

At the opening of her speech, the President accentuated that the EU stood by Ukraine's side and provided her weapons, funds, and hospitality for refugees. Later, the President mocked the Russian economy by expressing that the unprecedented sanctions are working, and the Russian military are borrowing chips from dishwashers and refrigerators to replace the dysfunctional military hardware because they depleted their past stocks of semiconductors. Notwithstanding that this could be a reality on the ground, personally, I do not agree with such a narrative due to its escalatory nature. Clearly, in times of geopolitical tensions and escalation, the undiplomatic narrative shall not eclipse the crucial message; that of defending the European values and democracy.

Conversely, on my social media page as well as on TV, I commended the long-term vision of the President's proposals, inter alia the European Critical Raw Materials Act. Thus far, China is in control of almost the entire global processing industry, with roughly ninety percent of the rare earth's raw material and sixty percent of the lithium is processed there. Certainly, the EU needs to be tactical in this area; on one hand to reach the Green Deal targets and on the other to achieve its strategic autonomy by avoiding the situation of becoming dependent on China. The idea of creating a hydrogen bank is also commendable, and any future energy that is cleaner benefits society at large due to its intrinsic positive externalities. Furthermore, upskilling workers, and investing in SMEs, as well as revising the late payment directive are surely steps in the right direction. In times of economic and political turmoil, it is crucial to provide liquidity to SMEs, given that one in four bankruptcies are related to the unpaid invoices in time. The revision of the stability and growth pact is also revolutionary. We need to ensure that fiscal flexibility is given to member states, and in tandem safeguard the stability of the euro in times of crisis. Well, we are revisiting Keynes's policies once again.

As much as the long-term vision of the President's speech, including all the proposals contained therein seem to be



The State of the Nation; borrowing chips from dishwashers!



CLINT FLORES

Last week, the President of the European Commission, Ursula von der Leyen delivered the State of the Union's speech, in a plenary held in Strasbourg

robust, we have not heard anything concrete about the immediate actions needed to lessen the energy inflation. We only heard about a price cap on the revenues of companies that produce electricity at a low cost. In addition, the European Commission is anticipating that this proposal will generate more than one hundred forty billion euro to the benefit of Member States. Subsequently, the idea is to redistribute the super profits collected from energy companies to the most vulnerable. However, we still need to see how this is going to work. Normally, such revenues would be channelled through an introduction of either a new own resource or a new indirect tax, which would require unanimity voting in Council. Oddly, one hundred forty billion euro is roughly the same amount committed in annual appropriations for the seven MFF headings. Perhaps, the European Peace Facility - an off-budget instrument - might receive another boost given that the Member States' military stock requires replenishment.

On the supply of gas, which seems to be the most urgent and pressing reality, the Presi-

dent reiterated the measures that are needed when considering the specific nature of the EU's relationship with suppliers. Evidently, the EU is considering a list of reliable and unreliable suppliers and Russia hits the latter's list. In fact, the President informed about her engagement with the Norwegian Prime Minister, Jonas Støre and their agreement to a closer dialogue to resolve Europe's energy crisis. Indeed, a taskforce was set-up to prepare for this dialogue. However, in a recent interview with the media Prime Minister Støre already expressed that gas capping wouldn't solve the problem. He explained that Norway is engaging into the talks with an open mind, but they are sceptical towards a maximum price on natural gas because that would not solve the fundamental problem of limited gas in Europe.

To make matters worse, on the day same day of the President's speech, the Financial Times reported that US shale top executives informed about their inability to increase oil and gas supplies in time this winter to cater for Europe's energy famine. They explicitly

stated that capacity is what it is and surely it cannot be boosted in time to rescue Europeans. Undoubtedly, any modest European citizen would ask a basic but legitimate question. What did the likeminded partners offer as alternative gas suppliers? In March, ahead of the leaders meeting hosted in the Palace of Versailles, the President of the EU Commission referred to the work that they were doing with likeminded partners and, in passing also mentioned the supply guarantees given from alternative gas suppliers. Hitherto, the likeminded partners offering alternative gas supplies were not fully disclosed. Besides the USA, a few months later, we learnt through Twitter that one of these countries, is, ahem, Azerbaijan. However, we are still missing the others in view that the USA is unable to meet Europe's demand.

And this brings me to another legitimate argument. Besides the State of the Union, the immediate focus of the EU must be the state of each nation. The EU must urgently step in to avoid the fuelling of far-right politics. Sadly, fringe political

parties are gaining momentum in Europe, and economic statistics are not aiding to counter the populist narrative. The rate of inflation in each member state differs astronomically. Currently, Estonia hits the highest inflation rate exceeding 23%, while Malta registers the lowest inflation rate of around 7%. Such disparities are creating additional economic fragmentation and social unrest. Furthermore, sixteen of the twenty-seven member states registered a double-digit inflation rate. This is not boding well, and certainly it will increase destitute and social tensions on the ground. The political state of each Member State is obviously important to be monitored because the continent is exposed to internal political risks and cracks. Equally, the EU is positioned on a different external diplomatic trajectory, and unity between member states is crucial to overcome external security threats.

Frankly, I hope that the EU keeps a diplomatic channel and avoid words that humiliate the opponents. Also, we must keep the same solidarity within the Union and avoid ill-timed decisions. As much as it is commendable to bring Ukraine into the EU's free roaming area, as well as increasing the solidarity lanes, we must avoid the undiplomatic discourse. A few hours after delivering her speech, the President of the EU Commission travelled to Kyiv to discuss in detail the economic initiatives, and perhaps other security needs and plans, with President Zelensky. While in Kyiv, the President of the EU Commission received a special award - the first class of the Order of Yaroslav the Wise. In summary, the award is presented to a person including foreign dignitaries who would have accomplished significant feat for Ukraine.

Certainly, the EU must defend itself and protect democracy. However, the EU must carefully examine the reality of energy supplies, as winter is fast approaching. And beyond the bravery awards, we must ensure that the EU citizens' benefits are safeguarded in the best interest of the most vulnerable while mitigating the scapegoating of minorities and preserving unity among Member States. Mr. Orban please take note!

Clint Flores is an economist