

“Giving Globalisation a European Face”
By L'Esprit de Sel Group

Europe and the pace of change

Just as Petro-China was taking over from Exxon the laurels of the highest market capitalization in the world, the US banking jewels were up for grabs by Arab and Chinese sovereign funds and Tata Motors of India made bid for Jaguar and Landrover, the leaders of the European Union (EU) gathered last year to resuscitate their new Treaty. Most of them realized that the process they were concluding was indispensable, although not sufficient to prepare Europe for globalization. The pace of change has been overwhelming and put much of the EU agenda in a new context. Developments at the stock exchange have not been the only place where this is evident. An illustrative example is also provided by the rising food prices and the assumption that Europe will face a food shortage rather than a surplus if the current policies continue. This means a dramatic turn-around in our assessments. The reaction to these circumstances has been as important as the circumstances themselves. The Federal Reserve and the European central banks have been rightly hailed for preventing the catastrophic domino type of implications of the credit-crunch crisis. The dramatic rise in food prices has not met with a similar sense of precision guidance, be it for the reason of policy disagreements or for a more disjointed set of actors who make key decisions on the issue. A new science of political kinetics is emerging to study the effects of change and our reactions to it.

In this context, the European Union has entered the period of “intuitive leadership”. Its political leaders make decisions on the basis of the status quo or its linear projections rather than dynamically changing scenarios. Too often, Europe is reacting rather than anticipating. As a result, the management system in Europe is not sufficient to produce the expected outcomes. There are never-ending discussions on some issues and none on others. The question of leadership is open although some heads of state and government have made interesting attempts to fill that void. Comprehensive strategic thinking is missing. Ways have to be designed to put pressure on the system to start acting. A number of policies, including the Common Agricultural Policy, have been designed when the EU was an inward-looking project aimed at ensuring stability and prosperity for its members. They now have to be reviewed to take account of the EU’s growing engagement in the ever more interdependent world.

Not being a state is an asset for Europe. The Union can be more flexible and adaptable without the constraints of the classical political system. Europe is a post-modern power which is at greater ease than the nation-states pursuing the policy agenda to prepare a highly interdependent world for a more uncertain future. The citizens now expect the EU to manage globalization. If the EU had not been there already for that purpose, it would have to be invented. Climate change is an example of a policy area which made enormous advances in an extremely short time to the surprise of many and where Europe has been able to take the lead. However, the jury is still out on whether it will deliver on its own commitments and contribute to a successful conclusion of the international climate negotiations in Copenhagen in 2009.

There is also the need for a narrative which combines the different strands of discussion about the EU's tasks and capacities. Clearly, although the European political discourse eagerly reiterates the EU's non-state characteristics, this does not make it easier to discuss its objectives and mission. In order to unleash new dynamism the EU and its members do not have to arrive at a common understanding about Europe's ultimate finalité. Due to the conceptual schism among member states such a debate would currently be counter-productive. Mutual mistrust would increase, and there would be paralysis instead of action. What Europe needs more urgently than finality debates is a convincing formula to explain the ongoing need for European cooperation and integration. Europe needs a plain answer to a simple question. What do we need the EU for in the future – beyond the preservation of what has already been achieved? Part of the answer is about doing things that member states cannot do themselves. However, a more powerful mobilizing framework is needed if the EU is to continue inspiring its citizens and political elites.

Recommendation: The European Union should structurally ask itself the “now + 20/50 years” question. Just as impact assessments are made for legislative proposals which provide feedback on the immediate consequences of new initiatives, the EU should always ask itself what the impact of its policies will be in the medium to long term. As the institutional changes of the Treaty of Lisbon are implemented, the EU should create a permanent Strategy Group advising both the European Council and the Commission on the main policy priorities from the horizon of the next 20-50 years, providing for an early-warning system on the approaching challenges. Both institutions should regularly discuss future strategy with the European Parliament. The primary function of the General Affairs Council ought to be to provide forward-looking

planning. Informal European Councils along the model of the Hampton Court summit in October 2005 should be organized in a regular fashion. This will help European politics become anticipatory, rather than reactive. The idea of creating European political foundations will be a useful avenue in that process.

A more political Europe

The Constitutional Treaty was based on the assumption of a pressing need for Europe to appeal to its citizens. The sobering Treaty of Lisbon focuses instead on improving the functioning of the institutions. Yet, issues such as the size of the Commission or the voting rights in the Council are sleeping pills for the citizens and have little direct relevance to them. Hence there has to be careful reflection on what and how to communicate with citizens. The competence battle is one of the curses of the EU. Capacity rather than competence should be the centre of gravity of the European debate. The treaty method of integration is still valid but it has to be reformed. It is valid because the EU is a contract between the Member States and increasingly between the citizens as well. As such it needs to be up-dated and modernized. Efforts undertaken exclusively on the basis of the political will not be enough. They are bound to be fragile and exposed to political cycles. We need more stable points of reference although not ones which are cast in stone. This is more necessary in the club of twenty seven than it was in the club of six, even though the EU is still perceived more as a process than a project. The future European treaties may well be more policy-specific, rather than comprehensive. This could in a way be a return to the roots of the process with the European Coal and Steel Community as well as the Euratom. It would enable progress to be achieved in areas such as energy & climate change without reopening the whole political and institutional equilibrium. Given the unlikely recourse to treaty change in the immediate future, policy development on the basis of the existing institutional and legal framework will be crucial, with a prominent role of the European Parliament.

It may also be necessary to rethink the process of treaty change. We will increasingly find it difficult to stick to the old model and risk that another "no" in a very small number of EU member states can again stop the ratification process. A new procedure may be necessary which would allow for more flexibility, to be agreed when the EU enters the venture of the next treaty reform, independent of whether this will be a comprehensive one or a

sector-specific one (although needless to say most sector-specific issues have also wider implications).

Politicisation is one of the key issues for the future. It should be understood as the channelling of the political debate in the EU around the lines known from the domestic discourse and helping the citizens to identify policy alternatives on key issues and those who incarnate them. The democratic challenge is there since the elite-driven process has reached its limits. Politicisation will create problems but it is the only way to improve the ownership of European policy-making.

The impact of globalization means that ordinary citizens have found themselves stuck between populism and nationalism. 50 percent of the Europeans asked in the *Euro-barometer* poll think that the EU is a good thing. It is "only" 50 percent and not "as many as" 50 percent. The practice of democracy at the EU and state level needs to be looked at. A political system lives from the clash of colliding arguments, which is the essence of politics. The EU is structurally oriented toward consensus. Competing ideas and concepts are not sufficiently presented and discussed on either the European or the national level. As a result there is neither a public nor a media-driven opinion-forming process about European issues. The EU must ensure that citizens enjoy greater democratic participation. Europe lacks resilient political debates about the content of EU policy. Among citizens "Brussels" is deemed to be a bureaucratic centre, not a centre of political activity. This perception springs above all from the fact that the principle of opposition, the dialectics of political discourse, and the personalization of political conflict play a minimal role in the EU's political system. The exaggerated craving for harmony when it comes to Europe is out-dated. The progressive politicization of European policymaking is an overdue step toward political maturity. After 50 years the EU has reached a degree of inner maturity that makes it possible to view differences of opinion, divergent interest and conflicting goals as evidence of vitality and not as an existential threat. A higher degree of politicization will rekindle the interest of the electorate in Europe as a political entity. Politicians on the national and the European levels would be forced to conduct debates on European policy issues with their voters. A greater degree of politicization makes it imperative to dramatize European elections.

At the same time we should never forget the larger picture. We need to keep in mind what is the nature of the political project. Some speak about

having citizens on board by defining the borders of Europe but this is putting the cart before the horse. If we do not know what kind of Europe we are building, we can enlarge endlessly and it would not matter. We need to convince the citizens that there are things in which the EU is good. We need to legitimize the way the European Council arrives at its decisions and the European Commission at its initiatives. It is not only legitimacy of big decisions but also everyday business which counts. The FT/Harris poll on what the Europeans expect the EU to do pointed out on 17 June 2007 that is environmental field 72%, energy 69%, fighting crime 67%, security 64%, social policy 58%, economy 54%, foreign policy 49%, EU army 38%. This data can serve as a point of reference although it should be made clear that politicization is meant to provide more informed avenues of expression for citizen preferences.

It may well be that the future political dynamic will come less from institutions and governments and more from networks of citizens, civil society organisations and businesses. The importance of networks and projects is only likely to grow further. The EU should create new avenues for that potential to be exploited.

Recommendations: Politicization remains one of the key ways for making more out of the European Union. In order to do so, structural limits need to be overcome which have to do with the EU's initial design as a primarily intergovernmental locus of cooperation. Politicization of the EU must mean citizen participation in a democratic process with recognized political options. In order to make it operational, the European public space needs to be actively supported by the format of the public consultation process on new and forthcoming legislation. National parliaments should see their enhanced role in the EU decision-making system as an opportunity to contribute to the process and not as invitation to withhold its progress. The parliaments should become responsible for national consultation platforms mobilizing local politicians and interest groups. Representations of the European Commission in the Member States should become involved in this process.

It is vital to ensure that the 2009 elections to the European Parliament consolidate the European democracy. In order to achieve that goal, European political parties should agree on a common electoral programme and top candidates for the post of the President of the European Commission. Single procedures for elections to the European Parliament should be introduced across the Member States to help enhance its

accountability. Debates should be organized between candidates for the post of the President of the European Council.

Growing with a cause

Enlargement is the EU's biggest success story. A great majority of the current Member States were not there at the outset when European integration was conceived. They have all been beneficiaries of the enlargement process, together as a matter of fact with the six founders. EU membership continues to have an almost irresistible appeal to potential new candidates such as Ukraine. What is more important is that the rationale for enlargement is changing fast as globalization and developments in Europe's proximity force a reorientation of the Union's strategic priorities. The enlargement paradigm needs to be broadened as a result. If the EU wants to make a conscious choice to engage in the global exercise, it must look beyond the legacy of the past enlargements. It must internalize the fact that Turkey's possible membership might have a stronger demonstrative impact on the Muslim world than millions of euros spent on democracy and human rights projects. In addition, Europe's proximity is no longer only its own. The emerging powers are increasingly anxious to strengthen their presence in the neighbouring countries to our South and East. De-demonising enlargement policy has to be part of Europe's response to this growing phenomenon. At the same time, stock needs to be taken before the EU proceeds further. Enlargement is about much more than just letting countries in. It is about shared values and a common locus of belonging.

Effects of enlargement are very important. Countries change because they want that for themselves while our thinking about enlargement is too static. It needs to be studied what capacity the EU will have to have in 2020 with respect to enlargement. It is clear that the consolidation of internal structures and decision-making procedures will be necessary as well as an enlargement-oriented review of the EU budget and key policies. The future deal with Turkey should be unpacked to present more clearly what is at stake. Linkage between institutional reform and enlargement has to be preserved.

An attempt to once and for all define the borders of the European Union would be politically unwise. The possibility of joining the EU should in principle remain open to all European countries even if the prospect of joining the Union in many cases might still be very distant or even indefinite. For most

countries in the geographic vicinity of the Union the prospect of EU membership provides an important impetus for the initiation or continuation of the political, economic and social transformation process towards democracy and market economy. Excluding the long-term perspective of enlarging even beyond the Western Balkans would provoke suspicions and negative reactions in the partner countries and thus limit the potentials to constructively tie neighbouring states closer to the Union. A denial of the membership perspective would reduce the EU's capacity to function as an external anchor for stabilization and development in Eastern and South-eastern Europe. The Union would be less able to impose conditionality and thus lose the capacity to influence the overall political orientation and the transformation process in its direct European neighbourhood.

It is very likely that the new member states will join a far more differentiated entity than in the past. As a consequence, they might not join every field of closer cooperation right from the outset. The euro and Schengen cooperation were examples of this dynamic in the past. In the future, one might have even more fields of cooperation in which only a limited number of "old" EU members cooperate/participate. And the legal and political acquis adopted in the course of this cooperation might in many cases be only binding for the participating countries. Since the acquis adopted in an enhanced cooperation would not be binding for the new member states, they would not "automatically" join such projects. The more differentiated Europe becomes the more we will witness forms of flexible membership. However, if the new entrants are eager to get rid of the limitations on their membership, they should be able to do so. Thus, flexible membership would not be a permanent thing, but rather an intermediate step toward a full membership – provided that the respective states are able and willing to do what is needed to join.

Recommendations: The European Union should preserve the "constructive ambiguity" of the enlargement process by means of which all European countries may become members, even if "European" is defined through the prism of historical and cultural ties rather than geography. Europe's transformative power remains a powerful instrument of generating democratic change. However, Europe needs to decide why it is that it wants to enlarge. This has to be a conscious decision. Globalization provides for a new context in which EU enlargement should be seen in terms of Europe's necessary response rather than a challenge. The concept of flexible

membership should be de-dramatised since the future European Union will in any case be a more differentiated one. However, flexible membership should not undermine the essential cohesion of the EU.

The Sustainability and Solidarity Imperative

The European Union has just launched a policy package which may well be compared to the single market, the common currency or enlargement. The set of proposals on energy and climate change which originated in the decisions of the March 2007 European Council and were spelt out in detail by the European Commission on 23 January of this year represent one of the most ambitious initiatives ever undertaken by the EU. Uniquely, it is driven not by a desire for instant benefits but by concern over the threat scenario which may lead Europe and the world to be extremely vulnerable in the face of unavoidable change. The impact of the 2007-2008 package is not yet well understood and internalized. It needs to be if it is to succeed. The selection of instruments to address climate change is not subject of a consensus which affects the distribution of burden among Member States and may undermine Europe's determination to maintain the high level of ambition in the area.

In an unprecedented way, the sustainability policy enjoys enormous support of the public. 85 percent of the Europeans are in favour of the carbon trading system in a Eurobarometer poll. It is the only policy which attracts such a strong public backing. Irrespectively of whether this support is maintained, sustainability will be the guiding feature in the EU for years to come. It has to be defined more broadly to include not just the environment but also social systems and the realities of growing labour markets. The answer lies in education and human capital, including life-long learning. Given that the Europeans want to live better, it becomes the question of preserving our way of life. Sustainability could also include one predictable challenge – demography. We are doing very little about it in the EU. Pension systems are encouraging people to retire early. Policy responses are needed. Some of them need to stress that living longer is a great advantage but it must lead to more effort and commitment. There is a need to understand that these policies are not for "free". However, at the same time we should stress that innovation in the field of energy/environment opens up a whole set of opportunities which might trigger economic growth in the EU if Europe remains the technological avant-garde.

Innovation will decide about Europe's fortunes in the 21st century. One reason is external - in the Lisbon Strategy, the United States was picked up as the point of reference and Europe has made good progress in catching up with the United States but in the meantime the point of reference has changed. If the present developments continue in a linear fashion, the income of EU states will consist of half of the Chinese national income. Both the emerging Asian powers, China and India, improve the competitiveness of their economies and invest heavily in research and development. In order to maintain our standard of living, Europe needs to be better than the best. Inside the EU, there are four people in employment for each person who benefits from the social insurance system. In 2050, it will be 2 employed for each such a person. The pension overhang in the biggest European countries varies from 200 to 300 percent. The choice is simple. Either economic growth is to increase or social benefits will have to come down or the EU. More flexible systems with more weight on individual responsibility are a must. Bigger economic growth means higher productivity and higher productivity can be achieved primarily by means of innovation.

The social dimension has been firmly at the heart of the Lisbon Strategy and it should now be taken further to ensure that globalisation brings about less rather than more disparities of income and opportunity. Social benefits will have to be redesigned in this context. In addition, education policy will increasingly be seen as part of the modern social policy of the future, enabling the new generations to benefit more from globalisation.

There are various ways of going about innovativeness. It is about high technology but also modern management systems and investment in skills, education and human capital. Each economy, each enterprise and each citizen need to decide for themselves where they need innovation most. Europe's challenge lies in building consensus to move societies forward. Hence the biggest problem lies in the political economy of reform, particularly given the enormous pace of change which globalization asks for and in the context of its asymmetric character which means advantages for some but not for all. Innovation policy in the European Union needs to be more demand-driven, with a key role for public procurement as a driver for innovative goods. Barriers to market entry have to be lowered and competition ensured by the relevant institutions.

Recommendations: The European Union needs to have a more profound policy debate if it is to succeed in making sustainability its key mission in the

21st century. It makes sense for the EU to create a single Sustainability Council as one of the new council formations. Sustainability needs to be about more than arithmetic targets. It needs to be understood as a new way of life.

The EU should embark on building a global partnership for sustainability. All countries, both developed and developing, have to make a fair contribution to the effort. Positive incentives must be created for the developing countries, including mechanisms for low carbon development. The EU should make a specific contribution to the international climate negotiation round in Poznań to that effect, particularly in the area of technology cooperation and energy efficiency. The EU must lead by example which should encompass increasing research and development in renewable sources of energy as well as steps such as deployment of Carbon Capture and Storage (CCS) technology in currently-operating fossil-fuelled power generation and making future licenses to build power plants dependent on the application of CCS technology. Leading by example has to be integrally tied to a skilful negotiating effort to ensure parallel commitments on the side of the developed and subsequently developing countries.

Innovation should be the matrix for all EU policies. There has to be improvement on both demand and supply sides of the environment for innovation. The idea of lead markets for innovation has to be introduced at all levels of the EU system of governance. A method has to be established to improve the pulling together of our best practices.

Foreign policy – Europe going global

Foreign policy is the key innovation of the new Lisbon Treaty although the achievements of the Constitutional Treaty have been scaled back. The institutional changes such as the creation of the High Representative for Foreign Affairs and Security Policy with a parallel role as Vice-President of the European Commission and the establishment of the European External Action Service offer a real opportunity of forging a genuinely strategic culture among the Member States. Given the increasingly multipolar character of international economic – if not yet political - relations, the EU will need to review the substance of its foreign policy strategy as well. The largest Member States will undoubtedly provide for much of the new dynamism behind the EU's foreign policy stance. Europe will have to face its continued capabilities problem. It should also elaborate a common agenda with NATO, now that France is willing to embark on a rapprochement with

the Alliance. Gaps in CFSP should be identified and addressed. Our political and economic leverage needs to be used more rigorously. We should examine whether the consensus model can deliver for us or it needs changing in the future.

Convergence of interests in the EU massively outweighs divergence. Our national interests are increasingly indistinguishable from interests of other member states and it is the European Union that runs our foreign commercial or environmental policy. The future world will be increasingly one with dispersed and multiple sources of power. Europe's role in global affairs will be to mediate between them, projecting its own experience with regional integration in a world where the different poles often are held more loosely together as globalisation advances.

Recommendations: The EU faces a double challenge and double opportunity as the Treaty of Lisbon enters into force. Provisions of the Treaty in the area of foreign policy can provide the basis for the creation of a modern, effective diplomatic corps that will serve well the cohesion of the EU's policy. It also provides a good opportunity to assess the EU's strategy and forge a culture of working more closely together on the basis of converging interests. After the Treaty of Lisbon is ratified, this should become the single most important objective for the EU in the forthcoming period since the formative phase of the new institutional set-up of the EU's foreign policy will have a lasting impact on its ability to punch above weight in international relations.

in the review of the European Security Strategy, the EU should call for effective multilateralism, its most potent idea for the way global affairs are to be organised, to be both completed and complemented by making institutions such as IMF and the World Bank more inclusive, WTO and the UN more value-based as well as by enriching its own set of external relations by powerful strategic dialogues with the emerging powers.

Conclusions

Globalization has provided much of the context in which European integration has developed in the last years. It will now function as the key formative experience for the next stage of the process. Globalization brings obvious benefits by empowering the European citizens and enterprises to participate in an unprecedented sharing of ideas. It brings challenges by

affecting various social and professional groups differently. The EU has to decide whether it wants to shape the world so that it becomes more alike itself or whether it wants to prepare the world for the time when it becomes a Little Venice. The two might lead to the same result but do not have to. What is certain is that Europe should have a better vision of what it wants to achieve in the world and how it wants to go about. After overcoming the tragic past, coming together, growing united, it is now time for Europe to test itself against the demands of the new global age.

Brussels, 14 May 2008

Members of the L'Esprit de Sel Group:

Pawel Swieboda, President, demosEUROPA - Centre for European Strategy, Warsaw; Chairman of the Group

Janis A. Emmanouilidis, Stavros Costopoulos Research Fellow at the Hellenic Foundation for European and Foreign Policy (ELIAMEP), Athens

Carl Fredrik Bergström, Senior Fellow, Swedish Institute for European Policy Studies, Lecturer at Stockholm University, Stockholm

Paul Hofheinz, President, The Lisbon Council, Brussels

Christophe Hillion, Professor of European Law and co-director of the Europa Institute, Leiden University, Leiden

Gaëtane Ricard-Nihoul, Secretary General, Notre Europe, Paris

Lykke Friis, Pro-Rector of the University of Copenhagen, Copenhagen

Tamás Szemlér, Deputy Director, Institute for World Economics of the Hungarian Academy of Sciences, Budapest

The Group met upon the invitation of Marek Siwiec, Vice-President of the European Parliament