

The difficult tasks of the German presidency in 2007

by *Michael Dauderstädt, Barbara Lippert and Andreas Maurer*

Germany will assume the presidency of the Council just when the EU is having to deal with a number of problems which are significantly hampering its development. These problems have been around for a long time and they will not be solved even after the German presidency has passed. The main problems are:

1. the constitutional crisis (institutional capacity to act, democratic legitimacy);
2. economic and social failings (growth, unemployment, inequality);
3. enlargement (next entrants, absorption capacity, Europe's borders), neighbourhood policy and Europe's role in the world.

All three points are closely related to one another. Economic and social failings are giving rise to social tensions in the EU, especially in the slow growing “core countries” of France, Germany, Italy, the Netherlands and Belgium. In turn, this makes each successive absorption of new members very difficult. In this way the EU loses much of its attraction and its capacity to act in global politics is diminished. That also contributed to the rejection of the constitutional treaty.

Opponents of the Constitution understood it, on the one hand, as facilitating the accession of further candidates, while on the other hand in their view it offers insufficient protection against globalisation of trade, services and risk production.

EU enlargement is perceived as the market-driven integration of a large number of poor countries with insufficient macroeconomic and regulatory support. This heightens the social crisis.

At the same time, the heterogeneity of the expanded EU is hindering the solution of the constitutional and ratification crisis, which in turn reduces the EU's legitimacy and capacity to act and so obstructs far-sighted solutions to other problems.

During Germany's presidency of the Council, its task will be, as “honest broker”, to direct existing processes towards the solution of these problems and – where necessary – to launch new initiatives. German interests do not have to be concealed; they are focused around a commitment to the values of social democracy. However, these values imply taking due account of the interests of European and overseas partners. Peace, prosperity and social balance can be attained for Germany, as for all other member states, in the context of a European development in which the well-understood and long-term interests of all the peoples of Europe are reflected.

In each of the three problem areas we favour a proactive solution, in the sense of a Union which, thanks to its political capacity to act and democratic legitimacy, is in a position to solve its economic and social problems and to ensure the stability of Wider Europe, while in principle remaining open to future members.

A Democratic and capable Union

The goal of Germany and most European partners is a constitutional basis for the Union. A precondition of that, given the relatively short duration of the Council presidency, is the restoration of the capacity to act in an enlarged Union. To that end all member states must adopt clear and binding positions on the constitutional question. Only on this basis is a constructive dialogue possible. Specifically, that means:

1. Every member state shall be required to adopt a basic position on the existing constitutional treaty. From this it will follow whether a continuation of the ratification process is called for or new paths should be sought.

2. The presidency must take measures together with the bodies of the EU which overcome the reservations of European citizens and of politicians concerning the constitutional treaty. This applies particularly to the preservation of national identity and social security in Europe.

3. Reforms already foreseen in the Treaty should be tackled at the latest after the European Parliament elections in 2009, if necessary without the opponents of the Constitution.

It is perfectly conceivable, on the basis of the listed requirements – for example, on the occasion of the 50th Anniversary of the founding of the EEC – to draw up a solemn declaration which makes an issue of the reservations concerning the Constitutional Treaty and counters them by force of argument. Last but not least, the declaration should appeal to the political elites in the member states to devote themselves to a Union which is capable of acting, as the Constitutional Treaty envisages.

The commitment of the heads of government is an important signal to the public. Reforms which will ensure or improve the EU's capacity to act should not get bogged down in futile efforts to persuade the opponents of the Constitution to change their minds but in contrast should be pragmatically driven forward. For that purpose the right to self-organisation, inter-institutional agreements, the simple decision-making rights of bodies as well as passarelle clauses in the Nice Treaty should be used.

All 27 present and future member states know that certain procedural and institutional reforms are needed beyond the Nice Treaty in order to maintain the EU's capacity to act. Consensus on this on the basis of the Constitutional Treaty – and not, for example, the Nice Treaty! – for which the German presidency should lay the foundation, is the starting point for a new basis of primary legislation for the EU.

Two topics in relation to which both the citizens and governments of the member states have high expectations of the EU are internal security and a socially acceptable immigration policy which conforms with human and fundamental rights. Both topics provide an opportunity for swift progress and mobilising support for the renewal of primary legislation. Especially in areas such as asylum and immigration law or the crossborder fight against crime and terrorism there is a strong functional need to operate at EU level. The public are behind this. In contrast to this stand strong national value commitments, traditions and constitutional limitations, above all in relation to data protection and protection of fundamental rights. Surmounting this gap requires agreement on the basis of common European rights and values.

A prosperous and social Union

The EU's economic and social policy must take full advantage of opportunities for growth.

In order to continuously expand internal demand it must put an end to its dangerous obsession with competitiveness and the resulting strategy of reducing costs and incomes.

The Lisbon Strategy, which could already be called a failure, also follows this logic, and relies extensively on supply-side goals such as higher employment rates.

Comparing prosperity between countries, however, should also take into account other dimensions, like health and environment. To the extent that social and environmental policy goals are taken into consideration within the framework of the Lisbon Strategy they are targeted only by such soft instruments as the open method of coordination. In contrast, the pressure of competition is constantly being intensified by means of hard Community law enforceable before the European Court.

The European social model strives for a balance which must be protected from boundless and senseless competition. That applies both internally, by means of a suitable regulation of the internal market, and externally, by means of corresponding initiatives in international trade, exchange-rate, social and monetary policy.

Europe's prosperity is safeguarded by the dynamic development of future-oriented branches. That means that the Union must reorient itself from a “structure preserving” to a “modernisation

promoting” pattern of expenditure. In this way there can be more investment in research and development and in education. At the same time, a constant strategy of energy saving and use of renewable energies will increase security of supply.

Long-term unprofitable branches and enterprises in sectors such as agriculture, or textiles and clothing can be phased out in a controlled and socially responsible way.

Diverse reforms and the pressure of ever more open markets have expanded supply-side conditions. Higher productivity, increasing profits and pressure on the labour force to accept jobs must be accompanied by resolute demand management if the economy is not to end up in stagnation and impoverishment. Apart from that imbalances are threatening in the Eurozone. They are the result, among other things, of massive German wage restraint in recent years alongside simultaneous demand booms in other member states, such as Spain.

Europe needs a coordinated monetary, fiscal and income policy, however, which, particularly in the new, poorer member states, tolerates higher inflation and real appreciation of their currencies, in order to accelerate their catch-up processes and improve opportunities for consumption instead of using inflation targets as a reason to deny them adoption of the euro.

While the EU energetically opposes subsidies and protection of enterprises on social or regional policy grounds it allows member states de facto subsidisation of their enterprises through low taxes and wages.

This tax competition is to be countered, as a first step, by the harmonisation of the regulations which define the tax base. Wage competition must be combated by minimum wage regulations which ensure all workers an income which is fair in comparison with costs where they work and allows a decent standard of living.

An open and strong Union

Growth, employment and social balance in Europe become more dynamic when markets are steered in the right way. Only then will the Union have at its disposal the resources and the political consensus to remain open to the outside and to assert its interests in neighbouring countries and beyond. As regards the different foreign policy traditions and aims in the member states closer coordination of foreign policy is needed, as envisaged in the Constitution. Up to a certain point pragmatic advances can be attained without giving up the package of institutional reforms envisaged in the Constitutional Treaty for a Common Foreign and Security Policy.

Right at the beginning of the German Council presidency Bulgaria and Romania will join the EU. Poor and relatively populous the two new member states will present the Union with additional tasks in terms of coping with socioeconomic differences, migration and cohesion policy.

The pressure resulting from this will certainly not increase the readiness of EU citizens to accept further members. Of course, the EU is not only a Community but also increasingly a geostrategic project. As a result, also on the grounds of existing commitments and the demands imposed on the EU as a global actor, the prospect of entry should be maintained for Turkey and the Western Balkans in order to support modernisation and stabilisation processes in these countries which are important in terms of foreign and security policy.

Even if in future the EU is more restrained as regards promises of entry and instead launches an active internal debate on the conditions of enlargement, neighbouring countries to the east and the south must be offered attractive forms of intensive cooperation and integration which go beyond traditional offers of free trade and financial assistance. In this way modernisation processes can be supported which recent experience shows do not emerge automatically from free elections and markets.

The EU should be perceived as a model and as a power for the effective, multilateral resolution of conflicts. In exceptional circumstances that does not exclude the deployment of military force. However, the EU should not devote itself only to building up the capacities

necessary for that but above all clarify the strategic interests and aims of possible interventions, for example, through the development of such guiding concepts as “human security”.