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*Documents*

## ***The State of the Union in 2010***

*Nine Brussels-based think tanks (Bertelsmann Stiftung, Bruegel, Centre for European Policy Studies, Egmont, European Policy Centre, Friends of Europe, Institut français des relations internationales, Madariaga, Stiftung Wissenschaft und Politik), working together with Agence Europe, held a forum on the state of the Union on Tuesday 12 January. This EUROPE Document sums up the debates held, highlighting the major challenges facing the European Union: the institutions and political integration under the Treaty of Lisbon, the economic and social crisis, demography and migration, climate change and Europe's place in the world.*

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## From the Lisbon Treaty to global recession: From the frying pan into the fire?

With this evocative title, the first session of the day spelled out the dangers imperilling the European ship and the problems which its pilots will have to overcome in order to bring it safely into port. Pierre Defraigne (Madariaga) outlined the shortcomings of the Lisbon Treaty and the external representation of the EU, which he did not hesitate to describe as pointlessly complex. He deplored the fact that unanimity remains the rule in many areas (taxation, social policy, defence etc), which means that leadership and political goodwill are even more indispensable than ever. He believes that we have clearly entered an inter-governmental phase.

In the view of Daniel Gros (CEPS), this Treaty corresponds more to the previous century than it does to this one and brings only very modest changes with it. Improvements are possible, but they will call for political goodwill. The EU's ability to influence the climate dossier is now a thing of the past, if only for the fact that emissions will increasingly be made outside Europe. A common border police force and a European army would make all the difference. There is little point in electing a new President of the European Council in a Europe which is dominated by a refusal to reappraise itself, in which these errors are never acknowledged, even when it comes to the Lisbon strategy.

Thomas Fischer (Bertelsmann Stiftung) wanted to bring "*a more confident vision*" to this debate, stating amongst other things that there is some leeway within the Treaty and that coordination should be brought in between the various leaders: President of the European Council, President of the Council, President of the Commission and High Representative.

But this note of optimism immediately came under attack from Giles Merritt (Friends of Europe), who lent his support to the speeches of Pierre Defraigne and Daniel Gros. There will be no new institutional reforms any time soon. "*The world is moving very quickly*", but "*Brussels is napping*", he said, stressing that in recent years, the EU had lost credibility, not only amongst its own citizens, but in the world at large. In Brussels, civil servants and diplomats get passionate about the details. "We must "*make cultural changes to move from the details to the strategic vision*", he said, explaining that only the greater political context made it possible to communicate, to win the support of the general public and to move forward.

Returning to the lessons to be learned from the financial and economic crisis, Jean Pisani-Ferry (Bruegel) and Daniela Schwarzer expressed the view that the banking crisis has been brought under control and that it has been possible to create the conditions for a certain level of recovery, which is already not bad going. If, as Daniela Schwarzer said, "*a number of taboos have been broken*", financial regulations and supervision remain incomplete and Spain's recent proposals for progress on the path towards economic coordination appear to have little chance of coming to fruition.

In the view of Antonio Missiroli (EPC), the Copenhagen conference was the result of "*ineffectual multilateralism*" dominated by "*excessive political posturing*". The EU required three summits to negotiate internally and did not pay enough attention to the concerns of the other main players. Europe is overrepresented in the main international bodies (G20, Security Council, IMF, etc.), yet at the same time, the EU does not manage to make its voice heard. The challenges are continental, trans-Atlantic, global, but the politics remains national. These contradictions must be resolved as a matter of urgency.

Jo Coelmont (Egmont) takes the view that the priority must be given to creating a European "grand strategy", taking the Monnet method of small steps as a basis. For Susanne Nies (IFRI), on the other hand, we must accept that it will be several years before the EU is able to become a major global player, and instead concentrate on Europe and its immediate neighbourhood. Replacing France and the United Kingdom with the EU in the Security Council will take a major cultural sea-change, she added. This contribution provoked a reaction from Daniel Gros, who observed that the problem of climate change cannot be resolved in Europe and that the resources must be adopted to bring influence to bear on international financial regulations. "*Tackling the Greek deficit is tactics; problems of concern to 9 billion people is strategy!*", said Giles Merritt, adding that the EU could not afford to stop at technical level.

## The economic challenges

At the workshop on "The European economic challenges in a post-crisis world", most of those taking part showed a certain amount of pessimism. Some of them, however, showed humour and a degree of provocativeness, which certainly made for a lively debate.

Fabian Zuleeg (EPC) raised the issue of the possible need to make changes to the Treaty of Lisbon, given the shortcomings in the current text. He believes that the economic problems of the European Union do not come under the competence of the entity, but the way to access genuine governance does. How can the EU be given a genuine basis? He suggested the creation of new implementation mechanisms - a single market for digital content, for example. He also hoped to see the creation of new economic indicators. Remaining realistic given the current crisis and the poor authority of the Member States, he asserted that "*it is still not too late*". In conclusion, he asked the question which he sees as fundamental: how can the EU attain the desired level of authority?

The contribution from the European Commission started with a question: have we already come out of crisis? It is true that there has been an improvement in the situation, but unemployment is constantly on the increase and there is persistent fragility in the financial system. The crisis has made three kinds of dichotomy worse: the dichotomy between the social side and the market, between stabilisation and adjustment and, lastly, between national and multinational approaches. The speaker believes that we should focus strictly on the current challenges, which have evolved with the coming of the crisis. He went on to state that the "EU 2020" strategy will make this approach easier, by providing a framework with which to respond to it. He believes that this response should be based on strong European integration. Many references and comparisons were made to other crises, in 1929 or 1825- when stock prices at the London Stock Exchange collapsed, bringing down some 3300 businesses- and to the works of Adam Smith. He argued that the difference between the current global economic crisis and that of 1929 lies in the political response to it. In order to get out of this difficult situation, it is vital to work on the basis of coordination and "EU 2020" is an excellent initiative. We should not fall into activism at a purely national level. He concluded by stressing the fact that the EU cannot take its place in the vanguard without solidarity and competition.

In the view of a third speaker, by far the most cynical and provocative person to take the floor, the question is whether the EU will "*Japanise*" itself or not; Japan appears to be a country which creates its own rules. Compared to Japan, Europe is in crisis. He spoke of "*Juggernauts*" - implacable forces destroying everything in their path - in European economic policy, as his description of the state of chaos pertaining to the said policy. He did not scruple to accuse France of being "*the sick man of Europe in terms of finance*". Whilst the country should be discussing the state of its finance, it wastes it is time "*discussing the burqa and Domenech*". He described the La Rosière report as good but insufficient and listed the subjects he believes should be on the European agenda: banking regulations- stating in passing that the Tobin tax should be forgotten- and new subjects, such as the environment or the European University. When asked if he should not be talking about harmonising taxation on financial transactions, he replied that this was a pure "*waste of time*". He believes that the Commission should be doing its job, which is "*the Commission's work*". "*The Commission's work is to be discussing the financial regulation of the banks, not redistribution or tax*", he concluded.

### **The "Stockholm Programme" lacks the ambition to ensure the success of the European immigration and asylum policy**

The "Stockholm Programme", which lays down the priorities for the next five years in the field of Justice and Home Affairs, will end up having a very limited influence on the development of the immigration and asylum policies in Europe, stated the experts who met for the workshop entitled "Stockholm Plus: Transforming political goals into coherent policies on migration, social cohesion and human rights". Amongst other things, this workshop provided the opportunity to stress that in spite of the quality of the points relating to immigration and asylum included in the programme, the reality was that it contains very few concrete proposals.

According to Elizabeth Collett of the 'European Policy Centre' (EPC), many of the commitments of the

Stockholm Programme refer to measures already taken in recent years, particularly when it comes to a global approach to migration, legal migration and development, the rights of migrants and asylum seekers and integration. *"Illegal immigration and the returns policy remain the central political response of the programme"*. In Ms Collett's opinion, *"the elephant in the room"* remains the fact that there are a legal migrants residing in the EU. *"Although the pact on immigration and asylum bans mass regularisations, several countries held amnesties in 2009 and it is becoming increasingly untenable to ignore the policy issue"*, she said.

Other speakers judged the Stockholm Programme more harshly. *"Overall, the Stockholm Programme is a failure. The document, which goes no further than to formulate a wish list, typically constitutes the result of a compromise between the Home Affairs Ministers"*, said one specialist. He believes that this programme, particularly its "Immigration" plank, *"lacks an overall strategic vision"*, which should have included fields related to mobility and the employment market, and in which the European parliament and civil society should have been involved; however, the traditional institutional and political logic prevailed. *"Against the backdrop of crisis and security, the Home Affairs Ministers are paid to say 'No'. That is quite normal"*, the same speaker stressed, going on to add that the next decisive stages of the immigration policy will depend on the mid-term revision of the Stockholm Programme (2012) and on any progress made towards a global approach to migration, particularly as regards cooperation with third countries.

It was with regard to precisely this kind of external cooperation that one speaker said that he had *"mixed feelings"*. *"I am pleased with the global approach to migration, particularly as third countries are prepared to work with us, but more needs to be done on the ground"*, he said. Although much has been done between Spain and Morocco on the subject of illegal immigration, the EU still needs to show greater flexibility when it comes to granting visas, in order to facilitate the free movement of people.

Another attendee lamented the fact that there is a serious lack of enthusiasm when it comes to asylum and immigration, compared to the Tampere Programme of 1999. *"Despite the new legal basis of the Treaty of Lisbon, the language of the new programme remains too timid"*, he said, illustrating this by the fact that most of the obligations contained within the starting text ("Should") had ended up being replaced by possibilities made available to the Member States ("Could"). Furthermore, this speaker added, the Stockholm Programme contains a major contradiction: it commits the Member States to greater harmonisation, but does not propose any new legislation, due to stalemate on the part of the Member States. However, *"we need European legislation, without which there will be no harmonisation, on such issues as the recognition of refugee status"*, he commented. He continued: *"I am worried that the action plan will take up the lion's share of the fight against illegal immigration. It is much easier for the Member States to agree on repressive measures"*. Finishing his speech, he warned that halting illegal immigration would not halt migration. *"We need channels of legal immigration and we must offer those who most need it protection and access to the EU"*, he insisted.

Another participant added: *"when are we going to stop applying the brakes and start making room for openness?"* If we do not take the lead, he said, there will be a *"major fight over the talent"* and *"if we do not welcome the talent, the rest of the world will not wait for us"*. Although some people present lamented the fact that the Member States had made the "blue card" (directive designed to attract highly qualified employees) into a largely unattractive instrument, others took the view that countries such as Germany already had excellent legislation in place to attract highly qualified migrants. Presenting the vision of certain Member States, one speaker pointed out that if the Commission could provide something, it would be in terms of making the Union more attractive. *"The Commission can promote legal immigration, but the national specificities still need to be observed"*, he concluded, thus closing the debate.

### **At a crossroads after failure of Copenhagen, EU will not be able to bounce back unless it learns some strategic lessons**

Did Copenhagen spell the end of European leadership in international climate negotiations, or will this failure provide the impetus to create a new European climate policy model? Those attending the annual forum of the think tanks 2010 and who took part in discussions on the subject reported contrasting analyses of the Copenhagen conference (COP 15, 7-9 December).

Some of them, including the European Commission, are firmly of the opinion that by setting the example, the EU has done its best, and that it must continue on this path in order to convince its key partners, such as the United States, China, India, Brazil and South Africa, to follow its lead in order to achieve a binding and ambitious global agreement within the framework of the United Nations. For others, the EU's ambitions for a Summit of 140 heads of state and government was unrealistic, its breakdown inevitable from the start given the rule of unanimity prevailing at the UN. In other words, it is the unwieldiness of the UN process which must be avoided if the EU is to have a chance of moving forward, together with any countries which care to join it. Everybody agreed that in the wake of this failure and of the entry into force of the Treaty of Lisbon, the EU should rethink its climate policy from the bottom up, both to meet the challenge of the revolution of green technologies and to face up to the new balances of global geopolitics. In the former case, it is important for the EU not to get left behind and in the latter, not to become a kind of guide without any followers, preaching in the desert with several voices.

Is the EU capable of improving its performance within the new institutional context? *"It will all depend on the authority of the new climate commissioner"*, replied Maïte Jauréguy-Naudin (IFRI). There are many challenges to be overcome: 1) the economic crisis has had a positive influence on emissions reductions, but at the same time, it has had the effect of slowing down investments in new low-carbon technologies, which makes it even more important radically to modify the energy system once economic recovery is in place; 2) the inadequacy of investment in electricity networks and production means that few "clear signals" have been sent out to the private sector. However, "functioning markets are not enough to generate sufficient investments". The ETS, for example, is a market which has a lot of cash and which functions well, but it is not a stock exchange in the conventional sense: its purpose is to reduce CO<sub>2</sub> emissions. *"More rules will be required in order to have greater visibility over the years. I suggest a minimum threshold for auction sales"*, she said. This problem comes under the authority of both the energy and climate commissioners and will therefore call for *"strong cohesion and coordination"* between the two; 4) *"decarbonising transport"* is vital, but bringing in a carbon tax at European level is a difficult debate; 5) energy efficiency must be pushed forward at European and national levels, by bringing in binding objectives and by making changes in consumer behaviour, via the dissemination of best practice; 6) the energy efficiency of buildings must be a priority because in this sector, *"the excuse of technological barriers cannot be invoked"*.

At international level, Ms Jauréguy-Naudin believes that the EU has paved the way, because out of the five largest issuers of emissions, it is the *"only one in a downward trajectory"* when it comes to CO<sub>2</sub> emissions and the only one to have encouraged the others to follow its lead. But its proposal to reduce its emissions by 30% between now and 2020 compared to 1990 figures *"was not attractive, because it was not realistic unless the EU plans to make greater use of compensation mechanisms"*, such as the clean development mechanism. However, *"the majority of the reductions must be made in the EU"*. It is certainly true that *"the lack of coherence between the Member States has also played its part, but none of the third countries asked for the objective"*. In her view, there are two lessons to be learned from Copenhagen: 1) multilateralism has its limits; 2) we need to find the resources to reach a global agreement. Brazil's recent announcement of a unilateral objective of -39% by 2020 is an excellent opportunity. The American climate bill, announced for this spring, will be decisive. As for Beijing's intentions, these are *"difficult to assess, because China has rejected the long-term reduction objective (-80% by 2050) which the United States was prepared to accept"*. The Major Economies Forum (MEF) could play an important role, and climate must feature on the agenda of the forthcoming meetings of the G8 and the G20.

In the view of Suzanne Dröge (Stiftung Wissenschaft und Politik- SWP), in order to move forward, the solution that would be to divide the negotiations into *"parallel strategies"*: the question of compensation (such as that called for by the petroleum-producing countries, for example) should continue to be dealt with in the framework of the UN, but *"negotiations on the issues of substance"*, such as *"the global carbon market, which does not emanate from the UN and which needs to be implemented on a country-by-country basis"*, should continue under other fora, such as the G20 for the largest of emissions producers. Compensation to the OPEC countries will clearly be inevitable, Ms Dröge agrees, but this must be used as an incentive for cooperation over solar energy, for example. In response to those who spoke of a "G2" in Copenhagen with regard to the United States and China, she observed that *"India benefited from this, as it did not appear to be doing the dirty work"*. The clean development mechanism is what is of most interest to this country. We must not, said Ms Dröge, point the finger at China, which was at least defending its position and *"even put forward an objective"*. As for Brazil, it has come on considerably: *"given that just a few years ago, the country dug in its heels over any mention of the Amazon, now it is engaging"*. The issue of obligations of measuring, reporting and objective verifications, she argued, is *"a key issue"*, because *"even if the developing countries*

*and the countries of annex I have put the ball back in our court", tackling the subject makes it possible to create the foundation for "increased confidence in the future". Even though the EU failed to put pressure on the other parties with its offer of 30%, "it must keep the new ideas coming".*

*Artur Runge-Metzger, negotiator-in-chief of the Commission for international climate negotiations, called upon the participants to look at what Copenhagen had achieved. The fact that the negotiation process will continue in the framework of the two working areas of the United Nations, in Bonn this June and then at COP in Mexico in November, is not the least of these. And "if the Copenhagen Agreement was not adopted in the form of a decision of the United Nations, it was approved at plenary by a considerable number of the countries. The 26-28 Heads of State who negotiated represented all of the regional groups and 80% of the world's population. They were confident that this agreement could be approved in plenary, because they had missed the fact that during the plenary session, Hugo Chavez has announced that he would not accept the agreement".*

Now, we need to see what detailed commitments will be put on the table by 31 January, but *"for the first time since 1945, the leaders of the world negotiated line by line. They will wish to take the floor"*, he said. There is now twice as much at stake: on the one hand, negotiations at the United Nations must be promoted with an *"open mind"*; on the other, it will be necessary to push for the implementation of the Copenhagen agreement, by identifying who is ready to sign. According to informal contacts, he said that there was *"relatively broad support, except on the part of the five countries which announced that they would not rally behind it"*.

The United Nations process is, admittedly, disappointing, because it did not lead to a consensus. *"This type of procedure is the very hardest. It is not just a question of poor management, but also of considerable differences of opinion. Even the G77 struggled to agree on common values. The negotiators wanted to keep the progress in their hands, rather than delegate it to the Presidency"*, Mr Runge-Metzger explained. Although several voices called for the process to be reformed, the European negotiator-in-chief said that *"that will be very difficult"*. If we have not managed to do this for the Security Council in recent years, then how could we succeed for the entire process?

There are other reasons behind the failure of Copenhagen, such as the emergence of *"bipolarisation"* with Cuba, Venezuela and Nicaragua, trying to push forward their vision of the world. *"Their anti-market rhetoric made it very difficult to debate reforms of the carbon market"*. The fact that Mexico will be the host of COP 16 may make it possible to get Cuba back on board, *"but this will mean that we will have to be flexible"*, Mr Runge-Metzger warned.

In answer to criticism levelled at the EU, which was declared guilty of having been *"absent"* from Copenhagen, Mr Runge-Metzger replied that *"the EU was present in the room for the whole time"* and that *"the EU's hallmark was there in many elements of the agreement"*. The EU is a pioneer, way ahead of the largest emissions producers, but if the United States and China are not prepared to change their position, then nothing will change, was the gist of what he said, comparing the EU to an *"unpopular class goody-goody"*. This does not mean that it should scale down its own levels of ambition. Internally, the reflection process is underway. Relaying the criticism of journalists accredited in Brussels, Mr Runge-Metzger also admitted that there *"may be a public relations problem"*, as the Europeans had declined to give any interviews. *"Maybe the Treaty of Lisbon will change things a little"*, he added.

## **The EU in the new international order**

Introducing the workshop on the Union's place in the new international order, Josef Janning (Bertelsmann) described the major implications of globalisation on the economy, society and politics over the next decades. Within 20 to 30 years, he said, the middle-class would number of some 5 billion. At the same time, innovation would be more widely spread out and the fight (in various forms) for access to resources would bring about a new colonialism. Socially, links will continue to develop at elite level, creating a gulf between this trans-national elite class and the rest of the population. Societies will be increasingly fragmented and will no longer be communities of destiny. This evolution is likely to lead to the emergence of violent movements springing up. Migratory flows will continue to increase and new conflicts will emerge, particularly in East Asia and the South. Lastly, there will be a resurgence of nationalism, regionalism, tribalism and a reinforcement of religious identities. The political world will be characterised by a multiplicity of players and layers, but without any real structuring principles. As well as an increase in the number of nuclear powers and the emergence of the BRIC group countries, the next decade will be

marked by asymmetrical conflicts, terrorism, civil war and wars of secession. It will be an extremely conflict-ridden world, in which crisis management will be an everyday matter.

In the view of Thomas Renard (Egmont), the world will become increasingly multipolar, but not in all areas. He pointed out that for the time being, American predominance has not yet been called into question on either a military or a cultural level. He believes that the main thing is to avoid what he described as the Copenhagen syndrome: solutions which remain national offered up in resolution of a global problem. In order to take its position on the international stage, the EU must develop a strategic way of thinking and lay down its interests and its values in a European "Grand Strategy". We must also identify genuine strategic partners (we have no fewer than 11 today). *"It is absolutely vital for the EU to succeed in speaking with one voice"*, he concluded.

In reality, it is very hard to imagine the institutions and instruments which need to be set in place in the world, when we do not yet know what form the world will take. The only certainties are the emergence of China, the end of western hegemony and the development of multipolarity for various aspects of the world, said Nicole Gnesotto, a lecturer at the Conservatoire National des Arts et Métiers. Ms Gnesotto spoke of three scenarios. The first, based on a new system for the balance of power, would lead to an alliance of democracies defending themselves from the rest of the world. For example, it would seek to keep its grip on African oil against China. *"The temptation to impose a new bipolar system exists in the United States, and also in the EU"*, said the former director of the Institute for Security Studies of the EU. The second scenario is one of a safer multipolar world, with multilateral institutions excluding no one and protecting the public good at international level. The third is a bit of both, which is exactly what led to the breakdown of Copenhagen. Given all of these uncertainties, the Union has no shortage of advantages, starting with its own conception of the sharing of political power and solidarity between its rich regions and its poorer regions, which could be used as a model at international level. But the Union suffers from its internal divisions, which prevent it from becoming a world player, as demonstrated by its chronic inability to agree on a common position on Russia, the Middle East nuclear weapons. Today, it is absolutely vital for the Union to *"reopen the political integration dossier"* and identify what Nicole Gnesotto called *"the European national interest"*, in order to be able to hold discussions with the others.

### **José Manuel Barroso recognizes failure of Copenhagen, but is optimistic about Benefits for EU from EU2020 strategy**

The closing sequence on that day saw a brief presentation of the discussions held in the four workshops and was attended by José Manuel Barroso.

The President of the European Commission acknowledged the failure of the Copenhagen climate conference (he explained that at a coordination meeting with other European heads, some of them had wished to present a more positive vision of the results, but that he had immediately said that the failure must be acknowledged). Even so, the Union must set an example and implement its own commitments to reduce its greenhouse gas emissions, insisted José Manuel Barroso, who tried to justify the poor policy, not to say absence, of communication. The rapporteur from the climate workshop, Christian Egenhofer (CEPS), spoke out in the strongest possible terms against this incomprehensible communication strategy. "All the press was full of Obama and there was nothing on the EU", he said, adding that this is a problem which must be resolved in the future. According to the President of the Commission, this lack of communication on the part of the European delegation was due to the fact that the Europeans had remained in the room to negotiate until the last minute of the conference, whereas other leaders (he referred to President Obama and Prime Minister Wen) had spent considerably less time in the meeting.

Responding to a certain level of scepticism on the part of the attendees regarding the European Union's ability to meet the main challenges currently facing it (Steward Fleming, rapporteur on the economic plank, for example asked: "have you ever seen a major economic reform driven by the Lisbon Strategy?"), José Manuel Barroso took pains to show confidence in the European Union's ability to set the right policies in place. Whilst reiterating the criticism he himself had voiced of the Lisbon Strategy, he expressed his hopes that the EU 2020 strategy would genuinely put Europe back on track towards innovation and transformation. "I want an ambitious Europe with a transformation agenda", he said, before going on to plead in favour of greater economic coordination.

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