sensitive trade relations with China. The initiative to jumpstart the conversation, thus, came straight from the Commission and from von der Leyen herself, who underlined the need to define a unique "European approach" to the issue of economic security. In June 2023, the Commission published the EU's [Economic Security Strategy](#), with a follow-up package of initiatives to implement the strategy published in January 2024.

## EU Economic Security Strategy

The EU's approach to economic security is defined by two key features. First, it commits to a risk-based approach. The EU has stressed that the vast majority of economic exchange – including with China or other authoritarian states – do not threaten Europe's security. Accordingly, the EU's efforts are not directed at any particular country, but only at specific economic risks: in von der Leyen's words, the EU seeks to "de-risk, not decouple". Still, geopolitical considerations and threat perceptions play a role in determining risky economic relations, along such basic parameters as their importance for the EU economy or alternatives available. The June strategy has identified four main categories:

1. Risks to the resilience of supply chains, including energy security,
2. Risks to the physical and cyber security of critical infrastructures,

3. Risks related to technology security and technology leakage,
4. Risks of weaponization of economic dependencies or economic coercion.

The specific risks in each category can be identified through a dedicated threat monitoring and assessment process. For example, on the issue of technology security, the Commission presented a [list](#) of critical technologies subject to a more in-depth risk assessment in October 2023. Specific risk assessment processes are also foreseen for the remaining categories, where possible based on the already established frameworks or instruments (e.g., the anti-coercion instrument adopted in summer 2023).

Second, the EU advocates a multi-pronged and integrated response to these risks, using incentive and defensive instruments, as well as international formats and external partnerships. The Commission proposed both to review existing policies or instruments and to put forth new initiatives or measures. More specifically, the Economic Security Strategy identified three "prongs" for its implementation: promoting the EU's competitiveness and economic base, protecting against risks with adequate defensive instruments, and partnering with other actors using bilateral and multilateral formats. The Commission stresses that addressing specific economic security risks may involve actions across all three pillars, and that these responses must be proportionate and precise. The key proposals in the EU's Economic Security Strategy and package of Initiatives are presented in Table 3 below.

**Table 3.** EU proposals to strengthen economic security

	Strengthening the EU's economic base	Appropriate defence instruments	Cooperation and partnerships
Existing initiatives	<ul style="list-style-type: none"> <li>• Strengthening the Single Market and developing a Capital Markets Union</li> <li>• Investments in EU technological and industrial base (Critical Raw Materials Act, European Chips Act)</li> </ul>	<ul style="list-style-type: none"> <li>• EU Anti-Coercion Instrument</li> <li>• Toolkit to help mitigate foreign interference in R&amp;I</li> <li>• Cyber Resilience Act</li> <li>• Directives on infrastructure security, and a toolbox for 5G security</li> </ul>	<ul style="list-style-type: none"> <li>• TTC with the US and India</li> <li>• G7</li> <li>• Global Gateway</li> <li>• The Critical Raw Materials Act</li> <li>• G20, UN, WTO</li> </ul>
New proposals	<ul style="list-style-type: none"> <li>• STEP</li> <li>• Support for dual-use technology development and R&amp;D</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the Foreign Direct Investment (FDI) mechanism</li> <li>• Outbound investment screening</li> <li>• Review of the export control regime</li> <li>• Strengthening research security</li> </ul>	<ul style="list-style-type: none"> <li>• More flexible, multi-faceted and multi-scalar cooperation with different partners</li> </ul>

Source: [EES](#), [EESP](#)

Two aspects of the Commission's proposed economic security agenda stand out immediately. First, the strategy builds extensively on the existing programmes and instruments adopted or initiated during von der Leyen's term in office, e.g. Critical Raw Materials Act, Chips Act, or the Anti-Coercion Instrument. In this respect, rather than marking a clear policy shift, the strategy consolidates and perhaps accelerates changes already underway. Second, most of the new initiatives are linked to the second "pillar" of the strategy, i.e. the development of new instruments. In other words, the strategy is more focused on regulating risks than on building up the EU capabilities and boosting the effort to expand external economic relations.

While the member states have formally welcomed the Commission's decision to launch a debate on economic security, most of the capitals have reservations about the Commission's proposals. Observers help identify five different, albeit overlapping, member state positions. First, Germany and other export-oriented member states oppose new restrictions on trade and investment, preferring security through diversification rather than protection. Some of the member states in this group (e.g. Finland) see a need to reinforce the "offensive" dimension of the strategy – i.e., by capitalising on the EU's competitive advantages in certain technologies or industries, such as 5G, to increase its power projection capacity. Second, France (together with some others) supports a strong economic security agenda, but Paris places more focus on strengthening domestic production capacity, including with targeted support for specific sectors (especially agriculture), and is cautious about the development of new trade relations. The third and by far the largest group, which also includes France, is wary of the possible extension of the EU's competences into the field of national security. By contrast, the fourth group, which includes some of the southern EU member states, advocates for more common mechanisms, including financing instruments and argues that uncoordinated efforts to strengthen economic security can fragment the single market and undermine the cohesion principle. Finally, some of the smaller member states, which mainly trade within the EU and do not produce/export the high-risk critical technologies identified by the Commission, have been questioning the appropriateness of the complex and costly risk assessment process.

So far, the cautious and sometimes sceptical attitude of the member states has led the Commission to avoid certain proposals altogether and to limit

itself to preparing "white papers" that outline potential options for new instruments. Moreover, even before the launch of the economic security strategy, differences between member states affected the development of instruments ultimately included in the Strategy. For example, a number of member states strongly disagreed with the initial proposal that the Commission would have the right to decide on the use of the anti-coercion instrument and succeeded in establishing the Council's right to approve the finding of coercion (based on QMV rules).

## Lithuania's priorities and position to date

Compared to other Member States, Lithuania actively and openly welcomed the start of discussions on strengthening the EU's economic security. This was due to several factors. First, since the restoration of its independence, Lithuania's national security policy always acknowledged and engaged the economic dimension of security: Lithuania's National Security Strategy explicitly addresses risks of economic dependencies, critical infrastructure, and third-party influence in strategic sectors of the economy, and Lithuania established a national FDI screening system already in the 1990s. The experience of economic and especially energy coercion by Russia has played a particularly significant role in shaping Lithuania's perception of economic security.

Second, in late 2010s, Lithuania has begun to pay more attention to risks associated with China's growing economic influence, which are *de facto* the main focus of the Commission's initiatives. This is partly due to Washington's hardening policy towards Beijing during and since Trump's presidency: e.g., in light of the US sanctions against Huawei, Lithuania has decided to restrict the use of Huawei equipment in the expansion of the country's telecommunications network. At the same time, the current government's "values-based foreign policy" and its ambition to strengthen Lithuania's role in the Indo-Pacific region have created new points of tension in the bilateral relation with China: Vilnius began actively raising the issue of the Uyghur genocide, withdrew from China's 17+1 format, and strengthened its engagement with and advocacy for Taiwan. In response to Lithuania's decisions, in 2021, China employed economic coercion against Lithuania, effectively blocking all trade relations and threatening informal secondary

sanctions, prompting Lithuania to seek to frame the question as an attack on the single market and the EU's economic security, as well as to champion the anti-coercion instrument that was being drafted at the time.

As such, Lithuania has actively supported the Commission's initiatives from the outset and cannot easily be categorised as one of the five groups of member states mentioned above. In general, Lithuania's strategic position has two defining features. First, while Lithuania does not officially encourage decoupling from China, Vilnius has stressed the need to prepare for a "[forced decoupling](#)" in a case Beijing went into conflict over Taiwan, and has encouraged the EU to limit its dependence on China to the maximum extent possible. Secondly, Lithuania has stressed that the EU and the US face the same economic security challenges, and therefore calls for a strengthening of transatlantic cooperation not only through bilateral trade, but also through the development and use of defensive economic policy instruments. Lithuania's positions regarding the specific initiatives presented in the EU's economic security package can be briefly summarised as follows:

- **FDI screening** Lithuania welcomes the efforts to make the FDI screening regulation more effective and supports the obligation for all member states to have a national mechanism that meets common EU standards, as well as to share information on final decisions on investment agreements. However, Lithuania has stressed that the final decisions on the eligibility of investments should remain with the national governments.
- **Outbound investment screening.** Lithuania supports the need to monitor and potentially control the EU's outward investments and to address such risks as technology or know-how leakage. Lithuania proposes to include a broader range of technologies in the monitoring system than the ones in the critical technologies list of October 2023. Finally, Lithuania is critical of the fact that the assessment of the geopolitical risks related to third countries remains the prerogative of individual governments, which may allow for the circumvention of restrictions, complicates the implementation, and may lead to divergences within the EU.
- **Export controls on dual-use goods.** Lithuania generally supports the Commission's efforts to compensate for failures of the multilateral export control system. However, it is important for Lithuania that a closer coordination of export controls at the EU level does not restrict

the rights of individual member states to make independent decisions on certain exports, in the event of unique threats to national security or public safety that a particular state identifies.

- **Research security.** Lithuania sees the concept of research security as an important new element of economic security and broadly supports this initiative.
- **Supporting R&D for the production of dual-use goods.** Lithuania has not yet formulated a position on the most appropriate alternative for its implementation, but, in principle, sees the need for Lithuanian innovation ecosystem actors to have access to the common EU funds for innovation development.<sup>2</sup>

As with institutional reforms, Lithuania's position leaves some unanswered questions. First, depending on the instrument, Lithuania advocates different degrees of coordination and integration. This tension can be partly resolved by differentiating the risk assessment from the final decision in specific investment agreements, and/or by formulating the principles of "minimum common assessment" and "freedom to do more". However, given that economic actors are able to freely relocate within the EU, initiatives of individual member states may be ineffective and/or put pressure on the remaining member states – i.e., they could reproduce the same dilemmas that the new initiatives aim to solve.

The second question is whether, and how, Lithuania's position allows it to act together with a broader member state coalition that is necessary to shape the EU's economic security agenda. While Lithuania's position is informed by its broader transatlanticism, the terms of the transatlantic economic relationship have changed: today, alignment with the US would mean embracing a more defensive posture to trade and industrial policy at home, rather than a commitment to defending the multilateral economic system and strengthening mutual trade relations. Accordingly, Lithuania's position differs significantly from that of the country's traditional Nordic-Baltic partners, who have consistently stressed that the economic security agenda cannot mean "protectionism", are wary of the creation of new trade defence instruments, and advocate instead for strategic diversification and multilateral solutions. Meanwhile, France, and other countries that have long called for more trade defence instruments and a stronger industrial policy do not share Lithuania's strong transatlan-

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<sup>2</sup> State positions were confirmed by Lithuanian diplomats familiar with the topic in direct correspondence with the author.

tic perspective – while Lithuania has been cautious about their proposals for joint EU industrial policy initiatives, due to concerns both about the single market and the transatlantic economic relations. For this reason, Lithuania's vision of economic security is narrower than the concept of "strategic autonomy" promoted by France, Spain and others, which prioritises the development of the EU's domestic production capacities and specific economic sectors.

## How to build strength and not just protect from risks?

The question of coalition-building can be rephrased in a different way: what is the best way to strengthen the "offensive" dimension of the EU's economic security, i.e. the ability to consolidate a competitive advantage in a critical sector or to dominate strategic value chains? As noted above, the vast majority of the Commission's proposals are defensive in nature, while the other pillars of the strategy – promoting the economic base and expanding partnerships – are relatively undeveloped. The question of how to strengthen these pillars is made difficult by the traditional differences between the countries that support trade liberalisation and those that advocate a stronger role for the state in the economy.

The need to strengthen the "offensive" dimension of the EU's economic strategy is particularly emphasised by the expert and business communities. [According to](#) Fabian Zuleeg, "industrial policy is at the heart of economic security" and constitutes "the key area where the EU needs to continue to make progress". Tobias Gehrke has repeatedly [stressed that](#) in the long-term, economic security can only be achieved by fortifying the EU's "techno-industrial position", but that the EU's investment in developing critical technologies lags severely behind that of the US and China. These and other analysts support common instruments funded with joint instruments, including the EU budget, to strengthen the EU's industrial policy and R&D activities, as well as to deliver specific critical technology projects. Representatives of green technology, telecommunications, aeronautics, and other strategic sectors have also been [strong advocates](#) for a rapid increase in EU funding for critical technologies. Meanwhile, other experts believe that the EU will not achieve

economic security without diversifying its economic relations no matter how successful its industrial policy may be. These analysts thus point to the strategic importance of free trade agreements with Latin American and South-East Asian countries, as such ["smart diversification"](#) agreements would allow both sides to reduce their respective dependencies on China and create alternative value chains for critical raw materials and technologies.

However, the EU faces significant challenges in achieving any breakthrough in either direction. Encouraged by Italy and France, the Commission has already sought to set up a common ["European Sovereignty Fund"](#) in 2022 to finance the development of critical technologies, and in summer 2023 it proposed allocating €10 billion of new money to the fund. This was motivated by the thinking that, in the absence of common instruments, only the large member states will be able to afford the necessary investments in the development of critical technologies, and that their support for their national industries may distort the single market. Despite the strong support of Portugal and the other members of the so-called "Atlantic Group", the opposition of the "frugal" member states led to the eventual reduction of the fund's funding to €1.5 billion based on the reallocation of already pledged funds.

Similarly, in trade policy, the EU has arguably experienced more disappointments than victories in recent years. Despite a mutual strategic interest and the ambition to conclude negotiations by 2023, the EU has so far failed to conclude free trade agreements with Mercosur and Australia. In both cases, the main political obstacle to an agreement on the EU side is the European farmers' opposition to agricultural trade liberalisation – in Australia's case, efforts to protect the EU beef producers made the deal unappealing to Canberra. While comprehensive free trade agreements are not the only way to deepen bilateral economic relations, access to the EU markets is crucial for European partners, especially in the Global South.

Without resolving the opposition to new budgetary commitments and trade agreements, the "offensive" dimension of the economic security agenda will likely remain undeveloped. Crucially, this would also threaten the EU's [regulatory power](#) – i.e. its ability to shape the behaviour of foreign economic actors by introducing new rules or standards for operating in the single market – which is fundamentally tied with the EU market power and attractiveness. The weakening of the EU's regulatory power will in turn limit

the effectiveness of the regulatory and defensive instruments currently proposed by the Commission to manage the economic security risks.

## In search for an integrated approach to the EU's transformation agendas

This review began with the observation that the EU's two emerging transformation agendas – enlargement and the strengthening of economic security – are interconnected. Both address the geostrategic challenges posed by Russia and China to Europe. Although for different reasons, both may also require changes in the EU's institutional set-up, decision-making processes, division of competences, budgetary programmes, and substantive policies. Because of these linkages, the enlargement and economic security agendas can be complementary, even if at the same time they can create complex dilemmas, tensions, and trade-offs regarding the EU's future development.

To maximise the potential positive synergies between the two agendas, and to ensure that one does not undermine the other, the EU needs to find an integrated approach to enlargement and economic security. Such an approach is particularly important for Lithuania. Enlarging the EU and strengthening its economic security are in line with Lithuania's strategic priorities, and Vilnius actively supports the implementation of both agendas. However, as the analysis above has shown, its positions on either agenda, taken separately, leave important questions unanswered that may hinder Lithuania's ability to further advance its interests. Further, given its limited resources, Vilnius can more effectively shape European decisions on enlargement, economic security, and reforms by developing a coherent position and consistently promoting it when discussing either topic. Based on the preceding discussion, one can identify three specific ways in which an integrated approach to these agendas can help Lithuania and the EU to implement them more effectively.

**First, integrating an economic security perspective into the debate on enlargement and institutional reforms, and vice versa, would help fill the gaps present in the current debate on the required**

**level and scope of change.** As shown above, the current proposals on enlargement and reform places a disproportionate emphasis on institutional change – and, to the extent that they touch on the EU's future policy objectives, the contrasting maximalist and hierarchical visions do not provide a basis for a productive debate among all member states. Meanwhile, the position advocated by some capitals, including Lithuania, that the only policy goal of the potential reforms should be enlargement itself is unconvincing given the obstacles posed by the unanimity rule in the accession process and the substantive concerns about the potential impact of enlargement that need to be assuaged before it can take place. The EU's economic security agenda is similarly unbalanced: while the Commission has proposed several new instruments to manage economic security risks, the EU has not yet found an answer to the question of how to build strength – that is, how to act proactively, and not just protectively.

**In this light, anchoring the principles and objectives of economic security as the basis for further EU integration could guide the institutional reform agenda.** Instead of promoting unconvincing visions of the EU that focus overly on institutional changes (as in the EP and the Franco-German expert reports), or positing enlargement as an end in itself, member states should go back to the fundamentals of European integration: that is, designing and institutionalising common economic policies. The tectonic shifts reshaping the global economy today are comparable to the challenges faced by European states in the post-war era (when decolonisation and reconstruction processes led to, *inter alia*, the founding of the customs union and a common agricultural policy), or in the aftermath of the collapse of the Bretton Woods system and the broader industrial crisis of the 1970s, which gave rise to the creation of the single market, the liberalisation of capital flows, and the eventual launch of the euro.

A fully-fledged EU economic security policy would be a timely response to the EU's dependence on third countries, its weakening competitiveness, the aggressive economic policies of some foreign competitors, and the fraying multilateral trade system. The declining attractiveness of the EU market, Europe's limited technological advantages, and a reduced willingness and ability to advance trade relations mean that the traditional "regulatory power" cannot be the basis for the Community's economic security: a real economic security policy must not only address the potential risks, but also ensure an adequate and sustainable investment in the de-



velopment of the EU's technological capabilities. Whether such investments are made through the EU budget or outside it, they must be coordinated at the EU level to avoid the fragmentation of the single market, which in itself would undermine the EU's economic security. In addition to securing the necessary public investment, the EU must also enable private investments to strengthen the Union's economic base, including through a deeper integration of the single market and the long-overdue consolidation of the capital markets union. Accordingly, the aim of institutionalising an economic security policy that ensures both effective risk management and the strengthening of the economic base should be at the heart of reforms to the EU's institutions, competences, budget, economic governance, and other policy areas.

Such a reform agenda should be prepared in advance of the enlargement, in order to allow for the rapid institutionalisation of the new EU economic model in the new member states – just as the 2004 enlargement institutionalised the economic model of the time, based on the ideas of liberalisation, open competition, and fiscal discipline enshrined in the Maastricht Treaty. Of course, enlargement-specific issues can and should also be part of the reform debate, but the criterion for "sufficient" reforms should be the empowerment of economic security. While there are no formal proposals on a possible reform path as yet, the *European Policy Centre* has recently put forward 18 [recommendations](#) on how to strengthen the economic security agenda in the EU's next political cycle, outlining the contours of the possible changes. At the same time, it is important to ensure that candidate members are prepared for the EU's economic security policy, e.g. by complying with the EU's economic risk assessment and economic security strategy. The EU institutions and current members should also invest more in the economic [capacities](#) of these countries (this requires both targeted investment incentives at the EU and member state level, and support for strengthening the quality of institutions in the candidate states), by providing access to common instruments or funding programmes for economic security, and by assisting in the creation of the necessary institutions and developing the right expertise.

**Reorienting the scope of the reform debate on the question of economic security does not threaten the success of the enlargement process: on the contrary, it should only strengthen the strategic argument for enlargement.** Although the Commission had been developing its ideas for strengthening economic security since early 2023, the con-

cept is not yet reflected in the enlargement policy. [In her presentation](#) of the Commission's Enlargement Package in November 2023, von der Leyen referred to the economic and security dimensions separately, and the package itself [makes no mention](#) of the term. However, the successful integration of the Eastern Trio and the Western Balkans will be a key contribution to the EU's economic security and should be explicitly and actively recognized as such. Fundamentally, the accession of new members will automatically mean the expansion of the EU's economic base, proliferating new opportunities for business and innovation and growing the EU's relative weight in the global economy. Moreover, the Western Balkans and the Trio countries, especially Ukraine, have significant critical metals and mineral resources which would help build out European value chains in such critical areas as green technologies, batteries, and so on. Ukraine's vast agricultural capacity would also enable it to make an important contribution to the Community's food security, while the integration of the regional infrastructure would help to strengthen energy security and connectivity. In short, enlargement could make a significant contribution to the realisation of economic security, and economic security is an important [strategic argument](#) for the implementation of enlargement.

**Second, an integrated approach to enlargement and economic security is needed to better prepare for the EU budget review required by each agenda individually.** A fully-fledged economic security agenda – i.e. ensuring adequate measures and funding to strengthen the EU's economic base – may require a budgetary review. Given the expected impact of enlargement on agriculture and the cohesion policy, and the sensitivity of these issues, a budgetary review may be necessary just to make enlargement happen. In terms of the specific budgetary priorities, the enlargement and economic security agendas present different challenges: the first asks how to protect the traditional budgetary pillars (agriculture and cohesion); the second – how to expand the financing for new objectives and programmes. Of course, a significant increase in the overall EU budget is one way to ensure that the growing needs are adequately funded and is also recommended in the Franco-German expert reports and the EP reports reviewed in this paper. However, as has been noted above, simple proposals for expanding the budget size are likely to be opposed by the traditional austerity capitals of the EU.

Fortunately, establishing economic security as a real agenda for the EU allows for a broader, qualitative review of the budgetary policy, including the political

objectives of traditional programmes. For example, integrating the objectives of strengthening economic security into the budgetary policy would allow for it to boost funding for the agricultural activities that contribute to economic security. This would also reflect the farmers' own argument about their *de facto* contribution to the EU's economic security, including during the 2023-2024 protests in European capitals. While there are similar opportunities for positive integration, the debate should also be clear-headed about potential tensions: for example, if initiatives to develop the EU's economic base disproportionately concentrate resources in certain sectors or regions, they could undermine the achievement of the cohesion policy objectives. It is thus essential to ensure coherence between economic security and cohesion policies, e.g. by providing additional incentives for projects that contribute to both. It is also politically important that the discussion on improving the objectives of specific budget programmes – possibly reducing or modifying them – creates additional space for compromise between the parties that hold different positions on budgetary issues.

From Lithuania's perspective, such a discussion would be a meaningful new impetus for enlargement preparations. It is important to remember that Lithuania's economic development projections, in any case, force the country to think about how its approach to the EU budget policy will change in the future: Lithuania is likely to become ineligible for some cohesion funding well before enlargement; before Covid, it was also actively expecting to become a net contributor by the end of the decade. The prospect of lower direct payments from the EU, even without enlargement, prompts a debate on the long-term strategic priorities that could be funded or co-financed using the Community budget. Given that the economic security agenda is in line with Lithuania's strategic objectives and creates particular economic opportunities (e.g. through a greater integration into the EU's techno-industrial value chains), joint EU funding programmes in the field of economic security could make a significant contribution to facilitating the implementation of the national policy objectives in a smoother and more efficient way.

**Third, and finally, an integrated approach to the enlargement and economic security agendas helps recognize that their implementation faces similar obstacles as well as to identify their root causes.** One cannot forget that before the current revival of the EU's enlargement agenda, it was stagnant – and sometimes even regressed – for almost fifteen years. Similarly, even though the EU's new

economic security strategy underlines the continued importance of the EU's traditional economic policy – i.e. the development of economic partnerships and trade relations – as the third "pillar" of the strategy, it is manifestly under strain, and has been for some time. While the EU has ratified important partnership and free trade agreements with Japan, Singapore and Vietnam over the last fifteen years, the Community's trade policy has experienced multiple setbacks: negotiations with the US *de facto collapsed* in 2016 and were formally suspended in 2019; broad opposition prevented the ratification of the treaty with Canada (it has been provisionally applied since 2017); the twenty-year-long negotiations with Mercosur are again at an impasse after a brief resurrection; the negotiations with Australia, scheduled to have ended at the end of 2023, have been postponed *indefinitely*, and so on.

Insofar as enlargement and trade expansion both represent particular points on the spectrum of "economic integration", it is worth discussing the drivers for the widespread backlash against this process in recent decades. Both objective sectoral or class interests and subjective assessment of personal economic circumstances are important. *Comparative studies* on European attitudes towards enlargement and integration have *shown* that a negative evaluation of the personal and national economic situation, fear of job losses, anxiety about an economic crisis or the perception that enlargement will require higher contributions to the EU budget, consistently correlate with a greater opposition to enlargement. **In sum, the efforts to advance enlargement, trade partnerships, and economic security can be hindered both by the opposition from specific economic interests – primarily agricultural – and constrained by the general feeling of economic insecurity among the population.**

This also means a high risk of politicisation in the enlargement and economic security agenda (or at least its "trade" pillar). As *recent research* on the evolution of party politics in Europe has shown, a sense of economic insecurity among the population is one of the key factors driving "*demand*" for far-right and/or populist parties among all groups of voters including, for example, *young people* living in urban areas. In recent years, far-right parties have also increasingly targeted the agricultural sector and the rural voters – and, as a study by the EU's Committee of the Regions in 2024 has shown, they have done so quite *successfully*. Given that a number of far-right and populist parties (e.g. in the Netherlands, Austria, France and Germany) are opposed to the ac-

cession of new members, and some (e.g. Alternative for Germany) are also opposed to the restriction of economic relations with China and Russia, it is likely that they will be active in the politicisation of the issues of enlargement and trade in order to mobilise their voters. The projected growth in the influence of these parties means that the context of party politics in Europe may become increasingly less conducive to the implementation of the enlargement and economic security agendas and the related reforms.

The EU member states that support the enlargement and economic security agendas cannot fail to address the root causes of the opposition to them and ignore trends in the European political context. It is noteworthy that, in response to the farmer protests in Europe and growing pressure from the member states and the European right, von der Leyen has already initiated a strategic dialogue with the farmers in Autumn 2023, has abandoned the specific emission reduction targets for the agricultural sector in the 2040 climate plan and the regulation on the use of pesticides, and has highlighted the importance of the agricultural sector in the contribution to the EU's "food sovereignty".

However, the Commission's efforts to adjust the Green Deal do not address the broader problem of economic insecurity among the population, which would persist even if the farmers' problems were solved. Of course, the issues of economic insecurity or "livelihood security" vary from country to country, and the solutions to this problem are primarily a matter for national competences in relation to the social and labour policy, as well as ensuring high-quality public services.

The growing focus on cost-of-living issues is welcome and could be strengthened. The Commission's economic security strategy of 2023 provided a systematic approach to the existing EU policy initiatives in this area and made proposals for further dialogue with the member states. A similar initiative on "societal economic security" could be used to assess the effectiveness of existing EU instruments and activities, such as the European Semester recommendations and budget programs, in incentivising member states to solve issues related to housing, provision of essential services, youth employment, etc., as well as to point the way forward for further efforts. Such a step could productively complement the EU's current economic security agenda, which is based solely on geo-economic logic, by highlighting the structural and human dimensions of economic security. This would help mobilise new efforts by local, regional, and national authorities, and potentially build support for a stronger EU role in this area. Even if this would mean higher public spending, greater EU involvement and visibility in addressing the issue of livelihood insecurity, which is becoming more and more pressing for European societies, would address at least a part of the population's frustration with the functioning of the EU, and would help build a broader base of support for the EU's further enlargement and integration.