

**“European Challenges
And the
Lisbon Treaty”**

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European Challenges and the Lisbon Treaty

Can the European Union make a new start?

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I want to thank the ... and Mr. Pöhl for the ...
Center for Intern. Business ...
... to address ...
... agreement

The crisis that has been affecting the European Union for years reflects a broader social and political crisis that can be overcome, though not only by an agreement on the future shape of Europe, such as the new treaty that has already been adopted. It also demands a new approach to the political, economic and social problems facing the Union.

The countries that founded the European Economic Community in 1957 had a joint plan. The most obvious weakness of the Union today is the lack of any such plan. The European Union is looking for answers to many basic questions in society, from how we can jointly combat employment and social inequities to what role we want Europe to assume in the new global era. There is no organized discussion of those issues at the European level. In each member state, people assume that the issues concern only their own country. Despite the existence of the Union, which is a means of mastering the issues that trouble us, we live in a time of unprecedented fragmentation of perceptions and aims concerning the way we want to shape the future of our societies.

The internal workings of the European Union, the institutions and processes of European co-operation that comprised what was known as the **community model**, have seen significant achievements during the European Union's fifty-year existence: customs union, the single market, economic and monetary union, joint policies, and successive phases of enlargement which brought in new member states. This model functions in quasi-automatic mode. Each stage in the evolution of the European edifice impels a movement to the next stage, necessitating a further aim.

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Political leaders and leading groups in society focus their efforts on working with the existing regime of inter-governmental co-operation to shape each new developmental stage in line with their priorities and concerns. Those priorities and concerns are by no means random but are determined by economic expediency, aims and objectives.

Constant mobility helps the system overcome the difficulties that arise in the absence of a single view of the basic aims of its development, whether it is aiming at a single state, federation, increasingly close inter-governmental co-operation or merely a single market. This mobility is accelerated by relinquishing the vital precondition for a political union – the creation of a common European identity. Some see the present lack of clarity as deliberate. They do not want co-operation to extend beyond the creation of the preconditions for a single market, despite all the rhetoric about European unification.

The community model is still necessary, but it is not sufficient. The evolution of European integration is marked by successive transfers of national sovereignty to the Union, and the shaping of a complex system made up of abdications from the exercise of national policy and of obligations to shape new joint European policy. The response by member states to this has been uneven. They comply more readily with decisions taken to relinquish protective measures, for example, but are **unable** to formulate or advance effective policies that would grant the Union discretionary powers to take initiatives. Typical examples of this are the stalled Lisbon strategy and the incomplete Eurozone.

A similar weakness is evident in the Union's attempt to define itself adequately in the global system. The energy problem, climate change, the

global realignment of economic and productive power through the strengthening of China and Russia's comeback, the influx of migrants from Africa and Asia, the accentuation of cultural differences due to minorities, the emergence of new inequalities, humanitarian crises in many parts of the world, and insecurity and threats from various sources, are among the issues that require effective responses. Often, however, the Union either cannot respond or is slow to respond, because its present structure does not permit quick decisions and fast action. This structure was appropriate in an era when the free market was practically the only issue the Union had to deal with at the global level. That era is now a thing of the past.

The comfort derived by many members from the idea that US hegemony was sufficient to avert crises and play a decisive role has also proved utopian. The world is too complex, there are too many poles of power, and the dynamics of development and under-development are too complicated to be arbitrated successfully by one superpower. More players with their own networks, different approaches, and complementary abilities are needed so as to achieve the balance necessary for peace. The Union is one such player. It cannot react in a manner that does not do justice to this role, or which aggravates both its own difficulties and those of its member states. It must change.

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Any kind of change is rendered more difficult by the insufficient democratic legitimacy of Union bodies. The lack of a direct relationship between those bodies and the people of Europe deprives the former of the pressure that would lead to rapid reactions and policies that satisfy society's requirements. This shortcoming becomes increasingly apparent, as new issues are open to more than one response.

Democratic legitimacy would not only exert pressure for more effective decision-making, it would also inevitably foster the awareness people have of the need to adapt, to understand the other and what is different, and the imperative of solidarity within and beyond national borders. It would facilitate the process of making decisions that are often suspended for fear of the political cost from supporters either of unfettered neo-liberalism or of retaining the nation state in its present form.

A basic problem for democracy is the relation of any given country to the ^asupranational co-operative bodies to which it belongs.

The constitutions of all European Union member states are subject to restrictions on the exercise of national sovereignty and permit the transfer of responsibilities to supranational bodies. What happens in the EU-member state relationship is in accordance with the member states' constitutions and is not a limitation of democratic rights. Nevertheless there is a widely held view that unauthorised third parties make decisions for the people, who themselves have no way of influencing what happens in Brussels. Indeed, many believe that there is less democracy in the Union than in their own country.

Accession to supranational bodies has not only increased the distance between the new power and the people. Many member states already operate differently from what has been constitutionally laid down and established. The correlation between executive and parliamentary power has changed in favour of the former. It negotiates with the Union over ^adirectives, regulations, decisions and the distribution of funds. Parliaments in many Union countries are ill informed and have limited

participation inⁱⁿ forming relations. If they were constantly involved, their slow procedures and confrontational mode of operation would make it impossible for the government of the day to negotiate. ^{with the union} The public observe, however, that in issues that are crucial for them, such as agricultural funding, their representatives have no say.

Problems of democracy also arise, and to a great degree, at the supranational level. Despite the joint decision-making procedure, the European Parliament does not operate like national law-making bodies do. The European Commission is not a government elected by the citizens of Europe. The decision-making process in the Council, which represents the member states, is not always transparent and the larger states have greater influence. The inadequacy of the institutions leads to dysfunction.

There is no easy solution to these problems. Democracy in the Union cannot be guaranteed by the models and rules that apply in the member states. The Union was formed in stages that did not always follow a coherent vision. For many people, the aim is to create a single European state that will replace the national states. Others do not accept this. Their aim is European co-operation without abolishing the status of individual member and without obliterating national identities – confederation, in other words. The European practice of member states has usually assumed the form of inter-governmental co-operation. The states aim at arrangements and regulations that ensure that the Union and its members operate together in agreed-upon frameworks. They do not accept unifying initiatives that would make the Union an autonomous pole of power. The Union has evolved an unusual format during its fifty years of existence. The member states are autonomous, but they also function together both

at the national and the supranational level on the basis of agreed rules of co-governance.

At the same time, however, new forms of co-operation, which are not part of the federal concept or the inter-governmental approach, are being formed. The regional states of northern Germany are developing common action with Denmark. Belgium and Luxembourg promote unity beyond what the treaties stipulate through the co-operation of their social agencies. European universities create common operating rules on their own initiative. The individual state is ceasing to be the fundamental element in these solutions, solutions that are implemented by authorities that represent different territorial entities and spheres of action. Thus post-national reality has already led to 'multi-layered governance' in a supranational context that goes beyond the usual rules of hierarchy and co-operation. This new form of governance shows how unification can be achieved in ways that go beyond traditional constitutional processes, when developments make co-operation necessary.

The above observations answer the question of whether institutional reforms can be determined immediately to remove the Union's democratic deficit. As long as we do not know what rules the integration process is following and where we want it to go, we cannot make any realistic attempt now to determine what shape governmental power will eventually take in the Union. It will take time. The transfer of responsibilities from the national state to a supranational body, with the change in the territorial scale of power and the obligatory quest for new ways of exercising policy and governance, entail an indefinite period of institutional realignment and social and political tensions. It also means that, while co-operation among European states keeps acquiring new

forms with their own constantly changing rules, since established constitutional and political formulae do not suit current events, the outcome will be something new. The fact that the end has not been determined in advance does not mean, however, that no opinion is possible on what format would be most advisable. Nor does uncertainty about the future mean postponing efforts to keep improving the quality of democracy. In fact such efforts are imperative.

Experience has shown that the future evolution of the Union will be marked by the retreat of individual states and the emergence of centralized power in Brussels ~~and its regional collaborations~~. The lever for this process will continue to be the Union's central bureaucracy, the mechanism that foregrounds and formulates the common interests of the member states. Its field of action will be determined by loose inter-governmental collaboration agreements that are made periodically. This new centre will generate its own autonomy. The more responsibilities it acquires, the more independent it will become.

EU bureaucracy and inter-governmental collaboration see technocratic issues as the responsibility of administrative mechanisms and the territory of experts. The prime concern for EU employees is to find compromises to meet the wishes of the member states, and often divergent and contradictory national preferences. De-politicisation is seen to be advisable because it allows for the easy achievement of balances. This stance, however, does not favour public dialogue.

Bolstering democracy requires precisely that – emphasising the political dimension, free public debate, the discussion of problems in a forum for political dialogue that is open to all. National forums must make their

concern to discuss common issues and make them their own. That will ensure information for all, transparency, control and accountability. A European public forum is the way to reduce the democratic deficit.

The creation of this forum is the task of forces that want a strong, democratic Europe. They must pursue it systematically and discuss the Union's issues in all countries at the same time so as to formulate common policies. Proposals for such joint action have been made, such as for a pan-European referendum on the acceptance of the draft constitution, and for the election of the president of the European Commission by the European Parliament.

Sweden

These proposals have met the strenuous opposition of member states that do not want to go beyond the framework of inter-governmental co-operation and fear any constraints on their own autonomy. But the consolidation of democracy at a supranational level necessitates searching for and exercising new forms of co-operation that respond to the new conditions of post-national reality.

Democratic governance arose in nation states when a political community was formed on their territory through public debate. This made people aware of their common interests and how to defend them. Thus, in the Union too, public agreement on forming a basis for solidarity among its peoples will help build jointly acceptable institutions and democratic processes at the supranational level. It will ensure new forms of democratic governance in the post-national world.

The view that opposes the creation of a European forum and supports loose inter-governmental co-operation overlooks the fact that the Union is

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According to Article 8b for example the institutions of the Union shall by appropriate means, give citizens and representative associations the opportunity to make known and publicly exchange their views in all areas of Union action. ←

According to Article 3: Every citizen shall have the right to participate in the democratic life of the Union.

Decisions shall be taken as openly and as closely as possible to the citizen.

These ~~are~~ ^{Articles establish} theoretical rights and opportunities. But the acceptance of the principle means that public debate can be initiated in all areas of Union action.

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of a public exchange of views.

at a crucial stage in its history, as are the nation states. It is already facing issues on a scale that cannot be dealt with by existing co-ordination and agreement mechanisms. The problems go beyond the sum of national abilities and demand a different dynamic.

Instituting public debate on European policy throughout the Union will also help clarify the aims of the unification project and determine the institutional shape of Europe. Public debate is a motivating force for uniting expectations and perceptions at the European level, for making common interests apparent and shaping a collective identity beyond the borders of the member states – a European political community, a European *demos*.

The new treaty is an important step towards reducing the democratic deficit through the provisions in the chapter on democratic principles. Those principles are formulated and applied to a series of special provisions that relate to the Union's institutions and procedural functions and lay the way for the formation of a system that is more open to public debate on Union policies.

This is also important for the formation of a joint plan for the future of Europe. The new treaty does not describe it. That is because the 27 members of the Union and their societies are unable to agree on the planning of a political venture for the coming decades, such as that which took place in the 1980s on the Single Market and in the 1990s on EMU. Hence the issue of which direction the Union will develop in has remained in abeyance.

Economic and Monetary Union

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The new treaty does, however, succeed in tackling another major weakness of the Union – its ineffectiveness. By means of extensive reforms to the structure, operation and decision-making processes of its institutions, it enhances their effectiveness and creates the conditions for new mobility and dynamism.

But the expectations of the public are not confined to the implementation of institutional reforms as stipulated by the new treaty. They also concern the shortcomings of policies that affect their vital interests. Given that the national state cannot provide solutions in the present day, it is understandable that the supranational entity that was created to control developments will be blamed for any failure to deal with problems.

The new treaty certainly demonstrates that the partners are fully aware of the challenges facing the Union. The values, principles and objectives that are mentioned in the general provisions take a progressive political line and contain some visionary elements. They indicate the Union's intention of responding to the anxieties and expectations of its people. But their translation into specific ways, means, and procedures for dealing effectively with problems is uneven. Hence, while progress in some areas will stem from the provisions of the treaty itself, in others it will depend almost exclusively on the decisions of inter-governmental cooperation. The new treaty could not respond to the demand for a full, and balanced attempt to deepen the Union's policies. The public will have to wait to see whether there is any progress and if the Union responds to their demands.

It is true that many members of the public do not readily agree that Europe should play an important part in ~~its~~ developments. The majority

believe^{ai} that what goes on beyond their country's borders, even when vital ^{ai} interests of ~~their~~ citizens are concerned, can and should be handled by the ^{ai} individual ~~state~~. This view is outdated. It does not even apply in bilateral ^{ai} or regional crises. In the case of Greece, examples include the issues of Cyprus, FYROM, Kosovo, the Kurds and Israel-Palestine. Viable solutions are possible only at the supranational level, either of the Union ^{oc} or of the international community. ⁺

But the problems do not only concern borders and bilateral relations. Issues of security, prosperity and survival ^{ai} plague the planet. The spread of nuclear weapons, terrorism, environmental threats, the gloomy outlook in the energy sector, rapid demographic changes, religious rivalry, and the suppression of human rights, all have repercussions far beyond their initial sources and ^{have an impact} ~~impinge everywhere~~ on everyday life. ^v

~~Here I want to focus on the role and responsibilities of Europe.~~ Public opinion overwhelmingly holds that the Union has always been slow to respond to new global challenges, and it has censured its lack of effectiveness in major crises. ^ε

The new treaty envisages the Union as a highly outward-looking entity on the international stage. It details the objectives, means and procedures of its policy, and strengthens the role of its High Representative with the power to perform duties equivalent to that of a foreign minister for the Union. In doing so, it shapes a framework for a common policy on foreign affairs, security and defence, and it creates the conditions for the Union to emerge as a leading player in a multi-centric international system. But there are limits to what ^{the Union} ~~it~~ can do, limits determined by the inter-governmental nature of the Union. The new treaty leaves open for

the future the possibility of lack of agreement and of weak compromises that cannot be transformed into effective political intervention. For example, Declarations 30 and 31 ^{concerning the common foreign and security policy} emphasise that the policies of the Union do not affect the corresponding policies of the member states on foreign affairs, defence and security. ^{This means that} On crucial issues it is the 27, not the Union, that will decide, ~~in accordance with statutory goals~~. In the end (is it) they who will decide on the extent to which the new treaty responds to the challenges Europe faces in the international arena. ✓ +

The new treaty takes a big step towards creating an area of freedom, security and justice in Europe. It sets the framework for the principles and goals of the Union's policy, as well as setting up institutions and procedures for policies on border controls, ^{at} granting asylum, reception of migrants and co-operation of judicial and police authorities. Thus it creates greater security for people in their everyday lives, ^{On} ~~but there are~~ other dimensions to the problem, ^{however,} ~~on which~~ the treaty is more reticent.

^{for example} The social state cannot respond fairly to the needs of migrants, and when it does so, it diverts funds from the reception communities, which suffer, become discontented, and denounce the shortcomings of Europe's social policy. At the same time, ethnocentric perceptions and harmful phobias about migrants are rife in many societies. However, the Union is unable to prevent the illegal entry of people, mainly on its southern and eastern flanks. All these issues need new and better responses. Matters cannot be left, as they are now, to *ad hoc* responses by individual member states.

The new treaty is less detailed in other areas than it is on security. Nonetheless, it does pave the way for planning and implementing policies

to tackle contemporary challenges, such as the crucial issues of climate change, energy, research, technology and tourism.

It is apparent that agreement could not be reached on making new treaty exert pressure for the completion of EMU and achieving an economic union equivalent to the currency union. It was not possible to improve that aspect of economic governance.

The same goes for social Europe, though one must not underestimate the recommendations in the new treaty for full employment, social progress, social justice and protection, gender equality, cross-generational solidarity, child protection, social cohesion and solidarity among member states. However, this raises the question of how, and how far, general guidelines will be put into practice.

Some issues will remain on the agenda of public debate and Union institutions for years to come. For instance, in order to strengthen the European economy, is it sufficient to improve the Lisbon strategy or should it be completely overhauled? How can we maximise the effort to make our economies competitive on the global stage without ~~indirect~~ affecting the social state? ~~Is a cohesive society a necessary condition of the process? Should surplus wealth primarily support entrepreneurship or should it be redistributed, and if so, to what extent and to whom?~~ How should responsibility for social policies be shared between the Union and member states? Should attempts be directed at the survival of the existing European social model or at its redefinition with new features and goals? Finding answers to these questions is the major challenge for the future of the Union and for ensuring its credibility in the eyes of the public.

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Political union along the lines of a federal European Union is not timely.

The new treaty not only retains the ~~character~~ of inter-governmental co-operation, ^{as the main feature of the Union} but ~~numerous objections, national ambitions and fears concerning the new co-existence of the 27 member states, together with a general lack of trust, accentuated divisive forces,~~ ^{but comprises an} This gave rise to an

~~unprecedented~~ number of amendments, derogations and opt-outs ~~in the history of the European Union,~~ ^{a result of numerous objections, national ambitions and fears concerning the co-existence of 27 member states.}

The current picture presages that implementation of the treaty will lead to a multi-speed and multi-level ^{development} ~~completion,~~ even though that was not the primary aim of the 27. Indicatively, the treaty consolidates two tracks towards participation in the Eurozone. ^{therefore} It is vital for the Union to show that it can ~~rein in~~ ^{rein in} divisive tendencies and achieve the greatest possible convergence of the 27.

The solutions that arise from the new treaty will sometimes prove viable and sometimes evolve, like those of former treaties. Under pressure from socio-economic change, the Union will continue to seek new forms of organization, combining the inter-governmental and federal approaches. There is little time left for new quests and balances ^{as} the dimensions of the problems grow and their management requires solid and durable forms of co-operation. ^{For example} The need to adapt the operation of the European Central Bank to a policy of development for Europe as laid out by Ecofin-^{the} Council is already apparent. The Union will thus gradually acquire its ^u definitive shape on the basis of the ongoing problems it has to handle. EMU is ^{The Economic and Monetary Union} evidence of that.

It is possible to conclude ^f that even though the new treaty does not take the bold steps in the direction of a more powerful, more united Europe

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that many had expected, it does pave the way. It prescribes new, advanced policies on crucial issues that concern the vital interests of our societies. The great challenge for the future leaders of the Union and its member states is how to make the most of them, how to maximise their benefits for the people, how to achieve more prosperous and cohesive societies in a more powerful and effective Europe.

Thank you

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