

THE BELA FOUNDATION

BROADER EUROPEAN LEADERSHIP AGENDA



THE WAY AHEAD FOR EUROPE

**THE
WAY
AHEAD
FOR
EUROPE**

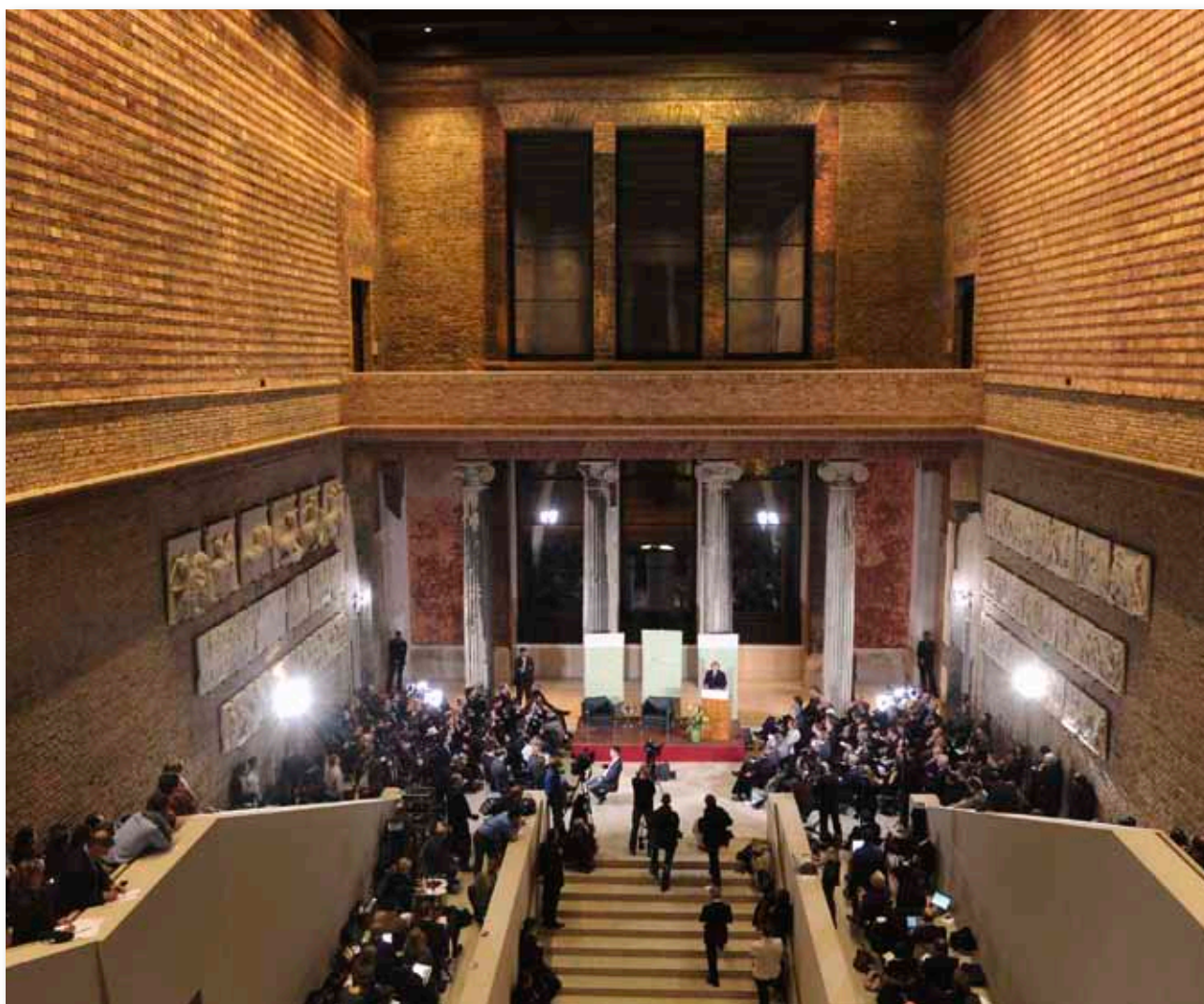
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THE BELA DEBATE 2012



BELA Debate on February 7th, 2012 in the Neues Museum in Berlin

Dear readers,

Europe is experiencing hard times. What began five years ago on the other side of the Atlantic as a property and financial crisis, hit this side of the Atlantic within a short space of time in the form of a combined banking and national debt crisis of unprecedented scale. As a consequence, our European monetary union is under extreme pressure and the cohesion of the EU member states has been put to the test. The end of the crisis is still not in sight. We have to ask ourselves: are its causes to be found in



increasing globalisation or rather here at home – in systemic weaknesses, errors of conception and institutional failings? Above all, we must ask ourselves: what can rescue Europe from this storm, what steps must be taken to bring our grand European project back on course?

In 2007 – the same year when some of us had already begun to view the financial markets

with concern, we set up the BELA Foundation. We had four reasons for doing so. Firstly, we felt that the idea of Europe should not be restricted to the Brussels bureaucracy of the European Union, far removed from ordinary people, but that it should be revitalised by the general public. Secondly, we were concerned that there should be a greater exchange of ideas across the generations and between different walks of life, in order to make Europe a place that was created and experienced by and for everybody. Thirdly, we wanted to remember the historic opportunity we were given for the development of our continent after the fall of the Iron Curtain, which brought the possibility of a partnership of old and new EU states. Finally, we were interested in strengthening the unification process, since we believe that if Europe is to become a strong and competitive global player in the long-term, we must ensure the steadfast continuation of integration, at an economic, political and also at a social and cultural level.

BELA, the Broader European Leadership Agenda, is still committed to realising these goals. We want to get Europe – our Europe – back on its feet. And for that we need fresh enthusiasm, a passion that will enable us to overcome, once and for all, the old nationalistic ways of thinking. Above all we need to involve and engage young Europeans, for it is they who will determine the fate of our continent in the future. It is BELA's aim to promote their ideas and their joint efforts for Europe by organising meetings and projects across European borders. Young people with BELA are collaborating in the search for new answers to the question: how can we complete European unification and carry forward what has already been achieved to create a great future for Europe? How can and must the younger generation contribute now to this process?

The current crisis calls for brave efforts to reform, and a willingness to exercise meaningful solidarity. We want to shape our future together – not, as in the past, in disastrous disunity. At BELA, young people from all over the EU – especially from the new member states – are showing that we need Europe and we want Europe. At the moment we desperately need to hear the voices and see the engagement of young people for Europe. Our Europe must be worth every effort we can make.

This publication, “The Way Ahead for Europe”, provides important suggestions on how we can rethink Europe. The contributions are from a wide range of different people – from students and scholars, politicians and journalists. Despite their different backgrounds and perspectives, they have one thing in common: confidence that it is only together that we can and will find the right answers for this continent. At BELA, we share this conviction.

Sincere thanks go to all the authors for their contributions and also to all the friends who gave this publication their generous support.

I wish you a stimulating and provocative read.

A handwritten signature in dark ink, reading 'Barbara Monheim'.

Barbara-Maria Monheim
Founder of the BELA Foundation

THE BELA AWARD CEREMONY 2012



Janusz Lewandowski presents the BELA award to Jean-Claude Juncker

“This prize is a great honour because the BELA foundation is not just one think-tank amongst others, it is special, a well-designed foundation. It seeks to reconcile the sometimes weak performances of my generation and the hopes, the dreams and the ambitions of the following one. So the BELA foundation is in the middle of the European way of trying to do things in a different way than former generations have done them.”

– JEAN-CLAUDE JUNCKER, PRIME MINISTER OF LUXEMBOURG
ON RECEIVING THE BELA AWARD.

Dear readers,

When times are tough, the natural instinct in every nation state is to look inwards to protect itself. That is true of voters, and it is true of their political leaders.

Yet it is precisely at this moment, when the European Union is facing an existential challenge with the financial crisis in the eurozone, that Angela Merkel, the German chancellor, has called for “more Europe” rather than less.

When the chancellor addressed an audience of young Europeans in the Neues Museum in Berlin earlier this



year, she challenged her listeners to think about the next steps forward in European integration.

She talked of a “political union” to complement economic and monetary union, a European “government” to co-ordinate policy, and a strong European parliament to provide democratic legitimacy.

The debate organised by the BELA Foundation in the Neues Museum provided a first opportunity for those young Europeans to express their hopes and fears for the future, their vision, and how they wished to participate. Their enthusiastic response focussed above all on the need for more democracy and more popular engagement in the process.

This publication seeks to take that debate forward in written form, bringing together the ideas of leading Europeans. The eurozone crisis is still far from resolved, but the history of Europe since 1945 has shown that crises often provide the impetus for the boldest steps forward.

The contributions are intended as open-minded contributions to a fundamental debate. Jean-Claude Juncker, prime minister of Luxembourg, argues passionately for the reinforcement of EU institutions,

and the “community method”. He does not believe in a “United States of Europe”, but nor does he want to see looser “inter-governmentalism” replace the tried and tested system.

Pascal Lamy, former European Commissioner and now director-general of the World Trade Organisation, calls for a “legitimacy compact” based on ever-stronger democratic control. He wants an open political process, involving cities and regions and the whole of civil society. And Europe needs a new narrative to inspire the next generation of young Europeans, he says.

Donald Tusk, prime minister of Poland, sees EU enlargement to embrace the former eastern bloc countries as another huge achievement that must be reinforced with an open architecture, and a commitment to solidarity between the richer and poorer member states. He does not want to see a two-speed Europe if that means leaving newcomers in the slow lane.

Javier Solana, former Nato secretary-general and EU High Representative, pleads for a “real” European foreign policy to reinforce Europe’s global role. Europe is essential to keep a balance between the two major powers of the 21st century, the US and China, he argues. And a world ruled according to European norms would be a safer world.

Between the main contributions we have included statements by students from the Hertie School of Governance in Berlin who took part in the BELA debate with Chancellor Merkel, spelling out their hopes and fears for the future. A common theme from many of them was the need for more participation, more openness and engagement in the European debate.

If this publication helps to stimulate a wider debate on the meaning of “more Europe”, it will have achieved its purpose.

Quentin Peel
Associate Editor, *Financial Times* and
chief correspondent in Germany

THE WAY AHEAD FOR EUROPE



Angela Merkel
Federal Chancellor of Germany

I was very pleased to accept this invitation from the BELA Foundation to come here today to talk to you about the future of Europe. Throughout history Europe has often stood at important crossroads, and today, too, we have to answer the vital question: which direction should we take and how do we wish to continue?

It was a brilliant idea to choose this venue for the meeting. The Neues Museum in Berlin provides a really good backdrop for our topic today. What better place to discuss the future of Europe than one which takes us back to the origins of our culture, a place which brings together Classical Antiquity, the scars of the Second World War and modern architecture in the way that the Neues Museum does? It is a place in other words in which old and new form a creative union.

Almost five years ago now, in March 2007, we celebrated a special jubilee here in Berlin. Heads

of state and governments came to Berlin during the German presidency of the Council of the European Union to commemorate the signing of the Treaty of Rome 50 years earlier. We saw this as an opportunity – we were in the middle of negotiating the Lisbon Treaty at the time – to make it clear to ourselves what Europe really is, what holds the European Union together, what we have to thank the European Union for and what we can expect from it.

We summed this up in a Berlin Declaration which states that war and hostilities between the peoples of Europe have been overcome. It states that freedom and prosperity, democracy and the rule of law have become the norm today. It speaks of cultural diversity and above all of common values. And it also speaks of our conviction that we can only tackle the major issues of our time together. That is the fundamental idea we must observe in all the matters which face us. In the 21st century we can only overcome difficulties if we work together.

This Berlin Declaration thus neatly summarized what we can refer to as the success story of Europe, of a united Europe. It leads up to the main statement, and I quote here, “We citizens of the European Union are united in our mutual good fortune.” We are united in our good fortune – Europe is a haven of freedom, democracy, human rights, the rule of law and freedom of speech and of the press. This is all firmly rooted in the declaration. In our free society economic success and social responsibility are united.

When I read this out here, in this setting – human rights, democracy, the rule of law, freedom of speech and of the press – it seems normal. But in a world of 7bn people, many, many of them have to fight for these things. That’s why I say: none of this is a matter of course. Other economies may have great success economically, but they are for the most part still a long way from our values, from our ideals of freedom. How can Europe assert itself with this social model in a world which is different and constantly changing? This question is more relevant than ever today.

In 1950, after the Second World War, when Konrad Adenauer was able to lead Germany slowly back into the international community, there were 2.5 bn people in the world, and 20 per cent of them were European. Last year the world population reached the 7 bn mark.

Today we Europeans represent only 7 per cent of that population. We are responsible for 20 per cent of the world's gross domestic product, but we can be sure that if we meet here again in 10 or 20 years' time, those numbers will have changed again to our disadvantage.

Societies in Europe are becoming older. We are all being affected by more or less rapid demographic change. This simply means that an ever-increasing number of pensioners are supported by a dwindling workforce. And that means that if we want to maintain our high standard of living, we will have to compete with the best economies in the world. If we want to remain true to our values in a globalized world, we will jointly, with a united voice, have to provide answers to the major questions of our age. It is a question of our prosperity as well as of our values.

At the moment Europe is faced with a difficult crisis and has to prove itself. I believe we can only overcome this crisis if we look at its causes. If we do this, one thing will soon become very clear to us: we will not be able to overcome the crisis overnight, because the causes are structural. Some countries in the eurozone have huge national debts, the competitiveness of some of the states within the European Union and the eurozone differs greatly, and there are fundamental flaws in the framework of economic and monetary union and the common currency – three things which we must tackle if we are to overcome this crisis. In other words it would be to oversimplify the matter if we were to say that it only had to do with the consequences of the crisis in the international financial markets of 2008. This crisis actually made crystal clear the structural weaknesses of Europe and of the eurozone.



This is why I consider this crisis to be a kind of wake-up call for us to deal with the structural causes, to address them in a consistent manner. I know this won't be an easy task. But for me – and this is my deep conviction – it is the only way which will lead to success, if we still want to be able to hold our own as Europeans and continue to live and do business in the usual way in a globalized world. I believe that is what we should do, that should be our goal. If we do not, we will not be successful as a continent. This means that we can only maintain what we refer to today as Europe's achievements by fundamentally reforming and strengthening the European enterprise. For this reason we see the crisis as a chance to create a stable union, worthy of the name. And this means first and foremost: we need more financial stability.

The financial question is often reduced to the call to "save, save, save". It really boils down to the question of whether we are prepared to live more sustainable lives, and that means thinking of future generations. If it turns out that we are not capable of developing a sustainable economy, then we will definitely not be able to convince people of this need. We have to overcome the doubts that the financial markets have about the ability of the euro countries to repay their debts in the long term. And the consolidation of budgets is one factor in this. We can say today that we have made a start.

It must be said that the contractual underpinning has always been clear. The euro only exists on the basis of the Stability and Growth Pact, the rules of which are quite clear. But the truth of the matter is that these rules were never followed. That's why the situation in reality was different from that on paper. Sound finances, sound budgeting, are also about fairness towards future generations. That's why we need more commitment. That's why we have negotiated the so-called fiscal compact between the euro countries. The good thing about this is that the compact, which was originally intended for the euro countries, has now been signed by a total of 25 countries.

Today is the 20th anniversary of the signing of the Treaty of Maastricht, which set the central course. At the time we decided to follow the path towards a common currency. In the ensuing years, however, the

rules of the Stability Pact were broken time and again. 20 years later, we must now bear in mind that in future we have to follow these rules; otherwise we will not be able to trade really freely and independently.



But a sound economy is only one aspect. Greater competitiveness is equally important and probably the prerequisite for our achieving and maintaining a sound economy. National debt and a lack of competitiveness are of course related to each other. The less competitive I am, the fewer products I can sell, the lower my income, the fewer employees I will have and the harder it will be for me to pay off my debts. This means that the consolidation of the budget must not be played off against growth; they must, since they are dependent on each other, be brought in line with one another.

If we turn to youth unemployment in Europe, we see that the average today is over 20 per cent. In some countries the figure is over 40 per cent. If you imagine that you are considering where to invest your money, where to take out life insurance, then you would be right to ask yourself whether you wanted to invest in a country with very high youth unemployment, that is about to face far-reaching demographic changes and that is perhaps in great debt – or would you choose a country that offers you better starting conditions? And this consideration, I think, is the reason why it is right and important for us to improve our competitiveness so that we can provide more people with work,

professional work, and then also really succeed in maintaining our standard of living. This all means that we need structural reform. Of course, it raises questions of fairness. We have experienced this often enough with what we refer to here in Germany as the Hartz-IV reforms of the labour market.

Change is always difficult.

When I became Federal Chancellor, this reform had not long been passed and we still had 5 mill. unemployed. Today we have less than 3m. Youth unemployment in Germany has been reduced by half in the past few years, and this gives a lot of people the chance to become better integrated into society again. Then there is still time to discuss the questions of wages and of fairness. But the fact that we have achieved that much shows that change can be for the better.

This is why the countries of the European Union have decided to make it their goal to learn from one another. I don't think this is too much to ask, even if we are not looking at competence at a European level. We are simply interested in best practice and looking to see where things are working well and what we can learn, and what the legal regulations are where things are not yet working so well. This is roughly the idea that was laid down approximately a year ago in the Euro Plus Pact, with which we are striving to achieve greater competitiveness – because competitiveness and a sound economy are so closely related to one another.

This of course also raises questions such as: how much money should go into research and development? In the year 2000 the heads of state and of government of the European Union planned to make Europe the most competitive continent in the world in 2010. We agreed that every member country would spend 3 per cent of its gross domestic product on research and development. Today you will see, within the European Union, that it is in fact anywhere between 0.7 and 3.2 per cent; no country saw that as a firm commitment. Germany is making an effort; we have almost reached the 3 per cent mark. But we are far from having a level playing field for competition among the European nations.

The President of the European Council, Herman van Rompuy once said, and I quote: "Often it is not a question of a choice between going it alone and a joint course of action by several nations but a choice between a co-ordinated European position and nothing at all". That is the problem that we have to tackle every day. One thing is certain: Europe's economies are so closely linked to each other via the single market, and also the common currency, that the economic development and political decisions of one country always – and today more than ever – affect other countries. This applies to the whole EU, but even more so to the eurozone. This means that slowly but surely European policies are increasingly becoming domestic policies. This is something that we have to learn to understand, something which is very different from classic foreign policy.

Sometimes people say: "Well, you do talk to each other; you discuss matters at great length". Basically, at a European level we proceed in exactly the same way as we do at home, of course, when we are struggling to come up with the best political ideas, although there are naturally a number of differences. This means that we must work more closely together and with more commitment if we are to strengthen the economic union and the common currency. And this will lead to our surrendering some of our administrative responsibilities.



We have, incidentally, always done that in the past, even though it was very difficult for Germany to accept that it had to hand over responsibility to others, for example in the areas of asylum policy, justice or home affairs.

It is not easy for Germany, or any other country for that matter, to accept the fact that today most things in the European Union are decided by majority

vote and that a single country can no longer block something. It's not always easy if you do not share the majority opinion, but with many questions it is necessary, so that everything works properly. What is the basis for our belief that we will all be better off if we are prepared gradually to give up some of our authority to Europe? First and foremost it must be said that we can trust each other. This includes being prepared to help a country that has got into difficulties. This will be guaranteed on the one hand by the future stability mechanism, the so-called ESM – at least to the extent that it affects European countries. On the other hand, we must be able to be confident that every country will make a maximum effort to become as competitive as possible, in other words, national responsibility goes hand in hand with European solidarity.

I believe that if we follow this path we will be moving in the right direction. And we will also be proving – I quote – "Resolve and courage for great suffering". This line comes from Schiller's poem "Ode to Joy", which is Europe's anthem. "Resolve and courage for great suffering" – the suffering in Europe was, in the past, far greater than the suffering which we have to combat today. This ode to joy stands for freedom, peace and solidarity. In the past, economic crises, serious national predicaments of an economic nature, led to a climate of mistrust, to isolation and, sadly, all too often to wars. Today, fortunately, everything is different. We Europeans are closer than ever before, even though, on a day-to-day basis, things are not always easy. The basis for all this is trust.

I want to make it clear again: Germany knows how important such trust is. After the Second World War, the western Allies put their faith in the idea that democratic development would be possible in the Federal Republic of Germany. Their confidence and ultimately their trust made a new beginning possible: the beginning of reconciliation in Europe. Without European unity and the transatlantic alliance German reunification would never have been possible. Helmut Kohl repeated again and again, "German reunification and European unity are two sides of the same coin". As I spent many years of my life in the part of Germany which was not free, I know what good fortune that is.

For the generation born after the Second World War it is almost a miracle that it was possible to overcome the depths of hatred and prejudice. As a result of the European Union the borders of the nation states have increasingly lost their significance. The single market, a space for freedom and security, the open borders of Schengen: all that is normality for many of you today. We know that if we make a great effort, we will always be able to reach a consensus. So we can say that it was trust ultimately which made German reunification possible. Trust made the euro possible too. The expansion of the European Union was also based on mutual trust.

German reunification and the expansion of the union to include Central and Eastern European countries both belong in fact to the same part of an historic era. Today there are 27 countries in the EU, soon it will be 28. We know that the countries of the western Balkans will be joining us. They need a future as part of Europe. That is why it is so important that we can be confident, in the future too, that every country will make its contribution.

The Berlin Declaration of 2007, which I mentioned at the beginning, constitutes a mission for us Europeans to maintain the good fortune of European unity for future generations. It is difficult to say what our continent will look like in 20 or 50 years. The European Union has always been a rather special creation, a reason why we are sometimes not properly understood across the Atlantic.

There is no immediate explanation for this in the classic doctrines of political science. But if, as Europeans, we want to continue to be successful and to keep pace with the competition in a constantly changing world, if, as Europeans, we want to continue to make ourselves heard in a world with a growing population, if, as Europeans, we want to help shape this globalized world with our values and convictions, then we definitely need more and not less Europe.

This is why it is now a question of forming a political union, which we did not do when the euro was introduced. It will cause many disputes – over a European Union with a commission which, with the powers which we surrender as nation states, functions as a European government, with a strong European

Parliament which has become increasingly powerful in the course of European integration, with a council of heads of state and government as a second chamber and with a European Court of Justice as the supreme court in Europe, the rulings of which we must all accept.



Many of you who are present here today will help to build this Europe. I can already promise you one thing: your generation will have a lot to do, constructing what Europe is to become in the future. This is why the discussion now will also be interesting for me:

How do you see the future of Europe?
What are you concerned about?
What are your expectations?
What is your vision?
In what way do you want to participate?
Or do you just expect that everything is going to run smoothly anyway?
How do you want to allay your concern?

It is good that I am not the only one speaking here today, but that we now also have the opportunity for a discussion.

Angela Merkel was speaking in the BELA Debate at the Neues Museum in Berlin on February 7th, 2012.



EMOTIONAL IDENTITY



Rike Brand

The process of European integration is close to its limit: more bureaucracy and more abstract words might help to further integrate states, but not the people living within these states. To achieve democratic legitimacy, what is missing today is not more formal integration, but emotional integration. We need a European identity that

goes beyond rational commitment and toward a real enthusiasm for Europe.

How could such an emotional identity come about?

What is it that makes me feel German? I share the

feeling with many in my generation when I say I was never more German than during the 2006 soccer world championship. When I was celebrating “our” team in the streets and cheering when “we” scored a goal, I felt like I was truly part of the German community. Of course – this is not everyday life in my country. Still, the good memories remain and constitute part of my German identity.

For all European citizens to be equally involved in Europe, I believe that our hearts and minds must be equally addressed. As a German, I know this is a delicate matter: Nothing could be worse than demagoguery at the expense of authentic democracy. True emotional integration will take time and cannot be forced. Nevertheless, we need to think about how it can be fostered – so one day, we will cheer for “our” Europe as if we would for “our” own soccer team.

LEGITIMACY MORE

WHAT IS YOUR PERSONAL EUROPE?



Lucy Kinski

There are millions of questions to ask about the European integration project. But instead of pondering the democratic quality or the desirable finality of the EU, I have a very personal question:

Last year, my Grandfather turned 100 years old; he had

lived through two wars on the European continent and fled from East to West Germany, having to leave his

family behind. When I asked him, what he would have wanted to be different in his life, he answered: ‘Lucy, I wish my century would have been more European.’

It was immediately clear to me what this meant for him: peace and no divisive borders. But what did it mean for me? What was my personal connection to Europe, to a European Union so troubled by crises and resurgent nationalist tendencies in recent years?

It is rather simple: For me, being European means having been able to go to the Netherlands as an Erasmus exchange student, live with a Dutch medical student, date an Italian astrophysicist to whom I spoke English and make a special friend from Ukraine. It is these personal stories that make the European Union real for its citizens. So, I am curious, tell me, what is your personal Europe?

EUROPE NEEDS MORE LEGITIMACY



Jean-Claude Juncker

Prime Minister of Luxembourg, Chairman of the Euro Group, Member of the BELA Foundation Advisory Board

The European Union has come a long way since I participated for the very first time in a Council meeting in early 1983. Still, hardly any decision by the EU and its decision making bodies was unanimously welcomed. To the contrary, they were always either too late or too soon, too ambitious

or not enough, were imposed on Member States or debated for too long among governments. The unavoidable complexity of decisions between a large number of Member States involving also European institutions seems to imply that it always takes some time and perspective to really appreciate the progress Europe makes. And yet, the achievements of the EU over the past 30 years are actually nothing short of breathtaking. Europe is today a common market, more than 325 million people share a common currency and its citizens can travel from southern Portugal to northern Finland without the need to show a passport.

This progress is no coincidence. It is rooted in a proven working method that is at times too easily dismissed as no longer suited for current challenges: the Community method. It will surprise no one that I remain a fervent supporter of this method. I am in favour of a system in which the Commission has an

important role to play. The Commission alone cannot achieve everything, but nothing can be achieved without it. The EU had its finest hours when the European Commission laid down a proposal with the Council, more and more often in co-decision with the European Parliament, deciding on its outcome. It is the Commission's role to keep the ambition of the European project alive. As guardian of the Treaty as well as of the "acquis communautaire", it is the Commission's mission to ensure that all parties, the Commission included, fully respect the Commission's exclusive prerogative of proposing new legislation. You will find me in the front row when it comes to supporting a reinforcement of the Commission in the decision making process. But the Commission is not a Government and I do not believe that the current Treaties allow for moving into that direction. Still, Europe needs more legitimacy. One way to achieve this is to have a directly elected European president.

This being said, I have to insist that no one should expect national governments to disappear or be reduced to bystanders when it comes to decision making in Europe. The European Council as well as the Council of ministers are and will remain at the heart of the decision making process of the European Union. Governments are accountable to their national parliament. It is from them that they receive the mandate and the legitimacy to act at the European level on behalf of the people who elected them. There is no way this fundamental democratic principle could be put into question or its importance diminished.

Now I am fully aware that there are times and issues where my preferred European working process becomes inapplicable. The classic Community method admittedly has shortcomings in these times of polycrisis in the eurozone, when rapid decisions and strong reactivity is called for. It has also its democratic legitimacy problems. The last months and years have shown that an intergovernmental

approach is at present the most suited to respond to unprecedented, rapidly evolving challenges. But Europe needs more efficiency. One way to respond to this challenge would be a full-time European finance minister. I do not believe in the United States of Europe. The Nation State is not a temporary invention of history. However, I cannot help but feel that we as a Union have focused over the last years too much on intergovernmentalism. I do believe in a supranational European Union to overcome the current dangers of European renationalisation.

For my part, I remain convinced that founded in a well thought and renewed Community method,

we would much better succeed in having the Member States of the EU not appear as some kind of addition or adjunction of countries but like a true European Union.

What I have in mind is not only dependent on Treaty changes. We should of course integrate over time what has been experimented on an intergovernmental level into the Treaty. But I have always been convinced that even with imperfect treaties we can come to good results if the political and social will is there. Looking forward, this is what it boils down to in the end: only if we are really prepared to walk together will Europe reach its true destiny.

INTEGRATION

CURTAIN CORRUPTION



Alexander Kleibrink

Europe needs more transparency to inform citizens in a simple way about the spending of taxpayers' money, and to provide a monitoring mechanism that helps curtail corruption. Much remains to be done in this regard.

The European Commission believes that corruption costs the EU economy Euro120bn annually. So we are not only

talking about Greek fakelaki, we are talking about a much more systemic problem that is associated with

the fiscal deficits we are dealing with right now. The EU plans to install a monitoring mechanism to assess the anti-corruption efforts of member states. This is a big step in the right direction.

But governments should themselves embrace more transparency to prevent corrupt behaviour. When will Germany start to lead such a process and publish all national, regional and local budgets online in a manner that highlights how the budget breaks down in detail? We need the same measures for the EU budget. In this way citizens could easily inform themselves on how public money is spent, and check on public authorities if irregularities appear. There are many more opportunities to achieve transparency and to increase the legitimacy of public policies.

OPENNESS WILL MAINTAIN UNITY



Donald Tusk
Prime Minister of Poland

It is not for the first time, and it will not be the last, that the European Union finds itself facing a fundamental choice. We should remember the “empty chair crisis” in 1965 when French ministers were ordered by President Charles de Gaulle not to attend Community ministerial meetings, thereby effectively blocking its work.

In the 1970s, the Community suffered from “euro sclerosis” – a slowdown of economic growth, high inflation and growing unemployment led to stagnation. The beginning of the 1990s saw a crisis of the European exchange rate mechanism which could have derailed the common currency project. Yet Europe has always coped successfully with its vicissitudes: crises were followed by renewal and integration regained its vigour.

We must not forget the historic enlargement of the European Union in 2004 by former Eastern Bloc countries which ultimately ended the division of Europe. Millions of Europeans had harboured this hope, which as recently as two decades ago was regarded as a pipe dream of the Solidarity movement. A common European vision prevailed again. History tells us that the current crisis will also be overcome. Thus the real question is what should be done to

make post-crisis Europe even stronger. The deepest crisis that EU economies have confronted to date represents – paradoxically – a chance to strengthen the foundations of the European architecture. If we want to make good use of it, we have to recognise all the opportunities and risks that this process involves. The reconstruction of European economies will entail profound social and political changes. Growing unemployment, recession in the eurozone and mounting debts will not disappear overnight. There is no quick fix for Europe’s economic woes. The process of reconstruction will take several years. Therefore we need to come up with a political response to prepare the EU for the long road of reforms and changes ahead.

Flaws in the construction of the Economic and Monetary Union resulted in poor coordination of economic policies and not enough structural reform. The European social model was not adapted to the challenges of globalisation and demographic change. Maintaining sustainable economic growth while increasing social security became an unmanageable task. On top of that, the common currency has widened the competitiveness gap within the eurozone, owing to cheap credit permitting debt to accumulate over the years. In the end, strong economies got stronger whereas weak economies became weaker.

Let us be frank about it. We were aware of these shortcomings well before the outbreak of the crisis. What we lacked, however, was the political will and courage to confront them. This fact alone shows how difficult is the political and social process we are dealing with. Ours is a bumpy road ahead with many twists and turns. What we can and should do today is agree on the rules of our common journey, based on the experiences of our painful history.

First, it is crucial to affirm the principle of openness of the European integration process. This openness



has always been a magnet that helped Europe develop. We usually spoke about openness referring to countries that wanted to accede to the EU. Today, we speak about openness inside

the EU which, unfortunately, has been undermined by attempts to separate the eurozone from the rest. At times of crisis we do not need divisions, but openness that will help us maintain unity of the European community. Obviously, the countries using the common currency have the strongest motivation to deepen integration. But there are many more countries ready to take part in the journey. The Euro Plus Pact or the Fiscal Compact – acceded to by 25 countries that had wanted to deepen their economic cooperation – are just two examples. Openness is crucial to keeping the European integration model attractive.

It is not just a historical issue but also a matter of economic common sense. Countries outside the eurozone are less indebted and have more vigorous economies. They can positively contribute to economic development of an integrated Europe. Latvia is a good example of a country whose government was capable of radically reforming its economy at times of crisis. The eurozone needs such experience and inspiration. Instead of wasting our time on futile discussions on the format of integration, let us discuss its essence, while leaving the format open to those countries that are ready for deeper integration. Only an open model of integration can provide an opportunity and bring hope to many societies. Instead of building walls, let us build a flexible and open structure that will allow the EU to

weather the crisis and emerge stronger when it is over. The second key element of the transformation of the European architecture should be the observance of commonly agreed rules aimed at strengthening competitiveness. The development of a sound economy requires a predictable rule of law.

Regrettably, we have not seen this observed on the European level. The fall in competitiveness would not have been so painful, if we had not broken the rules we had jointly established. We repeatedly violated the rules laid down in the Maastricht Treaty and the Stability and Growth Pact intended to provide a foundation for our economic union. Out of the 17 eurozone countries which under the Treaty should have kept their public debt below 60% of GDP, only four fulfil this requirement. The reverse is true for countries outside the eurozone. Only two countries out of 10 exceed the required debt threshold. We have adopted a set of new measures to discipline public finances, from the so-called six-pack to the Fiscal Compact. If we want these measures to prove successful, we have to make sure that they are observed consistently.

Setting as a guideline both the openness of the integration process and the observance of common rules aimed at improving competitiveness, we can redefine the model of integration to make the most sense. The scale of the problems is so large that we should not squabble over new definitions of a federation or a nation state. We need a model of integration that will adequately address the problems we are all grappling with today.

On one hand, we need more solidarity. This entails financial transfers, for which societies are gradually preparing themselves, but which they are very reluctant to accept. On the other hand, we need greater responsibility which we can get by transferring part of the decision-making powers to the European level to ensure that our common structure remains effective.

This idea does not sit too well with people accustomed to the concept of the nation state, yet who forget that a nation's security derives from the security of the community in which it functions. These are real concerns which should not be ignored. In defining the process of integration, we should listen to social concerns using our good sense so that the new structure does not turn into the product of the elites, but responds to the needs and fears of Europeans. For this reason, when drafting the process of integration, we should not overstep limits which our societies are not ready to go beyond. We should implement a model of wise European integration which, on the one hand, will centralise governance at the European level, and on the other, leave decisions which are of key importance to the national level.

This is not about senseless blocking of development, but about wise integration. Let us leave sensitive decisions at the national level, but let us enforce those rules that have already been enacted in EU law. EU law defines, for instance, the mandate of the Commission and of the Council to discipline public finances in Member States. Let us firmly enforce

this law, but without interfering with prosperity in Europe. To make sure that it can continue to fulfil its positive role in the 21st century, we taxes or lowering expenditures.

Most economic policy decisions may be taken at the national level without harm to the European level. They should, however, correspond to the wider framework that EU law has already set. The current state of integration in Europe allows for wise policies to be implemented.

The long and winding road of change should lead us to the desired destination – a better Europe.

It must be a Europe of solidarity and responsible economic policy, a competitive Europe where the modern state invests wisely in education, science and culture. These are the highest stakes, because we are building a foundation for a new European construction, which should permit people to develop freely.

The European Union is an unprecedented project in history, which has ensured peace and prosperity in Europe. To make sure that it can continue to fulfil its positive role in the 21st century, we have to push integration onto a new path. But we should do it wisely.

A QUESTION OF DIALOGUE



Steven Schmerz

Citizens in Germany, but also across the European Union take to the streets and protest against projects and policies that were decided upon by democratically elected representatives. Whether it is a school reform in Hamburg, flight routes in Berlin or a train station in Stuttgart, citizens increa-

singly feel that they were not properly involved in the decision making processes. The tools that make up representative and deliberative democracies no longer seem to please this considerable portion of the population. Do you think that there is a democratic deficit in Europe?

You and some of your cabinet's ministers have initiated citizen dialogues – forms of unconventional citizen participation. Do you think that 'more citizen participation' – a demand of many protesters – will solve this crisis of democracy?

FOSTERING A FEELING OF BELONGING



Pascal Lamy

*Director-General of the World Trade Organisation
former European Commissioner, Member of the
BELA Foundation Advisory Board*

Europe is going through troubled times. For the first time since its inception more than 50 years ago, citizens and markets are discovering that Europe could move backwards: that integration can turn into disintegration. We are all discovering with deep concern the reversibility of the European integration process. Why is confidence in Europe lacking?

The answer can be found in the very history of its integration process. The spirit of the Schuman declaration, the foundation stone of the European Union, was that de facto solidarity formed through economic integration would gradually generate political unification. Economic integration presupposes discipline: to regulate economic activity and to prevent the use of beggar-thy-neighbour policies, i.e. to create trust. But economic integration generates competitive shocks that require solidarity to be managed, or else it is not sustainable. Finally, discipline and solidarity can only be held together if democracy guarantees legitimacy: that is, if citizens share a „feeling of belonging“. Political integration is about defining effective common institutions capable of fostering this feeling of belonging. The genius of the founding

fathers of the EU consisted precisely in the simple realization that economic and political integration are complementary. Progress in one domain would have led to advancement in the other. The history of European integration can be recast as a sequence of imbalances between economic and political integration. Accident or will have repeatedly moved the European edifice out of balance, each time requiring a new equilibrium between discipline, solidarity and legitimacy. The introduction of the internal market disciplines with the Single European Act in 1985, and their extension to 10 new members from central and eastern Europe in 2004, were associated with the expansion of structural and cohesion funds, an increase in the power of the European Parliament, and an extension of qualified majority voting in the Council of Ministers. The euro crisis shows that the institutions of political integration that exist in Europe today do not correspond to the economic integration that has been built. This imbalance is not sustainable, and new forms of discipline, solidarity and legitimacy will need to emerge.

But this crisis is different in one important respect. European integration can either reverse or progress. Markets, but more importantly citizens, see that the European edifice is out of balance. And they understand the difficulty of the moment: the new equilibrium between discipline and solidarity requires a high dose of “togetherness”, a feeling that appears to be a scarce commodity in today’s Europe. Worse, the crisis itself, through its instability and growing pain, is exacerbating resentment and mistrust of others. In these conditions, many seem to conclude, sliding backwards is more likely than moving forwards. The euro-crisis has three components: one is economic, one institutional and the third, a crisis of legitimacy. The economic component is the symptom. It is a dangerous combination of inadequate competitiveness, excessive borrowing and risky lending in the banking crisis.

The institutional component is a reflection of the original sins in the design of the Monetary Union, which subsequent constitutional reforms embedded in the Lisbon Treaty have failed to address. First, there was a lack of a fiscal and a banking union: that is, insufficient central powers in supervision, resolution and risk sharing. Second, there was the absence of an effective mechanism to encourage and promote structural reforms at the national level. Lastly, the euro is also caught up in a legitimacy crisis. Support for the common currency and, more broadly, for the European project, is falling.

While still a work-in-progress, the EU has made headway in the solution of the crisis. The first pillar – improving discipline – has been the adoption of the Fiscal Compact which strengthens the monitoring of national fiscal policies and the enforcement of fiscal rules. The second pillar under discussion is a euro area financial stability framework, including central powers in banking supervision and resolution. The debate on solidarity focuses on agreeing to a strong growth plan for Europe: a fiscal union with its own resources, broader EU spending in areas of common interest, such as trans-national infrastructures, education, research and innovation; the completion of the internal market, namely in the services area; and a commitment to implementing reforms of national economies.

But solidarity requires more than a growth plan. Stability in the euro area calls for more risk-sharing: a common deposit insurance scheme and instruments of fiscal risk sharing to complement the Fiscal Compact. The EU should also protect and promote the European social systems. This means assisting countries in improving and adapting their production structures, social safety nets and labour markets to the challenges created by globalisation. In brief, the growth versus austerity dilemma is in fact about the quality of growth and the type of austerity measures. But more stringent disciplines and stronger solidarity

can only be held together in a more perfect political union. It should be one based on the “community method” – on the centrality of the European Commission, with limited but effective central powers, subject to clear democratic control. In short, Europe needs a new „legitimacy compact”.

This is a defining moment for the European Union, because necessity creates momentum. Europeans are making progress in addressing the economic, institutional and legitimacy crises of the euro. But confidence has not been restored and the naysayers seem to have the upper-hand. Frankly this should come as no surprise. So far there has not been a common narrative over the crisis, over the answers to the crisis or over the manner in which citizens will be asked to contribute. It is my strong belief that the survival of the euro hinges on the revival of the European integration process.

Europe needs a project, a clear proposal, capable of linking short-run actions with long-term reforms, risk-sharing with political integration. It must be a plan that will deliver concrete results that meet the expectations of European citizens. But Europe also needs a new narrative.

We are often reminded that the break-up of the euro area and as a consequence the unavoidable fragmentation of the single market, would have incalculable costs. But what are the shared gains of integration? Paradoxically, non-Europeans, who are the vast majority of my interlocutors in



my current position, often see more clearly than us the value of unity: the preservation of peace; the management of interdependencies; a space where civil liberties are protected; a serious concern about environmental protection; a broad market-based economy; a unique social welfare system. This is the European DNA and the *raison d'être* of the European common house. Without it, European citizens confined to their own national spaces would have much less opportunities.



Finally Europe needs an open political process. The current European stage is dark and dull. There can be no real sense of belonging unless Europe finds a way to have an open debate that transcends national borders, national issues, and national parties.

The EU needs to be ready to listen to its cities, to its regions, to its civil societies. In sum, the EU needs to be ready to listen to the European citizens. The European stage must be lit up for the European project to advance.

UNION

EUROPEAN

UNREADY FOR BATTLE



Jonathan Blackham

In both the media and intellectual circles the persistent problems with the Eurozone have come to dominate public discourse on the European Union. It overshadows progress made in other areas. While the EU has always been a project aimed at European economic integration, advances towards the creation of a common European security and foreign

policy since the end of the Cold War should not be understated.

While national defence still remains largely the purview of each member state, the concept of a

military dimension for the EU – that is both above the state level, and beyond NATO cooperation – has dramatically advanced. The creation of EU battle groups as an autonomous military instrument in the area of crisis management is perhaps the most prominent example.

Since reaching full operational capacity in 2007, the battle groups have enjoyed broad support from many EU member states. Yet more recently there have been indications that support may be wavering. This is largely because an EU battle group has never been deployed – begging the question of whether the EU has created a military instrument that in reality is unusable.

So the question must be asked: what does the EU stand to gain from the development of autonomous military capabilities?

A REAL FOREIGN POLICY IS THE KEY FOR THE FUTURE



Javier Solana

Former European Union High Representative for Common Foreign and Security Policy, Secretary General of the Council of the European Union, Secretary-General of the North Atlantic Treaty Organisation, Spanish Foreign Minister

War would not happen again. During the second half of the 20th century, our continent experienced the most prosperous period in its history. Little by little, Europe was finding a European standard of life based on freedom, equity, the rule of law, social protection and the welfare state.

But, as Timothy Garton Ash pointed out in the magazine *Foreign Affairs*, those who were 15 years old in 2003 – as well as the generations born in the 1970s or the 1990s – are now seeing, especially in Southern Europe, how the path is changing course: from prosperity to unemployment, from a shared European way of life to an enormous divergence between North and South and, above all, from a general optimistic

The generation that constructed what we call today the most successful project on international integration ever, the European Union, has seen how “Europe” means, essentially, the path from fear to hope. Project Europe, the EU, was more than just a union. Europe meant peace and, above all, the guarantee that the terrible events of the Second World

mood during the 1990s and the beginning of the 21st century to the fear of a worse future than that enjoyed by the previous generations. It is a transition from hope to fear.

Young generations no longer have war memories. According to their perception, there is no military threat, so the European Union doesn’t mean, essentially, peace – as it used to. Today, to unemployed young southern eyes and to anxious, future-threatened northern eyes, the EU either means austerity and lack of democracy, or paying for debtor and lazy countries that do not deserve solidarity.

What can keep them together? The answer is very simple: the future. We all belong to an interlinked European family and we share the same values. We need to ensure our future by speaking with only one voice, with a real European foreign policy defending our common interest – our prosperity depends on it. European foreign policy is suffering under the effects of the economic crisis. The temptation, of course, is simply to focus our eyes and efforts on European soil, discussing how to reignite growth while the rest of the world re-shapes the international order in this new century without European intervention – and perhaps without the European values. Let us consider, for instance, EU’s most immediate challenge: its neighbourhood. After the Arab Spring and democratic elections in Egypt, Tunisia and Libya, the framework in the Middle East and North Africa region is full of new opportunities: from investments to new and productive cultural relations in the Mediterranean between North and South.

But first we need to look to the current European situation. Today, one of the elements keeping us together is the fear of a real collapse of the euro. But we need something beyond fear. We need hope as the main factor for the European unity, as we will most certainly need it in the world taking shape around us. It is critical to realise that European countries are

very small in the global scale. We cannot operate alone. Even Germany, the biggest economic power in our continent, will be a small- to medium-sized power in the middle term future. According to current predictions, there will not be any European country among the 10 biggest economies in the world by 2050. Such a relevant fact should make us react immediately. Make no mistake: remaining together is the only way to ensure our future and our prosperity.



A more efficient, coherent and united European foreign policy should be at the core of our common project now and in the future. We have to explain to those young citizens who today are afraid of the future, that it is inefficient and ineffective for any of our small European nation-states to seek to negotiate directly with emerging powers such as Brazil, re-emerging powers such as China or India, or emerging-declining powers such as Russia – or indeed, any other future major actor such as Indonesia, Mexico or South Africa. The increase in these countries' economic power leads, logically, to a rise in their political power.

The rise of the rest is thus a reality and Europe must deal with it. It is vital to state clearly that a true European foreign policy is the only chance Europe has in the emerging multi-polar world. It is a question of common and shared interests. Although crises

historically enhance sentiments of nationalism, the forces of integration must be stronger than those advocating disintegration. The European Union is on track to forging greater political union: a common foreign policy must be a critical point on the checklist. We should keep in mind that the EU can and should keep a balance between the two major powers in the world: US and China. The United States, our post-war partner, is moving on, leaving behind its Cold War approach; they have shifted their strategic priority to the Pacific Ocean and to the Asian continent, which will occupy the centre of the international stage in the 21st century. Our good relations with both of them are a valuable asset. Moreover, our values are a model of best practice and mutual understanding.

A world ruled according to European norms would be a safer world. We actually know very well that multi-polarity without multilateralism is dangerous. A multi-polar world, without institutions for multilateral governance, implies conflict. The EU has an invaluable multilateral background and that is a fundamental asset for world peace. We should not forget that the EU is the most impressive work of architecture created after the Second World War. This is our splendid capital – we have done it in the past and we know how to do it again.

We have already made a great deal of progress: the European External Action Service is a great success for the EU's international position. Now, we need to reflect and draw lessons after these two years. The EEAS does not have a clear strategy. It is very recent, and requires much study and a flexible attitude for the future. So, therefore, future has to keep us together.

The European project needs hope and needs the engagement of young Europeans for the current age of global multi-polarity. What we should not forget is the key phenomenon of our time: the world is changing rapidly and it is changing now. This is our fundamental challenge for the future.

POPULATIONS DIVIDED



Dominik Golle

Although the current crisis of Europe is economic, its underlying reasons are essentially political. The crisis is the tip of the iceberg in a European Union that has yet to acknowledge one crucial fact: that it has been a multi-speed enterprise from the beginning. This could be ignored as long as economic

integration increased welfare for everyone.

But now, long-standing cleavages are looming beneath the surface.

European integration has been a remarkable success story of economic development, but this growth

motor seemed to function only as long as policies remained congruent with market interests. During the current crisis, calls for a reassertion of the primacy of politics came to the fore. A new arrangement between politics and markets in Europe is indispensable. Yet, the nature of this arrangement remains an open question.

The crisis also revealed a cleavage between European civil societies. Despite their joint calls for reform, European populations are deeply divided on the direction of change. This division has been shockingly demonstrated by recent right-wing terrorist attacks in Germany and Sweden, as well as by the widespread rise of nationalist parties.

A solution to the Euro crisis must reintegrate civil society's constructive forces into a European-wide decision-making process and reaffirm Europeans' common normative foundations.

LOSING THE CITIZENS



Anna Hechinger

What is the EU's most pressing problem today? Hearing and reading much about the technical details of government bail-outs, new banking regulations, and fiscal reforms, I do not worry too much about the politicians' and experts' ability to steer Europe through the current crisis.

What I am really concerned about is "losing" European citizens along the way of this process. Much of the public debate about

Europe's monetary union is driven by a "there is no alternative"-rhetoric and the avowal of the Euro's meaning for peace. An honest debate on the Euro's political and economic implications involving all affected interest groups is still pending.

From my perspective, Europe's biggest challenge is to engage citizens and groups in a truly democratic public debate – especially those who feel that they have lost from the euro and European integration.

Giving them back a voice in a political system that, in principal, has the potential to make all of them better off, but that is currently heavily biased – both economically and discursively – towards well-educated, cosmopolitan, economic and societal elites, would be a first step towards more distributive justice within and across euro area countries.

EUROPE CAN MAKE A DIFFERENCE



Jan Peter Balkenende

Former Prime Minister of the Netherlands

Europe finds itself at the centre of global attention. Unfortunately, in the majority of news coverage, that means its good name has lately been bracketed largely with the word "crisis". Europe was, and continues to be, a unique phenomenon. There are struggles and

significant problems, but there is no reason to turn pessimistic. Now is the time to show European citizens that Europe can make a difference: that it is theirs, a work in progress. It is not perfect, and it is capable of improvement. But nevertheless it is valuable and – as history tells us – vital for tackling the cross-border problems that no single country can solve on its own. Actively contributing to these issues is what makes the European Union worthwhile. The world is changing. It is time for Europe to show its ambition.

Europe is a community of values. The ongoing awareness of the values that we have in common contributes to smooth collaboration and to realising compromises and choices that have broad public support, especially in difficult times. Values are no attainment, but they prompt us to take action. Our community is the product of a number of great religious and philosophical traditions. The ideas of

the classics, of Christianity, of Judaism, of humanism and the Enlightenment have shaped who we are today. The dialogue with the Islamic and Arab cultures has also contributed to our identity. Our values of today are the result of an age-long process, in which high points of art and civilisation and absolute lows of injustice and violence alternated, or even coexisted. We are the Europe of Michelangelo and Montesquieu, but also of the guillotine and the gas chambers, which we must never forget.

By bitter experience, we have learned how fundamental our values are, and how much they deserve our commitment. Respect for human rights and human dignity, freedom, equality, solidarity. These morals and values connect us, and are anchored in our treaties. The founding fathers of European integration – Monnet, Schuman, Adenauer, De Gasperi and others – realised that those ideals could only be within reach, if the practical interests of the European countries could be bundled and interwoven. This is how the founders built a fragile house of peace upon the fundamentals of coal and steel.

The influence of Europe on the lives of its citizens grows. But despite the progress made, it seems that the European Union has lost the European citizen along the way. Many people have lost interest, find great difficulty discovering what Europeans actually have in common, and do not feel involved in the bigger picture. Post-war generations have come to take achievements such as peace, freedom and welfare for granted. Their view of Europe is that of economic collaboration, a financial transaction. A Europe focused on the market and a currency is thus not necessarily a Europe that revolves around people and morality. The other side of European collaboration – Europe as political inspiration and as a community of values, has been left underexposed.





Our shared values can bring together our governments, who must realise that it is not wise to be merely concerned with national interests, when the shared interest calls for a united

strategy. The greater the sense of our shared values, the greater the political decisiveness of the European Union can be. That is why it is good that the Treaty of Lisbon mentions the values that the Union is built upon: respect for human rights and human dignity, freedom, democracy, equality and the constitutional state. If we are more aware of our shared values, we are more capable of building an economically stronger Europe. The competitiveness of a country or region relies, after all, on the degree of trust and understanding among its people.

This trust has been recently been tested by the Greek debt tragedy, financial and economic developments in other countries and the concerns around the euro itself. It is essential to underline that the euro touches the core of the European Union. If this core crumbles, the complete European structure is at risk. The euro is linked to the European market, with the free movement of goods, services, people and capital. It is essential to the process of European integration. Next to the euro, there are concerns about the lack of vitality of Europe, with lagging innovation capability, the lack of decisiveness when it comes to reforms, and high labour costs. For many in the world, Europe looks a bit washed out. This sentiment puts at stake the future of the "brand" Europe.

We must regain our spirit if we want to tackle the challenges we face, in the area of food, climate, water,

energy, increasing natural resource scarcity, global health, and the global ageing of our population. Currently, there are 7 billion people on the planet; by 2050, this number is expected to reach 9 billion. Despite all views about the shift from West to East, Europe is still the largest economic bloc in the world, with the highest gross domestic product and a large consumer market. Rating agencies are closely following the decision-making process in Europe, but it is important to realise that the budget deficits and the national debts of the United States and Japan are considerably higher than the average of the EU. Europe has what it takes to be a world player in the future, too. We know how to collaborate. We are capable of solving crises. We must rediscover ourselves, if that is what it takes to move forward.

Europe can act more proactively by concentrating on our sustainable competitiveness. How can we achieve growth while connecting it to our values and to sustainability in particular? Europe can prove its added value by being a frontrunner in the area of sustainability. Greening our economy is a dire necessity. Europe is relatively poor in terms of natural resources. If we want to reduce our dependence on other countries and regions, we must thoroughly search for alternative energy resources to move ourselves and warm our houses. Here, too, it boils down to our knowledge and capacity to innovate, to improving market mechanisms and competition, and to stimulating entrepreneurship and reducing administrative burdens both at EU and country level. It also comes down to improving the workings of the labour market, creating the flexibility that is needed, and to the reduction of our enormous burden of debt. An economy that does not reduce its debts after a crisis faces slower growth than an economy that does. Europe is great: both in terms of our economic potential and our history. With new zest and engagement, we are prepared for the future. Because, as many put it: "If Europe didn't exist, we would have to invent it."

NO TALENT SHOULD BE WASTED



Jan Jakub Chromiec

How can EU win the hearts and minds of Europeans? You can't give a good answer to this question if you don't ask: "who do you mean by 'Europeans'?" If you mean the elite, you already have their hearts and minds. Their children enjoy their Erasmus exchanges, their companies benefit from the Single Market, their flight schedules benefit from Schengen. It's the ordinary people you must win over.

But your classical arguments are like unloaded guns. If you say: "EU is a peace project", you presuppose past memories that are no longer vivid. If you say: "EU is a community of values", you appeal only to those who have the luxury to deliberate about such values. If you say: "EU is protection from global challenges", you won't convince the majority ignorant of those challenges.

Instead, ask yourself the following questions: How can the EU make sure that not a single talent is wasted? How can it make sure that any ambitious person, regardless of wealth, nationality, age or gender can climb the social ladder? How can it make sure that no European is exploited at work? How can it make sure that ordinary people have influence on EU policies which affect them? If you want to furnish long-term support for EU, these are the questions you need to address.

ESCAPE

HOW TO

HOPE AND ILLUSION



Annett Galisch

It has proved an illusion that within a common currency area minimal economic and political coordination on an intergovernmental level is sufficient to maintain stability. The hope that the euro debt crisis can be resolved by the newly implemented mechanisms such as the fiscal pact and the ESM alone is rather fallacious.

Also the ECB cannot apply a

single policy to cope with the diversity of each country. The economic and institutional heterogeneity of member countries is constantly rising, and the competitive gap among the members is further widening.

Where will growth come from for these countries and why is the economic potential of the EU insufficiently utilised? Clearly lack of competitiveness, lasting stagnation and high unemployment in the peripheral states cannot be adjusted by ruthless austerity, weak coordination measurements and low political determination. It has been shown repeatedly that existing problems are not resolved in this way, and erosion tendencies do not halt. Consequently, economic and social instability can lead to higher mistrust among the population towards the Europe project.

The tremendous liquidity expansion is extremely worrying, as is the vulnerability of the euro states to financial market pressures. How long will taxpayers accept solidarity in an integrated money system can go on and how can we avoid "moral hazard"? It seems rather doubtful that the political and institutional architecture of the eurozone is fully capable in facing these concerns.

HOW TO ESCAPE FROM THE TRAP



Sylvie Goulard
Member of the European Parliament

The eurozone has fallen into a trap: Europe's leaders thought that it would be possible to go from a Single Market to an economic and monetary union without endowing Europe with the necessary democratic tools to enable it to be able to make effective and legitimate decisions.

Three glaring assumptions were made:

- That the rules created within the framework of limiting public debt and deficit concerning the coordination of national economic and budgetary policies would be sufficient to ensure the viability of the Euro;
- That the eurozone would not need its own budget;
- Due to the fact that national budgets would be used to fund rescue measures then national parliaments should also be in charge of the legitimacy of the decisions.

It is possible to pass quickly over the first assumption, as it is in the process of being rectified. As the cases of Spain and Ireland illustrated, it is possible for countries which fully respected public budgetary discipline rules to find themselves in an untenable situation, due to the poor management of private

spending (notably the development of real estate bubbles). Thus the effects of one member state's policy decisions on another can no longer be ignored. The rules adopted in 2011 in a package of texts called the „six-pack“ foresee the European Commission controlling macro-economic imbalances (balance of payments, unemployment rate for example) from now on. This is an initial step in the right direction.

The two other assumptions continue unchanged, and have even been reinforced. Although they claim to want to do „whatever it takes to save the Euro“, the heads of state and government refuse to discuss the question of the European budget and that of „accountability“ in intellectually rigorous terms. The budget debate has stalled, on the grounds that the public opinion in certain Member States is no longer prepared to „pay for the rest“. It would however be possible to explain to people that a monetary zone is only „optimal“ when there is a certain mobility of both people and financial transfers. For that to be possible a budget is required.

How can one avoid the impression that some people are „paying for others“? By no longer choosing to finance a common budget through national contributions which are negotiated between member states and absurdly result in national flags being draped over the amounts transferred to Brussels. Here is a simple example; the part of VAT which is transferred by Madrid is considered „Spanish“ even if it was paid in Marbella by French or Belgian tourists. The encouragement to create genuine „own resources“ (already foreseen in the Treaties incidentally) would mean that national contributions could be stopped and instead replaced by a tax such as a carbon tax, a financial transaction tax, or a percentage of VAT; that is not the key debate. The contributions would be much fairer: it would not matter if one were Spanish, French or Greek; one would pay depending on CO₂ production for example, rather than depending on one's passport.

Furthermore, with this budget the eurozone would have a macro-economic intervention tool, which today it is sadly lacking.

The denial of reality in this area is astounding: it may facilitate the development of some politicians' careers, or their re-election, but it does not solve the eurozone's problems. It should not be surprising if the markets put the viability of our currency into doubt when any serious discussion about such an elementary condition of its stability is refused.



Secondly, be it a question of the budget or the accountability of those who manage the crisis, national parliaments will never be able to give the collective legitimacy required for decisions concerning the eurozone. If 17 Parliaments voice their opinions separately then there is no European debate. There are 17

debates on Europe, each conducted within the narrow confines of the national sphere.

Take the situation in Greece for example: the only discussion of interest is about what will bring together

representatives from both creditor and debtor countries. The rescue process is held hostage to 17 separate parliamentary procedures. For example, as seen during the European Council of July 21, 2011, the implementation of the conclusions of the European Council was delayed due to objections raised in Finland.

Or the result is blatant discrimination: why during an interruption of the European Council was only the German Bundestag consulted in autumn 2011? Not to mention the severe risk of contradiction between the national Parliaments: if the German parliament gives a mandate to the Chancellor to refuse Eurobonds and the Italian Parliament gives their prime minister a mandate to put them in place, what is to be done? Do not underestimate the fact that a collision between two sovereign parliaments would be infinitely more serious than between two executives.

To move forward in Europe, notably in the eurozone, the key issue that needs to be tackled is that of the legitimization of essential decisions (accountability and budget). This legitimization can be found at European level and not from a mosaic of national parliaments which are perfectly legitimate and important in each country, but not in a position to represent the whole polity.

This is the debate which needs to be opened, and all taboos can be left at the door. This is the debate which needs to be opened, and all taboos can be left at the door.

V I E W PERIPHERY

A VIEW FROM THE PERIPHERY



Jamie Smyth
Ireland Correspondent
of the Financial Times

Few Irish people knew much about the European Central Bank before November 2010 when Ireland's political leaders reluctantly accepted a bail out from the troika of lenders – the ECB, European Commission and the International Monetary Fund. So

it came as a bit of a shock when Ireland's central bank governor Patrick Honohan,

and not its prime minister Brian Cowen, announced to the public on radio the country was bust and was ceding its economic sovereignty.

Four years into Ireland's economic crisis and there is a growing public awareness of the central role EU institutions and the International Monetary Fund are playing in overseeing Ireland's reforms.

Desperate times call for desperate measures. In the heat of the economic crisis there has not, as yet, been a public backlash against the austerity mandated by the troika. But in the medium-term, reliance on crisis measures, typically authored in Berlin, Frankfurt and Paris as much as Brussels, and presented as a fait accompli to peripheral states, will undermine the stability of the Union.

The community method, whereby the European Commission retains the primary role for initiating legislation, and the European parliament has the right of "co-decision", has been cast aside during the crisis

in favour of an intergovernmental method where big member states and creditor states make the rules. The power of the ECB, which played a key role in forcing Dublin to accept a bail out and the appointment of technocratic leaders in Italy and Greece, has also come to the fore with no commensurate increase in transparency or accountability.

In short, the EU's response to the economic crisis risks eroding further its democratic legitimacy in the eyes of citizens, many of who already hold little love for a Union seen as remote and impossible to influence. Greater efforts need to be taken to boost transparency, accountability and democracy in the Union. It is essential that citizens of small or indebted member states feel they have some influence over decision-making in a Union, which will have the power to close their banks and direct their government to cut back public spending.

A good first step would be the strengthening of the European Commission. In recent years the EU executive has seen its influence wane with Berlin and Paris taking a big country *directoire* approach to policymaking in the Union. The commission president, traditionally the public face of Europe, now also has to compete with the president of the European Council – a position created under the Lisbon treaty.

Germany's Christian Democratic Union has suggested a direct Europe-wide election for the post of commission president to boost the profile and democratic credentials of the incumbent. But in the absence of a true European demos this risks the perpetual election of a German to the post.

A more gradualist approach, whereby the citizens of each member state directly elect their own commissioner, would go some way to boosting the democratic credentials of the Commission.

Too often politicians are appointed to the commission as "retirement presents" or technocrats get the job as governments cannot afford to lose one of their party members due to national parliamentary arithmetic. Having a directly elected commissioner would provide

the public with their own recognised face in Brussels. The European Parliament has largely failed to provide the democratic legitimacy that the Union badly needs. Turnout has fallen at every European election since voting began in 1979 and has reached crisis proportions in Slovakia and Lithuania where just one in five people voted in 2009.

An alternative model of European parliament whereby national parliamentarians sitting on European affairs committees in member state parliaments 'double job' and are seconded to Brussels to act as MEPs at bi-monthly plenary sessions would be a better approach. By holding dual status as national parliamentarians and MEPs, the representatives would strengthen the link between national and European parliaments. In an age of austerity the arrangement also has the benefits of saving considerable sums of money. Transparency rules should be strengthened to enable citizens to access information from all EU institutions

and from their own government's interaction on European affairs. Freedom of information acts should be extended to all member states across the Union, enabling citizens to gather information on decision-making.

The ECB should publish minutes and voting records of its meetings to enhance transparency. Consideration should also be given to making the ECB more accountable to a newly constituted European Parliament, which consists of elected national representatives who sit on national parliament's European affairs committees.

Gender quotas should be introduced across all EU institutions to ensure women are adequately represented in top EU positions. Each member state should sign up to provide education in schools on EU politics, in recognition of the ever increasing influence that the Union has on citizen's lives.

A VOICE FOR CITIZENS



Viviana Klein

For decades policy-making in the European Union has been characterised by decisions made in Brussels, shielded from the regular citizen but legitimised on the basis of popular results. This strategy worked well for most of the EU's history. Most EU members experienced unprecedented

prosperity, reaping the benefits of a common market and common currency.

The economic crisis that struck in late 2008 has fundamentally changed this status quo. Economic breakdowns in single EU countries and the prospect of massive financial transfers have raised deep distrust among EU citizens about further economic and political integration.

The EU is no longer regarded as a beacon of stability. Geert Wilders' Party for Freedom in the Netherlands and Jean-Marie Le Pen's Front National in France are only two examples of extreme nationalist parties endangering EU integration. Populist anti-EU rhetoric widely fills newspapers' headlines. That the EU suffers from a legitimacy deficit is no news, but negative reactions to this shortcoming have seldom been as pronounced as nowadays.

Where are we heading? Will EU governments pressured by their constituencies refocus on national and regional policy-making? Or can the economic crisis constitute the starting-point of a Europe-wide rethink? Now is the opportunity for EU policy-makers to take the initiative and give the European citizenry a voice on the EU's future, their own future. It is time to openly discuss the innovative ideas for greater citizen involvement to win back people's hearts and minds for the European project and ultimately ground it on true input legitimacy.

DIVERSITY REQUIRES FLEXIBILITY



David Miliband
Former UK Foreign Secretary

David Cameron, the UK prime minister, is right about one thing: the Euro crisis is going to change the European Union in fundamental ways. If the Euro is saved, it will be because of a shift to more federal structures within the euro-zone. If it fractures, there will need to be serious

redesign, in a federal direction, if what's left of the Euro is to be saved. In either case, we will need new thinking about the way the European Union works. Mr Cameron's botched 'veto' of the Fiscal Pact last December weakened Britain and weakened Europe. It is vital that we learn the right lesson: the debate about the re-design of the European Union must be conducted on broader terms than the British prime minister's need to appease Euro-sceptics (and Euro-phobes) in his own party. To privilege the repatriation of powers above all other issues, as the UK government has done, is dramatically to miss the point.

For fifty years the EEC, and then the EU, has steered by the star of 'ever closer union'. By any historical standard, it has been dramatically successful. The idea of a Europe whole and free has actually happened. What is more, Europe is more integrated and in many areas interdependent, than ever before. The political and institutional ambiguity of ever closer union yielded the idea of "two speed" Europe. The

fiction was that opt outs, transitional arrangements and other legal innovations recognised different speeds of travel but not different destinations. That metaphor must now be given a decent burial. The issue is what is the alternative to a two speed vision?

One answer is to say that the future is a 'two tier' Europe. Joschka Fischer, former German Foreign Minister, describes a vanguard Euro group and a rearguard of the rest. David Owen, one of my predecessors as UK Foreign Secretary, argues for a top tier of countries who merge their governance arrangements into a "single government". A second tier, including Norway and Turkey, would embrace a "restructured single market" (though note that there is no single market without an agreed set of legislation associated with social and environmental policy).

The Owen plan founders on a number of points. One reason is practical: I don't see other countries embracing this vision. A second is more substantive: deepening the divide between the Euro ins and outs, and squeezing the choice for countries between a minimalist European Economic Area and a fully integrated EU, is a recipe for decline not renewal.

The diversity of the EU's membership, and the breadth of areas of policy cooperation, requires flexibility not rigidity. If Britain pursues this two tier option, it will end up talking itself out of the EU altogether.

There is an alternative to two-speed and two-tier. In 1994 Wolfgang Schäuble (the current German Finance Minister) and Karl Lamers, then Christian Democrat foreign affairs spokesman in the German Bundestag, produced a paper reiterating traditional German commitment to a federal state structure, but also embracing 'elasticity and flexibility'.

"Those countries which are willing and in a position to go further than others in their cooperation and integration should not be blocked by the vetoes of other Members" they wrote. In English, or at least

diplomatic English, we call this “variable geometry”. It means that the European Club has a group of founding rules – from the single market, which is decided by qualified majority voting, to foreign policy cooperation, where each nation has a veto. On that foundation, further integration is possible – on the Euro, on defence, on migration and the like.

There are two major objections to this vision. One is that the Euro is such a big exercise that its members



will inevitably overrun the rest of the EU. But this falls on the critical point that important members of the eurozone club, such as Germany, will have more in common on for example single market issues with countries such as Britain or Poland than with Euro members such as Italy or even France.

Membership of the Euro, or a eurozone hard core, is not the end game for all EU members. But it is not in the interest either of the eurozone or the EU countries outside the Euro that the latter should have second class status in the EU.

The second objection is that it does not resolve the democratic deficit. That is true, but it is an argument for developing more transparent political structures – whether by formalising the role of national

parliamentarians or directly electing the president of the Commission – rather than ditching the idea that the EU encourages coalitions of willing members to work together.

Time is now of the essence in this debate not just for Britain, but for countries such as Sweden, Denmark and Poland. At the moment, the British government’s stance has dealt us out of the game. But leading players in Europe know that the EU is much stronger when its structures include rather than exclude Britain. For all our pragmatism, and sometimes because of it, we can add weight and value.

The same is true for the other countries I mention. The UK Government is chronically weakened by its inability to empathise with any vision of the European project recognisable on the Continent. That cannot stop the rest of us. If we cannot make variable geometry work then we end up locking ourselves out of the EU altogether. So we need to argue for it with vigour and urgency.



AHEAD FOR EUROPE

SACRIFICES NEEDED TO SAVE THE MARRIAGE



Kristiina Ojuland

Member of the European Parliament, former Foreign Minister of Estonia, Member of the BELA Foundation Advisory Board

Once again we see Europe facing fundamental choices, and the different roads that lie ahead lead to different destinations. While time is pressing for a decision, one should not argue so much about which road might seem better to take at present, but

much rather concentrate on the ultimate destination that is to be reached in the future. The economic and financial crisis has called forth both centrifugal and centripetal tendencies in Europe, yet it is clear that disintegration in the face of financial difficulties would lead to eventual marginalisation of Europe as an economic and political world power. Only concentrated joint effort will ensure the continuation of the European project in the long run.

The current crisis has ruthlessly revealed the inherent deficiencies in the structural design of the European Union and the eurozone in particular. The eurozone ceased to be a „gentlemen's club“ as soon as agreements on concrete criteria of budgetary discipline were irresponsibly disregarded, a development which left many members rightfully feeling they had been cheated. This, however, does not necessarily mean that idea of the club as such was

essentially wrong, but simply that some irresponsible members misbehaved and failed to follow the common rules, placing everyone else in jeopardy. The idea of an area of freedom, security, justice and prosperity still stands. It needs to be reinforced.

The European Union can also be compared to a marriage – „for better or for worse“. The difficulties that we are currently facing are a test the strength of the matrimony. By now it has become pretty clear that only consensual and determined measures will be able to prevent the proliferation of the European sovereign debt crisis to those countries that have not been too seriously affected yet. Some serious sacrifices are needed to save that marriage. This is the challenge that will prove either the viability or weakness of the European Union as a whole. Most analyses indicate that from the possible breakup of the eurozone there is much to lose and nothing to gain.

Therefore, lessons must be drawn and stricter rules for fully fledged membership must be applied. The structural design has to be subjected to an exhaustive revision that results in fixing the systemic failures and avoiding the reoccurrence of past mistakes. The economic governance and financial supervision package that was adopted by the European Parliament at the end of September will facilitate first steps in redressing past oversight, but it will not be the end of the story. For a full recovery further measures are required.

At this decisive time the EU should not lose sight of its objectives, but find a new *modus vivendi*. There is one simple truth to be followed: we can spend only as much as we earn. This is the reason why the public sector should be drastically cut back. The Member States should enhance the competitiveness of their business environments and give impetus to the internal competition in the EU by restraining excessive bureaucracy and lowering taxes. The sustainability of the economy of the EU is in the hands of the private

sector. Business-friendly legislation, in combination with limited bureaucracy and low income tax, should become the European mantra. Implementation of e-governance in Europe is a key element for a modern democracy that leads to more transparent and economical society. This should lead to more responsible behaviour of the individual. An important aspect is that the governments of the Member States admit that we are not able to go on with business as usual and that the idea of social market economy must be put aside for the time being, in particular social assistance, which is too convenient and not discriminating enough. Each and every individual should get ready to work more and earn less.

I have stipulated these preconditions in an imperative manner, because there is much to lose. The economic capacity of the European Union also sustains its ability to uphold its liberal democratic values, and consolidate its role as an important international actor. Losing control over the European sovereign debt crisis decreases the likelihood of the European Union



being able to allocate further funds to the external dimension of the EU, as well as to employ conditionality as a tool to promote its values in its neighbourhood, but

also exercise its influence further away. The success of its efforts in promoting human rights, gender equality, civil liberties, democracy and the rule of law within the European Union as well as abroad depends greatly on the resources that the European Union can put to good use. Here we face one of the most difficult challenges – are the Europeans willing to give more and gain less to secure that? The reputation of the EU is at stake – if we cannot take charge of the situation at home, we are likely to lose our credibility internationally. The EU cannot afford to lose ground there, because in a globalised world the well-being

of its citizens is in one way or another interlinked to the situation in third countries, in particular in our neighbourhood. If the socio-economic environment in problematic countries is not improved, the EU will face an ever growing pressure of immigration, which is bound to put additional strain on the European social system. That in turn will probably encourage extremist political forces to become more vocal. Paradoxically, right-wing extremists tend to oppose providing aid to third countries, preventing anticipatory policies from being applied. The incapability of dealing with the current economic difficulties may result in getting caught in that vicious circle and being unable to improve the situation, whilst disowning the principles that the EU was founded on.

Such a holistic approach is vital to reach out to European citizens to make them realise the severity of the decisions that have to be taken and the possible long-term consequences. The European public should see the forest for the trees and realise that endangering the economic integrity of the EU also means endangering the future of European values and everything that has been achieved during past 60 years. The measures that have been or are planned to be taken to treat the financial crisis, should therefore not be judged superficially or disjointedly, but assessed keeping in mind their effect on the European project in its entirety.

When discussing the future of the European Dream, Jeremy Rifkin stated seven years ago: „These are tumultuous times. The European Dream is a beacon of light in a troubled world. It beckons us to a new age of inclusivity, quality of life, sustainability, universal human rights, the rights of nature, and peace on earth. We Americans used to say that the American Dream was worth dying for. The new European Dream is worth living for.” By now the tumultuous times have caught up with the EU and dark clouds are gathering over the European Dream. The principal question now is: „Can the dream be saved?”

A 'REFORM UNION' BASED ON RULES



Ivan Mikloš

Former Deputy Prime Minister and Minister of Finance of Slovakia, Member of the BELA Foundation Advisory Board

In the light of the current debt crisis and banking crisis, intertwined in the eurozone crisis, and the impending or actual economic recession in many member states, we often forget Europe's remarkable accomplishments.

The past 100

years have been vastly different for Europe and for the rest of the world. In the first half, two world wars were fought across European territory. But the second half of the century has been marked by an unprecedented period of successful cooperation and integration. It began in western Europe and later, after the fall of communism, transformed central and southern Europe. I believe in the foreseeable future it will also happen in the western Balkans and eastern Europe.

On the other hand, we must concede that Europe's recent successful development and high quality of life has been achieved to some extent in an unsustainable way, at the expense of future generations. We cannot continue on this path any longer. We all share a common sense that a healthy economy is the key to our success. That means it is necessary not only to repair public finances, reduce deficits and debts, but

also to maintain a competitive market and achieve the highest sustainable growth in terms of employment and economic development. At the same time, we all probably recognise that this is not and will not be easy.

In several European countries, there are big debts and high deficits. In some there is also a great lack of competitiveness. The interaction between the economic and financial sectors is such that the resolution of a crisis requires a comprehensive approach. It will be neither cheap nor easy. The ageing of the European population and the increasing intensity of global competition add to the many challenges that Europe faces in finding a sustainable solution.

Two things in particular are needed: on the one hand, deep structural reform (especially at the national level), and on the other hand a new integrated European architecture – which means transferring some national powers to the European level. These processes depend on and complement each other. Neither sustainable economic growth nor sustainable recovery of public finances can be achieved without both being pursued together at the national level. A new architecture of European integration is a necessary precondition to handle today's problems, and prevent their repetition in the future.

Reforms at the national level are more or less clear. They should focus particularly on increasing of the flexibility of the labour market, improving the business environment, and providing long term sustainable pension systems, efficient and sustainable health systems, law enforcement, an effective public sector, quality education and research, etc. In principle, regarding structural reforms, politicians know what needs to be done. The problem is that they are too often afraid to do it. This is a crucial time in our history, and it requires real leaders, more statesmen

than politicians. As Benjamin Disraeli said, politicians think of the next elections but statesmen think of the next generation. The second is much more difficult to do.

In terms of a new architecture of integration in the EU, particularly in the countries that share the Euro as a common currency, what is needed and how can we achieve it? This presents an even bigger problem than structural reform, because there is no general consensus on what we need to do.

In general, and in principle, almost everybody will agree that a monetary union (which already is a reality) requires a certain level of political and fiscal union. The big question however is – what kind of union and what level? There are basically two ideas for political and fiscal union. The first I would call the „Transfer Union „and the second, the „Reform Union.“

Transfer Union is a strongly centralised European federation with a strong central European government, a shared tax and social system and large transfers from the richer and more competitive to the poorer and less competitive. Thus, in labour terms, it is similar to some kind of United States of Europe. Even if today's European leaders were able to agree



on such a project, it would have been a stillborn child, because the voters would quickly sweep such a project off the table. Whether we like it or not, people

in the EU countries, even in eurozone countries, do not and will not embrace a European identity so intensively that this model would gain democratic legitimacy.

At the same time we have the Euro and a monetary union. Without new integration architecture, in other words, without some degree of political and fiscal

union, the existence of that monetary union is at risk. And it can also impact the level of total, wider European integration. What can we do about this?



I think the solution could be the „Reform Union: „a political and fiscal union based on strict rules, violation of which is automatically sanctioned and those sanctions are enforceable. Following “the rules” prevents the recurrence of the problems that we are witnessing today.

So, in other words, it means giving up part of today's national sovereignty, especially in the area of fiscal policy. If we also include sustainability of public finances in the rules, we would create the necessary pressure for the required reforms to address population ageing and sustainable growth of the economy, hence the pressure on increase of competition.

One of the key assumptions behind the operation of European Monetary Union is the convergence of the economies of member states. The fundamental problem, and a major cause of the current crisis, is a divergence between north and south, and thus a kind of “scissor effect” in competitiveness, driving economic and living standards apart. We can ensure convergence in this situation in two ways – by transfers or reforms. Transfer convergence took place between west and east Germany after its reunification. It was neither easy nor cheap, and it certainly is not the way for the eurozone.

Reform convergence was the way for other post-communist countries. They did not receive any massive transfers and therefore they had to make deep structural reforms and achieve progress in

economic convergence without their help. Only the most successful of them became eurozone member countries. It was not easy, but their example may become the way for the eurozone and the EU. Only integration that is underpinned with democratic legitimacy will be sustainable. That is why I think the Transfer Union is a dead end. The question is whether this applies to the Reform Union as well. If the Transfer Union is unacceptable for the North, will the Reform Union be unacceptable to the South? It is possible, but then the question is whether the eurozone can survive this way.

The solution to the problem of the legitimacy of a Reform Union could be to provide rules of exit from the eurozone. In other words, we agree on a new integration architecture based on the rules of Reform Union, thus on the handover of part of the sovereignty, particularly in the fiscal area. At the same time the voters can decide, whether through their elected representatives, or directly in a referendum, on leaving the eurozone if they do not agree to comply with those rules – of course with all its consequences and costs. I believe that it is doable and that we can do it.

LET US EMBRACE OUR NEIGHBOURS



Jana Kobzova

Policy fellow and coordinator of the Wider Europe programme at the European Council on Foreign Relations, a London-based think-tank

The ongoing financial and economic crisis has been testing the solidarity of the member states of the European Union, and between the EU and other countries in the world. The EU will almost inevitably become a more inward-looking entity in the next couple of years: their grave economic predicament forces European leaders to devote most of their

efforts to stabilising the common currency, and rescuing debt-laden states, at the expense of issues such as foreign policy or relations with the EU's neighbours. An introvert EU might easily become more ignorant too: focused solely on economic crisis management, the member states run the risk of overlooking developments in other parts of the world

that will have a profound effect on the EU itself. Nowhere is this risk greater than in the EU's closest neighbourhood, eastern Europe. The EU and all its member-states, old and new, have undoubtedly benefited from the widening and deepening of the Union: the enlargement and greater integration have brought prosperity and expanded the sphere of security and stability on the European continent.

However, most of these benefits remain contained within the EU's borders (and, as the crisis shows, they can be under threat even there). On the other hand, societies at the EU's eastern flank in countries such as Armenia, Azerbaijan, Belarus, Georgia, Moldova or Ukraine continue to live in what looks like a post-communist transition hangover. They suffer from persistently high levels of corruption, badly-run economies, a worrying symbiosis between business oligarchs and politicians, a hobbled justice system and slow bureaucracy. All are an integral part of their everyday experience.

Thus far, hopes that the region would follow the transition path of the former communist states in central Europe have been dashed: the largest and economically most important country in the region, Ukraine, remains a well-known member in the club of "hybrid regimes", despite the largely peaceful

‘Orange’ revolution in 2004/2005. Georgia seems to be following a similar path, although the latest parliamentary elections offer a glimmer of hope that democracy has taken stronger roots in this country.

But all in all, none of the six eastern European and south Caucasian states have a fully pluralistic democratic regime. And although some of them such as Moldova are moving closer to the EU, their path towards a consolidated democracy remains a rocky one.

This inauspicious situation is certainly not the result of the EU’s own actions or the lack thereof; it is mostly the local elites in eastern Europe that are to blame. But the EU cannot afford to ignore the region either. While the effects of the euro-crisis can be felt by most EU citizens whenever they look into their wallets or check their bank accounts, the implications of eastern Europe’s stalled transformation for the EU are perhaps less pronounced – but still profound. They affect numerous spheres, including the economy and security.

The economic potential of the eastern regions of Poland, Lithuania, Hungary or Slovakia will be fully exploited only when the EU’s trade with Belarus or Ukraine is liberalised. Western businesses and investments in eastern Europe stand to suffer when the local courts are corrupt and officials capricious – unless these problems are addressed, both the EU and the wider region will be missing out on many positive business opportunities. Money has already corroded politics in eastern Europe - but the corrupt practices are easily ‘exportable’ to the EU, too.

The EU can protect itself by increasing oversight and scrutiny of the money flows but it will remain vulnerable to corruption from the East unless the roots of the problem remain unaddressed in the region, and both transparency and governance are transformed. And as long as the police in a number of eastern Europe countries continue to be dependent on the whims of the ruling elite, the EU cannot rely on them to help with protecting its borders and managing migration flows. In short, the EU stands to gain both economically and in terms of security if its neighbours prosper, just as Austria or Germany did following the entry of central European countries such as Poland, Hungary, Slovakia and the Czech Republic to the EU.

Helping eastern Europeans gradually change their countries into well-governed and prosperous democracies is a long-term game: the EU needs to work actively to expand the ‘circle of friends’ it has in the region. This transformation will take long time to become successful – but hoping that it will take place without the EU investing much more effort into it would be imprudent at best and foolish at worst. Transformation of central Europe was not a foregone conclusion: the process took more than a decade and it required large investments of the EU’s political and economic resources. In the end, the process proved beneficial for everyone – but it took lots of effort on both sides. Cutting back on such investment in eastern Europe just when the times get tough at home and the situation in the region looks less than rosy would be a mistake: such a short-sighted decision would strip benefits not just from the citizens of eastern Europe, but from the EU itself.

FUTURE

EUROPE

EUROPE 1, 2, 3



Paweł Karbownik

Deputy Director, Department of the EU Economics, Ministry of Foreign Affairs of Poland

The European Union is undergoing its most fundamental reconstruction. There was no greater challenge since the foundation of the European Communities after the Second World War. This remake of the European construction has been happening already for some four years and

most probably there are at least another four years needed until we reach a stage of completion.

So far we have rebuilt the Stability and Growth Pact that underpins the economic foundation of the EU. We have also come up with the Euro Plus Pact and the so-called Fiscal Compact – both aimed at strengthening competitiveness and fiscal discipline. This process is just a means to a better Europe and not an aim in itself. The aim should be a flexible architecture of the renewed European Union that would allow for better convergence and promote competitiveness, while securing solidarity among its members.

The evolution is already happening and some sort of a new architecture is emerging. Naming this process and thereby making clear where Europe is heading would help understand the political and economic costs of decisions being taken in Europe. The core of Europe has been and will be the euro-

zone – call it Europe 1. There are already numerous economic governance tools binding only for the eurozone. Discussions have been started about additional instruments to help the eurozone cope with asymmetric shocks. Whether it will lead us to a much stronger entity with a federal budget in the future remains to be seen. However it is clear that Europe 1 leads the development and evolution of the whole EU.

Then there is Europe 2: those countries willing to further integrate with Europe 1 but which do not yet share the same currency. Europe 2 tries to engage in all the processes that transform the economic architecture of Europe 1, either because it plans to join the eurozone or because it believes that the influence of Europe 1 on its economic reality cannot be ignored. Europe 2 consists by recent evidence of six to eight EU member states. Six countries have signed up to the Euro Plus Pact (Denmark, Latvia, Lithuania, Poland, Romania and Bulgaria) and eight have joined the Fiscal Compact (the above-mentioned along with Sweden and Hungary).

Two countries have chosen to be at the outskirts of the whole process: the United Kingdom and the Czech Republic. Neither of them has joined the Euro Plus nor the Fiscal Compact and neither is interested in joining the single currency (although the Czechs do not have an opt-out). They constitute Europe 3 and seek only as much integration as necessary and not a bit more. Europe 3 is mostly interested in the single market because it brings benefits, but rejects social or economic coordination, which it considers costly, and an intrusion on national sovereignty.

This evolution of Europe 1, 2, 3 could be regarded as a dangerous phenomenon of divisions in the European Union. But it could be the contrary. First of all there is nothing worse than forcing someone into a deeper integration against their will. European integration is a serious political commitment

that no one should be forced to follow. Europe 1 and 2 can be attractive to join only if they prove to be the best example to emulate. Therefore it is crucial that the emerging structures in the EU remain flexible and open for cooperation among Europe 1, 2 and 3. This flexibility is very much needed as shown by the example of Denmark, which has a euro opt-out but is willing to integrate further and therefore joined both the Euro Plus and the Fiscal Compact. On the other hand we have the Czech Republic without an opt-out that practically opts out. No one should be blamed. They should be allowed to integrate at their own speed.

What is clear is that full benefits of the integration could materialise in Europe 1 (full economic and monetary union) and to some extent in Europe 2 (economic union). Europe 3 would probably develop into some sort of a customs union. Acknowledging this will enable a better design of future areas of integration. It will also allow a greater degree of

sincerity in Europe. Everybody tends to claim that the integrity of the single market is unquestionable but what kind of a single market in financial services can be achieved if a true banking union is being established in Europe 1? The regulatory arbitrage between Europe 1 and Europe 3 will create two separate markets for financial services. Europe 2 will be faced with a difficult choice, yet again.

Establishing clear rules for coexistence of Europe 1, 2 and 3 could have benefits. Europe 3 might be much more attractive than the EU is today for a country such as Turkey. More countries from outside the EU who are not ready to fully integrate could be ready to join Europe 3.

Properly describing the processes that are happening and arranging for a flexible institutional set-up will make the European Union more attractive for those within and those outside, regardless whether you mean Europe 1, 2 or 3. Therefore the right EU architecture will eventually mean more Europe, not less.

EU

A NEW NARRATIVE?

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PEOPLE

OF BELA

The BELA Foundation – **BELA** stands for **B**roader **E**uropean **L**eadership **A**genda – is a pan-European initiative which aims to support young talent and enhance the leadership potential of the young generation of Europeans. The Foundation organizes interactive conferences and debates on the key issues facing the European Union with the aim of creating a network of young leaders committed to the process of integration.

INAUGURATION OF THE BELA FOUNDATION

The BELA Foundation was launched at a ceremony in Brussels on November 27th, 2007 with the motto "New Europeans at the Helm – Fresh Ideas for a Better Europe".



Barbara-Maria Monheim, Hans-Gert Pöttering, Danuta Hübner

“The BELA foundation is not another think-tank; it is about uniting European people. It is time to build stable bridges and to develop new political ties between people from old and new member states.”

– HANS-GERT PÖTTERING, FORMER PRESIDENT OF
THE EUROPEAN PARLIAMENT, IN HIS KEYNOTE SPEECH.



VISION & MISSION

The BELA Foundation has been established based on the following beliefs:

FIRSTLY, Europe has to enhance its role and influence in the world.

SECONDLY, the emerging generation of Europeans will face an unprecedented challenge if it is to maintain and creatively develop the legacy of a united, freedom oriented and democratically governed continent.

THIRDLY, closer interaction between talented and ambitious Europeans is key for the future success of the Union.

FINALLY, the historic enlargement of the European Union to include 12 Eastern and Southern European states in the years 2004-2007 still needs to be translated into stronger bonds between the peoples of the old and the new member states.

The BELA Foundation intends to bring together future leaders of Europe and enhance their active public engagement. The Foundation will help to broaden understanding of the different interests and values within the European Union. It will also contribute to better communication and co-operation between the next generation of leaders, to enable them to set common goals and work towards the realization of common aspirations.

OBJECTIVES & ACTIVITIES

BELA aims to:

FACILITATE DIALOGUE

between the generations by bringing together acclaimed European leaders and their potential future successors.

ESTABLISH CLOSER UNDERSTANDING

between young leaders from the old and the new member states of the European Union.

PROMOTE

a high level of ambition among talented young people by helping them to have an impact in their fields of activity or expertise.

BRING TOGETHER

young people with a solid record of achievement but different professional and cultural backgrounds to share their knowledge, experience and ideas.

PROVIDE THE KNOW-HOW

necessary to help young people reach a high level of excellence, also by providing individual assistance (tutorship) in career development.

IDENTIFY

best practices and support their adaptation and implementation (schemes of practical action — pressure groups / individual special projects to be supported by single sponsors /network ventures).

ECTIVES

KEY INSTRUMENTS

The **BELA Foundation's** activities will focus on four key instruments to achieve the Foundation's objectives. These are:

BELA DEBATES — annual events to discuss the future priorities of the European Union;

BELA SEMINARS — interactive, project-oriented meetings bringing together top young European leaders;

BELA CONFERENCES — extensive discussions to explore the political and economic challenges which the European Union faces;

BELA LUNCH DIALOGUES — devoted to promoting the objectives of the Foundation.

In addition, the Foundation presents at an annual ceremony

THE BELA AWARD — for special achievement and leadership to a European personality in the fields of politics, business, cultural affairs or civic engagement.

THE BELA FOUNDATION AWARD

With the BELA award we want to honour those role models in our society whose achievements, performance and personalities can be a guide and an inspiration for the new generation. The award is in the shape of a relay baton: it symbolizes at the same time several leitmotifs of the Foundation, above all the idea of a common striving across generations towards European excellence. The name of each winner is engraved on the ebony baton. In this way his or her name and achievements become an integral part of our movement.



AWARD

THE BELA FOUNDATION AWARD WAS PRESENTED

2009 to



Carl Bildt, Swedish politician and diplomat, Minister of Foreign Affairs of the Kingdom of Sweden and current President of the Council of the European Union in recognition of his enormous achievements in the field of foreign policy and his outstanding contributions to the enhancement to the European Union's global standing.

2010 to



Maestro Claudio Abbado, Italian conductor, a great European artist and a unique personality in the history of music. The BELA Foundation award is given in special recognition of his outstanding contribution to the development of young European musicians and his pursuit of musical excellence. In triumphing over boundaries of all kinds he strengthens the European Union's cultural presence in the world.

2011 to



Jean-Claude Juncker, Prime Minister of Luxembourg and the current Chairman of the Euro Group, in recognition of his exceptional achievements towards the realization of the goals and ideals of the European Union, his sustained commitment to its integration and stability and his central role in managing the euro zone crisis.

THE INAUGURAL BELA DEBATE WITH JOSÉ MANUEL BARROSO, PRESIDENT OF THE EUROPEAN COMMISSION



The BELA debate took place at the Neues Museum in Berlin on February 19th 2009 and was entitled “Agenda for the European Union – Looking Beyond the Financial Crisis”.

DEBATE



SEMINARS

SEMINARS & CONFERENCES



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