



**Friends      Les amis  
of Europe    de l'Europe**

**AFTER THE “NO’S”:  
GETTING EUROPE BACK  
ON TRACK**

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A report reflecting the views of a number of *Friends of Europe's* Trustees,  
written by Keith Richardson and Robert Cox

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# PREFACE

## ABOUT THIS DISCUSSION PAPER



*Friends of Europe* has focused since its earliest days in 1999 on two major policy areas; the institutional reform of the European Union and the information and communications policies needed to strengthen the ties between its policymakers and its citizens. This report reflects both.

“After the “No’s”: Getting Europe Back on Track” offers ideas for breaking out of the political crisis that has gripped the EU since mid-year, when the French and Dutch referendums saw voters reject the Constitutional Treaty. Like a number of our earlier reports, this one does not set out a common text that all of its authors have been able to agree on. Instead, it presents in Part I an assessment by *Friends of Europe* of the broad areas of consensus they share, while their individual views are presented in Part II.

A handwritten signature in black ink, reading 'Etienne Davignon'.

**Viscount Etienne Davignon**

President  
*Friends of Europe*

*Brussels, October 2005*

AFTER THE "NO'S":

## SECTION I

### AFTER THE “NO’S” GETTING EUROPE BACK ON TRACK

In March 2004, *Friends of Europe* published a discussion paper entitled “Salvaging the wreckage of Europe’s constitution.” This argued that the draft Constitutional Treaty was not up to the task of managing the enlarged EU of 25 – but was better than the Treaty of Nice. Adoption of the treaty has now been derailed by the rejection of the French and Dutch electorates, so the question is what should the EU do now?

Let us pause to remember how the Constitutional Treaty came about. It was not, as widely suggested, the product of a few Brussels-based Eurocrats working in the shadows. Nor that of one man, “le traité de Giscard” as its antagonists have put it in France. By any standards in modern European politics, this was the product of a broad spectrum of representative people – European and national parliamentarians, senior government representatives of ministerial rank, trade unionists, industrialists and so on. The whole process was conducted in broad daylight.

Inevitably – that is the price of democracy – the final product had too much of the cumbersome language, the unnecessary detail and ill-balanced presentation of political priorities that is bound to emerge from such a broad range of authors. There then followed the sometimes chaotic intergovernmental conference, where Member States added more layers of compromise, making it even more indigestible. Confusion between what can properly be called constitutional innovation and the incorporation of existing arrangements (Part III) further burdened the result.

*Friends of Europe* believes that the French and Dutch electorates were “wrong”. It was not their fault – far from it. They were trapped or badly served by circumstances and events, by inherent flaws in the treaty, by confused populist arguments, and also by a woeful lack of campaigning zeal and imagination by the political leadership that had a responsibility to support the treaty. But it is too facile to blame the current political leadership. Waiting for new and untested leaders to emerge over the coming years is simply to dodge the issue, an issue which goes beyond personalities.

But it is not enough to argue that the negative votes in two EU states invalidate the positive results of ratification obtained in the majority of its Members. Nor does rejection by a minority suffice to consign to the dustbin the Constitutional Treaty and all the work that went into it. The problems that the treaty was meant to help solve are still there, and much of what is in the treaty remains valid and necessary.

“Crisis” may be too strong a word, but the French and Dutch votes have enormously complicated the business of governing Europe. The Union cannot press ahead as though nothing has happened. But nor can its leaders shrug their shoulders and ignore the real problems. A better way forward has to be found, and to help identify the most promising lines of action *Friends of Europe* has called on the collective experience of its Trustees and put to them a set of questions.

Their answers, and the lessons to be drawn, form the substance of this report. Their answers are varied, as would be expected, but there is a striking degree of unanimity on certain essential points for action, which we can now summarise. (A list of the Trustees, who took part in preparing this paper, can be found further on in this booklet, together with their replies in full.)

**In brief we recommend:**

- The 12 eurozone countries must together lead the way in acting to speed up the economic reform process. Proven success in this will pave the way towards institutional change.
- Many improvements are possible, without the formality of a new Treaty, so the European Council must consider what elements of the Constitution can be put into effect by its own decision.
- The Commission must as a priority pilot reforms in its own domain and in the context of the Single Market.
- The EU should prepare a new treaty proposal that is simpler, clearer and shorter, with a simplified Part I that would consist of a "Plan for Europe".
- Overhaul the arrangements for national ratification next time round.

First, we must look at what happened to the constitutional process when the voters of France and the Netherlands said "No". After all, this was a process backed by and involving Europe's political establishment. That same establishment appeared to broadly support the resulting draft treaty, albeit with differences of opinion as to the merits of the final product. *Friends of Europe* and its trustees committed themselves to it while by and large regretting that the result was not more muscular. The whole process was, as we have seen, very democratic; but citizens in two founding Member States voted against it, and we know that elsewhere in the Union substantial groups of citizens have important reservations about it.

So what went wrong?



## THE PARADOX OF THE “NO” VOTE : DEMOCRACY REJECTED GREATER EU DEMOCRACY

Something odd happened when the French and the Dutch electorates voted the new Constitution down. Most people who follow European affairs closely, including the 25 presidents and prime ministers who actually signed the Treaty in October 2004, are convinced that a better way of managing Europe's affairs is urgently needed, not least to respond to the evident signs of public dissatisfaction.

Many people believe that the Treaty offered a definite prospect of improvement, indeed many of its critics were mainly concerned that it didn't go far enough. And yet last summer citizens of two of the union's founder states, which have exerted a profound influence over the shaping of modern Europe, voted down a Treaty whose main purpose was to give those very citizens a better control over European affairs.

Here was the paradox; democracy voted against democracy. In other countries either parliaments or voters have backed the Treaty, even while voicing doubts (and most people will have doubts about some aspects or other of such a complex document). But in France and the Netherlands a majority of voters were so dissatisfied that they voted against the very improvements needed for the Union to work better.

The problem, in the view of our Trustees, is that French and Dutch voters went to the polls with a baggage of economic, social and political insecurity. That same baggage is evident elsewhere.

The political background was highly charged, but the very length and intricate detail of the Constitution made it look as if the lawyers rather than the political leaders were in charge.

“Worry about the future, lack of visibility in the face of globalisation and EU enlargements, and lack of political perspective explain the defiance of citizens towards the building of Europe” (Philippe Lemaître).



**“It is imperative now is to get a debate that focuses on purpose and policies rather than on paragraphs and procedures. Clearly, the entire process leading to the failure of the Constitutional Treaty was seen as too much of the latter and very little of the former. That lesson must be learnt if failure if not going to be repeated.”**

**CARL BILDT**

But it is not enough to blame it all on national angst: “Support for the idea of European integration has been falling. Many people think Europe is far away, arrogant, obscure and intrusive. Among people living in the EU, there is an increased feeling of anxiety and uncertainty... the EU is often perceived as part of this process of a globalisation that threatens...” (Pascal Lamy).

“At worst, Europe's achievement of unity is a victim of populist distortion as a source of insecurity, delocalisation and unfair. The jobs and living standards argument for Europe no longer rings true.” (Peter Mandelson)

Europe was looking increasingly out of touch with or unresponsive to citizens' concerns. “As to growth and jobs Europe is perceived as having over-promised and now is discredited for its impotence. As to enlargement it is perceived as having over-decided and now people resent the consequences of decisions taken over their heads.” (Giuliano Amato)

"There are many signs that in the hectic journey through enlargement and elaboration of a constitution we forgot the sovereign, the citizen, his trust and our credibility. We concentrated too much at EU-level and left the individual Member States with too little breathing room."  
(Joachim Bitterlich)

**"Europe has been a technocratic project for too long. The twin-crises were a wake-up call."**

**LAURENS JAN BRINKHORST**



**"In the last analysis, the culprit was the failure of leadership by men and women who must now "restore a sense of their European obligations and commitments that today seems lost or irrelevant to most of them."**

**MONICA FRASSONI**

Weighing heavily in the minds of French and Dutch voters were a number of perceived or directly experienced problems in their everyday lives: increases in levels of poverty, and growing inequalities on insecurities. These anxieties were perceived primarily in a national context, but they coalesced in peoples' minds with a more general fear of globalisation as a root cause of their ills. Many related this in turn to a "liberal" European Union which had failed to protect them against the damage wreaked by globalisation. Few of these fears and perceptions had much to do with theories about social models or the constitutional specifics. These were social and political protest votes of insecure and resentful people. Europe became the target because Europe has come to matter to its citizens. One might say that, politically speaking, Europe has come of age.

**"Today's politicians have lost all sense of idealism regarding the European integration project and - after a decade of raging inter-governmentalism - are driven essentially by naked nationalism, constantly blaming Brussels before their fellow compatriots."**

**PAUL RÉVAY**

## WHERE IS THE REFORM PROCESS IN ALL THIS?

### QUESTIONS & ANSWERS

*Friends of Europe's Trustees replied to six questions.*

#### Question 1: **What are the key issues and priorities to be tackled by Europe's leaders?**

Dominant in the minds of most Trustees was the need to “keep the show on the road”. There are, as always, practical problems that need to be resolved and these must be tackled without any loss of urgency. Economic recovery is clearly pinpointed as the essential way to rebuild confidence.

But there is also a need to look further ahead, and to think about the Union's direction. Is the EU doing the right things? Is it doing too many things? And how can it find a better way to manage its affairs? The institutional difficulties are still there, as is the need for them to be tackled just as soon as public opinion is ready.

For the immediate future, there is a holding job to be done. “In these conditions the prior task of European leaders for the two years ahead is to avoid more unravelling of all that has been achieved” (Philippe Lemaître). To underpin this there is a need “to build an agenda for Europe which fights negative prejudices, incorporates the worries of the public in the message, and seeks creative solutions for today's problems, instead of just confirming past policies” (Laurens Jan Brinkhorst). Simply “fashioning an updated European project is not required; required is a true implementation of the community method” (Paul Révay).

“Three immediate issues for 2005 seem key: ensure normal working of the Commission, Council, and Parliament (with tenacity and without despair); budget approval by the year-end and the Lisbon agenda going forward; a turnaround of popular support in favour of a dynamic EU.” (Daniel Janssen)

So perhaps we could forget about treaties for a while and concentrate on the European project rather than institutional issues. “We do not need to reinvent the European project. We should rather concentrate on strengthening the purposes and direction of the Union we have. Concentrate on few goals.” (Stefano Micossi)

**“The crisis is a good reason to re-think what Europe should and should not do.”**

**LAURENS JAN BRINKHORST**



Symptomatic of all this, for many Trustees, is the debate over the Financial Perspectives 2007-13 which has put the cart before the horse – concentrating attention on means before identifying priorities. A dissenting voice (Anna Diamantopoulou) argues, however, that “the existing compromise proposal, even without being the optimum, provides a solid way through the intermediate period after expansion up to the year 2013. For the period following 2013, we can proceed and focus our discussions with the new priorities and actions that are being proposed.” So the case for earnest reflection rests, including (Anna Diamantopoulou again) a coordinated discussion about the Stability Pact, that would incorporate growth, flexibility, and research & technology.”



**"A critical re-appraisal of European unification at both national and European levels.... seriously review existing legislation in all areas, cut it back and above all simplify it – less bureaucracy, fewer inhibitions, clear and understandable rules should be the common goal."**

**JOACHIM BITTERLICH**

**"The EU should benefit from the 'reflective break' to review its major policies: How good are they? Are they cost-effective? Is it not possible to repatriate some policies back to Member States? Should the EU not be more focused instead of trying to meddle with everything and nothing?"**

**EBERHARD RHEIN**



The need to concentrate on important issues raises in turn the question of placing certain other responsibilities with the Member States. Welfare issues are a case in point. But the institutional issues will not sleep.

**"The existing institutions are far below the ordinary needs of the enlarged Community."**

**GIULIANO AMATO**



**"The EU institutional architecture is no longer adapted to a larger Union... By falling back on the Nice Treaty, the EU risks facing a bottleneck where major reforms, which still need to be undertaken, will not be carried out."**

**YVES-THIBAUT DE SILGUY**

**"The rejection of the Constitution does not call into question the need for reform. The Treaty of Nice is not an adequate basis for the functioning of an enlarged Community."**

**HORST GÜNTER KRENZLER**

But putting the institutional issue back on the rails can only be done with popular support. And how can that support be marshalled except by addressing economic problems at the heart of peoples' insecurity? One cannot whip up enthusiasm for Europe among sophisticated electorates simply by waving flags and playing Beethoven's Ninth. It is the economic insecurities that need to be addressed first. The institutional reforms, necessary as they are, must follow because they cannot now lead.

“Europe’s leaders should re-launch the European project by concentrating their efforts on the driving force; the economy” (Yves-Thibault de Silguy).



“The single most urgent issue today is to rebuild confidence in the eurozone, through policies for job-creation, innovation, and coherent economic management. Get this right and other problems will become much easier.”

KEITH RICHARDSON

And perhaps progress with the Common Foreign and Security Policy (CFSP) is a half-open door that also beckons: “...push through a few urgent reforms ahead of a new Treaty being in force...it is in the area of external relations that the Member States will most benefit from synergies of joining hands and acting in unison.” (Eberhard Rhein)

## Question 2: How muddled will be the EU's "muddling through"?

Some things will go wrong because of the Treaty’s failure, of that there seems no doubt. The Trustees foresee a difficult period ahead, which the Union ought to be able to handle although not without some cost and inconvenience to its citizens. The French and Dutch have voted, as was their right, but we all have to help pay the bill.

The Union can “muddle through”, but who will suffer? “The primary victim is the Union itself. New Member States will suffer more than others because they are more in need of decisions.” (Philippe de Schoutheete)

“The new Member States and the ones waiting to get in will probably realise that the club they joined, or are about to join, is much weaker than they thought.” (Monica Frassoni). Another view, however, finds that: “new member states have probably less to lose – they have come a long way already from not much. For those in the queue for membership it is a different matter” (Robert Cox).

To make things worse, “we would rapidly go towards deadlocks, by reason of which variable geometry would appear essential to preserve islands of surviving policies. And variable geometry tends to privilege the stronger ones and to leave the weaker ones aside.” (Giuliano Amato)

Perhaps for the time being “we can live with the Treaty of Nice – no immediate victim is in sight. Events will continue to dictate the agenda in CFSP and internal security issues. But the Council now has a greater responsibility to show that it is able to take timely effective decisions.” (Stefano Micossi). Similarly, “we were destined to live with Nice until 2009 anyhow.... There is ample time to start a more gradual process of incremental treaty adjustments” (Carl Bildt).

“An erosion of the legislative power and even of the very concept of the internal market has to be feared. Enlargement may also contribute further to the difficulty of maintaining effective internal market disciplines.”

HORST GÜNTER KRENZLER



But there is another risk, of “a process likely to render the EU even more opaque to the citizen, a Europe already over-extended, run by piecemeal deals in ill-lit corridors. Muddling through, our leaders will soon discover, is equivalent to peddling mud.” (Robert Cox)

"The muddling through is indeed bound to be muddled, as we know that political activism in the coming years will be dependent on the results of different national electoral rendezvous. Democratic practice in the EU is at a turning point. We cannot be tempted by going back to measures adopted through the back door such as a small and quick IGC." (Pascal Lamy)



"Faced by growing economic and social challenges, economic patriotism will become the rallying call in many countries. A 'Fortress Europe' mentality may be not far down the line."

PAUL RÉVAY

We face in any event a period of managing difficult transitions, perhaps long ones: "The mud that we are in is an inevitable part of the historic period we are living in, where we are passing from the nation states to supranational entities/structures." The trouble is that "...decisions taken at the EU level are not yet considered by the people of each Member State as having a democratic legitimacy. A long period will be required for this to take place,... a period that cannot be avoided while it is evident that we cannot effectively manage it. This weakness has positioned the EU in a political and administrative mud and everyone in the EU will feel the negative effects of this period." (Anna Diamantopoulou)

### Question 3: What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?

There is no immediate link, it seems. Much needs to be done to strengthen the European economy, but it does not depend so much on the Treaty as on the resolve of national governments – and the willingness of their people to accept the change.

Trustees put their main focus on the consolidation of the eurozone. Just as the single market was inadequate without a single currency, the monetary union, despite its undoubted achievements, is still inadequate without something more like an economic union to back it up.

So the direct impact of the "No" votes may be limited. "The Lisbon process as conceived is anyhow more or less dead. The Constitutional Treaty's failure couldn't do much further harm. While the Lisbon process has failed, what can be called the Tallinn-Bratislava process is now driving reforms in Europe." (Carl Bildt)

"There is no reason" why the constitutional crisis unleashed by the Dutch and French referendum results should have "any impact on the euro and on the Lisbon Agenda" (Daniel Janssen).

"The Lisbon programme has been managed carelessly, with a reckless multiplication of goals and instruments and no serious follow up to the Council deliberations. The euro is in for a period of weakness, but this does not mean that monetary union is bound to unravel. Only economic recovery, however, can definitely dispel fears of an unravelling of the euro." (Stefano Micossi)

"The euro will probably not be too affected, at least in the short term. In the longer term, however, a slower march towards economic coordination or political integration is bound to affect the monetary union." (Pascal Lamy) "The common currency has only one enemy and that is the reduced level of economic governance between the Member States" (Anna Diamantopoulou).

"Of course, should Europe show signs of disintegration in the future, the euro would necessarily be affected. But I don't see those signs, and our currency is actually and substantially stable" (Giuliano Amato).

In fact, there is a great deal of practical work that needs to be done to reinvigorate the European economy. “A more integrated economic union is key for fulfilling the Lisbon Strategy objective of boosting Europe’s competitiveness. Restoring Europe’s competitiveness must be the EU’s priority. The EU, and most particularly the euro, is a key asset to protect workers from the negative effect of globalisation. The EU must focus on R&D and innovation to foster growth and jobs, as well as to remain competitive. Major budgetary and social reforms should be introduced. Reducing public deficits by one point would generate 60 billion euro per year. This money could serve to make the necessary investments in the EU.” (Yves-Thibault de Silguy)



**“The whole debate around the dollar parity is farcical: we wailed when the euro went down, we wailed when it went up and we are now wailing because it is moving back to its initial parity.”**

**PHILIPPE DE SCHOUTHEETE**

“The eurozone is immensely prosperous. The quality of life is very high. Germany is still the world’s biggest exporter. But prosperity does not reach everyone, and there is a feeling that we are all vulnerable to changes in the world economy.” (Keith Richardson)

In the last analysis “the current crisis is not a euro crisis. It is a European crisis.” (Yves-Thibault de Silguy) “The fact that the euro is perceived negatively in some countries is because the monetary union was not accompanied by an economic union.” Contested ECB policies and a perceived “total lack of price controls” contribute further. (Monica Frassoni).

#### **Question 4: Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

The issue of whether further EU integration, as exemplified by the Constitution, would entail unwelcome economic reform measures featured prominently in referendum debates.

But in the whole debate about the Treaty, this was largely seen by *Friends of Europe’s* Trustees as a red herring. It was a meaningless issue at European level, precisely because the details of social policy are products of national culture and national decision-making.

Our Trustees believe that there is room for improvement in every country, and for some gradual convergence since the aims of social policy are, despite the rhetoric, much the same everywhere in Europe. We can all learn from one another, but it is the responsibility of national politicians to manage the actual reform process as best they can, each according to their own circumstances. No EU treaty could do it for them.

Fundamentally “each of the 25 countries has its own social model, and harmonisation is not on the EU agenda, because the social model is a national prerogative.” (Daniel Janssen)

There is a need to bring perspective back into the argument. “Few things have been as misdirected and counterproductive as all the talk about safeguarding some imaginary European social model” (Carl Bildt).

“There is a flagrant inconsistency in the debate. On one side many politicians claim a more “social Europe”, on the other side most if not all governments see social policy quite rightly as a national domain. The EU can, of course, contribute to the debate about the best combination of economic and social policy. It can offer benchmarking exercises and so on. But it cannot set a social model” (Horst Günter Krenzler).

"I believe everybody is striving for 'third way' strategies. What is not clear in my mind is what role, if any, the Union can play in that search" (Philippe de Schoutheete).

"Discussion of the European economic and social model should make clear what the EU can and cannot do; we know that unemployment remains largely a national issue, as proved by the varying performances of Member States. Opposing the "reformist states" and those defending social models is misplaced; social models need to be reformed in most countries ... but the very idea of a "social model" is European and there is – as far as the principle of subsidiarity is respected - ground for convergence in this field" (Pascal Lamy).

Our model should be "a functioning market combined with social counterweights and justice." (Joachim Bitterlich).

"Some of the most competitive economies in Europe are among the most socially inclusive and environmentally sound...with little attention given to why this is so" (Monica Frassoni).

## **Question 5: Will the EU's global role fall victim to the collapse of the Constitution?**

Here there is an evident setback. The improvements offered by the Treaty were clear-cut and in fact attracted little in the way of direct criticism. People seem to want the Union to do more, and the Treaty would have made it possible. Their replies show that our Trustees are much concerned, but reveal nuances in their appreciations.

"While the direct global role of the Union so far should not be exaggerated, its role in wider Europe in terms of securing peace and promoting prosperity can hardly be underestimated.." (Carl Bildt).

"On the external side, the supposed failure of the Constitution has without doubt affected authority, capacity and strength of the EU as an external actor. Its prestige has suffered in the eyes of foreign governments" (Horst Günter Krenzler).

"The present dismal state of the Constitutional Treaty is not good news for the EU's global role. The EU will remain strong in its relation to the outside world in those fields in which a common policy already exists (trade, competition, agriculture...). However the lack of a person with all of the external relations cards in his hands will not make for a more focused European approach to foreign relations." (Pascal Lamy)

"A particular victim is the Trade policy of the EU. For the first time, the dispositions of the Constitution aligned the action capacity of the EU to all subjects dealt with in the WTO, the economic organisation of a globalised world, by attributing external direct investment, services and trade aspects of intellectual property to the exclusive competence of the EU. Without that, the external trade action capacity is split which leads to unanimity voting as a rule and to a weakening of the EU's position." (Horst Günter Krenzler)

**"The EU's global role is clearly a potential victim. Mechanically because of the non-existence of instruments designed to facilitate that role. More importantly because of the absence of legal personality of the Union (the single most important loss, in my view): how can you have a global role if you cannot sign treaties, sit in organisations, have a diplomatic service because you do not recognise yourself as having legal personality?"**

**PHILIPPE DE SCHOUTHEETE**



Where is enlargement in all this? “The process of enlargement is at the core of the global role of the Union. While it obviously cannot go on for ever – Europe has its boundaries – it is our duty gradually to bring the countries of Southeastern Europe in. Turkey might in fact be easier than parts of the Balkans, but they should all have a clear European destiny. We might have to discuss new models for how this could be achieved, but that without denying their ultimate destiny.” (Carl Bildt)

But notes of sobriety enter into many Trustees’ appreciations.



“The EU is now too heterogeneous, economically, socially, politically and even culturally to entertain the close prospect of creating a political union and even a real common defence and security policy. This was inevitable and is not necessarily serious: Europe needs to find new modes of functioning, less centralised, more complex and of variable geometry.”

PHILIPPE LEMAÎTRE

“For the U.S., the EU is now a weakened and unpredictable partner at the very time when a Bush II Administration was reaching out for closer cooperation; the EU as an example to Asia for closer regional integration is damaged...; further EU enlargement is stalled. A “Fortress Europe” mentality among policy leaders disguised as a peoples’ pause is surely not the best way to enhance Europe’s global role.” (Paul Révay)

And, overshadowing much else “...until our leaders agree to come out from under the American shadow and forge a common European approach, then little of value will happen” (Keith Richardson).



“We are now entering a more fundamental debate: what tasks do we want the EU to perform, or not to perform? Whatever the precise motives of the No voters, EU foreign policy was not the reason they voted against the treaty. There is widespread and solid support for a stronger EU presence on the international stage.”

“The important thing is to avoid a mismatch between the crime and the punishment, the crime being the perception of a disconnect between citizens’ concerns and Brussels decision-making, and the punishment being the loss of the institutional improvements in the EU’s ability to take decisions in the area of foreign and security policy which the Constitution would have brought.”

JAVIER SOLANA

## Question 6: How should Europe’s ‘Great Debate’ be conducted, and for how long?

Trustees strike a cautionary note. A mere repetition of the earlier debate would not be helpful. The need is for focus. There should be a debate, but with a stronger sense of direction.

“The debate should focus on the costs of not having these improvements.” (Horst Günter Krenzler)

"Too much euro-rhetoric is geared to the past in the language of the past. The absolute key is to bring the European issues into the respective national debates. To help in achieving this, it is important for the politics of Europe to leave its enclaves in Brussels as often as possible." (Carl Bildt)

"Our priority must be to give life to a European public space that has strong and permanent links with national to local democracies." (Pascal Lamy)

"Europe suffers from a three-fold deficiency: a knowledge gap; a lack of notoriety: everything which is wrong is due to "Brussels" while everything which is positive is a consequence of the governments' actions; a lack of clarity: Europe has become a matter for specialists." (Yves-Thibault de Silguy)

## WHERE DO WE GO FROM HERE?

The clear lesson to be drawn from this year's debates, the votes themselves, and the replies from *Friends of Europe's* Trustees is that people do not want another debate about institutions. They do not care about institutions, and what they want is (1) a strong economy and (2) confidence. These two goals clearly go together.

A strong economy means one that provides both economic growth and social cohesion, creates new jobs and helps people to overcome the problems of change in a changing world.

Confidence means demonstrating to the people of Europe, to financial markets, investors and employers, employees and trade unions, that our leaders have these matters well in hand.

*Friends of Europe's* Trustees took the view that this was a time for concrete measures, not abstract debate, and that the focus must be on the economy. Too many people are out of work, too many are afraid of losing their jobs to the real or imagined forces of globalisation, and too many see Europe as part of the problem not part of the answer. So how best can this be addressed?

### The Lisbon Agenda

The strategy agreed in Lisbon in 2000 contains more than enough tools to do the job, with wide-ranging economic reforms and a strong emphasis on skills, education and training, research and investment. Yet the tools are not working – or they are not being used to gain focus and impact. Here a number of practical steps beckon. As one Trustee (Peter Mandelson) sums it up:

- Focus and impact. Strengthen Europe's position in the knowledge economy by pressing ahead with the 7th Framework programme for R&D.
- Link this to radical reform of the state aid regime to encourage further public-private partnerships between business & universities.
- Make Europe a more attractive place to invest and work - go for better regulation.
- Simplify the *acquis* and prune pending legislation.
- Re-direct the structural funds towards helping firms and workers adjust to structural change.



**"This is important not just economically – to set enterprise free of counterproductive rules and regulations: but also politically to show that Europe is concentrating on the big picture issues that matter, not unnecessary Brussels interference."**

**PETER MANDELSON**

In other words a modern industrial policy, based on a sectoral approach, not a return to past interventionism. And, central to Trustees' findings – fully implement the single market, including for services, so crucial in Europe's economy. This is clearly a matter for Union competence and action.

The problem is that many agreed reforms lie within the powers of Member States, not the Union. Nonetheless, Europe could certainly do more to drive the agenda forward. "The Commission should show much more aggressive vigilance with Member States and strictly monitor the implementation of the national action plans" (Eberhard Rhein).

But national governments will still find it difficult. In many countries there is passionate opposition to each specific reform proposal as it comes on to the table. People are afraid of the unknown, they do not believe in the reform process, and governments find it easier to drag their feet. Which demonstrates that the issue of confidence is fundamental to the whole reform process, not an afterthought. There is a blockage here that needs to be overcome. The social model may be part of the answer.

## The European social model

The Trustees in effect demolished many myths that surround Europe's social model. There is no single model as such, nor is there a neat conflict between two models, one liberal, and the other more caring and protective. Every country has its own tax and welfare system and jobs market, and strikes its own balance between flexibility and security. In every country these models need continuous reform to adjust to changes in patterns of employment and the age structure of the population.

If, for instance, one country is stuck with laws and practices that make it difficult to open new businesses and create new jobs, that must be their problem. They must sort it out and stop complaining about the EU, which "...should abstain from intervening in the domestic reform politics." (Eberhard Rhein). What the Union can do is to propose guidelines, as in the Lisbon process, and use effective communication tools to demonstrate where other countries are managing better. An informal process that already functions well.

Yet these social models have much in common. They may go about it differently, but every country in Europe gives a high priority to social welfare, and endorses the need to encourage people to look after themselves while protecting those who fall by the wayside. The values of the social market, social progress, social justice and social cohesion are explicitly set out, in those very words, among the objectives of the new Constitution that was rejected earlier this year.

The trouble comes from another myth, that there are not one but two social models in Europe, neatly separated by the English Channel. The trouble is fomented by political leaders who spend more time and effort denouncing one another's failings than looking for what they can learn and how they can cooperate. One model is derided as a jungle economy, throwing the weak to the wolves, the other as a mire of stagnation, resistant to change and hopelessly out-of-date. This miserable "slanging match" is not in accord with the facts, but it is terribly destructive of mutual confidence.

What is needed is not old-fashioned labour market protectionism, but reform to promote employment and offer opportunity at every stage of the life cycle. The very fact that Europeans give a high priority to the social protection of citizens should encourage them to combat those vested interests that resist change. There are companies and trade unions and special interest groups that are ready to work with the process of change and modernisation, and they are the life-blood of the new Europe. But there are others that dig their heels in and cling to out-dated privileges, subsidies and monopolies. They are abusing the system, and European citizens will not turn deaf ears to political leaders who are willing to address such abuses.

If leaders could agree on a common outline for social policy in Europe, leaving the details for national debate, that would provide a sound basis for general economic reform. We are, regrettably, not there now. Indeed the current sense of a Europe divided in its economic and social doctrine leaves room for serious doubts as to whether the Lisbon Agenda can ever be successfully promoted at the level of 25 Member States. But there is an alternative. More than one Trustee emphasised the need to focus even more sharply on one of the Union's most conspicuous success stories, the monetary union.

But there is a footnote of hard inevitability: "On the substance, Europe will have no choice but to reduce the generous protection citizens have benefited from in the past three decades." (Eberhard Rhein)

## Focus on the eurozone

The twelve countries of the eurozone have benefited enormously from the single currency. The euro has been through difficult times, received vicious criticism, and has survived very well. It is strong and stable and has provided low interest rates and low inflation. It has stood up well to violent fluctuations in the value of the dollar and the price of oil. It has been virtually unaffected by the troubles of the Constitution. The basic conditions for economic growth have been firmly established. And yet the confidence is still not there.

The problem that Trustees generally identify is that this successful monetary union is not yet backed by a properly functioning economic union, still less by a single political authority. The latter is not yet on the agenda. But this is surely an excellent opportunity for the twelve member countries – a far more homogeneous group than the Union's total membership – to launch a strong and urgent initiative to build an economic union that carries conviction at home and across the world.

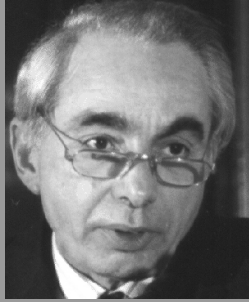
"The euro and its governing mechanisms must become 'political'. What is the euro for? With the Maastricht criteria no longer respected by their Founding Fathers, and whilst retaining its full independence, the ECB must become accountable to political representation which by definition deals with issues of the day, not of the past: an economic government of Europe should come to light with proper checks and balances."

PAUL RÉVAY

Many of the tools are the Lisbon tools, therefore national tools, but the twelve would find it much easier to work together in putting those tools to use than the Union as a whole can. There is a ready-made machinery for cooperation in the regular meetings of euro-finance ministers with the Central Bank, which could easily be extended to take in other related issues. And, perhaps above all, the twelve have a symbol, the euro itself, to protect and to brandish. We remember how much the success of the mark contributed to restoring German self-confidence a generation ago. The euro could do as much today.

## Building confidence

Talking about currency, like talking about investment and job creation, means talking about confidence. The United States has a major debt problem yet foreign investors trust it to find a way through; they are more willing to finance US growth and job creation rather than to invest in Europe. But confidence is the fundamental difference between us, and chiefly it is political leaders who can put that right. They need to act, but they also need to demonstrate that they are acting, and acting together because the euro is a collective venture.



**"Gaining popular support does not necessarily mean becoming protectionist in economic matters and xenophobic towards the newcomers and the outsiders. It means having a vision, convincing the citizens of its sense while taking on board their concerns, and effectively moving things towards that direction."**

**GIULIANO AMATO**

The fact that one of the Union's most successful economies is also showing an almost visceral hostility to the euro only increases the need for the 12 to come out into the open and demonstrate their resolve. The Commission, which did so much to ensure the launch of euro, can help and encourage and communicate, but it is Europe's presidents and prime ministers who must take the lead.

To hold a summit meeting of the eurozone countries in the wake of the German election would be one way to give a proper impetus to the reform process, providing they have something concrete to propose.

## **The Union's external reach**

The consensus is clear: the foreign policy aspects of the Constitution represented a vital step forward, and they were largely unchallenged during the referendum debates. Given the proven strength of public demand for a stronger external role for the Union, something could and should be done without waiting for the overall Constitutional settlement.

"The innovations provided for in the Constitution are a minimal pre-condition for the EU's global role to take off. Three of them remain essential: gathering the existing tools of foreign policy under the double hat of the Minister for Foreign Affairs; giving more continuity to the guidelines of common foreign and security policy by the permanent chair of the Council of Ministers; setting a common diplomatic service with the task to conceive and expound European strategies. Any great debate would fail, should it not confirm the will to introduce these innovations, one way or another." (Giuliano Amato)

Additionally, suggests one Trustee (Eberhard Rhein), there is nothing to stop the European Council from deciding right away to:

- let the High Representative represent the EU more often, especially when smaller member states are in the Council chair. He could indeed chair Foreign Affairs Councils if the presidency minister has other commitments;
- entrust more or even all his functions as Council Secretary General to his Deputy;
- further empower him to give political instructions to the Heads of Commission Delegations for CFSP démarches, declarations or positions, and to orchestrate joint action by ambassadors of the Presidency country and the Commission on CFSP issues, thus laying groundwork for future integrated EU representation;
- promote joint training seminars for EU and national diplomatic services thus overcoming the dichotomy between them and building a common esprit de corps; and perhaps launch a European Diplomatic Academy.

And, citing the example of development aid, one Trustee notes that "...given the challenges we can no longer afford a situation whereby each member state as well as the Commission runs its own development policy" (Joachim Bitterlich).

There is no need to waste time and irritate the public with theoretical policy debates but instead “we could and we should build on examples, more or less successful, of common EU action as if there were a common EU policy, such as Kyoto, Ukraine, and our peacekeeping efforts in Bosnia” (Laurens Jan Brinkhorst).



“As long as there is a political will, and there is one, the EU will keep on fully playing its role. It will, as it has since the Nice Treaty, find arrangements and move on little step by little step. Since the votes in France and the Netherlands, we have been extremely active around the world, from Gaza to Aceh, from Darfur to Transdniestria, drawing on existing instruments and arrangements. That is what the public wants us to do and that is what we are going to continue to do.”

JAVIER SOLANA

## And the Constitution?

Perhaps, say several Trustees, it was a mistake to call it a constitution at all. It was in every way better than the previous structure, but it was still too vulnerable to attack. Too few of our leaders were willing to stand up and be counted in its support. Where were the passion and the enthusiasm? It was all with the opposition. Reform of the institutions is essential and yet for the moment it cannot happen, and we have to live with that fact. “Unfortunately, there is no broad political support in the member states for the EU to move the system in a federal direction” (Paul R  vay).

There is another paradox here. Naturally the voters are uninterested in the detailed arrangements that the Constitution set out. If we ask a carpenter to do a job we take little interest in the tools he works with. But a carpenter without proper tools will do a sorry job, and the Union without proper institutions will not deliver what people want of it. It will not be long before the sheer practical difficulties of acting together as a Union of 25 brings institutional reform back on to the agenda, and there are a number of practical steps which can be taken to make sure that we do better next time.

The 12 eurozone countries are free, as mentioned earlier, to act together to speed up the process of economic reform. If they can demonstrate success, this will encourage the others and pave the way for tackling the problem of institutional change.

The European Council is free to consider what elements of the Constitution can be put into effect by its own decision. This could have particular relevance for external affairs. It could still nominate a European Foreign Minister and find a way to give him resources including a diplomatic staff. It could still clarify the lines of responsibility for Trade policy. Other improvements are possible, without the formality of a new Treaty.

The Commission needs to buttress its own position by pushing through reforms in its own domain of the Single Market. A key example is the embattled services directive and the minefield of national and social sensitivities and vested interests into which it has been pushed. Getting this right would bring major political and institutional benefits. Right now, it is stuck in the decision-making process and it is the Commission’s job to unstick it.

National governments need to review their own attitudes to the Union. The tendency to blame “Brussels” for things that go wrong, even as a direct consequence of decisions taken by national leaders, is deeply harmful. The idea that there should be senior ministers for European affairs in each country, with strong departmental backing, has much to commend it. There has to be at least one member of each government whose job is to make a success of the Union, become

the lynch-pin between his or her national government and the European institutions, and to explain matters to the national electorate.

Preparations should be put in hand for a new Treaty proposal. It would hardly be possible to submit the same text again, long, complex, difficult to read and undoubtedly flawed in many points. It needs to be examined, at a high political level, to consider whether it can be simplified, clarified, improved and above all shortened. Although Valéry Giscard d'Estaing insisted, and the Convention accepted, that the detailed arrangements of Part III had to be part of the main text, a different approach is needed next time. If people are to be asked to vote they surely need to be able to make sense of the paper that they are supposed to be voting on. A simple Part I could be enough, with the details reserved for a series of European Council decisions.

Finally, the arrangements for ratification next time round need to be overhauled. There should be general prior agreement on the desirability or otherwise of holding referendums, and if so agreement on a common date for doing so. Several Trustees voice their doubts about the referendum weapon: "using the referendum as a ratification tool can only lead to disaster, as it builds mistrust between the citizens and their representatives without tackling Europe's 'democratic deficit'" (Paul Révay). Whatever happens, no one country should be able to pre-empt the decision of others.

Better still perhaps: no new IGC should be foreseen after a revised Convention. Small but visible changes to the present text should be put directly to the people in a Europe-wide referendum. This would provide a fresh opportunity to French and Dutch electors as well as encouraging those countries which have already ratified to start the process again. The referendum would be won if the majority of the people in the majority of member states said yes. (Monica Frassoni).

Alternatively "...a European Convention could be created and operate with an objective to create a new Plan For Europe, not in the direction of a common constitution, but a plan that would address the major issues of competitiveness and social cohesion within the framework of the revised Lisbon strategy and the financial perspectives and budget issues following the year 2013." (Anna Diamantopoulou)



## THE NEXT DEBATE

Europe has just held a “Great Debate”, and it went wrong. To hold another in exactly the same circumstances would probably not be helpful. Any new debate must be brief, with interactions from one country to the others and from one arena to the others, between European and national parliaments, between politicians and the public, including local debates as well as press and television. Why not start with a common and very public debate of the European Parliament and representatives of all national parliaments? “A thorough debate about the role of national parliaments, especially in European integration, is long overdue” (Joachim Bitterlich). Many Trustees indeed emphasise the need for national parliaments to play a larger role in European affairs. Perhaps this could also stimulate more energetic action by the laggardly European political party federations.

### Mobilise the arts of communication....

*Friends of Europe's* October 2004 report “Can EU hear me? How to get the EU's message out” recommended 30 practical ideas, including:

- Commissioners to go regularly to Member States, talk to and listen to people.
- Review the message on the benefits of EU membership. Ask people what they fear would happen in the event of their country's withdrawal. Use professionals. Engage goodwill ambassadors.
- Make the EU news message more interesting to the person in the street; keep it straight but don't flood it with detail. Take risks and encourage open debate about disagreements. React faster to news.
- Look again at the tools for conveying the message adapted to each country and media structure.
- Use business and events media to reach specialised audiences.
- Get the message out to the people in the Member States with members states themselves doing much of the job.
- Use citizens directly exposed to EU actions as multipliers.
- Make a special effort to reach young people.

These recommendations, plus those of others with skills in the work of communication, are still valid. An early political impulse from the European Council would help to get the ball rolling.

### ... but anchored in substance

“..the debate should not be a communication or PR exercise but go to the substance. It should be open to actors outside the institutions who should together formulate proposals to be taken up by institutional actors. Involve too from the beginning those movements and groupings that opposed the Constitution from a left-social point of view but are clearly committed to European democracy.” (Monica Frassoni)

And as the world sees us: “Let us not talk ourselves down. We have a good record and wherever I go around the world, there is a clear demand for a stronger European engagement.” (Javier Solana)

To sum up, our Trustees' views can perhaps be boiled down to a general consensus that we should not be trapped into debating grand, theoretical scenarios, but rather should concentrate on identifying steps to be presented to public opinion as positive elements of the European process. The debate must be focused if citizens are not to exercise their basic democratic right of switching off.

But what matters first is to change the circumstances. Let our political leaders show voters that their voices have been heard, that action has been taken, that results are being achieved and that something better will be on offer next time. The debate will then shape itself.

## SECTION II

### TRUSTEES' CONTRIBUTIONS IN FULL

*Friends of Europe's* Trustees were invited to address six questions:

#### 1) What are the key issues and priorities to be tackled by Europe's leaders?

What most threatens the achievements of European integration and its future development? Agreeing on the purpose and priorities of the EU and deciding spending accordingly? Or fashioning an updated European project that can command widespread popular support? How can EU leaders identify the key issues for public debate?

#### 2) How muddled will be the EU's "muddling through"?

The abandonment of the constitutional project as it currently stands means that there is little immediate prospect of the streamlining and strengthening it had promised for EU-level decision-making. Who or what will be the victims of this, and how will they suffer? The new, soon-to-be and candidate member states? Underprivileged sections of European society? The CFSP? Or other generally unsuspected areas of European weakness and vulnerability?

#### 3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?

The impact of the EU's twin crises on confidence in the euro was prompt and worrying. What needs to be done to insulate the single currency against political fall-out during Europe's upcoming 'Great Debate'? And what effect could the shelving of the constitution have on the Commission's drive to place the proposed Lisbon measures at the top of the EU agenda?

#### 4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?

If the division between 'new' and 'old' Europe is truly about the degree of economic liberalism appropriate to the EU, what room exists for compromise? Can Europe discover a 'third way' strategy to reconcile increased market dynamics with continued social protection? How much is persistent unemployment a result of social models, administrative practice or legislation? Is the application of 'across-the-board' necessary and relevant?

#### 5) Will the EU's global role fall victim to the collapse of the Constitution?

Among the Constitutional Treaty's most clear-cut achievements was the increased authority of the EU in external relations. What are the immediate implications of falling back on the Nice Treaty, and how should the EU's global role, opportunities and vulnerabilities be conceived and presented in the coming Europe-wide debate?

Here are the full texts of the Trustees' replies.

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**“Europe is perceived as having overpromised and now is discredited for its impotence”**

▼ **Giuliano Amato** was Italy's Prime Minister from 1994 to 1996 and from 2000 to 2001 and served as Vice President of the Convention on the Future of Europe.

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### **1) What are the key issues and priorities to be tackled by Europe's leaders?**

There are several reasons for dissatisfaction with the present status of Europe. They are graded differently in different countries and by different political cultures, and include issues such as the rate of progress on matters as diverse as EU integration, subsidiarity, democracy and delivery of results. However, if one looks at the widespread discontent that has emerged throughout the process of ratifying the European Constitution, two reasons dominate the change: on the one hand, economic stagnation and the lack of jobs under the threat of aggressive competition from the outside world, and on the other, an ever continuing process of enlargement that apparently leads to a limitless Europe. As to growth and jobs, Europe is perceived as having overpromised and now is discredited for its impotence. On enlargement, it is perceived as having overdecided, so now people resent the consequences of decisions taken over their heads.

These are the key issues for public debate, and I would add the international role, which could also figure prominently in any discussion on enlargement. The EU's gaining of popular support does not necessarily mean it is becoming protectionist in economic matters, and xenophobic towards newcomers and outsiders. It means having a vision, convincing the citizens of its sense while taking on board their concerns, and effectively moving things towards that direction.

### **2) How muddled will be the EU's "muddling through"?**

In the short term, the debate on the key issues is not just essential by itself, but is also a pre-requisite for institutional strengthening of the EU. A renewed motivation is needed for such strengthening to be perceived as a priority. In other words, our public opinions have to see it as instrumental both against the overpromising and against the overdeciding. But the existing institutions are at present wholly inadequate for handling the needs of the enlarged Community, and insiders know well that Council decisions depend on as many items as possible being stuffed under “A” (where they are just read and taken as agreed), because under the “B” points there is not even time now for more contentious issues to be properly debated. And because we are moving rapidly towards deadlock in the Council, variable geometry appears essential to preserve islands of surviving policies. But variable geometry tends to privilege the stronger at the expense the weaker.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

Let us never forget that the euro is rooted in the main island of our limited (but already existing) variable geometry. It has not been affected by the referendums that have made the future of the Constitution uncertain. Of course, should Europe show signs of disintegration in the future, the euro would of course be affected. But I don't see those signs; our currency is actually and substantially stable.

#### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

I might be wrong, but I don't see a conflict between "reformist" Member States, as they have been called in this question, and those committed to our social models. If I think not of cultural debate, but of the actual positions of our Member States, a common position among (almost) all of them seems to me quite evident. They share a Europe based on solidarity and cohesion, but they give solidarity and cohesion two partially different meanings. The continental states of the "old" Europe are mostly concerned on their domestic fronts, as they are not prepared to countenance significant reductions of welfare protection. The new states of Central and Eastern Europe want solidarity and cohesion at the European level (which basically means structural and cohesion funds and overall policies for common growth), while their domestic model is more like Ireland than France or Germany. I don't see this undeniable difference as a conflict. The two positions can coexist and fruitfully inform each other, within limits of course. I have repeatedly expressed the view that the flat tax, which is gaining ground in our CEE Member States, can be both dangerous and counterproductive. Certainly, taxpayers in the "old" Europe will not be happy to be net contributors on behalf of countries whose citizens do not subscribe to their own public services.

#### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

The innovations provided for in the Constitution were, and remain, minimal pre-conditions for the EU's global role to take off. Three of them are essential: gathering the existing tools of foreign policy under the double hat of the Minister for Foreign Affairs; giving more continuity to the guidelines of our common foreign and security policy by the permanent chair of the Council of Ministers; and setting a common diplomatic service with the task to conceive and expound European strategies. Any "Great Debate" would be a failure if it did not confirm the will to introduce these innovations, one way or another.

#### **6) How should Europe's 'Great Debate' be conducted, and for how long?**

Not having a precise stake, it is not easy to raise a far reaching debate that really affects our public opinions. However, it is worth trying, and worth trying all possible means. To be effective, it should not be too long (a couple of months) with interactions from one country to another and from one arena to others (European Parliament and national parliaments, national parliaments and their members debating with their electors in their districts, these political arenas and mass media). Professor John Fishkin could also remind us of his deliberative polls. He would not be wrong. We were wrong in ignoring him when he suggested some deliberative polls on the European Constitution before throwing it into the boiler of the referendums.



**“Citizens of Europe want more leadership from their political system – national or European. They feel something new is about to arrive – but they have yet to have it explained in a way that reassures them”**

▼ **Carl Bildt** was the UN Secretary General's Special Representative for the Balkans. He was Sweden's Prime Minister from 1991 to 1994.

### **1) What are the key issues and priorities to be tackled by Europe's leaders?**

It is imperative now to get a debate that focuses on purpose and policies rather than on paragraphs and procedures. Clearly, the entire process leading to the failure of the Constitutional Treaty was seen as too much of the latter and very little of the former. That lesson must be learnt if failure is not to be repeated.

In the immediate post-Maastricht years there was a drive and a purpose that derived to a very large extent from the momentous changes of 1989. And the successes were of great importance – economic and monetary union, the CFSP and above all the enlargement process.

There is no doubt that the process of digesting these changes has still more distance to cover, particularly when it comes to enlargement and the euro. But even if the feelings of disquiet are there, virtually no-one is seriously considering going back on these achievements.

After something of a pause in recent years, it is now obvious that the process of globalisation is accelerating once again. Over a period of some decades, we have about 40% of the world population entering, and thus fundamentally transforming, the global system of both production and consumption, and this will have its impact on virtually everything everywhere.

It's here that I believe the citizens of the different countries of Europe would like more leadership from their political system – be it on a national or European level. They instinctively feel something new is about to arrive – but they have yet to have it explained in a way that reassures them as to their own future. What they hear about globalisation is mainly in defensive terms – and that tends to make them even more defensive.

Too much euro-rhetoric is geared to the past, in the language of the past. I found it highly symbolic that in the French referendum the city of Verdun voted resoundingly “No”. It was certainly not that they considered the core issue of creating peace through integration in our war-torn continent unimportant, it was simply that they considered it done, so they failed to see that today's rhetoric in fact provides answers to questions about tomorrow.

At the same time, I'm certain that, if they were given the chance, the citizens of Vukovar would vote resoundingly for anything coming out of Brussels that brings them the promise of a more secure peace. The agenda of Verdun yesterday is the agenda of Vukovar today – but the agenda of Verdun today is a different one.

UK Prime Minister Tony Blair made a good start in his address to the European Parliament by starting to address some of the issues of policies and priorities. It remains to be seen which other political leaders will be capable of picking up that torch.

### **2) How muddled will be the EU's "muddling through"?**

I don't think we need to exaggerate the consequences. We are destined to live with the Nice Treaty until 2009, and with the certainty of its provisions for far longer. There is ample time to start on a more gradual process of incremental treaty adjustments.

Formally speaking, the greatest problems will be in the area of CFSP, but even here I don't think the problems need to be insurmountable. If there is a political will, then a political way will also be found; but if the will isn't there, no treaties in the world would really change things.

The coming months and years will in all probability bring key political changes in Europe. The outcome of the election in Germany is unclear, and in France much of the focus is already shifting to after the 2007 presidential elections. In the meantime, there will be important elections in Poland and Italy.

One can only hope that the European debate will be part of these national debates, so that the changes anticipated will bring a new impetus to the European effort. In its own way, I believe that the failure of the Constitutional Treaty has assured that this will be the case. Its failure has been a greater stimulus to the European debate than its success would probably have been.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

Not much. The Lisbon process as conceived is more or less dead anyway. The 2005 mid-term review did very little to revive it, so the Constitutional Treaty's failure couldn't do much further harm.

That there has been a debate on the future of the euro might be healthy. It's not bad for Italy to consider what the consequences of opting out would be, since this would reinforce support for staying in. And it is not wrong for the ECB to say that the option of opting out is naturally there. In the meantime, more countries will instead opt for the euro.

### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

Few things have been as misdirected and counterproductive as all the talk about safeguarding some imaginary European social model. It has created the impression that change and globalisation is something that is threatening and dangerous, and that the task of politics is to resist change. It has been truly damaging to Europe as a whole.

We must understand that we are at the beginning of the creation of a new European economy in the context of a rapidly changing global economy. The stagnation in some of the central economies isn't the really interesting story at the moment – the interesting story is the success of the radical reform policies initiated by Estonia a decade ago and recently reinvigorated by Slovakia. Over time, the success of these reforms, and the new growth opportunities they are creating, will influence all the other European economies.

While the Lisbon process has failed, what can be called the Tallinn-Bratislava process is now driving reform in Europe. And we see that those economies that best use the opportunities of enlargement and EU growth policies have themselves been doing better. Just look at the difference between the German and Austrian economies in the last few years.

We must create a European economy that is truly competitive now that globalisation is increasingly entering its Asian phase. There is no other way to create the jobs for the future, and there is no other way to meet the social commitments of our aging societies.

This will undoubtedly call for more flexibility in our economies. Not only is this a prerequisite for better growth, but also for integrating young immigrants whose ghettoisation will otherwise be an increasingly dangerous cancer on our societies.

The more flexible and open an economy, the greater the opportunities to become more socially responsible. In a fast-moving world, rigidities lead to stagnation, which in turn leads to decline.

## **5) Will the EU's global role fall victim to the collapse of the Constitution?**

Among the Constitutional Treaty's most clear-cut achievements was the increased authority of the EU in external relations. What are the immediate implications of falling back on the Nice Treaty, and how should the EU's global role, opportunities and vulnerabilities be conceived and presented in the coming Europe-wide debate?

While to date the direct global role of the Union should not be exaggerated, its role in a wider Europe in terms of securing peace and promoting prosperity can hardly be underestimated, and this role should also be seen in global terms.

It's a tragic fact that Europe's main global role during the 20th Century was to spread war and totalitarian ideas around the globe. Making Europe safe for peace and secure in freedom and democracy, and giving a model to other regions, is therefore of very real global importance.

The EU's enlargement process is at the core of its global role. While it obviously cannot go on for ever – Europe has its boundaries – it will be important during the coming decades. I am convinced that it is our duty to gradually bring in the countries of Southeastern Europe. Turkey may in fact be easier to integrate than parts of the Balkans, but they should all be offered a clear European destiny. We may have to discuss new models for how this could be achieved, but without denying their ultimate destiny.

As for the wider Europe, I believe that we should be discussing how to significantly strengthen the European Neighbourhood Policy, primarily with regard to the countries of Eastern Europe.

On other issues, we have seen how the model of the Iran negotiations has given Europe a new instrument in the conduct of foreign affairs. This is a model that could well be applied, in a different constellation, to other issues, although obviously in close coordination with the EU institutions, so as to involve all the Member States.

## **6) How should Europe's 'Great Debate' be conducted, and for how long?**

Simply reviving the European Convention under another guise would not meet the call for a deeper and perhaps more imaginative European project, and for more public debate on Europe's future course. How should the 'Great Debate' be held, using what mechanisms, with what resources, involving which national and regional institutions or organisations, and over what period of time? Where do EU efforts to improve communication fit into the structuring of a Europe-wide debate?

It is absolutely key to bring European issues into national debates. It's bizarre to see – as in my own country, Sweden – general elections being conducted with European issues hardly mentioned, other than by the anti-European fringes.

To help by achieve this, it is important for the politics of Europe to leave the enclaves of Brussels as often as possible. I have suggested that the Commission should meet once a month in one of the Member States, spending one day on its own business and another on townhouse-style and other outreach activities. Hopefully this could be done without shipping thousands of officials around the continent.

The key pillars of our democracies are the political parties and the media, and so far they operate mainly public meetings at national level, even though the European integration of thought, ideas and news is clearly accelerating. It's imperative to engage them better to date. Meanwhile, the debate is obviously open-ended, because if the debate were to come to an end, so too would the EU democratic process.





**“In the months ahead we need to undertake an unbiased review of the European Union’s achievements and failures on the main policy issues, and then look for more convincing solutions”**

▼ **Joachim Bitterlich** is Executive Vice President of Veolia Environnement. He was formerly Foreign and Security Policy Advisor to Federal Chancellor Helmut Kohl and German Ambassador to NATO and then Spain.

What can the EU do to help its weaker economies? And would measures like a common army or compulsory education help bring about a European identity? It makes little sense to lament the verdict of the French and the Dutch against the draft EU constitution - neither panic nor action for the sake of action will get us any further. Naturally I would have welcomed a "Yes" from our neighbours. But if we are honest, a referendum in Germany could also have ended negatively.

The draft constitution has failed, even if the EU heads of state and government, sadly, do not - or do not yet - wanted to admit it. No one can seriously expect to present the French or Dutch with the same draft in a year's time after the successful ratification by a large majority of Member States.

What does this mean for the EU? A setback certainly. Loss of time, yes. However, the truth is even more uncomfortable; there are many signs that on our breakneck trip through enlargement and the drafting of a constitution we have lost the trust of the citizens - and thus our credibility - without even noticing it.

The low turnout for the European parliamentary elections last year was already a clear alarm signal which we didn't take seriously. There is no getting around the fact that Strasbourg still hasn't found its place in Europe.

Why do we no longer manage to engage the voters on Europe? For them, Europe no longer seems to be on the right track. They are anxious about losing their identity. Brussels is for them the scapegoat it has been for several governments for many years. Why this uncertainty, why this worry?

Let us take time for a debate with the citizens and with national parliaments and governments. Let's catch up on what we have obviously missed: a critical stock-taking of European integration on a national as well as a European level.

What is two years in the history of our continent on the way to reunification? Europe has often enough in its successful history only managed it on the second attempt. Many crises or setbacks were, in the end, helpful in bringing us onto the right course. In the coming months we must examine impartially the balance sheet of the EU in core political questions, and search together for more convincing solutions. It is, above all, disconcerting that the EU is not in a position to support many Member States in their mostly timid, overdue reform efforts to provide for more growth and jobs. Loyalty and solidarity are constituent elements of a federative structure like the EU. This applies to the Member States towards the EU as well as to the EU and its institutions - above all the Commission - towards the Member States.

Hence the first question of the European Commission to the Member States with low growth and high unemployment should have been: what can we do for you? How can we best help you? Such an examination incorporates a critical questioning of some of the fundamental elements of the EU's economic and currency union, and to decide what type of "economic constitution" we want: a renaissance of the social market economy or another more liberal-influenced Anglo-American model.

I have in mind a model of a working market linked to a social correcting factor and social justice, to use the words of seven European presidents in a joint article that appeared in mid-July in various newspapers. We must seriously pursue the question of whether, in turning on its head the much sworn-at, but in reality little observed subsidiarity, we haven't gone too far in integration. We have concentrated too much at an EU level, and taken away room for individual action by individual Member States. The EU Commission should also carry out a thorough reorientation of its politics in the coming months. It should thoroughly examine all existing legal regulations in all areas, radically reduce their number and above all simplify them; less bureaucracy, fewer obstructions and clear, understandable regulations should be the common goal. It is still the case that there is an exceptional political difficulty in bringing about efficient co-operation in foreign and security policy, or in interior and justice policy. Even though there has been remarkable progress in this area in the race to catch up - not least because of the acts of terror of recent years - we still have to ask why for certain offences we do not yet have an effective European police unit operating beyond national borders; no effective controls on foreign borders; no common policies enacted for the integration of foreigners.

Despite some advances, and in spite of the self-sacrificing work of High Representative Javier Solana, the EU is still miles away from a real "common foreign and security policy" worthy of the name. It remains the problem child of integration. Where is Europe's united negotiating on an international level? Where do things stand in its relationship to a key partner like the US, to Russia or towards Asia? Do we not need, in truth, a decisive attempt at common European defence and army to secure our vital interests?

I am also convinced that, given the challenges we face, we cannot afford to have every Member State and the EU Commission pursue their own development politics. Through coherent negotiation we could do more and better. Is the European Union adequately equipped to deal with all these challenges, given the enormous changes all around us from the already advanced globalisation?

Are the most recent reform steps adequate to successfully lead into the future the European Union of 25 and more Member States? There is room for doubt about whether we proceeded correctly, for the largest enlargement round of all time, to best integrate these countries. Above all, can the European Union simply just keep growing? Where are the borders? What, above all, of the Turkey issue and the continued hidden dissent among the Member States?

Could it not be that we don't need a more radical modernisation of the EU, rather we need additional mechanisms for consensus-building and, above all, leadership?

A thorough consideration of all these questions means neither a pause nor that we simply throw the draft Constitution overboard. The Constitution contains many good policies and steps forward which we should retain. But we cannot allow ourselves to shy away from a critical examination under the magnifying glass of the Brussels structures, the competences of the EU and the unchanged, insufficient inclusion of the national parliaments - all of which are barely understood by citizens.

The observation of a French MP, that 80 per cent of the legislative activities of national parliaments today comprise of the implementation of European regulations into national law, without any real possibility for corrections, sounds more than disturbing. Shouldn't there long since have been a thorough debate about the role of national parliaments, in particular in the European integration process?

And we must ask a key question which has been overlooked: how can we unite national and European identity, not least not just with education policy? Along with a strengthening of foreign language lessons, "European Civilisation" - the communication of European history, culture and geography - should long since have belonged in all schools as a compulsory subject. Beyond the euro, could a common European army and a European development service not also bring about a stronger common identity?

At the end of the day there is no way around the fact that Europe today needs a new consensus. This critical phase demands determined leadership now. We must find a new, convincing vision for the continuation of the success story that for more than 50 years has contributed decisively to peace, freedom, democracy and growing prosperity on our continent. Only in this way will we meet the responsibility for the next generations. But we must be careful about finding the ideal path. European integration was, and remains, a compromise. And please let's not call the result a "constitution" again. The term doesn't supplant the vision - on the contrary, it conjures up fear.



**“Purpose and priorities should be formed into an updated project, that everyone believes in. Europe has been a technocratic project for too long. The ‘twin-crises’ were a wake-up call.”**

▼ **Laurens Jan Brinkhorst** is Minister of Economic Affairs of the Netherlands. He is former Director General of the European Commission and a former MEP.

### 1) What are the key issues and priorities to be tackled by Europe's leaders?

Agreeing on the purpose and priorities of the EU and deciding on spending accordingly AND fashioning an updated European project that can command widespread popular support are two of the same kind. Purpose and priorities should be formed into an updated project that everyone believes in.

Europe has been a technocratic project for too long. The ‘twin-crises’ were a wake-up call: it is time to go out in the open and win back the trust of the people. We have to clarify concrete influence of the EU on the quality of daily life, to make it clear that, all things good and bad considered, the EU is to our benefit.

To that end we have to:

- Fight negative (pre-)judgements and foster education, knowledge.
- Incorporate the worries of the public in our message, and propose solutions simultaneously.
- Find creative solutions for the problems of today, instead of confirming past policies.
- Build an ‘Agenda for Europe’.
- Build up the economy (jobs, jobs, jobs), and European competitiveness (including Lisbon).
- Implement fully the internal market (services).
- Decide upon a future oriented budget, including CAP reform.
- Continue with enlargement.
- Promote security (terrorism and organised crime).

### 2) How muddled will be the EU's "muddling through"?

In the short term: no drama, no immediate victims. The EU is here to stay. The Nice Treaty will serve for the time being. New Member States probably will not suffer (“Nice or death!”...). Nice incorporates the Fifth Enlargement, i.e. including Romania and Bulgaria.

There may be implications for the longer run, when others follow (Croatia, other Western Balkan states). Turkey's accession process may be hampered too, even if actual accession will not take place in a decade or so.



# THE OPTIONS OPEN

**Giles Merritt, Secretary General of *Friends of Europe*, sums up the political realities in the aftermath of the “No” votes.**

The European Union did not come to a stop when French and Dutch voters rejected the Constitution, even if it is in grave danger of losing its way. But life goes on. Without a constitution, some things will now not happen, others may happen differently, while still others can move ahead more or less as planned.

## **1. Out go these changes that were specifically part of the Constitution:**

- There will be no EU foreign minister, or president of the European Council.
- National parliaments will not be able to seek changes in draft EU legislation.
- Decisions on criminal matters and police cooperation will still require unanimity – not a qualified majority as under the Constitution.
- The present system of weighted voting in the Council of Ministers will remain in place. (It would anyway only have changed in 2009 under the Constitution.)
- The number of the Commissioners stays the same (The Constitution only programmed a reduction for 2014.)

## **2. But some of these items may reappear in another guise, given the current dynamics of the EU:**

- In the absence of a foreign minister, the EU could, if it chooses, enhance the role and status of its High Representative, Javier Solana. There is enough for him to do.

# TO EU POLICYMAKERS

- Although the Constitution would have provided for ways to increase cooperation on defence and security policy, this will no doubt continue to grow without any treaty change. Witness the latest EU monitoring mission in Aceh. Other actions will follow.
- The urgency of the fight against terror and crime will increase the willingness of Member States to seek closer cooperation on criminal and police matters, constitution or no constitution. They also have the Hague Programme (see below).

### **3. Business as usual means ongoing EU commitments where action will be needed:**

- The financial framework for the period 2007-2013 will define EU priorities well beyond this period.
- The entry of Bulgaria and Romania and the negotiations with the next batch of candidates.
- The close management of eurozone budget deficits.
- The development of the Lisbon Agenda.
- The implementation of the 2004 Hague Programme for freedom, justice and security. The Council adopted a Hague action plan in June 2005.
- Agreement on the contested services directive for the single market.
- The adoption of the equally controversial REACH regulation on monitoring and registering chemical products.
- On the external front, the conclusion of the Doha round on world trade liberalisation and the negotiations on the future of the Kyoto protocol on climate change which will resume in Montreal in November 2005.

Giles Merritt

Secretary General, *Friends of Europe*

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

I'm not very worried about the euro's strength. It has survived 9/11, the attack in Madrid on 11 March 2004, and the recent London bombings in July 2005.

The 'crisis' is a good reason though to rethink what Europe should and should not do. That does not change the necessity to do something about structural reform in Europe and the Member States, however. The streamlined, new approach of the Lisbon Agenda offers the possibility to clearly identify that responsibility, and to give an individual, national content to the necessary reforms.

### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

What is the social model we are talking about? We shouldn't escalate the paradox. It is paradoxical, because both 'parties' want a welfare state catering for the future. Both want a strengthened European economy with more jobs.

### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

Of course the failure to strengthen the EU's external capacity will not contribute to the effectiveness of the EU's role in the world. We should make that very clear to our public. There is no need to dramatise however: in the meantime we could and we should build on examples, more or less successful, of common EU action as if there were a common EU policy, such as Kyoto, Ukraine, and our peacekeeping efforts in Bosnia.

### **6) How should Europe's 'Great Debate' be conducted, and for how long?**

Although mostly not entirely elaborated, several hopeful initiatives are being deployed around the EU. For example the European Commission has presented its 50 step scheme, the French report with 40 recommendations on communicating Europe and the 'Broad Public Debate' in the Netherlands.

We will have to wait and see what all this boils down to, but a few elements seem to be worthwhile mentioning:

- Larger role of national parliaments
- Europeanisation of public life
- better media coverage
- education



**“Muddling through, Europe’s leaders will soon discover, is equivalent to peddling mud.”**

▼ **Robert Cox** is a former Senior Advisor to the European Community’s Humanitarian Office (ECHO). His previous appointments have included that of Commission Representative to Turkey.

## 1) What are the key issues and priorities to be tackled by Europe’s leaders?

Three priority problem areas stand out as targets for attention by national and European governments and the institutions:

- The economy, especially in the eurozone:
- The confusion about the purposes and methods of the union;
- Europe’s role in the world

It is easy to say we have poor leaders; change them and all will be fine. It will also not do to say: the French and Dutch referendums were about everything else but Europe. That is only partly true.

The economy. It is true that some eurozone countries (Germany and Spain are examples) have invested political capital and taken risk in reforms. Others, particularly France and Italy pay little more than lip-service to reform; worse still, their governments too often seem indifferent to it. This is the national version of “muddling through” (see more later).

Confusion about the purposes and methods of the Union was a key player in the negative French and Dutch referendums. Is a reformed EU a promoter of the destructive affects of globalisation or an instrument for containing them? Is the EU an enemy of public services? Will national policies on immigration, organised crime and terrorism suffice or does the EU offer a more suitable framework for dealing with them?

Europe’s role in the world. European public opinion seems to have no difficulty in accepting that there are limits to national capacities for standing up to bullying from Washington or Moscow, or tomorrow from Peking. But this simple observation (yes, of course, it can be put in more diplomatic terms without losing its bite) is absent from the lips of European leaders. No wonder then that European public opinion is confused and apt to turn nasty on European issues if national leaders are reluctant to air them.

## 2) How muddled will be the EU's "muddling through"?

Not so much “muddled” (doubtless the insiders will profess to understand it) than a process likely to render the EU even more opaque to the citizen. That may be the heart of the “Great” debate – we want an EU with clear political priorities that works, can make difficult decisions, where parliamentary institutions - European and national - have a prominent role so that you, the citizen, can see what’s going on. The alternative is a Europe already over-extended at 25, run by piecemeal deals in ill-lit corridors.

Who or what will suffer? Ultimately those at the end of the job queue in under-performing economies. The CFSP can certainly develop independently of the Constitution (e.g. the diplomatic service, the peacekeeping role in the Balkans) but less effectively without the political bedrock offered by a constitution. Established new Member States have probably less to lose – they have come a long way already from not much. For those in queue for membership it is a different matter. Without the Constitution the EU will lack the boldness and authority to impose and manage the necessary alternative arrangements to membership.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

On the euro, three comments:

i) its exchange rate to the dollar is acceptable from its (brief) historical perspective and certainly for exporters. (Pity about the oil price, but what an opportunity to seize to promote alternative energy supplies with greater vigour, including the lamentably neglected nuclear option). The fundamentals weakening the dollar are not about to go away.

ii) populist politicians (notably in Italy, France and the Netherlands) talk of referendums – yes, even more of this crude alternative to proper political process – to bring back, perhaps partially, the old national currencies. This can be dismissed as nonsense, but these things can catch fire and make the management of the eurozone more hazardous.

iii) the way towards consolidating the euro lies in the zone's economic performance; that's what the markets understand.

This brings us to the Lisbon Agenda. Why should the "No" votes sabotage the Lisbon Agenda? True, the better provisions for EU decision-making in the constitution would have made that task considerably easier. But no amount of decision-making capacity can make up for the real problem, the lack of will to engage in reform. Demonstration of governments' seriousness to pursue reform and thus create jobs could then itself become a stronger argument for justifying improved EU decision-making powers before public opinion.

### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

There is no such thing as a European social model. Social protection throughout Europe generally enjoys a higher status in the register of political values than elsewhere. Concepts of what it should be differ. In the last analysis it is the price tag that counts (the US incidentally has a similar problem). This is a debate that risks getting lost in theology. It is a quintessentially national issue, with the Commission and anybody else for that matter perfectly free to say that it thinks it is misguided. Particularly so if it judges that a given set of policies engineer the deficit breaches of the Stability Pact. In similar vein if a given national government and legislature want laws and practices that make opening a business take six months then so be it – provided there is no discrimination, it is the EU angle that really matters. There is no European rule that forbids shooting oneself in the foot.

### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

A lot of individual components of the CFSP can be and are being addressed. Why should the European Council not go ahead and name the foreign affairs supremo as a one-off decision? Apart from giving the EU greater effectiveness it would all help bridge the international and national credibility gaps opened up by the French and Dutch rejections and subsequent stalemate. The chances of popular support are strong, if the initiatives are properly presented.

### **6) How should Europe's 'Great Debate' be conducted, and for how long?**

Before anything else it is matter of getting national politicians to stand up and be counted. We are still in the phase of self-flagellation after the French and Dutch rejections. And messages are not far to find. Above we have noticed many simple things that defy public demonisation (that there is no single European social model and that the EU is certainly not a threat to national models and choices; that national reform measures are needed; that a strong CFSP is a better guarantee against not being kicked around in the world arena; that European instruments for combating terrorism make more sense than going it alone; etc., etc.). But they are largely left unsaid, let alone un-proclaimed. A prime task therefore for an autumn 2005 European Council is



collectively to discover the imperative need for communication on and in Europe as a permanent political function for Europe's leaders at all levels. Muddling through, they will soon discover, is equivalent to peddling mud.



**“The common currency policy, has only one enemy and this is the reduced level of economic governance between the Member States.”**

▼ **Anna Diamantopoulou** is a Member of the Greek Parliament and a former EU Commissioner for Employment and Social Affairs.

### 1) What are the key issues and priorities to be tackled by Europe's leaders?

The question if decoded, can be put as, “What should be our priority? Spending within the existing financial perspectives, or a new European Project/Plan that will exceed the constitutional project ? “

I believe that the issue of the financial perspectives and the issue of the budget agreement have already been extensively discussed and both issues are resolved and agreed upon for the period up to 2013. The existing proposal is the outcome of long and extensive discussions, deliberations and negotiations, between Member States, competing industries and sectors. During this process the new Lisbon priorities have been taken into account when deciding on the budget, and significant alterations have been incorporated into both the agricultural policy and budget, while at the same time the major cohesion problems have been taken into account in most respects. The existing compromise proposal, even without being the optimum required, provides a solid way, through the intermediate after-expansion period up to the year 2013. For the period following 2013, we can proceed and focus our discussions on the new priorities and actions that are being proposed and can be discussed during the British Presidency.

In relation to the Big European Plan, I support that it should be organized on both a national and a European level and should include the following four sectors:

- Economy - with a successful implementation of the revised Lisbon strategy and with a coordinated discussion for the Stability Pact, that would incorporate growth, flexibility and research and technology.
- External Affairs - i) focusing on a European position and policy that will address international trade problems and the issue of China; ii) international development aid; and iii).enlargement - a central element of the overall European project and hence cannot be separated from it. The debate on overcoming the present crisis unavoidably also involves further enlargement, and further enlargement can be addressed only within the framework of the overcoming of the present crisis. Any attempt to ignore this fact by pretending to proceed with “business as usual” and trying to force further steps is bound to prove counterproductive. The main challenge is to strike the balance between deepening and enlarging the European Union.
- Institutional organization of the EU, focusing on the new model of governance and on the pillars of the European Constitution.
- Building citizens' consent to belonging in the EU, focusing on measures and programmes that will enhance the understanding of the concept of the European citizen, starting at the level of international education systems.

## **2) How muddled will be the EU's "muddling through"?**

The mud that we are in is an inevitable part of the historic period we are living in. A historic period of the European Union where we are passing from the nation states to supranational entities/structures. In this respect, decisions that are taken at EU level are not yet considered by the people of each Member State, as having a democratic legalisation. A long period will be required for this to take place, especially now with the new Member States that are still struggling in their historical process of establishing their national identities and independence. This period cannot be avoided and it is evident at the same time that we cannot effectively manage it. This weakness has positioned the EU in a political and administrative mud and everyone in the EU will feel the negative effects of this period, including the European economy, the regional economies and European development as a whole.

## **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

Worrying. It raises two questions:

- What needs to be done to insulate the single currency against political fall-out during Europe's upcoming 'Great Debate'?
- And what effect could the shelving of the Constitution have on the Commission's drive to place the proposed Lisbon measures at the top of the EU agenda?

The Constitution in reality has very little to do with the common currency policies and the CSFP. Therefore any negative impact from the collapse of the Constitution can only be of a psychological nature.

The common currency policy has only one enemy, and this is the reduced level of economic governance between the Member States. The Lisbon Agenda delay issues have already been dealt with since March 2005 and the EU at its top level has taken the decision to clarify the levels of governance between the Committee and the Member States.

It is an issue now for each individual state to set its own three-year Lisbon Plan, to decide on the speed and nature of the required reforms.

There is no doubt that the principles set out in the Lisbon Agenda are the correct and appropriate ones. How successful each country will be in managing its own Lisbon priorities, and how successfully the Commission will manage the unification of objectives and relevant cohesion policies, will also define both the economic and the political winners and success stories of the next EU phase.

## **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

The European social model has never been something frozen. Since and by its conception and creation, the European social model is in a state of continuous reform and modernization. In every phase of our economic development the social model has been reformed and adapted to the new requirements. Unfortunately this did not take place in the same way nor with the same speed in every Member State.

## **5) Will the EU's global role fall victim to the collapse of the Constitution?**

The answer is a straightforward 'No'. The constitution is only one of the possible steps that Europe has to take to enhance its global role. In any case, the Constitution did not really affect the EU's external politics/affairs since the right to was not changed for these issues. Any negative effects of the Constitution failure/delay in the area of external affairs are mainly of a psychological nature.

## 6) How should Europe's 'Great Debate' be conducted, and for how long?

The operation of the European Convention was a very positive experience upon which we should invest. I think that a European Convention could be created and could operate with an objective to create a new Plan For Europe, not in the direction of a common constitution, but a plan that would address the major issues of competitiveness and social cohesion within the framework of the revised Lisbon strategy and the financial perspectives and budget issues following the year 2013. In parallel to the European Constitution, national assemblies could be formed in every Member State within a similar logical framework which works on the same axis and with the same objectives, in order to agree upon a draft for a new European plan that will be submitted by the European Convention. This project can be effectively completed within a two-year period, could be under the managerial and strategic supervision of the European Council, and could be financed by the individual Member State budgets.



**“Some of the most competitive economies in Europe are among the most socially inclusive and environmentally sound economic systems. But little attention is given to why this is so.”**

▼ **Monica Frassoni** is Co-President of the Group of the Greens/European Free Alliance in the European Parliament.

## 1) What are the key issues and priorities to be tackled by Europe's leaders?

- To give again a “sense” to their European obligations and commitments that today seems lost or irrelevant to most of them. This is a major problem: if European leaders lack real consciousness that the EU needs a better institutional system and more money -and not less money - to function, it will be very difficult for citizens to regain trust and confidence in the EU, just because they use it less and less.
- To find a way out of the current economic and social crisis, overcoming on the one hand the idea that this can be reached only through a reduction of social rights and environmental obligations, and on the other that each national government can find a solution on its own.
- To tackle the issue of internal security respecting human rights and democracy.
- To strengthen and to re-give meaning to the aims of a multicultural but also integrated and open society.
- To carry out their responsibilities also at global level, be it in terms of having a strategy and a coordinated action for putting an end to armed conflicts and wars, to facilitate the implementation of the Millennium development goals, or to put into practice effective policies against climate change.

## 2) How muddled will be the EU's "muddling through"?

It will be very “muddled”, even if it is not clear who the “EU” really is. This is due to the fact that the present Commission is completely incapable and unwilling to play any leading role in this “muddling” through. The Barroso Commission is the perfect realisation of the words of Joschka Fischer in his famous speech and of the idea of Giscard for most of the Convention: the “Commission should become the Secretariat of the Council”. In reality, this means that, in the complete absence of national leaders having a real European interest or passion – beside perhaps Juncker, despite his negative role in the final part of the budget discussion last June -

the EU has no head; no "place" has emerged yet even to be the battlefield of the grand European debate that was announced.

In the coming months there will certainly be some attempts to organise this debate, with national parliamentarians and NGOs. But the two biggest groups of the European Parliament are too fragmented and limited by the priorities of their national delegations to be able to develop a real European strategy. The Constitution is not yet "abandoned", but there is little movement in sight on that front. The victims will be first and foremost European citizens, above all the weakest ones, because the EU is getting more and more irrelevant and powerless in helping the European economic system to get out of the present impasse. As to the new Member States, and the ones waiting to get in, they will probably realise that the club they joined or are about to join is much weaker than they had thought.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

The problem is that for the moment there is no "Grand Debate" in sight. Nobody is really moving to start one, beside perhaps the European Parliament and a few NGOs whose impact is limited. No media attention is visible and there has been no action from governments.

I cannot see a "crisis" of the euro, and if there is one, I do not think that there is a link to the "No" votes for the Constitution. The "crisis" of the euro, or rather of the EU economic system, is due to the failure of the biggest economies of the region to break free in an innovative and sustainable way from the current economic stagnation in a more aggressive global context. The fact that the euro is perceived negatively in some countries is because the monetary union was not accompanied by economic union, but by the wrong attitude of the European Central Bank and by the total lack of controls on prices after the entry into force of the common currency in some countries.

Finally, the Lisbon strategy has been always been considered as a programme to be led mostly by Member governments; there were from the beginning many words but no real money nor big initiatives taken by the Commission at EU level. So I don't think that the "No" to the Constitution will have an impact on its implementation. Even if the "Yes" voters had won, the Lisbon strategy would be at the same point as it is at today: there is no readiness among member governments to invest. I believe that there is wrong approach aimed at pushing for resource- and energy-intensive growth, and an old-fashioned view of "competitiveness" based on reducing labour costs and environmental regulations.

### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

I don't believe in the ideological classification contained in the question; the goal is indeed to ensure quality jobs and productions, combined with sustainable and coherent energy, industrial and agricultural policies. It is interesting to note that some of the most competitive economies in Europe are among the most socially inclusive and environmentally sound economic systems, but little attention is given to why this is so. European institutions and Member States were already on their way in discovering "a third way" or at least a "useful way", when the EU was put under conditions to elaborate and finance the impressive cohesion and regional funds; or during the pre-accession programmes, when it was able to fight and get through the Kyoto protocol and the ICC at world level; and when it pushed the euro. But its cohesion and ambition is getting weaker and weaker as demonstrated by the "No" to the Constitutional Treaty, which calls for the reduction of the ability of the EU (notably the Commission, but also the Council and the European Parliament) to act and take decisions for all.

### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

I do not agree with the statement that the Constitution improved much in terms of external relations. On the contrary, besides the largely publicised figure of the "foreign minister", who is

dependent on the Council's will, this is one of the least convincing and innovative parts of the Constitution. What is lacking is the will to speak with one voice on the international scene, and the "No" to the Constitution helps those who believe that now everybody is more free to do what they think is best without worrying for what is best for Europe. The recent cases of Iran, Iraq, policies towards Russia and the US or China, and the debate on reform of the UN Security Council, show that there is a very worrying tendency among certain Member States to go their own way. The lack of action in Darfur or in other crises in Africa, and the lack of commitment on global issues like human rights, death penalty moratoria, and even environmental issues, which until recently were very present in the EU rhetoric and diplomatic priorities, are also signs of Europe's decreasing ambition at global level.

## **6) How should Europe's 'Great Debate' be conducted, and for how long?**

The main problem is to get everybody motivated and convinced that a debate is necessary. To do that, this debate has to be linked to the present challenges the EU is facing, namely the financial perspectives debate and the reform of the common policies, notably agriculture and cohesion policies. This means that:

- There should be "places" to launch this debate: Brussels and the European Parliament certainly, but also in the Member States as well. The debate should not be a "communication" or PR exercise, but should go to the substance. It should be open to actors outside the institutions, and these actors should somehow get together and formulate proposals that could be taken up by institutional actors. In this sense it is important to involve from the beginning those movements and groupings that were very much against the Constitution from a left-social side, but that are clearly committed to European democracy. It is important that the debate is enlarged to include divisive political issues. What and how much the EU should spend in the next seven years is in a way a "constitutional" question.
- There should be a deadline (June 2006 perhaps) and a fixed timetable. We should use as a base what has been done already: the Laeken declaration with its 62 questions is still more than valid.
- The goal of the debate is of course to put the Constitution back on track and to find an agreement on financial perspectives and policy reforms.
- The end result of the debate could be a new Convention with a limited mandate that, in a short time could find an agreement on a much shorter text of the Constitution, or could just leave as they are Part 1 and 2 and re-elaborate part 3 by putting it in line with Part 1 and 2. The key element of the success of this debate is not to leave it vaguely open-ended and above all, and to avoid completely re-opening the present Constitution. No new IGC should be foreseen after the possible new Convention, whose decision should directly be put to people in a European wide-referendum. This is the only way – small but visible changes to the present text and a EU-wide referendum - that will allow the Constitution to be presented once more to French and Dutch voters, and convince those countries that have already ratified to start the process again. The final result of the referendum is won if the majority of the people in the majority of Member States say "Yes". The method foreseen in article 82 of the Spinelli project should be used to envisage what should be done with those countries that refuse to ratify the Constitution.
- There should be real and positive actions at EU level to convey a sense that this debate has a concrete impact on people's lives: an agreement on new programmes, on new actions, on positive directives to get the European economy out of the present stagnation. Otherwise we are getting once again into a situation similar to the one that saw the Constitution rejected by two fundamentally pro-European electorates, with negative perceptions of a Europe that is seen as an obscure place where decisions are taken that are detrimental to people's rights, social acquis and identity.

The problem of all these proposals is that the current political context is not that favourable, and we may have to wait until government changes or the Commission and the European Parliament are struck by inspiration to find some kind of leading role in these grey times for Europe. We will do our best to create such conditions.



## **“There are not two “social models”**

▼ **Baron Daniel Janssen** is **Chairman of the Board of Directors of Solvay**

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### **1) What are the key issues and priorities to be tackled by Europe’s leaders?**

EU integration support fell to its deepest trough in June 2005. We have to lift it progressively. As rapidly as possible. Three sort of immediate (2005) issues seem key to me:

- a) normal working of Commission, Council, Parliament issues (with tenacity and no despair)
- b) 2007-2013 budget approval before end 2005 (UK Presidency, despite the French obstacles) and Lisbon Agenda going forward
- c) popular support turnaround in favour of a "dynamic EU" (without referring to the Constitution)

### **2) How muddled will be the EU's "muddling through"?**

Let our political leaders try not to "muddle" too much (although probable) but try to lift the spirits and the efficiency.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

There is no reason for there to be any impact of the referendums' "No" votes on the euro and on the Lisbon Agenda.

### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's “social models”?**

Each of the 25 countries has its own "social model", and the harmonisation is not on the EU agenda, because the "social model" is a national prerogative. There are not two "social models". In order to increase growth, employment and competitiveness, each of the 25 social models should be progressively changed and improved.

### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

The external relations objective for the EU could be kept on the agenda, although not pressed for too urgently, hoping to press around 2007 when other international necessities prove the urgency.

### **6) How should Europe’s ‘Great Debate’ be conducted, and for how long?**

The "ideal Great Debate" would be to have, in 2008, in place, most of what we hoped for at the end of 2004. Political leadership from Tony Blair and UK and then by the new major European

leaders (Merkel ? Sarkozy ? an Italian ? Zapatero) with small countries' support, could progressively bring back the momentum for "change, reform, EU dynamism". Two difficulties should be encountered: rebuilding a consensus of 25 countries and a majority popular EU support. Political leadership of quality should be able to try solving progressively these three-year difficulties, starting with 2005 urgent and clever moves.



**“The debate should focus on the costs of not having these improvements.”**

▼ **Horst Günter Krenzler** was Director General for External Relations of the European Commission.

### **1) What are the key issues and priorities to be tackled by Europe's leaders?**

The diagnosis is clear. The rejection of the Constitution does not call into question the need for reform. The Treaty of Nice is not an adequate basis for the functioning of an enlarged Community. The draft Constitution brings about considerable improvements in problem areas which were raised by those opponents in the referendum debate, which focused really on European issues. In a way, the Constitution is the answer to many questions of ill-informed opponents. It brings about more democracy via an increased role for the European as well as national parliaments, and even an element of direct democracy in the form of the citizens initiative. A more efficient decision-making system through the “double majority” contributes also to more democratic legitimacy as it gives weight to the number of citizens. More transparency is also foreseen. The new external institutional structure though somewhat confusing gives the EU at least some more visibility and allows a coherent external policy-making.

All these elements should be the issues of the public debate. The debate should focus on the costs of not having these improvements.

### **2) How muddled will be the EU's "muddling through"?**

(Includes response to question 5) The impact of the rejection of the Constitution will be felt across the board. The negative vote is a non-confidence vote not only with regard to the respective leaderships in two countries but also regarding the development of the European project. This lack of confidence concerns even more the European policies of today than the Europe of the Constitution. This development inevitably will have serious repercussions on the self-confidence of the main institutions. The withdrawal of the Software Directive may already be an example. The debate around the Services Directive is another one. An erosion of the legislative power and even of the very concept of the internal market has to be feared. (Latest example, the talk of “economic patriotism” in France). The enlargement may also contribute further to the difficulty of maintaining effective internal market disciplines.

On the external side, the supposed failure of the Constitution has without doubt affected authority, capacity and strength of the EU as an external actor. Its prestige has suffered in the eyes of foreign governments. A particular victim is the Trade policy of the EU. For the first time, the dispositions of the Constitution aligned the action capacity of the EU to all subjects dealt with in the WTO, the economic organisation of a globalised world, by attributing external direct investment, services and trade aspects of intellectual property to the exclusive competence of the EU. Without that, the external trade action capacity is split which leads to unanimity voting as a rule and to a weakening of the EU's position.

**4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

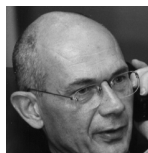
In the meantime, the need for economic reform is seen everywhere in Europe. But there is a flagrant inconsistency in the debate. On the one side, many politicians claim a more "social Europe", on the other side, most if not all governments see social policy quite rightly as a national domain. Social policy is a shared policy only regarding very specific subjects. The EU can, of course, contribute to the debate of the best combination of economic and social policy. The EU can offer benchmarking exercises and so on. But it cannot set a social model. "*Friends of Europe*" should contribute to clarifying the limits of what Europe can do and that we are dealing here with essentially national policies.

**6) How should Europe's 'Great Debate' be conducted, and for how long?**

In my view, there is no better or deeper project we can hope for than the Constitution. We should not easily give up on the substance and structure of what has been achieved in very long and complicated negotiations leading to a balanced result taking into account the different interests at stake. One can reorganise the text, and this may be inevitable, for instance by separating Part III from the more constitutional Parts I and II in view of incorporating Part III in the present Treaty structure by simple ratification without referendums. This would constitute a very important progress. But one should not start a new negotiation of the text as such which after all has been legitimised already by a majority of States (13) and citizens of the Union (53%).

The debate: Why not start with a common and public debate of the European Parliament and representatives of all national parliaments of the EU, widely publicized? A first phase could last until 2006. A European Council could then decide to incorporate the non-constitutional Part III into the present treaty structure. The constitutional parts would have to be debated longer and to wait for an improved political and economic constellation for its approval, most likely not to be expected before 2007.





**“What needs to be revisited is the European compromise that has been progressively shaped over the past 50 years, the *affectio societatis* which constitutes the founding block of European integration today.”**

▼ **Pascal Lamy** is Director General of the World Trade Organisation.

Answering these questions means starting with an analysis of what happened on the May 29 and June 3 in France and the Netherlands respectively. Specific national contexts should not of course be underestimated (weak executive/personal strategies from the perspective of the presidential elections/problem with the notion of compromise etc. in France; small country syndrome/post Fortuyn political context/budget rebate in the Netherlands).

From a European perspective, we can extract two major lessons:

- The first has been visible for the past 10 years and in many ways found its clear expression in these two referendums: support for the idea of European integration has been falling. European institutions do not enjoy the solid support they did in the 1950s, 60s and 70s. Many people think Europe is far away, arrogant, obscure and intrusive.
- Among people living in the EU, there is an increased feeling of anxiety and uncertainty. This fuels populist forces on the left and on the right. Capitalism is rapidly being globalised and people are not able to keep up with it. The EU is often perceived as part of this process, of a globalisation that threatens rather than a tool to face global challenges in a stronger, stable and safe environment.

Two priorities stem from this analysis:

- Rebuilding legitimacy.
- Rebuilding citizen confidence in the process of European integration. This should still imply – however awkward this may become - that the ratification process must be pursued. Every nation has the right to express its view. In that way only, the solution could be European.

In any case, it is absolutely necessary that the debate should run in each EU country. The argument that such a debate is expensive is true, but the debate is necessary and skipping it with the rationale that others have decided for you will not help reinforce the EU's legitimacy.

Whatever constraints may bring the probable coming period of stagnation (see below), we cannot be tempted by going back to “measures adopted through the back door” such as a small and quick IGC. Democratic practice in the EU is at a turning point. Our priority must be to give life to a European public space that has strong and permanent links with national to local democracies.

One idea can be to start implementing some of the measures suggested in the Constitutional Treaty that allowed a better democratic functioning such as an increased role for the national parliaments or the Council acting in public for its legislative function.

Focus should fall on the European project rather than on institutional issues.

Citizens' debates on the Constitutional Treaty have not focused much on institutional issues but rather on the content of the policies, visions and fate of European integration. We should therefore dare to open the Pandora's box and re-launch a debate on Part III of the Treaty. What needs to be revisited is the European compromise that has been progressively shaped over the

past 50 years, the *affectio societatis* which constitutes the founding block of European integration today.

In many ways, this means tackling the "unfinished business" of the Convention, and we should certainly not throw away the model of the Convention in this new process. The model has its weaknesses and can be improved in terms of democratic functioning and transparency. But the revision of Part III will have to go through an open and democratic process. It is no longer the kind of topic suited for the bargaining of an IGC.

Discussion on the European economic and social model (question 4) should be part of it. Two caveats, however: (1) discussion of Part III should make clear what the EU can and cannot do; we know that unemployment remains largely a national issue, as proved by the varying performances of member states on that issue; (2) opposing the "reformist states" and those defending social models is misplaced; social models need to be reformed in most countries (some have already gone further than others) but the very idea of a "social model" is European and there is – insofar as the principle of subsidiarity is respected – ground for convergence in this field.

## **2) How muddled will be the EU's "muddling through"?**

As for the consequences of "muddling through", it is indeed bound to be "muddled" as we know that political activism in the coming years will be dependent on the results of the different national electoral rendez-vous. There will probably be a difference of impact for what concerns policies on the one hand (Lisbon Agenda for example) and decision-making practices on the other. The policy dimension might be positively affected by the fact that all European institutions are aware that part of their legitimacy is based on "delivering" the policies citizens are waiting for (cf. Tony Blair's speech to the EP).

## **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

The euro will probably not be too greatly affected either, at least in the short term. In the longer term, a slower march towards economic coordination or political integration is bound to affect the monetary union. Decision-making practices are another issue as Nice does not provide appropriate answers for maintaining a smooth functioning of the EU. One should point out that there will be some 35 competences that will not be shifted from unanimity to qualified majority voting, making the decision-making process more burdensome still.

## **5) Will the EU's global role fall victim to the collapse of the Constitution?**

Finally, the present dismal state of the Constitutional Treaty is certainly not good news for the EU's global role. The EU will remain strong in its relation to the outside world in those fields in which a common policy already exists (trade, competition, agriculture...). However, we should not expect, for example, a strong European voice at the annual UN meetings in September, when the UN's own institutional reform will be high on the agenda. Furthermore, the lack of a person with all of the external relations cards in his hands will not make for a more focused European approach to foreign relations.



**“The first job of European leaders in the next two years is to avoid further “unravelling” of what has been achieved.”**

▼ **Philippe Lemaître** is a journalist who for many years was *Le Monde’s* senior correspondent in Brussels.

### **1) What are the key issues and priorities to be tackled by Europe’s leaders?**

Uncertainty about the future, the EU’s lack of visibility because of globalisation, its enlargements and the absence of a clearer political perspective – all explain the wariness of Europe’s citizens.

Rebuilding a feeling of confidence will not be easy because governments apparently lack the means to reassure their electorates. They are unable to foresee how the globalisation phenomenon will evolve, and probably will not be able to express themselves clearly on their enlargement strategy in the years ahead.

An improvement of the business climate, with the promise of reductions in unemployment, would facilitate matters, but probably will not be enough to put European construction back on track.

Under these conditions, the first job of European leaders in the next two years is to avoid further “unravelling” of what has been achieved. The EU’s institutions will have to do a consolidation job. This is definitely not a secondary task assignment, but to date there are signs that they will be capable of it.

### **2) How muddled will be the EU’s “muddling through”?**

The twofold setback that has just occurred has created dangerous tensions almost everywhere. Even rapid agreement on the EU’s 2007-13 financial perspectives would hardly relax them, as there is every reason to believe that any agreement reached will be based on the lowest common denominator.

These tensions will lead the institutions to look to future enlargements with more prudence and reticence than in the past, and not daring to be sufficiently decisive to remove uncertainty.

From a financial standpoint, the consequence will be prudent decisions that will disappoint the hopes of the new Member States. At the same time, international tensions could lead the Member States to voice their cohesion more loudly. Divergences that followed the US-led coalition’s intervention in Iraq have not disappeared, but to some extent have been overcome. On Iran and the conflict in Palestine, Europeans have fairly consistent positions.

### **3) What may be the impact of the “No” votes on the euro and on the Lisbon Agenda?**

The impact on the Lisbon strategy may well be serious if the EU institutions, and in particular the Commission, are paralysed. The institutions must take account of the messages sent by public opinion, but must also still keep on doing their jobs. This means legislating and taking decisions. The current lack of pep and the legislative failing of the Barroso Commission give great cause for concern. Peter Mandelson said some very pertinent things in a speech he gave at the end of July. The Commission needs to occupy the field more than it does. Impact studies and speeches are not the best way to present Commission initiatives. A good example is the directive on the free provision of services: clearly, the Commission needs to seriously review its proposals (the initial text was clumsy), but it is equally clear that it must work to ensure that decisions are taken within a reasonable timeframe on this fundamental issue for the completion

of the internal market. The euro is the field where there is a serious risk of unravelling, as reactions of Italy and Germany have shown. The solutions are well-known: opting for a more intensive dialogue between the European Central Bank and the Eurogroup; trying to reinforce coordination of economic policies wherever possible and, above all, keeping commitments made in the budget field.

#### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

Controversy on doctrine doesn't make a lot of sense. Each country must consider how it wants, and is able, to enact the reforms that everyone realises are inevitable.

#### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

The EU exercises real influence on certain matters, but it does not have a world role. We mustn't fool ourselves: the political union that would let us claim this kind of role is utopian when we have 25 or even 30 Members.

Of course it is important to limit divergence between Member States as far as possible, but the EU is now too economically, socially, politically and even culturally heterogeneous to foresee the creation of political union, or even a real common defence and security policy in the near future. This evolution was inevitable and is not necessarily a serious problem: Europe must find new ways of operating – less centralized, more complex, on many simultaneous tracks. But this is not easy to implement, and it is even harder to communicate to the public as a crucial asset. This is the march of reality that must be accepted, and to which we must adapt. An example is the leading roles of Germany, France and Great Britain in negotiations with Iran; another is the determining role of Poland in the change of regime in the Ukraine. In both cases, Europe took action and scored points, but this did not happen, and is not happening, along traditional institutional lines.

#### **6) How should Europe's 'Great Debate' be conducted, and for how long?**

Can a "Great Debate" be held in these economically sluggish times? Probably not. For at least two years, the main task of the institutions will be to tackle the assignments given to them by the Treaties. But this not what they are doing today. Well thought-out management of the impossible enlargement issue, which no doubt at some time in the distant future will include the accession of Turkey and the Balkan States. They must accept that a Europe with 30 Member States is profoundly different, and that this necessitates a more careful approach to such questions as social and fiscal dumping.

Rather than a "Great Debate", it seems important to take steps to consolidate what exists. And to take advantage of the international situation by making progress in such fields as internal security, defence and, common diplomacy.



**“If you want to have any chance of people listening to you, you have to start with where they are.”**

▼ **Peter Mandelson** is the **European Commissioner for Trade**.

How in future can the pro-Europeans do better? How can we make a modern positive case for the European Union that truly inspires? The miracle of an enlarged Europe at long last united by peace, democracy and freedom is at best taken for granted, Brussels and its machinations are seen as barely relevant. At worst, Europe's achievement of unity is a victim of populist distortion as a source of insecurity, delocalisation and unfairness. The jobs and living standards argument for Europe no longer rings true. Many people in France, for example, see Brussels' neo-liberalism as adding to the “losers” from globalisation. If we want the idea of Europe to live again, we have first to acknowledge the existence of these arguments. If you want to have any chance of people listening to you, you have to start with where they are.

The problem with the Single Market is not that the idea has failed, but that its reach and implementation have not gone far enough. The biggest barriers to higher employment are ‘reform blockages’ in Member States. An economic case for Europe can be remade. The purpose of the Single Market is to enhance economic opportunity – stimulating trade and economic growth - not to hold people back with petty-fogging regulation. It is to build an integrated home market on the scale of America's now, and China's and India's in future, that will give European companies and citizens a solid base from which they can develop and thrive in a world of globalisation.

It should be possible to convince citizens that the benefits – the freedom to live, work, study, and retire anywhere in Europe – will not prove sustainable without strong European institutions to protect our liberty and security. For a free Europe also requires a Europe capable of tackling the cross border problems of crime, terrorism, illegal immigration and drugs. Our security also demands a concerted active policy to strengthen the stability, prosperity and security of Europe's near neighbours.

The problem is not the intellectual case for Europe but “how?”. In particular who is going to provide the political leadership to make it happen? Europe will have to return to the institutional reforms contained in the Constitutional Treaty. But in putting the Treaty ‘on hold’, we are forced to address wider and deeper aspects about the state of Europe and its direction. This was not much in evidence at the June Council negotiations on the Budget. The response was more “let's cobble together a flawed compromise and thereby demonstrate to our voters that the idea of Europe is back on track” which, while understandable, was frankly out of touch and misguided. Across the Union, we will not make the idea of Europe live again without a much higher quality of leadership. The question is where. We cannot afford to live much longer in a world of economic self-delusion. No one likes being a Cassandra – but the political leadership of Europe is failing in the first duty of politics – to tell the people honestly how it is.

To cope with an ageing society, in the medium term, we need a sustainable fiscal balance, if not a surplus, and debt ratios coming down. Without giving top priority to growth and jobs, Europe would be unable in the longer term to maintain its distinctive emphasis on cohesion and sustainability. Yet a determined priority of ‘Growth & Jobs’ will simply not work without a strong (institutional) drive from the centre. This coming Autumn the Commission has got to be bold not simply with a vision, but with a clear programme of action to make Europe relevant to the citizens. It has to step into the vacuum that the suspension of the Constitutional Treaty has created. It has a golden opportunity to assert this fresh political leadership. And what we need is focus and impact: to strengthen Europe's position in the knowledge economy; a radical reform of the state aid regime to encourage public-private partnerships between business and

universities and promote R&D investment and innovation, but discourage propping up lame ducks; better regulation including simplification of the existing "acquis" as well as pruning pending legislation. This is important not just economically – to set enterprise free of counterproductive rules and regulations; but also politically to show that Europe is concentrating on the big picture issues that matter, not unnecessary Brussels interference. Take forward the Services Directive improved both in terms of its effectiveness and sensitivity to legitimate social concerns. Set out a modern Industrial Policy, based on a sectoral approach that must not be seen as return to past interventionism. Put in place a pro-enterprise regulatory framework together with greater openness to competition, sector by sector, which will prove vital for growing SMEs - and underpinned by a sound technology platform.

To create more and better jobs, re-prioritise the Structural Funds away from old fashioned infrastructure projects and establish a restructuring fund to help firms and workers to adjust to economic change.

Europe has been on the defensive for too long. Let us go on the attack.

(Extracts from a July 2005 address to UACES: "The idea of Europe: can we make it live again?").



**"Concentrate on few goals ... assign welfare issues to the Member States"**

▼ **Stefano Micossi** is Director General of ASSONIME, and was formerly Director General for Industry in the European Commission.

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### **1) What are the key issues and priorities to be tackled by Europe's leaders?**

I do not believe that we need to reinvent the European project. Rather we should concentrate on strengthening the purposes and direction of the Union we have.

In the short term, the priorities are obvious: economic reform and the MYFP for the EU budget.

The Lisbon programme has been managed carelessly, with a reckless multiplication of goals and instruments and no serious follow-up to the Council deliberations. Public opinion has been led to believe that everything can be done by means of European decisions, and national governments have shirked their responsibilities.

The new start that was promised by the Barroso Commission has failed to impress public opinion, because once again too many things have remained on the agenda, with no clear task assignment and without renewed commitments by Member States.

I would try another restart that :

(a) concentrates on just a few goals: the Bolkenstein directive, common projects for the TENs and Research; welfare reform to accompany and support labour mobility and the reallocation of resources away from declining sectors; some high visibility initiatives in the educational field.

(b) assigns welfare issues to the Member States, and limits EU activity in this area to monitoring and benchmarking: it is essential to obtain strong commitment on a few but highly visible EU initiatives.

On the EU budget and multi-year financial perspective (MYFP), reach agreement along the lines proposed by Juncker at the last European Council, with a commitment to a fundamental review of the budget in 2008.

## **2) How muddled will be the EU's "muddling through"?**

We can live with the Treaty of Nice – no immediate victim in sight. Events will continue to dictate the agenda in CFSP and internal security issues. But the Council now has a greater responsibility to show that it is able to take timely effective decisions.

## **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

The French "No" especially was a vote against economic reform. There is an obvious risk that economic reform will be stalled in the Council. It is important that the Commission does not give up making proposals and pushing for reform. There is also a risk that the weakened GSP (Generalised System of Preferences) will leave more room.

The euro is in for a period of weakness, of course, but this does not mean that monetary union is bound to unravel. Only economic recovery, however, can definitely dispel fears of an unravelling of the euro.

## **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

All economic systems are a combination between market and protection against the risk of losing employment and income. In the US insurance is provided by a flexible job market where a new job will be available – provided the job-seeker is willing to accept the market remuneration. In continental Europe, the successful model is the Nordic one in which the state provides temporary insurance against the loss of income, helps retrain and find a new job. The failing model is the southern one, where firing is very difficult and there is great resistance to closing unprofitable companies.

## **5) Will the EU's global role fall victim to the collapse of the Constitution?**

There is no need for the EU's global role to suffer too much from the failed Constitutional Treaty. Nonetheless, it would be a good idea to bring forward the establishment of an EU foreign service and to keep and strengthen the CFSP representative.

## **6) How should Europe's 'Great Debate' be conducted, and for how long?**

I doubt that it would be useful to launch a 'Grand Debate' on Europe – better to try and make things function better and show that the EU "convoy" is on the move again.

Two comments on institutions:

a) There is a lot of idle talk about variable geometry, vanguards, and the like. The basic consideration to keep in mind here is that no group of Member States seems to show sufficient homogeneity of purpose and of priorities to be able to move ahead without the others on a sufficiently broad spectrum of common policies. Thus it is better to work pragmatically on specific initiatives than to try and figure out new "axes" or "cores".

b) The use of the word 'constitution' has elicited a lot of opposition to the new Treaty – an interesting lesson to retain.



**“Ends need to be established precisely before addressing means.”**

▼ Paul Révay is the European Director of The Trilateral Commission.

Unfortunately, there is no broad political support in the Member States for the EU to move the system in a federal direction. In the absence of any renegotiation of the Treaty, a new IGC should be launched after 2007, but this time it should be highly politicised including specific elections in the Member States for national delegations to be represented in the IGC on an equal footing with their governments. Only then can the perceived political chaos at the EU level be lifted, and citizens feel engaged in the European project.

### 1) What are the key issues and priorities to be tackled by Europe's leaders?

In the wake of the stalled or defunct “Constitution”, the EU is threatened by a lack of political will and failed leadership. Today's politicians have lost all sense of idealism regarding the European integration project and -- after a decade of raging inter-governmentalism -- are driven essentially by naked nationalism i.e. constantly “blaming Brussels” before their compatriots. The results of the referendums should therefore not be astounding. This time around the “crisis” is not salutary, as so often in the past. The EU is no longer in a position to “stop the clock”, nor is a “business as usual” approach any longer an option with no new solutions to the conflict in sight. The EU is faced by uncertainty, recriminations and paralysis (until a new changing of the guards in 2007?). Europe, faced by rapid economic globalization and increased southern and eastern pressures on its enlarged external borders, cannot afford such a pause.

As early as 2001 *Friends of Europe* put forward the real question in its paper called: “What is the EU for?” Ends need to be established precisely before addressing means as continues to be the case today. Unfortunately, the Constitutional Treaty was too focused on means. The European and national leaders must clarify what the EU can and cannot do. Peace and prosperity in solidarity remain noble goals. But the former is considered by the younger generations as a “given” whereas the latter is no longer self-evident when violent competition from globalisation muddles the hearts and minds of the citizens.

EU leaders must hence address head-on the serious concerns Europeans have about the politics of the Union and especially deliver on “deliverables” i.e. growth and jobs. Likewise, “solidarity” – so absent since the May 1 enlargement to Central and Eastern Europe – needs also to return to the forefront of Europe's purpose and priority. When taking into account these three major goals, it would not seem so painstaking to decide on spending priorities. These are the key issues for public debate which no longer require “identification”.

Once these issues are properly addressed -- and which can be successfully tackled only at Community level -- can the “Great Debate” focus on additional questions that are currently so high on the official agenda of the Member States governments.

With the above in mind, fashioning an updated European project is not therefore required: what is needed is implementation of the community method, rejection of the inter-governmental process that has shown its limits, and a serious recognition by national politicians that “Brussels bashing” has led Europe into a cul-de-sac. It should now be clear that using referendums as a ratification tool can only lead to disaster as it builds mistrust between the citizens and their representatives without tackling Europe's “democratic deficit”.



## 2) How muddled will be the EU's "muddling through"?

As a prerequisite, I would wonder whether the EU can continue to “muddle through” until better times, but no other options seem to be at hand. EU decision-making will thus continue under the Nice Treaty guidelines with inter-governmentalism having the upper hand. The absence of an overarching Constitution will not in itself create a legal void. The Commission will strive to not lose further its role as initiator of European projects, and the needless struggle between national sovereignty and democratic management of our common interests – the two legitimacies of the Union – will remain front-page news. The victims will be both the member states and the EU institutions and the citizens they represent. Faced by growing economic and social challenges, “economic patriotism” will become the rallying call in many countries. A “Fortress Europe” mentality may be not far down the line.

With the engine of globalisation now turning very fast, those to suffer first will be the underprivileged members of society: as exemplified by the new textiles quotas imposed on China and highlighted by the Dutch, Danish, Swedish and Finnish foreign trade ministers “trying to stop imports amounts to economic suicide.... Solutions must take into account the realities of modern commerce”. These protectionist measures are now backfiring and can only lead to further de-localisations eastwards. Also, updating and financing the welfare state in a demographic slump can only be tackled at community level.

With regard to the new EU Member States and those aspiring to join Europe's current state of affairs is far from that presented to its citizens. The June 2005 summit and budget wranglings showed an utter contempt for solidarity within our now united continent. After many years of economic and social sufferings in the candidate countries, it should come as no surprise that their citizens are losing their faith in the European project.

CFSP will also be a loser in the process: policies will be presented as “common”, but the lowest common denominator will be Brussels. A few notable achievements in Europe's presence abroad will be highlighted, but these hardly mask what is happening behind the scene, i.e. block-building of a few countries often disparate and aligning their policies on ad hoc issues. “Vanguards”, “core groups”, “reinforced cooperation” et alia will be the rule and not the exception; in sum, a multi-speed Europe is increasingly foreseeable, to the delight of its foreign interlocutors.

But the greatest losers will be those elected to lead Europe into the 21st Century. Representative democracy will be faced with a tremendous challenge unless it finds the strength to address the true issues of its citizenship. The gap between citizens and its representatives will widen and a “jungle” mentality may be around the corner with each and other economic and business “interests” prevailing over the general good of society. Already, European business is addressing the consequences of globalisation with tools of its own making with scant concern for Byzantine debates in Brussels.

## 3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?

To avoid any further political fall-out against the euro, it would seem that the euro and its governing mechanisms must become “political”. As for the European project per se, the same question must be put forward: what is the euro for? With the Maastricht criteria no longer being respected by its Founding Fathers and whilst retaining its full independence, the ECB must become accountable to political representation which by definition deals with issues of the day, not of past: an economic government of Europe should come to light with proper checks and balances.

As to the Lisbon Agenda – although rightly at the top of the Commission's priorities, it can hardly be fully implemented in the absence of overall “constitutional” structures. This Agenda had the great merit of highlighting Europe's backwardness in many innovative areas where future jobs can be sought. But, here again, we are faced by a “go it alone” mentality: individuals, companies and a few countries (notably the smaller-sized) will “implement” the guidelines of the Agenda, but not with “Europe” as a whole in mind. As in the political field, the danger of a multi-speed

economic Union will become apparent as is already shown by different national fiscal rates leading to social and economic "dumping" as termed by some protagonists. It will be an uphill struggle for the Commission to sell this Agenda as a pan-EU product: in order to do so, it must show results on the growth and jobs fronts but most can only be initiated at the national level: a true conundrum!

The absence of an overarching constitutional framework on the euro and the Lisbon Agenda can only complicate the search for solutions.

#### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

Article I-3 on the Union's Objectives in the Constitutional Treaty proclaims that "(2) The Union shall offer its citizens an area of freedom, security and justice without internal frontiers, and an internal market where competition is free and undistorted." This highly liberal economic aim seems to have been lost on many citizens who – challenged by current hardships – also seem to have forgotten that "in liberalism, there is liberty" (Vaclav Havel).

The essential of elected national leaders is to come up with proposals. But, as shown by the EU budget debacle in mid-June 2005, the leaders cannot even agree on political priorities for Europe's future. Current budget proposals fail to reflect today's global economic challenges and will not create scope for new areas of growth and hence jobs. "Revisiting" more seriously the 2003 Sapir Report to the Commission is an urgent task!

#### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

Europe's global role is now seriously challenged. A few points should be highlighted: Two founding Member States are now marginalised in the EU and robbed of their credibility, and there is also de facto "demise" of the Franco-German tandem as the engine of Europe; and for the U.S., the EU is now a weakened and unpredictable partner at the very time when a Bush Administration was reaching out for closer cooperation. The EU as an example to Asia for closer regional integration is damaged for many years to come; and, last but not the least, further EU enlargement to its new neighbours South and East is stalled. A "Fortress Europe" mentality seems to have returned to policy leaders, disguised under the concept of a "peoples' pause", surely not the best way to enhance Europe's global role.

#### **6) How should Europe's 'Great Debate' be conducted, and for how long?**

The Commission's current efforts (especially by Margot Wallström) are a first try to get the message across, but insufficient. Somehow, the feeling lingers on (also within the European Parliament) that the EU institutions have failed to grasp the June message from the citizens which continue to work in a "business as usual" atmosphere. As long as the declared "peoples' pause" is not taken seriously at the national level (where decisions are made), any efforts at the community level will remain counterproductive.



**“The single most urgent issue today is to rebuild confidence in the eurozone, through policies for job-creation, innovation, and coherent economic management. Get this right and other problems will become much easier.”**

▼ **Keith Richardson** was Secretary General of the European Roundtable of Industrialists.

### **1) What are the key issues and priorities to be tackled by Europe's leaders?**

The Union is a ship without a captain, and none of the institutions has any direct link to the engine room. We know exactly where we want to go, to build economic prosperity for all, and achieve a positive influence on world affairs. But leaders will not agree to act and the crew are mutinous. The Constitution would have helped, despite its flaws, but for the moment it is essential to put practical problems first and so rebuild confidence in Europe. The single most urgent issue today is to rebuild confidence in the eurozone, through policies for job-creation, innovation, and coherent economic management. Get this right and other problems will become much easier. I would like to give the same priority to foreign policy, but until Europe finds a common approach to the Transatlantic relationship, that is too elusive a goal.

### **2) How muddled will be the EU's "muddling through"?**

Very muddled indeed - but not more than it was before. The way we govern Europe has been inadequate for years. We all suffer from this, but of course the weak more than the strong. More people are becoming more disaffected by the apparent lack of results, and that hurts us all.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

The eurozone is immensely prosperous. The quality of life is very high. Germany is still the world's biggest exporter. But prosperity does not reach everyone, and there is a feeling that we are all vulnerable to changes in the world economy. There is also great pressure from Anglo-American institutions, financial markets and press to undermine confidence in the euro itself. Lisbon sets a good agenda, but it is too ambitious for agreement among the 25, and the Commission has not the power to push it through. The only people who can tackle this are the governments of the euro countries themselves, and they should put their heads together and work out an action programme of their own.

### **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

The difference is much exaggerated by politicians. The old German model of the social market economy is valid for all, but making it work and adapting it to a changing world is difficult and each country has to make progress as best it can. Unemployment is due (i) to a lack of jobs, of the right kind and in the right places, which depends on innovation and enterprise policies; (ii) to inadequate education, training and retraining; (iii) to the complex interplay between wage levels, tax and social security costs, and unemployment and sickness benefits; (iv) to an unhelpful social infrastructure, such as housing, transport, and child-care; (v) to a lack of motivation related to all the above. The details differ widely, but we could all learn from one another if we pooled our efforts.

## 5) Will the EU's global role fall victim to the collapse of the Constitution?

Union is strength. The Constitution would have helped but not decisively. What drives foreign policy is the degree of political will to act together. That was missing before and is missing today. We cannot dodge the Transatlantic question. American policies have created fear and resentment across the world, to the danger of us all, and that cannot be the right path for the EU. But until our leaders agree to come out from under the American shadow and forge a common European approach then little of value will happen. Maybe a pioneer group of countries could agree to cooperate more closely. Some have taken a lead towards Russia and Iran. But the common approach to China soon faded under external pressure, and towards the Middle East, on our own very doorstep, we are hopelessly divided. It makes a sorry picture.

## 6) How should Europe's 'Great Debate' be conducted, and for how long?

Yes we need a new approach. We cannot go back to the Constitution. But why did it fail? Was it too ambitious or not ambitious enough? It was difficult to read, and with its many compromises difficult to justify. Nobody was passionately in favour. But I see dangers in a great debate unless it can focus on one clear-cut question. Ideally our leaders could produce a simpler version of Part I of the Constitution, with the compromises ironed out, with enabling powers to take care of the details, and agree to present that, with their full and enthusiastic backing in a short but vigorous public debate, to the European voters on one single day. But the underlying question is this: do the people see Europe as a problem which needs to be cut back, or do they want to make it work better and become the solution?



**"We should concentrate on identifying a small number of practical steps ... to be presented and perceived by public opinion as successes of the European process."**

▼ **Baron Philippe de Schoutheete de Tervarent** was for many years Belgium's Permanent Representative to the EU.

## 1) What are the key issues and priorities to be tackled by Europe's leaders?

The way the questions are put seems to imply that what Europe presently needs is a "Great Debate". I have serious doubts about that. The great debate took place in the Convention. It was undoubtedly more democratic (national and European parliamentarians), more transparent (public debates and texts on internet), deeper and broader in scope, sufficiently lengthy and more coherent in the result, than anything which had taken place before. The fact that political leadership, though apparently willing to accept the results, is unwilling or incapable of explaining them to public opinion in a convincing way, does not mean that we should begin a similar exercise again. As far as is feasible in such a complex polity, the Convention did "fashion an updated European project that could command widespread popular support". It definitely clarified (in part 1) the purpose and priorities of the Union. The Constitutional Treaty is far from perfect but I see no way in which that exercise/debate could be done better in the short or medium term. As we have done frequently in the past, we will have for the foreseeable future not to debate but to act, if we can. And hope that one day we will have the type of political leadership, and the requisite economic and political self confidence, to bridge the divide between leaders and public. In the meantime whatever debate we have will not, in my view, be "Great" nor very promising.

## **2) How muddled will be the EU's "muddling through"?**

The EU will muddle through on the basis of the Nice Treaty, which is itself a muddled text. The primary victim is the Union. Not simply because decision-making is more difficult and the structure less efficient, although that is true. But essentially because of lack of trust and lack of thrust. Trust is obviously diminished when Member States do not ratify treaties they have signed after lengthy negotiations. Thrust disappears when governments lose a sense of direction, a will to go forward. This has a particular impact on CFSP (see point 5 below) but is significant also elsewhere, for instance in the inability to agree on financial perspectives. New Member States will suffer more than others because they are more in need of decisions.

## **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

The "No" votes simply confirm a known factor, namely that there is no political entity to back the monetary union. Because they are no more than a confirmation, they should have no lasting impact. The whole debate around the dollar parity is farcical: we wailed when the euro went down, we wailed when it went up and we are now wailing because it is moving back to its initial parity. As for the Lisbon Agenda, so little has been done that it is difficult to see how the "No" votes could have a negative effect. But the Lisbon Agenda relies on a sense of common purpose and on the will to move forward together, singularly absent these days.

## **4) Where is the common ground for agreement between "reformist" Member States and those committed to safeguarding Europe's "social models"?**

I remain to be convinced that there is real sense in the proposed alternative between "reformism" and "social model". What is published in the French press on the Anglo-Saxon model is largely rubbish. Schröder's performance in Germany's elections reflected the fear that electors find him too reformist. When Blair says that his policy record in Britain is not that of an ultra-liberal, he has a point. He forgets to mention however that Thatcher paved the way for him. I believe everybody is striving for "third way" strategies. What is not clear in my mind is what role, if any, the Union can play in that search.

## **5) Will the EU's global role fall victim to the collapse of the Constitution?**

The EU's global role is clearly a potential victim of the collapse of the Constitution. Mechanically because of the non-existence of instruments devised to facilitate that role: foreign minister, diplomatic service, president of the European Council, permanent structured cooperation. More importantly because of the absence of legal personality of the Union (the single most important loss, in my view): how can you have a global role if you cannot sign treaties, sit in organisations, have a diplomatic service because you do not recognise yourself as having legal personality? Even more importantly because of the disappearance of mutual trust: Solana was able to build up his function from zero because he was trusted by ministers, more recently his authority was confirmed by the perspective of his becoming the first foreign minister, the three were able to negotiate on Iranian nuclear activities because they trusted each other and were trusted by the others. Much of that has disappeared. On the other hand the EU's global road is probably one of the sectors in which bits of the treaty could be picked up, because it is obviously supported by public opinion and relies mostly on intergovernmental mechanisms. So I have mixed feelings!

## **6) How should Europe's 'Great Debate' be conducted, and for how long?**

As I have said, I do not believe we are heading for a "Great Debate", nor do I believe that it would prosper if it were tried. I think we should concentrate on identifying a small number of practical steps, possibly in the external fields (and/or financial perspectives), to be presented and perceived by public opinion as successes of the European process and thereby contribute to pulling us out of the quagmire of depression and despondency in which we are sinking.



**“A more integrated economic union is key for fulfilling the Lisbon Strategy objective of boosting Europe’s competitiveness. Restoring Europe’s competitiveness must be the EU’s priority.”**

▼ Yves-Thibault de Silguy is Senior Executive Vice President of Suez in charge of International Affairs and Institutional Relations. He is a former European Commissioner for Economic and Monetary Affairs.

### **1) What are the key issues and priorities to be tackled by Europe’s leaders?**

The French and Dutch “No’s” to the EU Constitutional Treaty have triggered a crisis in the EU of an unprecedented nature and scope. In this difficult context, the EU needs prompt therapies to be put in place. The Commission and the Member governments were right in putting a halt to the ratification process of the EU Constitution. We should take advantage of this break to undertake a reflection over what needs to be done to reconcile EU citizens with the EU project.

EU leaders should adopt the progressive method laid down in the Schuman Declaration of 9 May 1950: “Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity. The coming together of the nations of Europe requires the elimination of the age-old opposition of France and Germany. Any action taken must in the first place concern these two countries.(...) The setting up of this powerful productive unit (of coal and steel), open to all countries willing to take part (...) will lay a true foundation for their economic unification”.

Following this approach, Europe’s leaders should re-launch the European project by concentrating their efforts on the driving force of the EU: the economy. The genius of EU integration was to make national economies so deeply interdependent that no war would ever again be possible between them. I would therefore recommend the EU to try to overcome its crisis by working on an economic initiative, based on the eurozone.

### **2) How muddled will be the EU's "muddling through"?**

The EU as a whole is smarting from the abandonment of the constitutional project. As a consequence of the semi-failure in reforming the institutions through the Nice Treaty, the Convention was convened to complete the reform of the EU’s institutional architecture, because it is no longer suited to the needs of a larger Union.

By falling back on the Nice Treaty, the EU risks facing a bottleneck where major reforms, which still need to be undertaken, will not be carried out. The EU has undergone many crises and has always managed to get through them. However, the nature and scope of this crisis are different. This is the first time that two founding Member States reject, by referendums, a key project for shaping the EU. One might therefore wonder whether the European project, which is only 50 years old, is merely a passing phase in the history of Europe. If this were the case, Europe would return to its dreadful past evils.

### **3) What may be the impact of the "No" votes on the euro and on the Lisbon Agenda?**

The current crisis is not a euro crisis. It is a European crisis. Absurd demands for dropping the euro were raised in the aftermath of the French and Dutch rejections of the Constitutional Treaty. The euro is one of the major achievements of the EU in the past years. The euro is indeed a powerful protection, as it guarantees the stability of prices and low interest rates.

Abandoning the euro would bring about the return to national currencies, which would compete against each other. With no euro, our economies would face speculation, competitive devaluations between national currencies, higher interest rates and higher inflation. This would lead to less growth and more unemployment. The achievement of a monetary union is a real success and we must preserve this 'acquis'. However, the achievement of the economic union is far from being completed. A more integrated economic union is key for fulfilling the Lisbon Strategy objective of boosting Europe's competitiveness. Restoring Europe's competitiveness must be the EU's priority.

The debates during the campaign on the European Constitution revealed that a large part of France's population feels threatened by globalisation and the trend of outsourcing, whether to one of the 10 new Member States, or to countries outside Europe. The EU, and most particularly the euro, is a key asset to make use of to protect EU workers from the negative effect of globalisation. The EU must focus on R&D and innovation to foster growth and jobs, as well as to remain competitive. Moreover, in order to complete the economic union, major structural budgetary and social reforms should be introduced.

Budgetary discipline has to be enhanced, as public deficits of some eurozone members remain significantly high. Reducing public deficits by one point would generate EUR 60 billion per year. Instead of reducing public debts, this money could serve to make the necessary investments in the EU. In addition, clearing public deficits is a positive signal to send to entrepreneurs. They are well aware that, sooner or later, public deficits must be paid off with the help of higher taxes. In terms of social reforms, the demographic challenge of an ageing population has to be addressed too. Labour reforms need to be engaged at national level.

The shelving of the EU Constitution should not impact EU topics presently at stake. There are many legislative proposals that the EU must adopt urgently: REACH, the Software Patents Directive, the Services Directive, and other forthcoming issues which should not be neglected such as Public-Private Partnerships, Climate Change, Energy Efficiency and Energy Security of Supply, Environmental Thematic Strategies, etc.

## **5) Will the EU's global role fall victim to the collapse of the Constitution?**

Europe has a leading role to play at international level. Its strength is to speak as a single voice on trade-related issues within the WTO. A European defence is slowly but surely emerging. However, there is still room for improvement on external relations.

## **6) How should Europe's 'Great Debate' be conducted, and for how long?**

An effort has to be made to communicate about and explain Europe. It is the duty of the EU's governments and institutions to demonstrate that they have understood the message that the French, Dutch and other citizens in other countries have sent them. There is a lack of understanding on the part of EU citizens regarding what the EU has brought to their daily lives.

Europe suffers from a three-fold deficiency:

- 1) A knowledge gap: in May 2004, a Eurobarometer poll revealed that only 44% of the French population knew when the European Parliament's elections were to take place;
- 2) A lack of notoriety: everything which is wrong is due to "Brussels" while everything which is positive is a consequence of the governments' actions. Europe is made by and for Member States.
- 3) A lack of clarity: Europe has become a matter for specialists.

Therefore, the first initiative to start with is to communicate about and explain key issues which have raised doubts in people's minds: the enlargement, the internal market and the euro.

Secondly, on a longer-term basis, we need to educate people about EU citizenship. Instead of remaining at a theoretical level, one has to demonstrate the practical consequences of the EU on people's daily lives. There are many examples of successes and great achievements which

find their origin at EU level. Airbus or the competitiveness of our agriculture are two examples to cite among others.

Finally, we must communicate more clearly about Europe and its successes. Time is our best ally. Europeans have not had enough time to integrate recent changes: the enlargement of the EU with 10 new countries, and more to come - including perhaps Turkey, combined with the fear of globalisation, as well as the adoption of an EU Constitution. My own experience with the launch of the euro has proved successful. By adopting a progressive, step-by-step approach, it took us not less than 6 years before the euro was in EU citizens' purses in 2001. The communication campaign was initiated in 1996, the switch to the single currency took place in 1999, before euro coins and bank notes were officially launched in 2001. For issues of importance, the role of the European Commission should be to produce guidelines and toolboxes with key messages and documentation, leaving national and local stakeholders to communicate on the ground.

The French government is responsible for concretely communicating about the direct benefits of being part of the EU, as are all governments. There is a general tendency to attribute successes and good news to the governments' actions and failures and bad news to the "far away bureaucratic Brussels". We must stop pretending Europe is a matter for specialists or even technocrats. I would suggest introducing reforms in the way EU affairs are dealt with in France. In my opinion, there should be a strong and stand alone Ministry of EU affairs, gathering different services which, at the moment, are spread between the Foreign Office and the EU Coordination Secretariat. Each Ministry should have an EU affairs unit. Finally, I would recommend the EU Minister organises regular monthly meetings with representatives of professional organisations.



**"EU foreign policy was not the reason they voted against the treaty."**

▼ **Javier Solana** is the EU's High Representative for the Common Foreign and Security Policy. He was previously Secretary General of NATO and before that Spain's Minister of Foreign Affairs.

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## 2) How muddled will be the EU's "muddling through"?

It is true that the "No's" of France and the Netherlands are a serious setback for Europe. The reasons for that negative outcome are numerous, and it would certainly be instructive to reflect on that, and from there to decide whether to rewrite it or not, go back to it or not.

As far as EU foreign policy is concerned, the most striking aspect is the general political climate that has been revealed. We are now entering a fundamental debate: what tasks do we want the E.U to perform, or not to perform? Whatever the precise motives of the "No" voters, EU foreign policy was not the reason they voted against the treaty. There is widespread and solid support for a stronger EU presence on the international stage.

The important thing is to avoid a mismatch between the crime and the punishment; the crime being the perception of a disconnect between citizens' concerns and Brussels decision-making, and the punishment being the loss of the institutional improvements in the EU's ability to take decisions in the area of foreign and security policy which the Constitution would have brought.



### **5) Will the EU's global role fall victim to the collapse of the Constitution?**

The EU's role will not fall victim to the collapse of the constitution. As long as there is a political will, and there is one, the EU will keep on fully playing its role. It will, as it has since the Nice Treaty, find arrangements and move on, small step by small step. Since the votes in France and the Netherlands, we have been extremely active around the world, from Gaza to Aceh, from Darfur to Transdniestria, drawing on existing instruments and arrangements. That is what the public wants us to do and that is what we are going to continue to do.

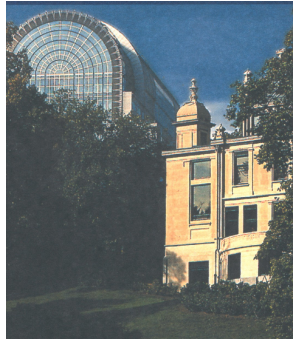
Yet, even if there is no doubt about the political will, we should not take it for granted. Any positive input would be more than welcome.

### **6) How should Europe's 'Great Debate' be conducted, and for how long?**

The 'Great Debate' should be conducted amongst the Member States and the wider public. Over the last five years, a lot of progress has been made in many areas, including foreign policy. Weaknesses have been identified and are now being taken care of. Member States are keen on strengthening foreign policy collaboration and, above all, the population wants a more coherent EU foreign policy. Let us not talk ourselves down. We have a good record and wherever I go around the world, there is a clear demand for a stronger European engagement.



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