



## 2021 OUTLOOK: Special Edition

New Year Projections from ELIAMEP's experts

Edited by **George PAGOULATOS**, *Director General, ELIAMEP*



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## Introduction

*“Constant crisis management may be the new normal in the age of global threats, asymmetric interdependence, and insufficient global-level coordination”*

As 2020 draws to a close, the world bids farewell to a remarkable year, one we could have done without. It comes after a sequence of “black swans”, or extraordinary events of the “once in a lifetime” kind. In 2020 the world experienced the worst global pandemic of the last 100 years, which in turn generated the worst global recession since 1945. This came little over a decade after the 2008 global financial crisis, itself the most severe since the 1929 crash.

When the spectre of COVID-19 entered our daily vocabulary and assumed control over our lives, Europe was just a few years into recovery after the “polycrisis” of the 2010s combined an existential Eurozone debt crisis (painfully centred around Greece), a refugee and migration challenge, Brexit, Trump and the ascent of aggressive populism. The return to normalcy proved short-lived. Constant crisis management may be the new normal in the age of global threats, asymmetric interdependence, and insufficient global-level coordination.

The pandemic’s heavy human toll cannot be easily overlooked—the socioeconomic impact in terms of livelihoods, jobs and incomes lost are as real as ever. Yet, once again, crisis has proved to be a great accelerator. The European Union adapted with remarkable speed (by its standards), adopting a hitherto unmatched recovery package and taking a major leap towards fiscal integration in the process. Economic and social life have shifted to a new equilibrium of public restrictions, social distancing and online interaction, aspects of which resemble science fiction. The US presidential elections provided a happy (from Europe’s standpoint) resolution to a four-year drama, but not before the outgoing President challenged democratic due process in an even more erratic way. Competence and resilience became concepts whose value was profoundly appreciated once again in 2020.

What legacies does this destructively creative *annus horribilis* bequeath to 2021? What is the outlook for the new year that lies ahead?

*“What legacies does this destructively creative *annus horribilis* bequeath to 2021? What is the outlook for the new year that lies ahead?”*

In this special “ELIAMEP 2021 Outlook”, the senior team of ELIAMEP experts outline their primary forecasts for the year to come. After a brief look back at 2020, we seek to identify the main challenges of 2021, with all the risks, opportunities, inflection points, and things to watch for in the year ahead.

Starting with Greek foreign and security policy, **Panayotis Tsakonias** takes stock of a year of extremely tense Greek-Turkish relations. He anticipates that managing the security challenge posed by Turkey by anchoring the latter to a sufficiently constraining EU and transatlantic framework will remain a Greek foreign policy priority in 2021.

Looking at Southeast Europe, **Ioannis Armakolas** bleakly anticipates the negative repercussions of the EU’s failure to launch accession negotiations for North Macedonia, the political polarization brewing in Albania, the impasse on the question of Kosovo’s status, and the increasing distance between Serbia and Europe.

On Turkey, **Ioannis N. Grigoriadis** sees mounting domestic economic, political, and foreign policy difficulties prompting Erdoğan to seek a diversion by calling early elections in 2021. Recalibrating relations with the new US administration will remain a major challenge for the Turkish government.

In her migration forecast, **Angeliki Dimitriadi** takes stock of a hard year for migrants due to Covid-19, declares it unlikely Europe will witness large scale migrant movements,

though expects pressure on the periphery to continue, and singles out Afghanistan as the country to watch in 2021.

Looking at the state of the European Union, **Loukas Tsoukalis** underlines the historical importance of the 2020 Recovery Package and sees the actual absorption of the funds by the EU governments as the key test for 2021. EU politics will be defined by Merkel's departure and Macron's preparations for the 2022 presidential elections, which could together or singly lead to a postponement of major EU initiatives.

Focusing on the US, **George Pagoulatos** expects the new Biden administration to begin rebuilding US leadership in global multilateral institutions, returning to a close partnership with Europe and singling out Berlin (rather than Paris) as its closest EU working partner. A revival of Euro-Atlanticism does not mean that transatlantic tensions will disappear, however, over trade, the taxation of big tech companies, or dealing with China.

Looking at the European and global economy in 2021, **Dimitris Katsikas** ties the strength of recovery in 2021 to the progress made with vaccinations, and expects expansionary fiscal and monetary policy to continue. He outlines the main challenges ahead as a premature termination of labour support policies, the public and private sector debt overhang, and the risk of an erratic and uneven recovery.

In her outlook for climate and sustainable development in 2021, **Emmanuella Doussis** takes stock of 2020 as yet another annus horribilis for climate, even though the EU has achieved a substantial reduction in greenhouse gas emissions and committed further to bold emissions cuts by 2030. A US return to the Paris Agreement promises a significant boost, but the US Congress could limit what the Biden administration can achieve.

## Greek Foreign and Security Policy in 2021

### *Panayotis Tsakonas*

*“Turkey will remain Greece’s central security concern and the main factor underpinning its foreign and security policies and initiatives. Much of what can go wrong in 2021 will depend on Turkey’s strategic choices and behaviour.”*

Greece enters 2021 in a spirit of cautious optimism, stemming from its relative success at tackling the hard-power and assertive policies of neighbouring Turkey and from its preparedness for the difficulties it may be facing in the months to come. Undoubtedly, Turkey will remain Greece's central security concern and the main factor underpinning its foreign and security policies and initiatives. By implication, much of what can go wrong in 2021 will depend on Turkey's strategic choices and behaviour.

During 2020, Greece was faced with Turkey's provocative and illegal behaviour in the Eastern Mediterranean, which was rooted in the blatantly maximalist vision of the so-called "Blue Homeland". Turkey's strong counter-offensive against Greece (and the Republic of Cyprus) included its unilateral—and thus illegal under the UNCLOS provisions—deployment of a research vessel, escorted by several warships, in a non-delineated area which Greece considers its Exclusive Economic Zone (EEZ). Moreover, through the "instrumentalization" of migrants and refugees in March 2020, Turkey promoted a new "hybrid" policy on the Greek-Turkish border at the river Evros with the aim of blackmailing the EU and securing additional economic aid and other concessions.

By the end of 2020, Greece has realized that the range of its bilateral dispute with Turkey has widened thanks to new conflicts in the Middle East and North Africa (MENA) region—in Libya and, to a certain extent, in Syria—being added to the older conflictual issues over the Aegean and Cyprus. Greece will thus seek to strengthen its security in the extremely turbulent and unstable region of the Eastern Mediterranean, which is of critical importance for both Europe and the US, where non-Western powers (China and, especially, Russia) have been steadily increasing their presence and influence, and where Turkey's destabilizing policies are challenging the legal order.

### *What challenges?*

*“The goal of a concerted "carrot and stick" strategy—lacking by both the EU and the US—is to deter Turkey’s assertiveness, while preserving the anticipation of mutual benefits inherent in a policy of engaging with Turkey.”*

With an economy burdened by the Covid-19 crisis, Greece will be called upon to "punch above its weight" in 2021 by dealing effectively with Turkey's assertive, provocative and illegal behaviour, as well as with a series of new security risks and challenges. The first challenge Greece faces in the short run, as a result of Turkey's strategy of brinkmanship, is "crisis-avoidance", meaning Greece must prove itself capable of preventing the high tension which Turkey is fomenting in the Eastern Mediterranean from escalating into a "hot incident". Greece's second and still more crucial challenge will be advancing a coherent and holistic strategy towards Turkey—presumably "with a little help from its friends", namely the EU and the US. The goal of a concerted "carrot and stick" strategy—lacking by both the EU and the US—is to deter Turkey's assertiveness, while preserving the anticipation of mutual benefits inherent in a policy of engaging with Turkey. Greece's third security challenge relates to the emergence of "poly-crises", meaning the concurrence of different security threats, risks and challenges in Greece's immediate security environment. With "poly-crises" appearing as the new norm in the Eastern Mediterranean, Greece must prepare itself to deal with Turkey's assertive and destabilizing behaviour concurrently with issues relating to the migration challenge, Islamist radicalization and international terrorism, and/or the damaging consequences of climate change.

### *What to expect?*

*“Disentangling the Greek-Turkish dispute from the Cyprus problem seems to be a new feature in relations between Athens and Nicosia.”*

The best Greece can expect out of the current situation with regard to its relations with Turkey is "crisis-stability" and the normalization of bilateral relations, which still appear to be affected by the Cyprus imbroglio. Traditionally, the Cyprus problem has tended to aggravate the Greek-Turkish dispute, while it appears recently to have been responsible for broadening the bilateral dispute geographically beyond the Aegean and into the Eastern Mediterranean. Unfortunately, the prospects of a peace settlement, especially on the basis of a bizonal and bicomunal federation, seem more remote than ever following the election of Ersin Tatar, a fierce supporter of a 'two-state solution', as the new leader of the Turkish-Cypriot community, and Erdoğan's provocatively ordering the Turkish army to open the 'ghost town' of Varosha.

Yet disentangling the Greek-Turkish dispute from the Cyprus problem seems to be a new feature in relations between Athens and Nicosia. This gives Greece free rein to propose the resumption of the so-called 'exploratory talks', regardless of progress made towards resolving the Cyprus issue. Athens will thus be engaging in a dialogue with Turkey over the delimitation of maritime boundaries on the condition that this is based on respect for international law and provided that Turkey first abstains from unilateral actions and provocations vis-à-vis Greece and Cyprus. It is doubtful whether Erdoğan will meet either EU or US expectations, following their recent (December 2020) decisions to tighten the screws on Turkey, either through the threat of sanctions or the implementation of specific CAATSA sanctions against Turkey.

*“Greece will continue to invest in anchoring Turkey to the broader European and transatlantic framework in 2021.”*

While waiting either for a 'volte-face' or a gradual return on the part of President Erdoğan to a less confrontational foreign policy in the Eastern Mediterranean sometime in 2021, Greece will keep on seeking to counterbalance Turkey: both internally, by doubling the defence budget in 2021 to strengthen its defence capabilities (through inter alia the acquisition of 18 French Rafale fighter jets and French or US-made frigates); and externally, by investing in bilateral partnerships and strategic alliances with key neighbouring countries like Israel and Egypt and certain pro-Western Arab states like Saudi Arabia and the United Arab Emirates.

### *Will there be opportunities?*

Drawing on a new sense of national confidence, its geostrategic value, and its renewed stance as a "beacon of stability" in the Eastern Mediterranean, Greece will continue to invest in anchoring Turkey to the broader European and transatlantic framework in 2021. To this end, Greece could be an active supporter of and agenda-setter for the multilateral conference proposed by the President of the EU Council to delimit maritime boundaries in the Eastern Mediterranean.

## Southeast Europe in 2021

### *Ioannis Armakolas*

*“President Biden is expected to work with the EU to anchor the Balkans to the West and fend off Russian and Chinese influence.”*

The EU’s so-called “inner backyard” will remain in a state of political and social precariousness, negatively impacted on by the trials and tribulations of the EU accession process and without much recourse to the new American administration. President Biden is expected to work with the EU to anchor the Balkans to the West and fend off Russian and Chinese influence. But expectations of a more proactive policy in Bosnia-Herzegovina and Kosovo may be unrealistic, and the Americans will likely be content to let Europeans play first fiddle and to only use their influence where necessary (e.g. in Albania and Kosovo).

### *EU enlargement blues*

Germany’s failure to secure the start of accession negotiations for North Macedonia in particular will have repercussions on the EU’s relations with the region in the coming period. Pressure on the presidencies of Portugal and Slovenia to find a solution to the riddle next year will grow, especially as the window of opportunity may close again as we approach the 2022 presidential elections in France. Berlin is expected to continue supporting the process vocally, and to show thinly-veiled displeasure at Bulgaria making demands on North Macedonia and blocking that nation’s path to EU accession.

Not much can be done by North Macedonia to satisfy Sofia at this point. Moreover, Bulgarian political forces of every hue have upped the ante so much that it will be difficult to expect more lenience from Sofia before the upcoming elections in March 2021. And while Prime Minister Borissov has seen his image tarnished after months of popular protests against widespread political corruption in the country, there has been a recent resurgence in the popularity of his government, perhaps due to the hardball it is playing against North Macedonia.

Borissov may want to reach a face-saving compromise with North Macedonia, but whether he can pull that off after the elections depends on whether his GERB party wins or is able to form a government without the ultra-nationalist United Patriots. Bulgaria’s presidential elections, scheduled for autumn 2021, may also complicate matters as Bulgarian public opinion favours a tough stance towards North Macedonia. Yet another year without North Macedonia’s EU membership talks beginning may, however, strike a death blow to the reformist government of Zoran Zaev. It will also call the membership perspective of the entire Western Balkans into question, deepening frustration in the region and fuelling political volatility and social discontent.

*“Yet another year without North Macedonia’s EU membership talks beginning may, however, strike a death blow to the reformist government of Zoran Zaev.”*

In Albania, the government and the opposition continue to brawl. The upcoming April 2021 elections will likely increase polarization still further. A failure to hold successful elections, the result being called into question or leading to a fraught rotation of power may lead, in combination with the still questionable record of reform re the rule of law, to yet another postponement of Tirana’s EU membership talks. Tirana was given a conditional green light in March 2020, but is still not ready for the first intergovernmental conference that will open the membership talks.



### *No easy way out for Serbia and Kosovo*

*“The question of Kosovo’s status will remain a complicated riddle to solve. With the election of President Biden, any land swap ideas will be emphatically rejected.”*

The question of Kosovo’s status will remain a complicated riddle to solve. With the election of President Biden, any land swap ideas will be emphatically rejected. Similarly, the implementation of the controversial Washington Agreement of September 2020 may be challenged. Talks for a comprehensive agreement between Serbia and Kosovo will continue under the tutelage of the EU and with US backing, but they seem to lack the dynamism required to reach a compromise: No noteworthy new ideas have been aired, and it remains unclear how Serbia could be incentivized to accept Kosovo’s statehood, or what could induce Kosovo to accept a deal that didn’t include recognition by Belgrade. On top of that, the Kosovar government is very weak, and snap elections, which are highly likely, will most likely return Vetevendosje to power—a party which refuses to comply with Western demands and is unwilling to offer concessions to Belgrade.

Serbia, on the other hand, is facing increasing criticism from the EU for its total political dominance by President Vucic’s SNS. The June 2020 elections were boycotted by the opposition, resulting in a National Assembly without an effective opposition. The EU showed its disapproval by not opening a new chapter in Serbia’s accession negotiations. Foreign and grassroots pressure for some sort of return to political normality in Serbia will likely increase. On Serbia’s foreign policy front, with Trump’s defeat the honeymoon with the United States will probably soon be over. Belgrade is still considered the linchpin in relation to Russian and Chinese influence in the region, but it will find it increasingly difficult to juggle these connections with its ostensible desire for fast accession to the EU.

*“Serbia, North Macedonia, and Albania, are expected to continue pushing the agenda for the creation of a Common Regional Market and other initiatives aimed at regional integration, which is also favoured by both Brussels and Washington.”*

### *The end of the Merkel era*

The most popular Western leader in the Balkans, Angela Merkel has remained a consistent defender of the European perspective of the entire Balkan region, despite the growing anti-enlargement sentiment in many key EU Member States. There is no guarantee, though, that this policy will remain intact: scepticism about enlargement within Merkel’s CDU party continues to grow, and the party itself may tilt further to the right with the election of its new leader. As Chancellor Merkel enters her final year in office, she may seek to fortify her Balkans-friendly legacy through a revamp of the Berlin Process. As the Chair of the initiative returns to Germany, it will be an opportunity to rethink the format and ensure its continued relevance and success. Serbia, North Macedonia, and Albania, are expected to continue pushing the agenda for the creation of a Common Regional Market and other initiatives aimed at regional integration, which is also favoured by both Brussels and Washington.

Finally, skirmishes may also be expected in Montenegro, where a newly-elected pro-Serb government may be tempted to question the country’s popular pro-Western orientation. Similarly, the coming year may be one of political and social turmoil due to the dire health and economic consequences of the pandemic in several Balkan countries.

## Turkey in 2021

### *Ioannis N. Grigoriadis*

*“The Turkish President could attempt to tap into his personal charisma once again and appeal to the Turkish public by calling early presidential and parliamentary elections.”*

Turkey is facing a good many uncertainties as it enters 2021. Although buoyed by successes in the regional conflicts it has been involved in, it is also increasingly concerned by the state of the Turkish economy, which was in trouble even before the Covid-19 pandemic. Managing the effect of the CoViD-19 pandemic will be the Erdoğan government's main concern. Here are some key issues to watch for in the year ahead:

#### *Erdoğan's Relations with the MHP*

Erdoğan's decision to make an alliance with the MHP in 2015 had momentous consequences for the course of domestic and foreign policy: the collapse of the peace process, the securitization of the Kurdish question, and the sharp deterioration in the country's human rights record can all be linked to it. The MHP's influence on the choices and style of the Erdoğan administration has been profound. The alliance has dented Erdoğan's hegemonic position in Turkish politics, especially following the departure of his son-in-law Berat Albayrak, and many expect Erdoğan to attempt to restore his full power in 2021. The frail health of the MHP leader, Devlet Bahçeli, could trigger a succession crisis within the party, which could herald a realignment within the Turkish political party system involving the opposition “Good Party” and—possibly—even Erdoğan's own AKP.

#### *Early Elections*

Early elections are one of the most powerful tools in the hands of any incumbent government. Given Turkey's mounting domestic and foreign policy problems, and given that none of the opposition parties old or new has succeeded to date in appealing to the growing body of undecided voters, the Turkish President could attempt to tap into his personal charisma once again and appeal to the Turkish public by calling early presidential and parliamentary elections. A crisis in Turkey's relations with the United States and/or the European Union could serve as a pretext for such a move; however, it would be difficult to distract public attention from the state of the economy and future expectations thereof.

#### *Economic Crisis*

Although “the Turkish economy is in crisis” has been a constant headline in the media in recent years, the Turkish government has proven itself remarkably adept at managing the situation. Nevertheless, it might soon run out of options, as the CoViD-19 pandemic has had a powerful impact on an already fragile economy. The resignation of Berat Albayrak has highlighted a growing governance crisis linked to the recently introduced presidential system and to a highly personalistic style of governance. The Turkish government's ability to resort to unconventional methods in order to meet its current account deficit and defend the exchange rate of the Turkish lira will be put to the test once again in 2021. An appeal to the International Monetary Fund (IMF)—a move President Erdoğan has repeatedly rejected, since his administration's success in concluding the IMF programme and paying off the IMF debt during its first terms in office is considered his signature achievement—might become unavoidable.

*“The Turkish government's ability to resort to unconventional methods in order to meet its current account deficit and defend the exchange rate of the Turkish lira will be put to the test once again in 2021.”*

### *The Caliphate Card*

*“In light of mounting domestic and international problems, referring to moves of religious symbolism might again look like a shrewd tactical move.”*

The conversion of Hagia Sophia into a mosque was an extremely controversial move by the Turkish government. And while it exposed the administration to heavy international criticism, it also galvanized President’s Erdoğan’s Islamist and nationalist voter base. In light of mounting domestic and international problems, referring to moves of religious symbolism might again look like a shrewd tactical move. Following the abolition of the Sultanate and the proclamation of the Turkish Republic on 29 October 1923, the Caliphate was abolished by law on 3 March 1924 by the Turkish National Assembly. The abrogation of this law could be interpreted as a restitution of the Caliphate, which could rally Turkey’s Islamist and nationalist supporters once again, and possibly attract international attention from the Muslim Brotherhood, an organization closely affiliated to the Turkish government. With its solid domestic base and strong network of international connections and operations, the powerful Directorate of Religious Affairs (Diyanet) could provide the institutional infrastructure for such a project.

### *Recalibrating Relations with the United States*

*“While the anti-American rhetoric of the Erdoğan government could become more strident due to domestic considerations, establishing a working relationship with the Biden administration is of vital importance for Turkey.”*

Recalibrating Turkey’s relations with the United States will inevitably be a priority of the Erdoğan administration, especially given the significance of these relations for Turkey’s economic outlook and military capabilities. Turkey’s purchase of the Russian S-400 anti-aircraft missile system has led both to its expulsion from the F-35 production programme and the imposition of sanctions under the Countering America’s Adversaries Through Sanctions Act (CAATSA). These sanctions come with a strong symbolism, as this is the first time a NATO member and US ally has been targeted under the Act; their application is likely to have a strong effect on the development of Turkey’s defence industry. Moreover, the departure of US President Donald Trump and the advent of the Biden administration may spell trouble in relation to a number of other outstanding issues, including the Halkbank court case, whose verdict could have a destabilizing effect on the Turkish banking system, and Turkey’s position within NATO in light of its persistent overtures to China and Russia. The Biden administration is also expected to be more sensitive to Turkey’s domestic human rights and rule of law record. While the anti-American rhetoric of the Erdoğan government could become more strident due to domestic considerations, establishing a working relationship with the Biden administration is of vital importance for Turkey. This could prove rather difficult, though, in the absence of a radical reconfiguration of Turkey’s relations with Russia.

# Migration in 2021

**Angeliki Dimitriadi**

## *In the year of the pandemic*

*“It is unlikely that Europe will witness large-scale movement in 2021, since irregular migration and asylum applications have already returned to pre-2015 levels.”*

Migrants have been deeply affected by Covid-19 internationally in 2020, largely due to the pandemic’s impact on the global economy. Border closures and lockdowns have affected access to employment and resulted in a reduction in remittances, a lifeline for many local communities in migrants’ countries of origin. Host countries faced challenges in agriculture, which relies on the presence of migrant workers, as well as in manufacturing and construction, with some countries offering visa extensions, amnesties, and/or temporary regularization to ensure migrant access to healthcare, but also to address labour shortages in the agricultural sector. Asylum seekers have also been affected. Already vulnerable as a population, they faced border closures and/or interdiction practices that prevented many from reaching safety (in, for instance, Malta, Italy or Greece). Yet, 2020 also demonstrated that migrants are not only needed in the labour market; they also make positive contributions to the societies that welcome them.

## *Migration trends in 2021*

It is unlikely that Europe will witness large-scale movement in 2021, since irregular migration and asylum applications have already returned to pre-2015 levels.

Northern Europe will continue to receive secondary movements of refugees leaving Greece, as well as of asylum seekers stranded in various Balkan countries (e.g. Bosnia).

Pressure on the periphery of the EU will continue. The World Bank estimates that remittances have already fallen by 20%, and this trend will likely persist in 2021, impacting on countries of origin and Southeast Asia and sub-Saharan Africa in particular. Those who are able will probably attempt to move within and across regions. High-impact weather events (floods, droughts) will also force people to move by affecting access to shelter and nutrition in countries of origin and transit. Several conflicts on the periphery of the EU (e.g. Libya, Syria) have already generated displacement and migration.

*“Greece will continue to receive arrivals from Africa as well as Southeast Asia, albeit in small numbers, with migrants continuing to utilize Turkey as a transit country.”*

Afghanistan is the country to watch in 2021. As the economic and security situation continues to deteriorate, with American troops withdrawing and the Taliban returning to power via a coalition government, Afghans are fleeing once more. Europe remains their best hope for a better future, and the road there leads through Greece.

## *What should Greece expect*

A political agreement on the New Pact on Migration and Asylum is pending and will pave the way for the legislative packages during the Portuguese Council presidency. Whether an agreement is reached or not, it is likely that the countries of the South will continue to bear the primary responsibility for and burden of receiving asylum seekers. The EU will not establish a permanent redistribution mechanism. Relocation will remain ad hoc among coalitions of the willing, implemented for only a small number of refugees.

Greece will continue to receive arrivals from Africa as well as Southeast Asia, albeit in small numbers, with migrants continuing to utilize Turkey as a transit country. Smugglers will try to adapt to Greek border controls in order to meet demand, providing either direct boat

*“A new version of the EU-Turkey Statement will likely be negotiated in early 2021. It will almost certainly contain a new mechanism for returns that will also include the Greek mainland.”*

crossings from Turkey to Italy or passage across the Evros river. In both cases, search and rescue operations will be of paramount importance to prevent loss of life.

A new version of the EU-Turkey Statement will likely be negotiated in early 2021. It will almost certainly contain a new mechanism for returns that will also include the Greek mainland. It is also likely to impose tighter timelines and additional pressure on the Greek asylum service. Turkey is unlikely to implement the Statement in full, particularly with regard to accepting returnees. Nonetheless, the agreement will reinforce the EU's dependency on Turkey and solidify Greece's role as an EU buffer zone.

### ***Main challenges and opportunities***

Protecting migrants from the backlash in public opinion caused by Covid-19 will be a challenge shared by all EU Member States. The impact of the pandemic on the labour market will likely increase discrimination against immigrants and their children, which in turn will affect their integration.

The implementation of a common migration and asylum policy will remain a challenge, particularly as several Member States have become increasingly hostile to receiving asylum seekers.

Keeping Europe a safe space for asylum seekers will also become increasingly difficult in 2021, as the effects of the pandemic are likely to make countries more restrictive in awarding both international protection and access to social benefits to asylum applicants.

Integration is the biggest challenge and opportunity for the EU overall, but most importantly for Greece. A holistic integration approach is needed which links refugees with the labour market. Language learning and recognition of education and work certifications has to become compulsory and rolled out nationwide in partnership with municipalities and regions.

Migrants reside predominantly in urban centres. In 2021, cities and regions need a clear mandate on integration, access to funding for social housing, migrant training, and identifying labour shortages that can be filled by migrants who will remain in the country.

Conditions in the Greek camps are unlikely to improve significantly in 2021. Despite the involvement of the European Commission, evidence from the new temporary camp in Lesbos is far from encouraging. Even if the government succeeds in rolling out the new 'controlled' centres, it is probable that conditions will remain poor and inadequate. Failure to improve conditions swiftly will only hamper integration and delay the benefits of migration for Greek society.

*“The implementation of a common migration and asylum policy will remain a challenge, particularly as several Member States have become increasingly hostile to receiving asylum seekers.”*

# The European Union in 2021

**Loukas Tsoukalis**

Europe will enter 2021 with the second wave of the coronavirus pandemic still not under control. With many human lives being lost, health systems under siege, with economies and societies in (partial) lockdown, European governments and institutions will remain under the spell of the virus for a good part of the new year and hope that vaccines will eventually provide immunity. Meanwhile, they will be trying to save firms and jobs through public borrowing and spending. Pre-pandemic GDP levels will not return before the end of 2022, and large public deficits will continue for at least as long.

*“Given the wait for the elections and for a new government to take over afterwards, with Merkel no longer there, it seems unlikely that Germany will be inclined to take, or capable of taking, big decisions for much of next year.”*

The EU has reached a historic decision with the financial package of 750 billion EUR to help member governments deal with the immediate effects of the pandemic and its aftershocks. It will be strongly redistributive in favour of the weakest and worst-hit countries. Two-thirds of the funds will be directed towards the green and digital transformation of the European economy. The key test for 2021 and after will be how those funds are used by member governments under close monitoring by European institutions, and to what effect. This will largely determine whether Europe’s historic decision will be one-off or whether it will pave the way for closer integration.

## ***From Germany to Portugal to Slovenia***

2021 will be the year in which Angela Merkel withdraws from the political stage, having been a dominant figure in German and European politics for 16 years. Germany will have elections in September, and we still do not know who the official candidate of the CDU-CSU group—and thus, most probably, the next Chancellor—will be. A coalition government that includes the centre-right and the Greens looks to be a likely scenario at this stage, with the social democrats finally deciding to go into opposition. Coalition government formation in Germany usually takes a long time, however. Thus, given the wait for the elections and for a new government to take over afterwards, with Merkel no longer there, it seems unlikely that Germany will be inclined to take, or capable of taking, big decisions for much of next year. Meanwhile, Emmanuel Macron will be preparing for the French presidential election in spring 2022. The conclusion I reach is that next year will not be the right time for major European initiatives or difficult decisions; unless, of course, our political leaders are forced into action by events.

*“When the rotating presidency is run by smaller countries, the Commission reverts to its central role.”*

On 1 January 2021, Portugal takes the rotating presidency of the European Council over from Germany. The Portuguese presidency has adopted the social dimension as a key priority, and a Social Summit will be held in Porto in May. Slovenia will take over on 1 July. When the rotating presidency is run by smaller countries, the Commission reverts to its central role. We should also expect the much-delayed conference on the future of Europe to start soon; probably under the presidency of the former Danish prime minister and convinced European, Helle Thorning-Schmidt. The conference will be tasked with thinking of desired changes to the European construct, ideally without the need for treaty reforms. It will be like trying to square the circle.

## ***Europe’s external environment***

European leaders are looking forward to seeing the back of President Trump and returning to ‘normality’, except for the right-wing populists who felt at home with Trump in power. Alas, they will still be around when he is gone. The new US President believes in close transatlantic cooperation, multilateral institutions, and the need for coordinated global

*“Europe’s immediate neighbourhood to the east and the south will remain a major source of instability, with open conflicts in various parts of the Middle East and Africa continuing to fuel the export of refugees and immigrants.”*

efforts to fight climate change. This will be a welcome return to ‘normality’ after the experience of the last four years. But President Biden will have to cope with a deeply polarized society and deeply polarized political system at home. One important exception is the apparent cross-party consensus in Washington DC for tougher policies towards both China and Russia, coupled with the customary tendency on the other side of the Atlantic to divide the world into good and evil. US policies of this sort will present Europe with awkward choices: are Europeans ready for a new Cold War fought on two fronts?

Closer to home, Europe’s immediate neighbourhood to the east and the south will remain a major source of instability, with open conflicts in various parts of the Middle East and Africa continuing to fuel the export of refugees and immigrants. Instability and open conflicts will also continue in parts of the former Soviet Union. Europeans need to strike a delicate balance between treating Russia as a neighbour with whom they share common borders, as a nation that is also an important trade and energy partner, and Russia as a strategic rival perceived by several EU members as a direct threat to their security. Striking the right balance has never been easy, and Europeans are likely to remain divided on this front.

### ***Balkan challenges***

*“Europe also needs to draw clear red lines and take appropriate action when Erdoğan’s Turkey attempts to cross them. It may prove easier to do so in coordination with the new Biden administration.”*

EU enlargement into the Balkans will continue at a snail’s pace. There is little appetite for it in many European capitals. However, pressure will grow for the opening of new accession negotiations; it is getting crowded in the waiting room.

In recent years, Turkey under President Erdoğan has emerged as an aggressive revisionist power intent on filling part of the vacuum in the wider region caused by US withdrawal and European inaction. Turkey is an important partner with which Europe wants to engage. But Europe also needs to draw clear red lines and take appropriate action when Erdoğan’s Turkey attempts to cross them. It may prove easier to do so in coordination with the new Biden administration. European credibility is at stake.

The aftershocks of the pandemic will be felt strongly in much of the developing world, particularly in Africa. Europe has a strategic interest and should be ready to assist.

These are some of the main challenges that Europe is expected to face next year. Events, however, have a logic of their own, and we should leave some room for astrologers.

# The United States and Transatlantic Relations in 2021

## *George Pagoulatos*

On his day one, President Biden will have the longest foreign policy experience of any of his predecessors since George H.W. Bush. Secretary Blinken is a Europhile, a transatlanticist and a Francophone. Yet Trumpism is alive, US society remains polarized, inward looking, averse to foreign interventionism, opposed to military deployments overseas. And the priorities of the Biden administration will be to rebuild the economy at home, heal the divisions, and strengthen social safety nets.

### *A return to normality*

Still, the new Biden Presidency is a game changer after his predecessor's. It will begin the arduous process of rebuilding US leadership in global multilateral institutions (UN, WTO, WHO) and global treaties, including the Paris Agreement on climate, treaties against arms proliferation, and the Iran nuclear deal. The Biden administration will return to a close partnership with the EU, emphasizing shared values and fostering an international alliance of democracies. A re-institutionalization of US foreign policy and boost to diplomacy after the erratic "America First" period will seek to recover America's soft power after the enormous damage to its reputation under Trump. It will also seek to regain trust and convince allies that 2016–20 was an aberration, countering valid concerns about a return to Trumpism (or some version thereof) in 2024.

### *A revival of Euro-Atlanticism*

The Biden administration will single out Berlin (rather than Paris) as its closest EU working partner—despite continuing disagreements over Russia (Nord Stream II) and China. Biden's election has already triggered a revival of the traditional Euro-Atlantic orientation of the German political class. The new US administration will seek to coordinate its actions with its closest European partners when it comes to the EU neighbourhood, Turkey and the Eastern Mediterranean. Thus, we would expect a recasting of the intra-EU Franco-German balance in favour of Berlin, and a transatlantic boost to the German approach of engaging Turkey (as opposed to the more aggressive French approach of containing it), in which Washington DC and Berlin seem to converge. In turn, Paris would likely mobilize to find common ground with Washington DC in order to pursue its strategic interests, notably in the Mediterranean. The Biden administration will also boost NATO, continuing the pressure on EU partners to raise their contributions, and strengthen ties with East European countries against Russia.

That said, we should neither ignore the occasional divergences in US-EU interests nor overrate the magnitude of the change the new administration can effectuate. True, foreign policy remains a domain in which the President enjoys extensive leeway. But he will still have to work with the Senate, and his control over that institution is far from given. For example, implementation of climate goals could die in Congress even if the US rejoins the Paris Agreement.

### *Transatlantic tensions and things to watch out for*

The 5 January 2021 runoff elections for the Senate in Georgia will be critical. If Democrats win both seats, Congress will be under Democrat control with the tie-breaking vote of Vice President Harris. This will determine the executive's political capability to push through its policy in a number of areas, including climate.

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Biden's "Buy American" plan will be stirring up European concerns about a new wave of protectionism. Trade will also remain an area of tension, as EU authorities will seek to ensure opportunities for European companies in the massive green-related investment plans of the new US administration. This parallels the EU's treatment of big tech companies (GAFA) in terms of both competition regulation and taxation, where the EU is seeking to pursue a tougher stance.

*"Trade will also remain an area of tension, as EU authorities will seek to ensure opportunities for European companies in the massive green-related investment plans of the new US administration."*

Biden's transatlanticism is unlikely to reverse Europe's declining significance for a USA whose gaze is increasingly fixed on the Pacific rather than the Atlantic. After all, it was Obama who launched the US pivot to Asia.

### **Countering China**

Countering the rising power of China will remain the US administration's primary foreign policy challenge, backed by a large bipartisan majority of the US foreign policy establishment and Congress. The EU will come closer to the Biden administration on China, while also seeking to moderate the US's hawkish stance. The post-Cold-War mindset of team Biden towards Russia (also blamed for its pro-Trump cyber-interference) will raise hostility towards the Putin regime, affecting the US stance on every front where Russia seeks to exercise influence.

The Biden administration is unlikely to dramatically reverse the US withdrawal from the Middle East, which accelerated under Trump. The departure is facilitated by the growing US self-sufficiency in energy and by the improvement in Israel's relations with a growing number of Arab nations. However, fighting Islamist terrorism will remain high on the agenda.

### **Turkey and Greece**

US policy towards Turkey will be tougher in a more consistent way under the Biden administration, and the unpredictability of Trump's personal transactional diplomacy with Erdoğan, nurtured by business interests and a visceral admiration for autocrats, will be no more. However, Turkey is still viewed as a country of strategic importance for the US, which will be relatively more tolerant towards the disloyalty of a regional power necessary to offset Russian influence and a NATO member the West cannot afford to lose to Russia or China. Realpolitik is likely to prevail over Biden's antipathy for Erdoğan's authoritarian ways.

At the same time, the new administration will build upon the deepening partnership the US has developed with Greece in recent years in areas ranging from energy and defence to US investment and curtailing Chinese investment expansion. Greece's relative importance has risen in tandem with Erdoğan's aggressive unpredictability, inter alia as a backup for US bases in case relations with Turkey get out of hand. In coordination with the EU, the US would be ready to assume a mediating role in case of escalation between Turkey and Greece.

### **Troop repatriation?**

A final issue to watch out for is the future of US troops in Syria, Iraq, Afghanistan, and other parts of the world. With an eye on domestic political gains, Trump has attempted to repatriate the maximum number of troops in the dying days of his administration. Both Europe and less amicable jurisdictions (from ISIS and Russia to Turkey and China) will be watching closely for signs of US military disengagement, ready to fill any vacuum.

*"Countering the rising power of China will remain the US administration's primary foreign policy challenge, backed by a large bipartisan majority of the US foreign policy establishment and Congress."*

# The Economy in 2021: Greece, Europe and the World

## *Dimitris Katsikas*

At the beginning of 2020, talk about the economy revolved around the need to tackle economic inequalities, find ways to deal with secular stagnation, and reduce trade frictions. In Greece, there was increasing optimism as the economy showed strong growth potential. The appetite for inward foreign investments seemed to be growing, and the country was tapping the bond markets at record low rates. The pandemic changed all that. The coronavirus-induced lockdowns and other social-distancing measures have stalled economic activity, plunging economies across Europe and the world into the worst economic crisis in a century. In Greece, the optimism faded away as the economy entered another recession.

*“The now strong likelihood of extensive vaccinations in the first half of 2021 will allow for the gradual resumption of economic activity.”*

### *End-of-year trends*

Following an unprecedented collapse in economic activity during the 2nd quarter of the year, the latest data shows a strong rebound in most economies in the 3rd quarter. The OECD area grew by 9.0%, the United States by 7.4%, and the euro area, rather unexpectedly, by 12.6%. However, the outlook has worsened again as a second wave of the pandemic has spread across the world during the 4th quarter. According to the OECD’s December projections, the world economy is set to shrink by 4.2% in 2020, with the US recording a slightly lower recession (-3.7%); China, having overcome the initial shock, is set to continue growing (1.8%). In Europe, the recession is expected to be deeper; according to the European Commission, the euro area economy will contract by 7.8%, while in Greece, the government’s revised budget predicts a 10.5% GDP contraction.

### *Hopes for a strong recovery*

Still, as the year draws to a close, a silver lining can be discerned. Progress on the vaccines front has exceeded expectations. The now strong likelihood of extensive vaccinations in the first half of 2021 will allow for the gradual resumption of economic activity. Hopes for a strong recovery are also bolstered by the dynamic policy stance of most governments, which has helped reduce the blow, particularly in the labour market, where unemployment rates have on the whole remained under control. This policy stance is set to continue, as a new relief package has been agreed in the US, while in Europe, the resolution of the crisis over the rule-of-law issue with Poland and Hungary has opened the way for the launch of the 750 bn EUR Recovery Fund. Most of the funding will be in the form of grants, and Greece will be among the biggest beneficiaries. At the same time, central banks are expected to continue their quantitative easing and liquidity provision policies. The European Central Bank (ECB) has recently expanded the size of its Pandemic Emergency Purchase Programme (PEPP) to 1.850 trillion EUR and its duration until March 2022. The US Federal Reserve, in its latest policy statement, has also pledged to continue the accommodating policies for as long as necessary. Finally, the highly-anticipated change of policy in international affairs by the new US administration under Joe Biden is also expected to help the world economy by reducing trade frictions.

*“According to the OECD, the world economy will grow by 4.2%, led by China and India, which are set to resume their pre-crisis breakneck pace.”*

In these circumstances, projections for growth in 2021 are positive. According to the OECD, the world economy will grow by 4.2%, led by China and India, which are set to resume their pre-crisis breakneck pace. Developed economies will grow at a slower rate, with US growth expected at 3.2% and growth in the euro area at 4.2%. In Greece, the government anticipates GDP to increase by 4.8%.

## *Main risks and challenges*

*“The risk of a third pandemic wave--provided the second one is brought under control soon—is non-negligible, particularly when the virus’s mutation potential is taken into account.”*

These projections carry a high degree of uncertainty. There are substantial risks that threaten to derail economic recovery. First and foremost, the evolution of the pandemic itself. The winter is still ahead and the risk of a third pandemic wave--provided the second one is brought under control soon—is non-negligible, particularly when the virus’s mutation potential is taken into account. Delays with the vaccines and other treatments could make things worse. There is already news about problems with, and even suspensions of, certain vaccine projects, while supply bottlenecks have already been recorded in the case of the Pfizer/BioNTech vaccine.

Even if progress with the pandemic is satisfactory, major challenges remain relating to the transition to the post-pandemic economy. The termination of labour-supporting policies and the withdrawal of funding schemes could undermine the recovery, if implemented prematurely or without careful planning. Changes brought about by the pandemic in some sectors are likely to become permanent, with affected businesses and households facing increased uncertainty and—very likely—reduced economic prospects. In addition, governments and private actors will have to deal with a looming debt overhang. The build-up of debt in the private sector is particularly worrisome, as the expected upsurge in non-performing loans will pose a major challenge for banking systems. Increased sovereign indebtedness is also a risk, particularly for states that are already heavily indebted. While fiscal balances are expected to improve in 2021, continued public support for the economy in combination with the uncertain course of public revenues, not least due to the large amount of deferred taxes, will complicate debt reduction efforts. The risk of an erratic and uneven recovery is substantial, particularly for poorer countries but also within the EU in the case of economies burdened by unresolved legacies from the previous crisis. Finally, another factor compounding uncertainty for the EU is its trade relationship with the UK, large parts of which remain undetermined despite the last minute Brexit trade deal.

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## *Stay ahead of the curve and plan for tomorrow*

Where will the balance lie? 2021 is set to undo a substantial part of the damage inflicted by the pandemic. However, a full recovery to pre-crisis levels will require more time. Assuming that things go as planned on the medical front, the handling of the transition phase to avoid major disruptions to economic sectors and the livelihoods of workers will be crucial. Governments should continue their interventions in the economy, taking advantage of the very low interest rates and apparent lack of inflationary pressures. It is imperative that the day after is not burdened by new adverse legacies that will further increase economic inequalities both across and within countries.

# Climate and sustainable development in 2021

*Emmanuella Doussis*

## *Yet another annus horribilis for climate*

Despite a brief contraction in global carbon dioxide emissions caused by the coronavirus lockdowns, climate change continued its relentless march in 2020, which, according to the World Meteorological Organization, is likely to be the warmest year on record. The world is still heading for a temperature rise of 3 degrees Celsius this century, far beyond the Paris Agreement goal of limiting global warming to well below 2 degrees and efforts to achieve 1.5 degree. Extreme weather events, wildfires and floods, as well as slower environmental degradation such as sea level rise, glacier melt, droughts and loss of biodiversity, continued to spread and intensify across the globe, including China, the US and Europe. In addition, the UN Climate Change Conference which was to have been held in Glasgow in December was postponed to 2021. This Conference was crucial, as state parties to the Paris Agreement were scheduled to submit enhanced national climate action plans and finalize the last remaining piece of the Paris rulebook: the governance of carbon markets, which are expected to facilitate climate mitigation.

*“State authorities have never been in a stronger position to boost a sustainable agenda, as industry, business and individuals clamour for state aid.”*

The EU has already achieved a substantial reduction in greenhouse gas emissions and has committed to further limit its emissions to at least 55% below 1990 levels by 2030. The European Green Deal is the new road map for sustainability in Europe, with the goal of making the continent climate neutral by 2050. This goal will be achieved by modernizing the economy through green technology, sustainable industry and transport while making the transition just and inclusive for all. To that end, a Just Transition Mechanism, including a special fund, has been launched to support those EU regions most affected by the transition to a low-carbon economy.

In line with these imperatives, Greece has taken further action to implement the lignite phase-out process announced at the 2019 UN Climate Summit. A Master Plan for a Just Development Transition providing for a set of emblematic investments for the post-lignite era has been announced, while specific territorial plans for the regions involved are expected to be drafted by the end of the year.

## *An epic policy test for climate action*

2021 opens a window of opportunity to deal with the climate crisis better and make progress towards the implementation of the Paris Agreement. Hope lies in a green recovery from the Covid-19 pandemic and in making climate action part of Covid-19 relief plans. The challenge is not simply to reset the world economy, but to shape it in a sustainable way that makes it possible to keep the world below dangerous warming and build more resilient societies. State authorities have never been in a stronger position to boost a sustainable agenda, as industry, business and individuals clamour for state aid. New relationships can be forged with the private sector, introducing conditions that encourage businesses to decarbonize. Global warming should not be seen as a lower-priority issue than the pandemic, but as the other side of the same coin. The sooner we react, the greater our chances of survival.

*“Global warming should not be seen as a lower-priority issue than the pandemic, but as the other side of the same coin.”*

The EU has committed to this direction and decided inter alia that at least 30% of the total expenditure by the MFF and NGEU will be channelled into to climate action. A new Climate Law will translate the 2030 climate target into a legal obligation, while other policies will

*“New legislation on an EU green bond standard will be drafted to promote the development of common standards for green finance.”*

be updated to integrate the goal of carbon neutrality. New legislation on an EU green bond standard will be drafted to promote the development of common standards for green finance. Furthermore, an updated EU adaptation strategy to make Europe more climate resilient is expected early in 2021. All these initiatives need to gain additional public support, especially in hesitant Member States. At the same time, the protectionist approach should be attenuated to take into account Europe’s competitiveness in the global economy. While regulatory enforcement is a very first step for the implementation of the carbon neutrality commitment, more attention should be paid to innovation and new technologies.

*“Although Joe Biden has committed to the US rejoining the Paris Agreement, global warming is still a partisan issue in the US Congress, which will limit what Biden can accomplish.”*

Leading by example is important but not enough to avoid global warming. Stronger commitments to achieving net-zero emissions are needed from other important players on the world stage, particularly the main emitters. The incoming US administration has promised to achieve carbon neutrality over the next three decades and made climate action a central feature of its economic plan. China has committed to net-zero emissions before 2060. These commitments send a clear message to investors, producers and consumers that the global transition to clean energy is an ongoing process, and that resources have to shift away from fossil fuels. It remains to be seen if these climate pledges will be translated into policies, plans and targets.

The road to Glasgow is not paved with roses. Although Joe Biden has committed to the US rejoining the Paris Agreement, global warming is still a partisan issue in the US Congress, which will limit what Biden can accomplish. Having the US back at global climate talks will certainly give these negotiations an important boost, incentivizing other countries to invigorate the ambition of their climate targets, while preventing others from cheating. Re-engaging the US within the climate community is thus of crucial importance, and the EU can facilitate this process by mobilizing its partnerships networks as well as its diplomatic capacity.