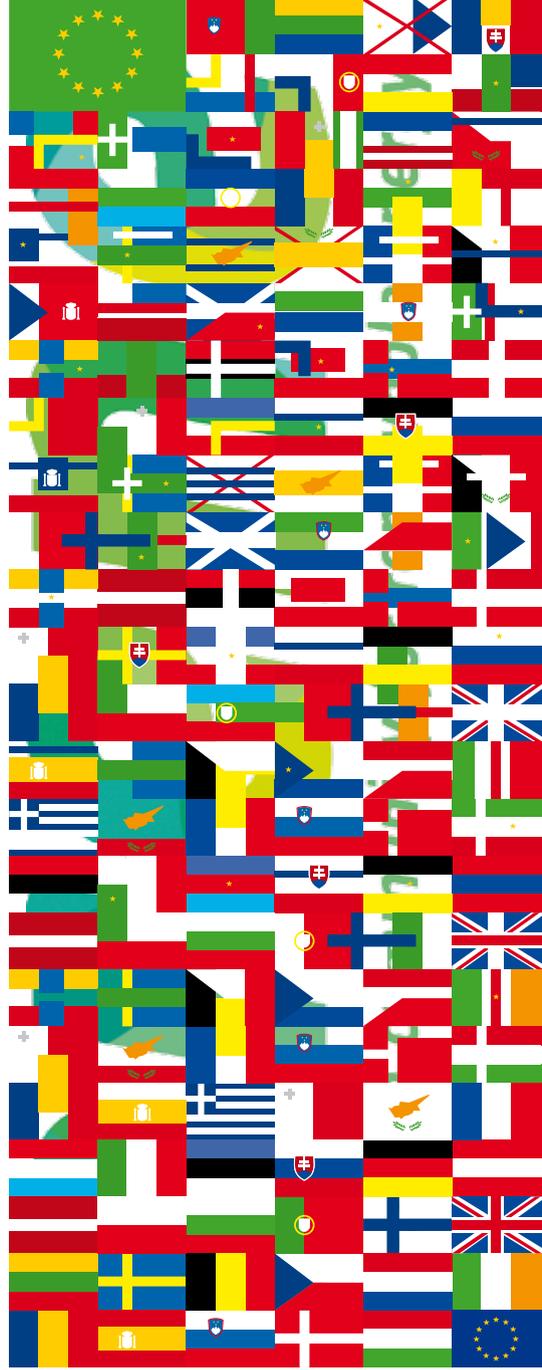


VOLUME 6

# Solidarity and Strength

The Future of the European Union





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# **Solidarity and Strength**

## The Future of the European Union

**Commissioned and published by the Heinrich Böll Foundation**

## **Solidarity and Strength The Future of the European Union**

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## PREFACE

This volume is the result of the work of the Commission on the Future of the European Union, convened by the Heinrich Böll Foundation in 2010. The Commission, composed of 60 renowned experts from the worlds of politics, science and civil society, was charged with sketching out future prospects and drafting recommendations for key areas of European policy – areas crucial for giving a new dynamic to European cooperation. As ‘more Europe’ has to go hand in hand with ‘more democracy’, we also include a study on how best to strengthen European democracy.

The starting point of the Commission’s work was the concept of ‘solidarity and strength.’ European solidarity is a prerequisite for the inner cohesion of the EU, and strength is required to preserve the ‘European way of life’ in a globalised world with its rapidly changing balance of power. Cohesion within the Union and the capacity to engage with the outside world are intimately connected.

During the course of the Commission’s work, it became clear that the notion of a Europe that is self-confident and able to act globally is best expressed using the term ‘strength.’ Only by deploying its cooperative strength will Europe have the power to help shape events and successfully meet the challenges of the twenty-first century. We do not want a ‘Fortress Europe’ but a cosmopolitan Union that actively promotes the values of European states and their citizens.

In times of crisis and faced with growing scepticism towards the European institutions, there is a need for an open debate on the Union’s perspectives. What are the limits of European

solidarity? What rules are mandatory for a community whose members support each other in times of crisis? What political course has to be charted to get the EU back on track? And what are the challenges of global engagement which the EU will face in the future?

The individual contributions collected in this volume represent the views of the authors. They are not meant to provide a universal common position on Europe, but rather to give food for thought in the context of the ongoing European debate.

We would like to express our gratitude to all experts involved for the time and knowledge they have invested in this project. We hope that they will continue to contribute to this debate. We would especially like to thank Rainer Steenblock for coordinating the Committee’s five subgroups with such enthusiasm and care. We would also like to thank our colleagues in the Foundation’s Europe and North America Department, without whose unstinting efforts this ambitious project would never have come to fruition.

*Berlin, September 2011*

*Ralf Fücks, Co-President,  
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**RALF FÜCKS, RAINDER STEENBLOCK AND CHRISTINE PÜTZ**

# **Solidarity and Strength: The Future of the EU**

## **INTRODUCTION**

With the Treaty of Lisbon scarcely ratified, the European debt crisis has once again raised the question of how the EU should be constituted. The premise that a currency union would be possible without a fully committed union and a common fiscal policy has been shown to be false. The Union's ability to hold together and withstand the crisis is being put to the test. The EU finds itself at a crossroads. On the one hand, the debt crisis has shown the necessity for increased coordination and integration. On the other, support for a closer union with increased solidarity is dwindling. Many citizens are of the impression that a new dimension to European integration is being heralded that involves substantially greater centralisation and risk.

Today, a top-down integration project imposed by a political elite is no longer feasible. For many years, the EU was built on the more or less silent assent of European nations. Central to this was the pledge to construct a peaceful union that would end the bloody chapter of war between European countries. The EU's custodianship of democracy, personal freedoms and economic affluence also played a part in its widespread acceptance. In the meantime, however, the excessive debt of some Member States has thrown the entire EU into deep crisis. The advantages of a currency union are for many no longer recognisable as the risks take centre stage. The debt crisis threatens to lead to a crisis of legitimacy for the EU.

Today, the answer to this must, above all, lie in the strengthening of European democracy. The EU cannot simply view its legitimacy in terms of economic output; it must also find ways to measure the degree of democratic self-determination it has enabled. Ironically, it is only by sharing

sovereignty that European countries can together secure their self-determination. If each country acts for itself alone then all will be at the mercy of globalisation and the new power relationships that are carried with it.

For all the scepticism surrounding the increased centralisation of political decision-making, there is also a growing expectation that the EU will face up to pressing global challenges. There is broad recognition that Europe must unite in order to act as a creative force. What will be decisive will be 'how' to achieve deeper integration, especially the question of democratic transparency and participation. A European Union in which citizens feel politically dispossessed but are at the same time held responsible for grave policy errors would not be a sustainable model.

At this time in particular, when the EU is moving to another stage of political integration, we need an open debate on the finality, structures and political scope of the Union. This must go beyond overcoming the debt crisis to address fundamental questions as to the direction to be taken and a new narrative for Europe.

## **A Europe of Solidarity and Strength**

More than ever, solidarity and strength have become key concepts for the future of the EU. They are intimately connected. Without solidarity and cohesion, there can be no capacity to act either inside or outside the Union. The debt crisis has therefore necessitated a measure of mutual commitment which, while previously excluded, is today a mark of the assertiveness of the European monetary union.

## Solidarity and Strength

We understand European *solidarity* not just in terms of internal operations but also as an aspect of international policy geared to global justice. With strength, our ability to act outside the Union is intimately connected to our actions within it. This includes strongly advocating the EU's political model and the values it embodies. Cooperative strength is an essential precondition if European nations are to help shape international relations and economics.

Solidarity has been – and remains – a motor for European integration. It is anchored in the Treaties – for example in the principle of mutual assistance and in the statements concerning economic, social and territorial cohesion within the European community. In a material sense, solidarity has, to date, been most reflected in the Agricultural, Structural and Cohesion Funds. The Solidarity Fund provides assistance in the case of natural disasters and emergencies for which a country bears no responsibility.

The rationale for solidarity can have a number of different origins. Spontaneous, goal-orientated solidarity when security is threatened or when there is a natural catastrophe or a humanitarian crisis is an uncontested value shared by all in the EU, even when third countries are concerned. In contrast, solidarity that arises from a feeling of mutual cohesiveness and is offered without expectation of anything in return is more typical of smaller communities such as the family. In heterogeneous communities with weak collective identities such as the EU, this kind of solidarity reaches its limits. Solidarity as a principle of mutual assurance is, in contrast, an important source of European cohesion. This is particularly valid where there is an awareness of mutual dependence. The EU's internal redistribution policy is based on the understanding that reducing the prosperity gap is not only advantageous for poorer regions but also for the wealthier ones.

In any system incorporating solidarity there are always sources of friction between donors and recipients. Success is based on a commitment to mutual assistance for the well-being of the whole community. The debt crisis is the result of a lack of such commitment: on the one hand, excessive debt and falsified statistics and, on the other, the failure to adhere to the Stability Pact. In the long term, communities based on solidarity will only function if there are provisions to deter or sanction behaviour that runs counter to solidarity.

The debt crisis has been a hard test for solidarity between Member States and their readiness to stand up for each other. At the same time, it has brought into the public consciousness the fact that the EU is already *de facto* based on solidarity. Now it is time to decide if we want to continue further down this path. We would like to advocate for this.

## Cooperative Strength

European integration, as a democratically agreed policy that can have a real impact on other global players, is also a response to the gradual decline in European nation states' abilities to shape events in a globalised world.

The maintenance and development of the values, institutions and goals of the European project can only be achieved if the EU becomes aware of its global responsibilities. This is not simply about defending against the effects of global change. The operating maxim of the EU must be to prove the effectiveness of the liberal constitutional state, the social and environmental market economy and supranational integration in overcoming the greatest challenges of our time. This will be the most successful way to promote this political model.

To gain additional support, the EU needs new key projects capable of fostering a new and more dynamic form of collaboration. Here are some examples of the central issues of European politics:

*Europe's future added value depends on the combination of environmentally friendly innovation and social participation.*

## **Economic union and the Green New Deal**

The way out of the debt crisis lies in economic union. A long-term crisis management mechanism must ensure that debt crises in the current form are not able to reoccur. Oversight and coordination of the EU's budget and economic policy should include national parliaments and be strengthened to eliminate or impose sanctions on national behaviour that does not respect solidarity. At the same time, it is imperative that growth opportunities are available to those countries in crisis. The Green New Deal also offers Europe the right starting point. Europe's future added value depends on the combination of environmentally friendly innovation and social participation. A key element of this is the modernisation of education systems.

## **A Europe of social and environmental advance**

The question of social and environmental progress should be at the heart of European integration. If the EU is perceived as a threat to social achievements, support will decline further. Relying solely on an overhaul of the welfare state at the national level is not practicable in the context of the single market. Only a wide-ranging democratic debate can decide how responsibility for social and welfare policy can be divided between the national and European levels. Rather than standardising all social systems, we should instead set minimum standards for issues such as pay or welfare benefits. Social inequalities and varying levels of provision justify further negotiation in areas such as the fight against poverty, health and other forms of care. In view of the demographic trend in Europe, it is necessary to discuss social security in terms of what is fair between the generations and respects gender equality. The EU should pay more attention to its role as an agent for the promotion of equal opportunities.

## **A sustainable European climate change and energy policy and a Europe of renewable energy**

The European Union needs to view the great challenges of our time, namely climate change and energy policy, as opportunities. Developing sustainable energy and climate change policies, especially a Europe with 100 per cent renewable energy, would not only provide affordable, reliable and environmentally friendly energy, it would also help the EU gain a new political and economic dynamism. This is the idea behind the European Community for Renewable Energy (ERENE). ERENE's vision of a sustainable, secure and affordable energy supply is based on three cornerstones: renewable energy, energy efficiency and energy-saving measures.

## **Towards an environmentally and socially sustainable agricultural policy**

An environmentally and socially sustainable agricultural policy that values agricultural diversity in the individual Member States could prove attractive at the global level. An agricultural policy geared to the future will have to pursue a number of goals simultaneously: food security, high quality products, careful use of resources, climate protection measures and the maintenance of biodiversity, viable rural areas and high standards of animal welfare. The EU cannot meet these goals at the expense of trading partners in other regions. We therefore need fair trade and cooperation policies that allow developing countries to feed their own populations and protect their ecosystems.

## **Towards a policy of global outreach in European foreign and security policy**

To be a force for peace, Europe must consistently support human rights and a nuclear-free world. The EU, as a new type of confederation that provides a living example of inter-state cooperation and shared sovereignty, could make a valuable contribution to helping the world evolve in a spirit of international cooperation. What is important is to create a world order that benefits all, with provision for equal rights and shared responsibility.

Europe needs to take on more international responsibility. For this it requires greater coordination of its external policies and an active role for the European External Action Service (EEAS). Only then will Europe be able to successfully address international challenges. These include the worldwide promotion of democracy, the curbing of climate change, preventive action to avert armed conflict and measures to deal with refugee surges as well as to ensure the democratic stabilisation of its own neighbourhood. Europe must be both willing and able to deal with crises and conflicts, particularly in its own region, and develop the appropriate political and military structures to allow it to do so.

### The realignment of European enlargement and neighbourhood policy

The European Union has to reorientate its relations with neighbouring states. Firstly, the EU needs to send a clear and credible signal to those neighbours who stand a real chance of being accepted for membership when they meet the accession criteria. Accession promises that are permanently questioned (for example in the case of Turkey) will, over time, poison relationships and undermine the credibility of the Union. We advocate that the EU renews its promise that all European countries will be able to join the Union when they meet the political and economic criteria. This, however, requires that the Union's structures and decision-making processes develop in a fashion that will allow it to deal with a growing number of different Member States without the loss of negotiating ability.

At the same time, the EU should bring its neighbourhood policy more in line with its core values. In those societies where the course of politics is controversial and the political culture deviates significantly from European standards, it should give firm support to both civil society and pluralism within society itself. There should be a more liberal visa regime, in particular to encourage cross-border exchanges involving young people. This would involve the development of

more flexible instruments to allow neighbouring states a more realistic perspective on future steps in the integration process as they evolve into democratic countries respecting the rule of law.

### A new dynamic for the EU

- A Green New Deal for Europe: The currency union needs to be complemented by an economic union able to open up the possibility of sustainable growth, particularly for the crisis countries.

- A Europe of social and environmental progress in which the EU plays the role of trailblazer for equality of opportunity and participation.

- Sustainable European policies to tackle climate change and energy issues that provide a reliable, affordable and environmentally friendly supply of energy. A European Community for Renewable Energy (ERENE) could provide the framework to ensure the Europe-wide expansion of renewable energy.

- A sustainable agricultural policy that respects environment and social needs, strengthens the added value of rural regions and acts as a precursor for fairer cooperation with developing countries.

- A value-oriented foreign and security policy which, in serving as a living example of supranational cooperation and shared sovereignty, helps the world develop in the spirit of international cooperation. To do this we need a greater collectivization of foreign policy, including its civil and military components.

- An enlargement and neighbourhood policy that benchmarks cooperation in terms of democracy and human rights and systematically supports democratic civil society in the region.

## European added value

The criteria for shifting competences to the European level must be that they serve the common purpose and increase the potential for action. When this is not the case, competences should remain at local or national level in the interest of maintaining European diversity. It is a question of taking the multi-layered system and subsidiarity literally and defining the advantages not just in terms of the European collective but also those gained from local and national action.

## 'More Europe' goes hand in hand with more democracy

Advances in the integration process are only conceivable if they go hand in hand with increased democracy. More integration will only be possible in a 'living democracy' in which the participation and scrutiny rights of the democratic institutions, especially the European and national parliaments, are strengthened and the right of citizens to be involved in the process is also extended. Specifically, this means:

- the strengthening of the European Parliament by the introduction of the right of initiative;
- increased rights for minority party groupings and individual MPs;
- the Commission, as the executive organ of the EU, to be linked to the majority party in the European Parliament;
- transnational lists for European elections to make them more European;
- improvements in the status of Europe-wide parties that would give them a better chance of development;
- the widening of the areas that fall under the European Citizens' Initiative.

It is thus clear that European democracy and democracy in the Member States are inextricably linked. The democratic nature of the EU can only be realised in cooperation with the democratic institutions of its Member States. It is in this sense that we must understand the two-stranded nature of EU legitimacy. The reverse is also true.

The EU must act as a control mechanism, countering undemocratic developments in Member States (as currently in Hungary) and calling for a public debate on such issues. At the same time, the EU must demonstrate its role as the guarantor of equal opportunities and equality of participation for all, including in the Member States. The European Parliament and the Commission are responsible for overseeing the extent to which European directives are implemented in practice.

## A European convention

If 'more Europe' has to go hand in hand with 'more democracy' then, in the foreseeable future, we will need a new European convention in which all the various ideas about the future of Europe can be brought together and a collaborative effort made to answer the questions that arise.

Given the failure of the first convention and the current renationalisation tendencies in some Member States, it would appear foolhardy to consider a new European convention. The current practice of the executive 'bypassing' parliaments and public opinion can provide no permanent solution. A convention could turn the measures that are now being decided on an ad hoc basis in the wake of the financial crisis into a collective fiscal policy. In addition, it would provide an opportunity for the national debates that have drifted apart during the course of the crisis to be brought together in a common discourse and allow the creation of a European public opinion. Alongside the future of economic and fiscal union, we need to include the future of a democratic, social and environmentally friendly Europe.

Working with national parliaments and civil society, a convention could develop common perspectives for the next steps in European integration. We need to keep in mind that, under the current circumstances, further integration will not be easy to achieve. The ordinary revision procedure (Article 48 of the Treaty on European Union) does, however, foresee the convening of a convention and the approval of all the Member States and their parliaments in the case of funda-

mental questions relating to the interplay of the institutions.

### The tension between the ability to act and democratic legitimacy

Solidarity and strength are at the heart of the difficult relationship between the EU's capacity to act and its legitimacy. This conflict will never be completely resolved and therefore needs to be openly discussed.

In order to revitalise the process of European integration, the EU needs to concentrate on a manageable number of key projects that clearly demonstrate the added value Europe can bring. If the EU is to have creative power, it needs to develop its integration model in a consistent fashion. This will presumably mean ending the principle of unanimity in areas such as foreign and security policy. This will touch the core of national sovereignty and make extended democratic legitimacy imperative.

The widening and deepening of the EU also make for uneasy bedfellows. Further moves towards internal integration will affect enlargement policy and vice versa. If we continue with internal integration and 'deepen' the EU, neighbouring countries will find accession even more difficult. If, on the other hand, we enlarge the EU to 35 countries, the capacity to act internally will only be possible by means of differentiated integration and multiple and majority voting, which in turn raise issues of legitimacy.

### Differentiated integration: a risky alternative

One of the options being discussed to bring new dynamism to the process, differentiated integration, illustrates the dilemmas of capacity to act versus legitimacy and capacity to act versus solidarity.

Enhanced cooperation in certain areas, if it manages to get off the ground at all, will only really simplify part of the reform process in an EU of 27 Member States. This avenue is not new and is already in use. Schengen and the euro area are

examples of this kind of enhanced cooperation, in which only a proportion of Member States participate.

Enhanced cooperation between interested Member States is most certainly one option to push forward European integration – some examples being the European Community for Renewable Energy (ERENE), closer economic union between a group of Member States or the successive development of structures to secure peace and prevent conflict.

Building such forms of differentiated cooperation offers the possibility of tackling closer integration by constructively utilising diverse levels of willingness and capacity. This strategy appears even more plausible the larger and more diverse the European Union becomes. Those countries that do not want to participate in common sectoral projects can remain outside without in any way blocking progress towards more integration. This seems particularly attractive when matched with the hope that such associations will prove increasingly attractive to those Member States remaining outside and precipitate the sort of reforms that would allow them to join in future. This is the idea behind a 'Europe of concentric circles.'

At the same time, however, this model harbours the danger that too much differentiated integration will compromise the Union and amplify its centrifugal force. A multi-speed Europe must at least avoid a growing gap between North and South and certainly avoid the duality of a core Union and a periphery. In addition, a strongly differentiated EU with numerous thematic sub-organisations would be even more complex and difficult to understand. We also need to take into account its effect on a common Union citizenship with its equal rights and opportunities.

Therefore, differentiated integration should only be used in a balanced fashion. Enhanced cooperation must be given priority over inter-governmental coordination. A variety of parallel structures outside parliamentary scrutiny and co-determination procedures would be a step backwards for European integration.

*In order to revitalise the process of European integration, the EU needs to concentrate on a manageable number of key projects that clearly demonstrate the added value of European cooperation.*

### **Solidarity and Strength: a leitmotif for the future of Europe**

Independent of which vision of the EU we follow – whether a confederation or the great leap to a United States of Europe – success will fundamentally depend on whether European citizens

trust the Union's institutions and decision-making processes. Transparency, democratic control, checks and balances and openness to the participation of Europe's citizens are just as vital as the development of a 'European public.'

To revitalise the process of European integration, the EU needs to concentrate on a manageable number of key projects that clearly demonstrate the added value of European cooperation. Solidarity and strength could serve as the leitmotif to steer us back on course to a united Europe.

JOACHIM FRITZ-VANNAHME

## Solidarity and Strength Revisited

Solidarity and strength, the guiding principles for a new European narrative, are now seen in a different light than in early 2009, when my article in *Spotlight Europe*, ‘Europas neue Story’, was published.<sup>1</sup> There are two reasons for this: firstly, the Treaty of Lisbon has entered into force, and secondly, the crisis of the monetary union has provided a wealth of observations and food for thought on these two principles.

Let us first take a closer look at the conditions of the Treaty and their interpretation. The key stipulation can be found in Article 3(3) of the Treaty on European Union (TEU): the Union ‘shall promote economic, social and territorial cohesion, and solidarity among Member States.’ Any high-handed, populist attempt to expel Greece, Portugal, Ireland, Spain or Italy from the Union would therefore be a breach of contract.

Of course, the Treaty does not only apply the concept of solidarity to relations within the Union. Article 3(5) of the TEU also refers explicitly to the rest of the world: ‘In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens. It shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples...’

The above quotation is also helpful in defining and applying the principle of strength. ‘In its relations with the wider world, the Union shall uphold and promote its values and interests and contribute to the protection of its citizens’ – the wording points to precisely this principle. Thus the Treaty does not shrink from a strong representation of the EU’s interests and values on the world stage.

Furthermore, far from being composed arbitrarily, the content relating to this aspect consists of a number of specific points. The Union ‘shall contribute to peace, security, the sustainable development of the Earth, solidarity and mutual respect among peoples, free and fair trade, eradication of poverty and the protection of human rights, in particular the rights of the child, as well as the strict observance and development of international law, including respect for the principles of the United Nations Charter’ (Article 3(5)).

The same holds true for the application of the concept of solidarity to the Union’s internal relations, as stipulated in Article 3(3): ‘The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance. It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child. It shall promote economic, social and territorial cohesion, and solidarity among Member States. It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe’s cultural heritage is safeguarded and enhanced.’

Let us now interpret the monetary union crisis in the light of the Treaty. The public debate over the interpretation of Articles 125(1) and 122 of the Treaty on the Functioning of the European Union (TFEU) has been taken all the way to the German Constitutional Court – specifically, the controversy over the bail-out ban (limitation of

1 See [http://www.bertelsmann-stiftung.de/cps/rde/xbc/SID-85498934-6228BFDD/bst/Engl\\_spotlight\\_Europes%20new%20story\\_09-04-21.pdf](http://www.bertelsmann-stiftung.de/cps/rde/xbc/SID-85498934-6228BFDD/bst/Engl_spotlight_Europes%20new%20story_09-04-21.pdf)

liability) in the former article and assistance in emergencies as covered in the latter. Only rarely is reference also made to Article 3(3), which provides the ideological underpinning for the subsequent articles.

The situation is equally controversial among politicians, commentators and legal experts. I follow the interpretation that views the term ‘liability’ as ‘the unconditional, automatic assumption of a debt by a third party.’<sup>2</sup> Accordingly, the provision of assistance to other Member States in an emergency is possible but not required. The Treaty does not *prohibit* mutual support, nor does it automatically *mandate* it. When it comes to servicing debts, solidarity thus becomes a matter of political discretion.

That brings us back to my definition of solidarity as well-intentioned self-interest from which, in the fashion of the three musketeers with their motto ‘all for one, one for all’, Europe draws the strength to assert itself. The potential lenders among the Member States have only gradually realised that debtors left in the lurch would also bring misfortune to their creditors. This idea is supported by Article 4(3) of the TEU.<sup>3</sup> In the words of the Treaty: ‘Pursuant to the principle of sincere cooperation, the Union and the Member States shall, in full mutual respect, assist each other in carrying out tasks which flow from the Treaties. The Member States shall take any appropriate measure, general or particular, to ensure fulfilment of the obligations arising out of the Treaties or resulting from the acts of the institutions of the Union. The Member States shall facilitate the achievement of the Union’s tasks and refrain from any measure which could jeopardise the attainment of the Union’s objectives’.

In our context – unlike in everyday political business – it is irrelevant whether the aid is conditional, who controls it (in the case of Greece, for example, the troika of the International Monetary Fund, the European Central Bank and the European Commission), or whether the conditions and control ultimately put Greece on a new course towards stable growth and competitiveness.

Assistance opens up the possibility of new opportunities – not only to the Greeks, who must operate under guardianship and limited sovereignty (which was already the case when they joined the monetary union, even though national politicians are reluctant to admit as much to voters), but also to the Union as a whole: the necessary and long-overdue shift from monetary union to political union.

It will be this political union, with a federal structure and expanded democratic governance, that will have the necessary strength to pursue and shape the aforementioned goals of ‘economic, social and territorial cohesion and solidarity among Member States’.

This, however, will require the comprehensive and firm application of treaty principles to future political decisions. A new treaty would only be necessary once it were demonstrated that the Treaty of Lisbon had been truly exhausted. So far, the opposite is true. The Union still has a long way to go before it achieves the goals of solidarity and strength. This new narrative therefore describes a possible and near-at-hand future for the European Union.

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2 According to legal expert Ulrich Everling in the *Frankfurter Allgemeine Zeitung (FAZ)*, 14 July 2011.

3 *FAZ*, ‘Treue und Solidarität’, 30 June 2011. I would like to thank European law specialist Christian Callies for bringing this to my attention.



# Europe's Way Out of the Economic and Financial Crisis

The Future of European Economic,  
Finance and Social Policy

By Daniela Schwarzer

With Annalena Baerbock, Reinhard Bütikofer, Thea Dückert, Rainer Emschermann, Sven Giegold, Wolfram Lamping, Arnaud Lechevalier, Gerhard Schick, Kai Schlegelmilch, Mechthild Veil and Helmut Wiesenthal<sup>1</sup>

Edited by Christine Pütz, Heinrich Böll Foundation

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<sup>1</sup> The present paper is the outcome of one year's work by the Expert Commission. It was written jointly, with verbal and written commentaries over the course of several sessions, and with individual contributions by the experts listed. Consequently, not every point made in this paper necessarily represents the opinion of all members of the Commission.

## 1 Introduction

Since 2008, the European Union and the euro have had to weather the most serious economic and financial crisis since the start of European integration. Government budgets have, in some cases, come under intense pressure after billions were required to bail out the financial sector, tax revenues have slumped and spending in the social sector and other areas has soared. Unemployment figures have increased significantly in some countries as a result of the economic downturn. Popular discontent is growing over tough austerity measures and reforms in the crisis states, while, in the donor countries, support is dwindling for the provision of aid packages to other Member States. It has also become apparent that Europe is recovering more slowly from the crisis than other global regions. The result is that Europe is losing its economic clout and finds its global influence waning. The effects of the crisis are further complicating the economic and socio-political reforms that have become necessary in response to global structural change.

The crisis is simultaneously a threat and an opportunity. It has clearly demonstrated how dependent the members of the EU are on each other. Since 2008 a political dynamic has emerged that only a short time before would have been unthinkable – one for more Europe. To address the continuing crisis and in order to mitigate or prevent similar situations in future, the Member States are challenged to revise the rules for collective action and rethink the relationship between state and market. There is a growing need to rethink and reshape what constitutes European solidarity. A consensus, however, has not yet been reached, neither in Germany nor within the European Union.

There are many arguments in favour of the EU taking a decisive step towards more integration and adopting new political approaches to both cope with internal and external challenges and to put it in a better position to help shape European and international politics in the long term. There

are also many reservations about the strengthening of Europe, including the fact that further steps towards integration do not automatically enjoy support among the general population, and that wider European influence and greater power in matters of economic, financial and social policy have insufficient democratic legitimacy. The gulf between political readiness for reform on the part of national governments and the reform proposals currently being developed, in Brussels and elsewhere, is growing and providing food for thought. Will Europe let the opportunity this crisis presents pass it by or will it make itself fit for the future? It has become more difficult than ever to separate the debate surrounding effective solutions from the question of democratic legitimacy. The debate over the future of the EU's economic, financial and social policy is also a discussion about the future of European democracy.

## 2 Internal challenges for the EU

The financial and economic crisis has revealed fundamental flaws in the political and institutional architecture of the eurozone and shaken the foundations of some Member States' social systems. The debt crisis is a tough test for the willingness of Member States to practice solidarity through financial assistance and make structural adaptations at the national level. The reintroduction of border controls within the Schengen area in June 2011 raises doubts about the resilience of the internal cohesion of the EU and the single market, with its four fundamental freedoms. In short, the achievements of integration seem to have become negotiable. The intensifying legitimacy debate points towards the risk of the possible disintegration of the political community. Political actors in the European Union and the Member States are facing fundamental questions. Their answers will be decisive in determining whether the community of 27 will be able to make the far-reaching decisions about its own development needed to overcome the Union's increasingly evident weaknesses, or whether European integration will fail.

### Limits of the willingness to integrate

The willingness to accept joint responsibility has clearly reached its limits. As the crisis unfolds and its causes are identified, the EU's willingness to take action has increased. At the same time, however, a new mistrust has also been revealed, a mistrust between governments and between populations, clearly reflected in opinion polls and the media. It has become apparent that in ever more eurozone countries, the willingness to provide credit beyond what is foreseen by the joint crisis mechanism and accept the associated risk of default is very limited. The possibility that individual creditor countries may balk if further aid packages are implemented cannot be ruled out. Resistance to the reform programmes imposed on recipient countries by the EU and the IMF could also grow, to the point that credit tranches will be held back.

Since the beginning of European integration, economic downturns have been accompanied by declining sympathy for the EU. This is also the case in the current crisis in some Member States. This development parallels the general tendency of declining confidence in political and social institutions, something that is also taking place within a national context. Criticism or rejection of the EU and its institutions, however, is not the only trend. Eurobarometer polls show that popular expectations of what the EU can do as a crisis manager have also risen. Many also expect the EU to provide material and social security. While such heightened expectations inevitably carry the seed of disappointment, they could also provide some political room for manoeuvre.

Currently national politicians are rather unwilling to give up sovereignty to ensure better coordination at the EU level. This applies to economic and budgetary policies as well as to social policy. European integration has already reached such a level that, from a political and legal point of view, many of the conceivable further steps would affect the sensitive limits of national sovereignty.

The impact of the current crisis has raised fundamental questions: firstly in terms of the appropriate degree of solidarity within the community, and secondly with regard to existing solidarity among governments and citizens. In May 2010, a new level of solidarity was achieved within the European Monetary Union with the creation of a standby fund for members of the eurozone and jointly guaranteed bonds to finance the stabilisation mechanism. Yet there was no political majority for a number of proposals that would have meant a higher degree of risk sharing, such as a European bank rescue fund or jointly guaranteed eurobonds. The far-reaching financial assistance adopted for some Member States has also fuelled criticism. It turns out that solidarity is widely accepted in case of security threats, humanitarian crises or natural disasters but is stretched to its limits when it concerns financial or economic support in times of economic crisis, or to compensate for economic disparities.<sup>2</sup>

From the outset, the integration of Europe was based on assumptions about the necessary and desirable degree of intra-community solidarity required to shape a European identity. Such assumptions are linked to the basic idea of European integration as a project for peace. Intra-community solidarity has since become firmly established in the European Union: for example in treaty articles on economic, social and territorial cohesion, free access to the internal market and specific spending policies to promote cohesion within the EU. In addition, solidarity is also an integral part of the day to day experience of cohesion within the EU. One recent example of this is financial commitments in the billions made in response to the debt crisis.

The willingness to show solidarity means much more in the EU today than it did two or three decades ago. Increased cohesion has not only increased the perceived disadvantage of rejecting solidarity, the 'cost' of solidarity is also higher than it was during times of less pronounced integration. Dashed expectations also have to be dealt with: greater affini-

2 This trend was already evident in discussions in the European Constitutional Convention well before the crisis broke, see Ines Hartwig & Phedon Nicolaidis, *Elusive Solidarity in an Enlarged European Union*, Eipascopie 2003/3, p. 20f.

ity does not mean more homogeneity or a greater sense of togetherness. The European Union consists of 27 dissimilar Member States, whose cohesion is based on the expectation of individual advantage and common security, fairness in the distribution of burdens and benefits and mutual assistance in emergencies.

*The EU countries are faced with the challenge of boosting the number of high-value jobs requiring good qualifications, which will only be possible if they raise levels of education, make labour markets more accessible and flexible, facilitate immigration and implement skills training for immigrants more successfully.*

A pronounced willingness to balance levels of wealth between Member States cannot be assumed. Active solidarity, which is associated with direct costs, is hard to justify in heterogeneous communities that lack a pronounced sense of identity. The greater the perceived differences between the Member States, the harder it will be to define solidarity as an insurance over time. This will be especially true if public approval of the EU declines or threatens to decline and there is no broad, dedicated leadership among European political, business and media elites capable of emphasising the value of the community and presenting a positive vision for its future. The polarization of Member States, driven by governments, media and public opinion, makes it not only more difficult to find common and sustainable solutions for the future, it also inhibits the willingness to act in solidarity. The internal and external challenges the EU is facing in the current crisis require a greater degree of intra-community solidarity and a political leadership able to communicate this to the general public.

### **Adapting to structural change at the national level**

The current situation is especially sensitive as the effects of the crisis coincide with the economic and socio-political processes of adjustment that have become necessary in response to global structural change. Cycles of technological innovation and sectoral change are accelerating

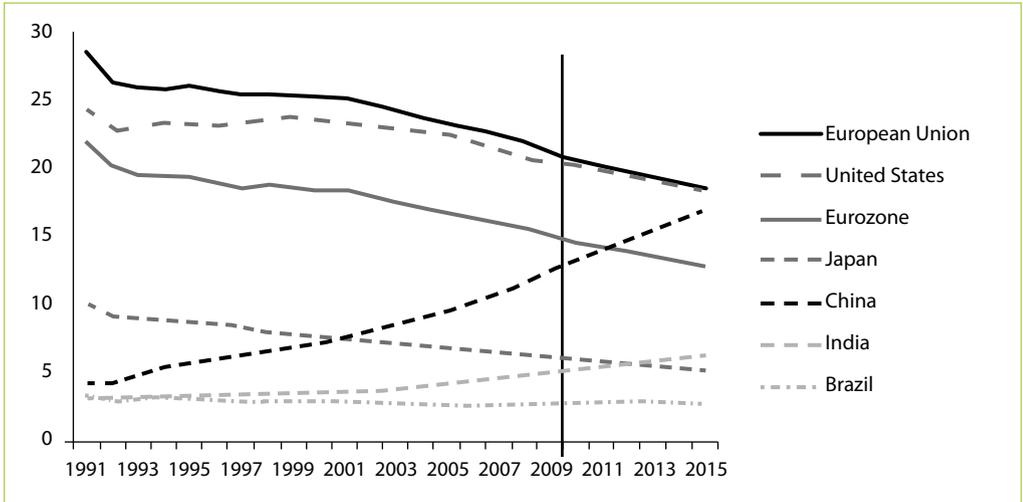
as a consequence of historically unprecedented global economic growth. In an open market, the members of the EU cannot escape these developments and must, from their various starting positions, make the transition to a knowledge-based service economy. Differences in economic strength and structure place varying demands on labour and social policy and this must be reflected in European policy to accompany these processes.

The ageing of European societies, moreover, hampers adjustment to the changing demand for labour. EU countries are faced with the challenge of boosting the number of jobs requiring high levels of qualification, which will only be possible if they raise their education levels, make their labour markets more accessible and flexible, facilitate immigration and implement skills training for immigrants more successfully. Changes in the structure of the economic and employment systems, moreover, can be expected with the decarbonisation of the economy. The restructuring not only of energy-intensive sectors but also of overall industrial production, power generation and transport will increase the need for a well-qualified workforce.

The employment structures of European labour markets are set to change profoundly, yet as a result of the economic and financial crisis it has become politically more difficult to shape and promote this transition. With rising unemployment and increasing pressure on state budgets, the scope has diminished in the fields of education, innovation, and research and development. In times of economic uncertainty, a society's openness to more flexible working arrangements and more immigration is likely to decrease. Political support for this transformation must therefore be all the more decisive, both at national and EU levels. This is a major political challenge at a time when European integration is stalling.

Due to the lack of economic convergence, housing bubbles, budgetary imbalances and insufficient mechanisms for greater political cooperation between Member States, the economies and budgets of some countries, especially in the euro-zone, have come under such intense pressure that

**Fig. 1: Relative share of global GDP, 1991-2015 (forecast)**



Source: International Monetary Fund, World Economic Outlook, October 2010

some see the common currency as being in danger. Anti-EU populism falls on fertile ground in tough and uncertain economic times. In many Member States, Eurosceptic parties are putting pro-European parties under pressure, thus hampering the long-term perspective of European policies.

*Only if the EU succeeds in combining goals such as sustainability, respect for the environment and social protection with economic prosperity will it be able to punch at its appropriate geopolitical weight and survive on the basis of its shared values.*

**3 Europe's Strength in a changing world**

**Political consequences of decline**

In international comparisons, the European Union's influence is slipping. For years, we have been aware that the rise of countries such as China, India, and Brazil has caused Europe's significance to wane: economically, demographically, in terms of security and also with regard to its capacity for normative opinion leadership. The following chart comparing respective shares of global gross domestic product illustrates how the EU is losing ground compared to other regions of the world.

This relative decline, coupled with the pressures on public finances arising from the financial and economic crisis and demographic trends, poses substantial challenges for the European Union. Firstly, it has less money with which to play an international role (such as development policy, foreign aid, military interventions, the promotion of global environmental and climate policy, etc.). Secondly, the capacity of the European Union to act as role model and leader is gradually being eroded during a phase of upheaval marked by the rise of powers such as China, India, and Brazil. The West's primacy to define the universal values that shape the global order is beginning to seem a thing of the past. The financial crisis in particular has raised fundamental doubts about the current model of capitalism and the values

This year, China is set to surpass the eurozone. If China's growth continues to follow the trends of recent years,<sup>3</sup> it will overtake the EU-27 and the United States within five years. The EU lost its lead over the United States in 2010.

3 Of course, setbacks in China are possible for reasons such as political or social unrest due to the lack of opportunities for democratic participation, regional disparities, social inequalities, etc.

associated with it, forcing the West to develop a new narrative. The EU should strive to maintain and improve its democratic values and institutions and the social market economy. This will allow its citizens the scope for action, protect the environment and maintain economic prosperity. Only if the EU succeeds in combining goals such as sustainability, respect for the environment and social protection with economic prosperity will it be able to punch at its appropriate geopolitical weight and survive on the basis of its shared set of values.

### Europe's responsibility in the world

The values, institutions and objectives that shape the European project cannot be upheld and developed simply through navel-gazing. It would be wrong for the EU to secure them just for itself and downplay the universal validity of these values and its own institutional experiences. Europe needs to rediscover its global responsibilities, both as a partner that wants to shape without dominating and as an organisation proud of its goals. The new European narrative is about what Europe wants to share with the world, not about what Europe wants to save from the rest of the world. The European narrative is to take a responsible role in the world, not to put up defences against the consequences of global change. The crucial element for the credibility of this narrative is Europe's willingness to cooperate and recognise the inconsistencies that have too often characterised its approach to values, institutions, and qualitative targets.

### A stronger external representation in economic and financial issues

If the European Union wants to stem its decline and regain an important role in shaping the global financial architecture and economic governance, it will have to overcome two challenges: first, it must first ensure internal convergence, cohesion, and coherence of political action to address the

international challenges from a position of internal strength. Second, it has to improve the message it sends to the outside world, which is currently fragmented and confusing, particularly with regard to economic and financial questions. Presently the EU and the eurozone are increasingly losing their influence in global forums. The evolution of the G7/8 to the G20, the recent reform of weighted voting in the IMF and the discussions about its new director reflect the growing importance of newly industrialised countries in global economic relations. This process is likely to continue over the coming years as, despite reform, the weighting of IMF votes does not yet reflect the relative weight of the newly industrialised countries. In the course of these developments Europe is set to lose out.

A further reason to improve the message the EU sends to the outside world is the changed global economic and financial agenda. The stronger the focus on macroeconomic issues in the G20 or the greater the involvement of the International Monetary Fund (IMF) in the eurozone due to the debt crisis, the more conspicuous and detrimental it becomes that the uniform external representation of eurozone monetary policy issues by the European Central Bank (ECB) is not complemented by a common external policy on budgetary or economic issues.<sup>4</sup>

The Treaty of Lisbon created the primary legal basis for a better external representation of the eurozone but its implementation has been thwarted by the (large) Member States that want to continue to represent their national interests in international forums. While to have a joint seat for the eurozone in bodies such as the International Monetary Fund and the World Bank is a worthwhile long-term goal, work must continue on the strategic harmonisation of interests between governments and an immediate improvement in the operational coordination of Member States' representatives in institutions and forums.

4 See also Lorenzo Bini Smaghi, 'Powerless Europe: Why is the Euro Area Still a Political Dwarf?', *International Finance*, 2006/02: 261-279, and Gabriel Glöckler & Zbigniew Truchlewski, 'From polyphony to harmony? The external representation of EMU' in Julia Lieb, Nicolai von Ondarza & Daniela Schwarzer (eds), *The European Union in International Fora* (Baden-Baden 2011).

Only when Europe bundles its interests more effectively and speaks to the world with a single voice will it be able to express European ideas and interests in bilateral relations with key partners such as China and the United States and promote them in the IMF and the G20. However, this requires a shared strategic approach and the proactive coordination of Member States' interests. The latter in particular is far from being the case, even among countries such as Germany and France that maintain a very close bilateral relationship. Thus, within the framework of the EU, there is an even more considerable lack of coordination. This is a serious drawback, as issues such as the regulation of financial markets or the taxation of financial market and foreign exchange transactions could be solved far more effectively from a global than a European, let alone a national position.

In the coming years, Europe may achieve global leadership if it is able to lead the way in two areas whose significance cannot be overestimated, namely climate change and resource usage. In the case of the former, the multilateral policies of the past 20 years are at an impasse. With regard to the latter, protectionism and the sway of national security over economic logic are on the rise, especially in connection with the setbacks in multilateral trade. Europe had already lost considerable influence in climate-change policy prior to the 2009 climate summit in Copenhagen, but it was at the summit that this became very obvious. Europe has not even begun to develop a common approach to resource-use policy

In these areas, as well as in economic and financial policy, Europe stands to gain a tremendous capability for shaping policies and taking action. However, it must not indulge in the illusion that it can rely on Western alliances alone. It will need to prioritise fair partnerships with developing countries and pursue an independent approach towards the newly industrialised countries that is geared to mutual benefit.

## 4 Strengthening the Eurozone – the core of the EU

The impact of the economic and financial crisis presents the eurozone with immense challenges. Since the outbreak of the debt crisis, crisis management measures establishing a rescue mechanism and long-term reforms have been undertaken that only a few years ago would have been unthinkable. Nevertheless, the danger of the eurozone's disintegration has not been averted.

Negotiations on the strengthening of budgetary and economic monitoring and synchronisation should be completed in 2011 with the adoption of six European laws. The rules must be revised (for example through the reform of the Stability and Growth Pact and the projected increased monitoring of economic policies) so that action at national level that could have a negative spillover effect becomes more difficult. However, there is a danger that a heavy-handed regulatory and technocratic approach to budgetary and economic policies could prompt opposition to excessive interference 'from Brussels.' In this current situation, it is crucial that both national parliaments and the European Parliament are deeply involved in the synchronisation processes. This will interlace communication between democratically legitimate decision-makers at both European and national levels, thus strengthening the legitimacy of the process. In the long term, however, aspects of democracy and legitimacy may make a more profound level of integration appropriate, namely the democratisation of decision-making structures at the European level – albeit perhaps only for a smaller group of countries. This would mean a stronger role for the European Parliament in cooperation with national parliaments and a reformed European Commission, which would have greater accountability to the EP.

To avoid major crises, it will be necessary to ensure that entrepreneurial risks will not, in future, be passed on to the public. This applies especially to the financial sector. The capital of banks and other risk industries should thus be increased significantly. Implicit government guarantees for major banks must be reduced,

accounting rules adapted, incentive-compatible remuneration systems for executives introduced and rating agencies and auditors excluded from consultation.<sup>5</sup>

### Dealing with the debt crisis

The real estate and financial crises of recent years have jeopardised public finances, even in countries that were previously considered healthy. The credit rating of some borrowers, starting with Greece, has fallen dramatically for a variety of reasons. In May 2010, to prevent uncontrolled insolvency in Greece, the members of the eurozone, together with the IMF, covered the credit gap with public funds. This was necessary because as long as Greece's creditors were unable to make adequate write-offs, the consequences for its financial system, international banks and insurance companies would have been incalculable. Ireland and Portugal also had to apply for financial aid. In short, this means that the public sector is rescuing private creditors.

While this approach still made sense at the start of the crisis to buy time in which to find a solution strategy, the rescue fund, in its current form, can be neither a lasting nor a just solution. The growing share of senior creditors holding crisis country debt means that risk is now concentrated with an ever-smaller number of private creditors. This is doing increasing and lasting damage to the prospects of these countries returning to the credit markets.

The debate as to who is actually rescuing whom quickly raises the question of justice. On the face of it, several euro countries are saving Greece and, by extension, Europe. This purely national perspective does not go far enough, however. In reality, the taxpayers of all countries involved, even those of Greece, are rescuing the buyers of Greek government bonds, who should never have bought them on such a scale and would otherwise have to write them off. This applies especially to French, German, British, Swiss and US banks.

In short, a national perspective is inevitable in the rescue logic, and not everyone looking for alternatives to a continuation of the rescue packages is necessarily a critic of the European project per se.

Any responsible alternative must hold all parties accountable to an appropriate degree. Firstly, this will require a medium-term stop on the buy-out of private creditors at the face value of their bonds, which have now been reduced to junk status. Secondly, the creditors must be involved in the debt restructuring, as long as the Greek government debt is still largely in private hands. In conjunction with other efforts to restructure the state finances, there must be a reduction in the burden of interest on the public budget to the point that net new government borrowing is reduced significantly. Thirdly, additional EU – not eurozone! – funds must be made available for a limited time. This money could be made up of advances on future EU funds disbursed on an exceptional basis as *uncommitted* grants, supplemented by low-interest funds from the existing rescue fund, including contributions from non-euro EU countries.

The participation of all parties involved would underscore the shared nature of responsibility for the crisis and the joint interest in its resolution, thus putting an end to the mutual recriminations being bandied about. To do this on the basis of a grant would strengthen the social reform momentum in the crisis countries and help defuse the dispute over the repayment of emergency loans. This approach could also be adapted for Portugal and Ireland.

### The crisis mechanism and the eurobonds debate

In designing a long-term crisis mechanism, all proposals should be examined, not only to determine whether they could solve future debt crises but also to reduce the likelihood of their reoccurring. In order to calm markets and prevent speculation and panic in future crises, it will

5 Further stabilisation requirements are covered in section 5.

be necessary to go beyond the European Stability Mechanism (ESM), the basic features of which have now been agreed. Prerequisites should therefore also be established to respond to liquidity crises with loans of a preventive and stabilising nature, not just as a last resort.

Further options to make market-driven financial crises as unlikely as possible must also be explored. A suitable proposal would be to introduce jointly guaranteed European bonds for that part of national debt valued at up to 60 per cent of GNP.

### Pros and cons of eurobonds

Jointly guaranteed eurobonds would be more effective at protecting common debt against market-driven financial crises than national government bonds, especially if more effective measures to regulate financial markets are put in place. Another advantage would be that jointly guaranteed eurobonds would apply more pressure on some countries to reduce their public debt. This would be the case if premiums reflected the risk level a country presented, based on how much its national debt exceeded a common baseline. Such risk premiums would reflect the entire default risk of a country and thus quickly become very expensive.

From the perspective of countries such as Germany, one possible drawback would be that the interest rate of eurobonds could be higher than those of German government bonds. It should be considered, however, that in the case of 'hard' conditionality (a comprehensive definition of public debt and other obligations and conditions) and guaranteed priority servicing of those debts, interest rates would not necessarily be much higher due to the depth of the bond market. If the conditionality cannot be enforced, there is a danger that access to cheap credit could lead to 'moral hazard' problems such as a reduced motivation to reform and consolidate.

In general, eurobonds covering a certain base portion of the national debt cannot be seen as the solution to the current crisis. It can be assumed that highly indebted countries will not be in any

position to finance bonds that represent more than 60 per cent of their GDP in the market themselves.

### Reduction of macroeconomic imbalances in the eurozone

A further objective is to reduce the imbalances in the eurozone quickly and permanently. The need for this is becoming increasingly clear as the crisis unfolds. It is likely that the imbalances will not be effectively reduced by rapidly improving the competitiveness of low-performing countries alone. In the case of Greece or Portugal, a real devaluation of around 30 per cent, for example by lowering price levels through widespread wage cuts, would be extremely difficult to implement economically and politically. This would also leave fewer funds to service the existing public debt. The alternative is also politically and fiscally unfeasible. The financing of current deficits by other countries could, as a result, put them in danger, at least in the medium term. This could cause serious collateral damage to the European project, without resolving the cause of the crisis.

The countries gripped by the crisis and those who might be threatened by it must therefore act quickly and decisively to balance their budgets. At the same time, the debt burden must not stifle economic recovery; an orderly restructuring of debt should thus no longer be taboo. In the medium term, in addition to austerity programmes, *i.e.* frugality, it will be essential for the crisis countries to cultivate opportunities for growth.

### Creating opportunities for growth

Growth will only have a chance if investors see a credible way out of the political crisis. As domestic growth will be negative, it must be induced from the outside. Parallel to the comprehensive reforms required in the crisis countries, the partners must contribute to reducing disparities by pursuing growth-oriented policies in their own countries. This is provided for in the EU 2020 growth strategy. Powerful economies will be able to maintain performance targets such as the three per cent spending target for research and development (R&D); the highly indebted countries are

expected to remain significantly below these targets. Especially under the economic adjustment programmes, they will not be in a position to provide public funds and infrastructure, or mobilise private R&D investments. The EU budget should thus reflect the objectives of the growth strategy, taking into account the periphery's need to catch up. At least during a transitional phase, in which basic structural reforms and the process of catching up is in progress, less competitive countries will need greater financial support.

In the long term, the conditions must be optimized to ensure that cyclical and structural imbalances remain manageable. A suitable expansion of the reforms currently under discussion would send a clear signal to increasingly sceptical markets that governments have recognised the seriousness of the current situation and the risks it poses for the eurozone.

### Automatic stabilisers for the eurozone

The introduction of automatic stabilisers to cushion future economic fluctuations between the Member States would be a landmark, long-term measure that would strengthen convergence in the eurozone. The starting point could be the EU budget. On the revenue side, this would be a solid argument for an EU tax. On the expenditure side, future spending policies should take the economic situation of the Member States into account to prevent situations in which, for example, structural funds exacerbate housing bubbles, as happened in Spain. A slowing down – or, in times of crisis, acceleration – of funding or a variance in co-financing, depending on the country's economic situation, would be conceivable. European unemployment insurance would also have a stabilising effect.<sup>6</sup> Even if the EU budget was not increased to a degree that could have a significant stabilising effect in the foreseeable future, elements with such a potential could nevertheless be incorporated into it. The weighting of these elements could be increased later.

## 5 A new framework for the single European financial market

As a direct consequence of the crisis, reform measures to stabilise financial markets are being discussed worldwide and, in some cases, implemented. The European single market for financial services has particular weaknesses because its development was based on national financial markets. These must be overcome quickly.

### Improving supervision

Firstly, the single European financial market took shape at a time when there were no European supervisory structures that could have enforced the existing legal framework for cross-border financial service providers and adapted to the development of the market. It was regulatory arbitrage and deliberately weak regulators that led to the current crisis, to the detriment of Europe as a whole. The newly created European regulators are a first step, but further measures will have to follow.

What is needed is, firstly, a European bank statute for internationally active banks. This statute must be directly enforceable by European regulators without intervention from national regulatory authorities. National bank statutes are needed for banks operating on a purely regional basis and such banks must be subject to national regulators. The same should apply to bank restructuring, deposit insurance and investor compensation schemes.

Secondly, the European regulatory authorities must have clear responsibility for consumer protection. The financial market was developed as a single market for the providers of financial services, who are active throughout the Union. Consumers and regulators, on the other hand, are hampered by national borders when trying to enforce their rights (Equitable Life, customers of Icelandic banks, European Madoff victims, etc.). In the single European financial market, customers must be on an equal footing with financial service providers.

6 For arguments for and against European unemployment insurance, see section 8.

### Preventing the problems related to 'too big to fail'

Thirdly, the 'too big to fail' problem – banks that are too large or 'systemically relevant' to be allowed to fail – must be re-evaluated. In an increasingly integrated market, the 'too big to fail' problem is initially less severe than in individual national markets. Within a national framework, individual institutions have an implicit government guarantee. In an emergency, they can expect to be rescued because of their size and importance. This is free insurance on the back of taxpayers and distorts competition. In the event of a crisis, clear rules must exist in the single European financial market, and mechanisms to stabilise such banks should be governed at the European level.

At the same time, care must be taken that no bank subsequently becomes so important to the single market that it, in turn, could not be allowed to go bankrupt. A vigorous approach to competition policy that consistently puts a stop to implicit government support is thus required. Progressively increasing demands on large institutions to prevent unchecked expansion must be enforced. Systemic risk must be reduced by limiting external financing leverage and establishing equity regulations. A cap on the participation of banks in other credit institutions is also worth considering.

*A European tax on financial transactions could mitigate the distorting effect of different tax rates. The resulting revenue should benefit the European budget, with Member States permitted to withhold a portion of the tax as an incentive.*

### Striving for regional balance

Furthermore, financial services must be available everywhere. If this were not the case, their concentration in a few locations would increase regional disparities in the single market. Local factors such as tax rules and regulatory arbitrage (i.e. transactions in which the participants profit from differences in regulatory requirements) are decisive for the establishment of financial service providers in specific locations. A European tax on

financial transactions could mitigate the distorting effect of different tax rates. The resulting revenue should benefit the European budget, with Member States permitted to withhold a portion of the tax as an incentive.

## 6 A modern growth strategy

While some economies – those of Germany and Poland, for example – have developed rapidly since 2010, Europe is facing major economic challenges. Growth has been disappointing at only two per cent of GDP on average. A recovery effect that could offset the decline of 2008 and 2009, when the European Union was plagued by a deep recession, has not been apparent. Due to sluggish economic recovery, unemployment is still high or declining only very slowly. National budgets are still subject to tremendous pressure to adapt to the new realities. The burden on social welfare systems is immense and will continue to grow in the face of unfavourable demographic trends. The survival of such systems will only be assured if EU Member States return to a path of growth that will improve the sustainability of public finances, reduce unemployment significantly and stimulate productive investment. Growth is not an end in itself but a condition for the survival of the European welfare state and continued state financing of education, infrastructure and other sectors.

The EU 2020 growth strategy adopted by the European Council claims to draw the necessary conclusions from the failure of the Lisbon process and proposes a qualitative growth policy that takes environmental and social objectives into account. The strategy, summarised as 'smart, sustainable and inclusive,' is a move in the right direction. Yet its good intentions form an unhappy alliance with formulaic compromises as a result of inadequate coordination and implementation mechanisms.

A clear decision in favour of an innovative value-creation strategy geared towards resource efficiency, energy efficiency and a knowledge-based economy has not yet been made. In energy policy, this is apparent in the consistent national and European obstruction of renewable energy

promotion. In resource policy, a one-sided focus on the issue of international access is blocking a strategy for efficiency. In research and development policy, the tendency to favour costly large-scale projects such as fusion research (ITER) and European satellite navigation (Galileo) is hampering innovation. The debates over the Union's upcoming financial outlook, the future shape of EU regional policy, the reform of the Common Agricultural Policy and the successor to the Seventh Research Framework Programme will provide an opportunity to correct the present course.

## The Green New Deal

The current economic and financial crisis has often been compared to the situation in the 1920s and 1930s. At that time it was the Crash of 1929 that resulted in the Great Depression of the 1930s. The US President Franklin D. Roosevelt was able to turn the tide with a New Deal that encompassed massive infrastructure investment and reforms in the financial, economic and social sectors.

Today, we need a concerted and communal effort to ensure that we are able to create a better future. What is required, however, is not simply a New Deal – what we need is a *Green* New Deal that protects rather than damages the environment and which has European and international approval. Given the extent of global interdependence, individual national efforts will simply not be sufficient to achieve the desired goals.

With a Green New Deal we will be able to create a dynamic and sustainable economy based on restructuring industry to be more environmentally friendly. This will require massive investment in low carbon infrastructure and technologies.

Such a New Deal will have to be fair and just. Whether in the developed, developing or emerging worlds, people will only support a Green New Deal if they perceive it to be fair. Developing countries will only support efforts to tackle

climate change if their right to economic and industrial development is respected. Those living in the developed world will only agree to more environmentally friendly restructuring if they are not threatened by mass unemployment and low paid work, for they know that such economic transformations create losers as well as winners. The Green New Deal is more than just an economic stimulus programme constructed on social and environmental protection. It is based on three pillars:

- The first is the introduction of a new system to ensure uncontrolled financial markets are no longer able to cause one financial bubble after another, but rather provide secure funding for sustainable economic development.

- The second pillar is the transformation of our society into one that respects the environment and social justice. While this will require massive investment in measures to tackle climate change, improve education and mitigate social inequality, such investment will create employment and set in motion a new economic dynamism.

- The third pillar is a return to social rebalancing in Europe – not just between North and South but also between rich and poor.

## 7 A sustainable EU budget: the courage to prioritise

Over the next two years, the EU will negotiate the multi-annual financial framework to be effective from 2021. It is already clear that there will be no unconditional review of revenue and expenditure structures, as the budget negotiations are likely to be characterized not by policy priorities but rather by the old, familiar conflicts of interest. Especially in times of crisis, the net recipients call upon intra-community solidarity to continue with the largest expenditure items, namely the Common Agricultural and Cohesion Policies. Conversely, five of the net payers have already called for a reduction in the EU budget to one per

cent of EU national income (currently around 1.2 per cent).<sup>7</sup> As proof of their solidarity they point to the loans and guarantees they made in the wake of the debt crisis.

When communicating the need for joint action, it is no longer sufficient to simply refer to the EU's legal competences based on transfers of sovereignty made decades ago. A forward-looking approach would be an open discussion on the areas in which the European Union, according to its citizens, provides added value, and of the issues on which is there a transnational social consensus. A review of the EU's political priorities, including agricultural and structural policies, would therefore be essential as they still make up more than 75 per cent of total expenditure.

A discussion of common political priorities will be difficult because it must take place in heterogeneous national contexts. Moreover, only a few European decision-makers have the opportunity to participate in transnational debates. The heterogeneity of the Member States is, however, counteracted by the shared impact of important international or global decisions: examples include the debt crisis, bank regulation, Afghanistan, Palestine and Fukushima. These relationships must be emphasised, as must the savings arising from joint action.

In times of tight budgets and the debt crisis, the willingness of many governments to pay has dropped significantly in comparison to earlier negotiations on the European financial framework. Agreements about payments into the EU budget are now invalidated by references to national budgetary constraints. We need to look closely to see if, individual cases, the exact opposite is true. Joint European action can often be more effective and less costly than going it alone. Wherever that is not the case, and where there are no other more important goals that support EU action, community policies should indeed be scaled back.

### Priority objectives of EU action

There must be understandable explanations for the transfer of responsibilities from Member States to a higher level if this is to be acceptable to the EU's citizens. A policy for a given problem must be chosen on the basis of its impact, especially if the political action required cannot be exercised at the subsidiary (national/regional) level. The principle of proportionality must also apply, with the burden of proof falling on the higher level. The European Union must do a better job of explaining the merits of its actions to those involved in decision-making at lower levels.

#### The subsidiarity principle (Article 5 TEU)

'Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level.'

We can identify three priority objectives of government action that can be transferred to the EU. The first is to **protect living conditions and resources from external threats**. This includes the most important aspects of foreign, security and environmental policy. When such objectives exceed the reach of individual states, the question arises as to whether they should be addressed within the European, transatlantic or UN security frameworks. Environmental issues fall into this category, particularly with regard to the prevention of negative external effects and the overexploitation of resources. The nuclear accident in Japan drew our attention to the continental – perhaps global – risks of national energy policies. In the case of both safety and environmental policy, a commitment to participate is legitimate for all

7 These were the leaders of the United Kingdom, Germany, France, the Netherlands and Finland.

concerned. As long as the UN is not (yet) fully capable of action, the task falls to the next level down – in this case the EU.

The second is the **creation of common benefits**, for example through the European single market or the promotion of common public resources such as cross-border infrastructure. Savings and greater efficiency through the pooling of activities, for example in research, the joint collection of taxes on goods and services that are particularly mobile and the European External Action Service, would also be significant. The common currency and its attendant political requirements also fall into this category.

The third group of policies in this idealised model is likely to attract the least support and must thus be approached with the greatest sensitivity: **redistribution in favour of individual Member States, regions, or groups** with the aim of creating greater European cohesion. This is not a matter of compensation for any imbalance in trade arising from integrating into the single market. The added value brought by Europe is seen as being fair economic opportunities for all citizens in the single market. Over three quarters of the EU budget relates to redistribution not arising from market integration: 36 per cent for cohesion policy and 40 per cent for agricultural policy.

The special position of the European budget dictates that the requirement of balance be retained. The European Commission has proposed extending European budget guarantees to the European Investment Bank for bonds to finance infrastructure projects and other growth incentives. These should be structured to ensure that the risks – both economic and political – are borne by private financial backers and other public institutions.

### The revenue side of the EU budget

The financing of the EU budget must also be reviewed to determine whether sources of revenue are available that enhance European unity, governance and justice. Previously, the EU budget was financed mainly by contributions from Member States according to their economic

strength. For the European budget authority, this resulted in the unprecedented convenience of having to decide on expenditure alone and not on revenue. This problem cannot be solved within the framework of multi-annual budget planning. But even without amending the Treaty, the number of urban myths as to how the EU uses its financial resources – most of them false – indicates that the Union's citizens need more transparency on this issue.

Furthermore, the EU is no longer a loosely linked club but an additional European level in the context of multilevel statehood. Goals with a cross-border dimension such as the 'polluter pays' principle in environmental policy can often be implemented more appropriately via levies and taxes. According to the EU 2020 agenda, the tax base will shift from labour toward environmental factors.

New funding sources for the EU budget do not automatically mean a transfer of taxation powers to the EU or an expansion of the EU budget. Since the total budget is capped at around 1.2 per cent of national income, the old national contributions can easily be replaced by the new sources of revenue. The funds thus freed up would remain with the Member States.

Levies designed to reduce undesirable transnational occurrences such as CO<sub>2</sub> emissions would be another European benefit. In order to have a preventive effect at national level – e.g. taxes on the financial sector – the EU should also levy taxes that must be collected jointly with other countries. In both cases, the failure to collect revenues at the European level might well result in significant inequities between Member States. National incentives for effective collection and monitoring could also vary to a considerable degree.

Environmental taxes appear to be a particularly suitable source of income. An air travel tax is a good example of an issue best dealt with at the European level. Whenever such taxes are levied at a national level they do create income, although evasion cancels out some of the environmental and fiscal gains. The cost of the air travel tax could

easily be applied and itemised on airline tickets. Transparency could be increased further by itemising all receipts to show EU value-added tax (VAT) separately from national VAT. A large part of the budget could be covered by around only two percentage points of European VAT revenues. A further advantage would be that a European VAT would reduce intra-EU tax competition, an often controversial and sensitive subject.

### The EU budget

#### Funding sources not related to national income

1. A **CO<sub>2</sub> tax** – Member States could collect an additional €40 billion or about a third of the EU budget.
2. A **flight ticket tax** applied to all departures from EU countries. The UK, France, Germany, Austria and Ireland have already introduced such a tax. **Taxes on aviation fuel or air routes** are possible alternatives. Presently, only the Netherlands and, outside the EU, Norway, apply such taxes on domestic flights.
3. The **energy consumption of shipping** should also be subject to a tax. A shipping route tax, which would be simpler to administer and less prone to evasion, could also be introduced.
4. A **tax on nuclear fuel rods** would provide an additional tax base and make a minor contribution towards compensating for the international risks associated with the use of nuclear energy. To date, such a tax based on energy consumption has been implemented in Germany and, as a flat charge based on generating capacity, in Sweden. Until recently the Netherlands also had such a tax.
5. The revenue from the **auctioning of emissions rights** under the EU Emissions Trading System could partly flow into the EU budget.
6. A **tax on financial transactions** should also be levied. Some states have already taken a first

step in this direction by introducing a levy on banks.

7. A **commodities tax** on all extracted or imported raw materials should, as a first step, cover abiotic raw materials.

## 8 European social policy – subsidiarity and European solidarity

'Social Europe' is central to the identity of the European Union. The referenda on the European Treaties in France and the Netherlands, as well as polls, have shown that there is a tendency for the EU to be seen not as offering protection against the effects of globalisation but rather as an amplifier of global competition. If the EU were perceived as a threat to the social achievements that have been made, commitment to European integration would be jeopardized. Further erosion of support is a danger the EU must not underestimate. Public approval of the goal of an ever-closer Union hinges on whether the EU is seen as being credibly committed to social and environmental progress. These issues should therefore not be on the periphery but at the heart of the European integration process.

### Hurdles on the way to a European social policy

Since the Treaty of Rome, the fast pace and profound effect of economic integration has not been matched by a corresponding development in social policy. Distributive and redistributive policies, the core areas of social policy, have remained inaccessible terrain for the EU, apart from modest non-binding attempts to coordinate social and employment policies and a number of important measures in the field of labour legislation. The founding of the European Economic and Monetary Union in particular has created an imbalance and put national welfare states under considerable competitive pressure.

The barriers surrounding the communitisation of core social policy areas such as the regulation of labour and social rights are high. Many

areas are even contractually exempt from a transfer of power to the EU. Agreement on common standards is often stymied by cultural, economic and social differences between Member States. Such differences have increased with the EU's eastward enlargement. For the new members, leveraging their lower labour costs has been an essential factor, thus considerably increasing intra-European competition for jobs.

### Dilemmas for European social policy

Since the EU's eastward enlargement and in the wake of the financial crisis, the need for socio-political action has increased, yet there has been no commensurate increase in European-level decision-making competence or capability. Social policy is undoubtedly the bond that holds societies together and ensures that they can adapt to new challenges. So far, it has been implemented at a national rather than European level. The social sector is one of the few areas in which the governments of the Member States still have wide-ranging freedom to shape policy that they can use as a resource for loyalty and legitimacy. As desirable as a strong, highly developed European social policy seems at first glance, its political feasibility is low.

### Positive steps toward integration

Nevertheless, over the past three decades, many positive steps have been taken towards social integration that goes beyond the harmonisation requirements of the single market. EU rules on working hours, parental leave, anti-discrimination, part-time work, employment contract terms and the protection of pregnant workers and young people have also led to a strengthening of workers' rights in Germany.

### The role of the ECJ

The European Court of Justice (ECJ) has further strengthened the protection of workers, especially in the field of anti-discrimination. Nevertheless, the Court has recently been the

subject of criticism, having ventured into areas such as employment, association, strike and lock-out law, which are covered only briefly or not at all by the EU Treaties – especially with regard to the interpretation of the free movement of services. The ECJ has declared that national domains such as collective bargaining, trade unions and issues related to public services are subject to single market freedoms. The Court has therefore been accused of bias towards the free-market liberal tendencies of European integration.

### The welfare state under siege

Core functions of the welfare state are facing an uncomfortable ordeal as member governments, in the face of enormous internal and external pressures, are *no longer* able to use traditional instruments to protect disadvantaged social groups. The EU does *not yet* have regulatory competence and resources in this area. This dilemma will not be addressed politically as long as the actors at the European level, *i.e.* national governments, see themselves as being under pressure to increase the competitiveness of their own economies. They fail to recognise the possibility of reducing and sharing risk within the EU. The paradox is that the harder member governments cling to their residual sovereignty in the field of social policy and refuse to address such policies at EU level, the more they lose the power to shape it.

In the face of a single market, it is unrealistic to rely solely on the hope that the welfare state can be overhauled and restored at a national level. A wide-ranging democratic debate among the citizens of Europe is needed to decide how EU citizenship can evolve into a 'European social citizenship' and how the division of responsibility between the Member States and Europe will actually play out in European social policy.

### Social policy challenges for the EU

In order to increase the acceptance and legitimacy of integration, economic and social rights must achieve a better equilibrium. This is a double balancing act between economic and social factors on the horizontal plane of European poli-

cies, and between a strong EU mandate to promote markets and the limited capacity of Member States to tame them on the vertical plane. While the Treaty of Lisbon did little to transfer responsibility for social policy to the EU, it did introduce some new measures to promote a social Europe. Whether such a rebalancing of social and economic goals will indeed affect the legal and policy framework of the EU will, in many cases, depend on future decisions of the ECJ. To prevent its rulings challenging basic features of national social legislation (given the prominent position of the single market in the Treaty), grey areas must be fleshed out with new policies. This especially applies to the status of public services and the relationship of EU competition law to national institutions dealing with social issues.

In future, the EU, and in particular the European Parliament, should play a more important role in ensuring there is a transnational aspect to national social policy debates and demonstrate how they are related. This will open up debates that, at present, are defined by national structures, approaches and sensitivities; it will make them less narrow and more amenable to common European goals and solutions. While the heterogeneity of national governments, organisations and policies is clear, the EU can and should serve as a stage for new policies, debates and ideas on a sustainable welfare state for the twenty-first century. The result need not be more EU policies, more EU power; it could be the closer coordination of national economic and social policy at the EU level, in the course of which social systems could be aligned towards new challenges.

### Enhanced cooperation

Under the *status quo* Member States have a right to veto key decisions. Here, the mechanism for enhanced cooperation provides a *pragmatic* way to advance selected aspects of social and fiscal policy by allowing groups of states to go ahead without excluding others. Such a policy that extends beyond mere fine-tuning is necessary not

only so that the social security systems may better meet the needs of greater mobility within the single market, but also to make the EU more tangible, more 'user friendly', as a cohesive space governed by social law. All this holds especially true for the social entitlements acquired by migrant workers in other Member States.

### Minimum standards

As the full harmonisation of social systems will be virtually impossible in the foreseeable future, minimum standards must be applied. This should include areas such as wages or (minimum) levels of social security and employment legislation to prevent social standards from declining as countries compete to attract business. 'Intelligent corridor' solutions<sup>8</sup> leave the exact design and implementation to the Member States. Of course, they do not rule out the possibility that states or groups of states may introduce higher standards.

### New guidelines and indicators

The collective goods that are the basis for quality of life and environmental sustainability can only be created at the European level and within the framework of positive integration. This is a characteristic European benefit. To this end, we need *new indicators* to calculate economic growth which can provide information on the two most important social factors: individual assets and social status.

### A stable macroeconomic context

The future of the welfare state in the Economic and Monetary Union also depends crucially on macroeconomic stabilisation. In this regard, the synchronisation of national fiscal policies is decisive. If it does not succeed, the free movement of capital – the most mobile factor of production – would severely hamper the ability of governments to address social risks. In this context, instruments of macroeconomic stabilisation that can be effective at the European level, notably in the

8 These were first proposed in the early 1990s by K. Busch, M. Dispersyn and P. van der Vorst.

single currency area, must be studied. In addition to instruments that could be tied to the EU budget (see above), common European basic unemployment insurance should be considered. A proportion of current national unemployment payments could flow into a European fund that would, for one year, pay any unemployed EU citizen benefits amounting to 50 per cent of his or her last income. Member States could then supplement these basic benefits according to their national laws, thus retaining their national characteristics.

### Pros and cons of a common unemployment insurance scheme

One advantage of basic unemployment insurance would be economic stabilisation, as economic upturns and downturns occur differently across Member States. This would reduce the risk of states putting pro-cyclical labour market policies in place, amplifying downturns and making the level of social security claims the subject of political expediency.

Even for countries with generally low levels of unemployment, the insurance could be accessed on a cyclical basis. For example, Germany could have benefited from transfers during its phase of weak growth in 2003 to 2004, a period during which it was derided as the ‘sick man of Europe.’ That would certainly have shortened the downturn and made the structural adjustment less painful.

Such redistribution could cause problems of acceptance with the contributors, however, as claims that it leads to freeloading in the EU could easily arise. It would therefore be important to limit the benefit period from the outset by covering only cyclical unemployment, so as not to diminish the incentives for the unemployed to re-enter the labour market.

### The Europeanisation of social protection

Another area in need of action is social inequality and differences in living conditions and levels of care within the EU. This is especially true for poverty alleviation and health care. Here, a prerequisite for European action is a greater sense of togetherness and a willingness to engage in specific relief projects beyond acute crisis situations. In this context, the Lisbon Treaty (Article 14 TFEU) specifies the importance of services of general economic interest and their role in promoting social and territorial cohesion. A framework directive laying down principles for providing these general services of social interest would be necessary.

### Family policy: Between equality and efficiency

Family policy is gaining importance as the interface of educational, social, employment, poverty and fiscal policy. The guiding principle of EU family policy is the assumption that every able-bodied adult is responsible for securing his or her own livelihood. The underlying ideas, which closely follow the efficiency criteria defined by the job market, are ambivalent.

On the one hand, there is a successful EU gender equality policy based on the *acquis communautaire* that has been influential in guiding legislation in Member States. With its numerous action programmes for equal opportunities and the commitment of the European Parliament, the EU promotes work-family life balance and the integration of women into the labour market. If the political will is there, gender mainstreaming can incorporate an equal opportunities dimension for women and men into all social, economic, and cultural policies.

On the other hand, EU gender equality policy is closely related to global competitiveness. Gender equality and family policy are also linked to economic interests: increased efficiency and the exploitation of resources, employability and occupational mobility within

the single market. Public welfare, in contrast, plays only a subordinate role.

A task for the future will therefore be to adjust gender and family policy to combine social and welfare aspects with the struggle for autonomy and economic interests. If the EU succeeds in this, it could actively assume a pioneering role as a guarantor of equal opportunities through appropriate policies and targeted monitoring of the Member States.

Future EU social policy will only be able to evolve if there is a balance between self-restraint – in areas in which Member States are responsible for protection and social reconciliation – and an expansion of competences in the areas where the EU, via social and integration policy, can provide added value that will promote the integration and internal coherence of the EU. Without this balance, the sustainability and acceptance of the European project will be endangered.

## 9 Conclusions

Paradoxically, the EU needs more solidarity, especially in these times of weak solidarity. More institutionalised solidarity – *i.e.* firmly pledged, active solidarity – is the foundation for the survival of the euro and essential to ensure cohesion and competitiveness throughout the EU. Internal solidarity that accelerates transformation and adjustment rather than hampering it is a basic prerequisite of European strength in the world economy. A solid economic position and social policies that can absorb the shocks of adjustment are essential to increase the willingness to engage in political and individual solidarity in the European Union.

*The price of political procrastination and lack of cooperation is rising. This is especially true of monetary union, which is under pressure from financial markets and rapid global structural transformation.*

More than twenty years after the end of the East-West conflict, six years after the EU's eastward enlargement and in the face of economic, financial and debt crises pressures, this paper shows that the time has come to revisit some fundamental questions. While the eurozone has been subject to integration dynamics, in particular over the past two years, the progress made so far does not seem to be following a convincing overall pattern leading to a sustainable EU capable of adapting to future challenges.

The debt crisis that has shaken several eurozone countries and the euro to the core has made it clear that the EU must address basic issues. These include the relationship between the state and the market, increasingly important social policy initiatives, a viable and legitimate EU budgetary structure and the distribution of responsibilities (in all policy areas) across the national, European and even global levels. Policy decisions in these areas must not be made behind closed doors, nor via non-transparent processes. If this happens, an increasingly sceptical public will be unable to envision the idea of a desirable EU of tomorrow driven by political will.

An opportunity to mobilise public opinion for Europe will be lost if the cost of inaction and the price of nations acting alone are not clearly quantified. The price of political procrastination and lack of cooperation is rising. This is especially true of monetary union, which is under pressure from financial markets and rapid global structural transformation.

None of these are arguments call blindly for more Europe. On the contrary, national sensitivities and reservations about integration have their place in the European debate and must be taken seriously. Greater integration requires convincing arguments as to costs and benefits. The European added value brought by cost-intensive policies must be verifiable; otherwise the legitimacy of collective action will be eroded. It is crucial that the benefits of Europeanisation and the question of which competencies should revert to the national level be discussed internationally. European political parties as well as national politicians are

called upon to take responsibility for strengthening Europe in the face of global structural change.

In some areas, such as the reform of the eurozone, the integration process is entering a critical phase. Apart from the permanent European stabilisation mechanism, the current proposals to reform the coordination and monitoring of national policies are based on instruments that have enjoyed little success in the past. If the cur-

rently negotiated solutions do not resolve the present crisis or prevent future ones, then this will almost certainly raise fundamental questions about the EU as a political union in which common policies are implemented on the basis of common democratic practice. Should this happen, growing EU scepticism will gradually threaten what successes have been achieved. This would be to the detriment of all the citizens of Europe.

# The Future of the EU 's Common Agricultural Policy

By Tobias Reichert

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Edited by Christine Pütz, Heinrich Böll Foundation

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<sup>1</sup> This paper is the outcome of one year's work by the Expert Commission. It was written jointly, with verbal and written commentaries over the course of several sessions, and with individual contributions by the experts listed. Consequently, not every point made in this paper necessarily represents the opinion of all members of the Commission.

## 1 Introduction

The core of the EU's Common Agricultural Policy (CAP) is certainly recognisable when looked at from the perspective of the principles of solidarity and strength; so, however, are its shortcomings. A retrospective survey of almost forty years of common European agricultural policy reveals that the CAP has largely pursued goals that serve its internal needs: increased productivity, food security and stability. The EU's agricultural policy is most likely to display solidarity within its own borders, aiming primarily to reduce income disparities between rural and urban regions. If we look further than the current generation and beyond the boundaries of the European Union, EU agricultural policy turns out to be rather lacking in solidarity. In the course of its history, the CAP has contributed to far-reaching social and environmental problems both within the EU and in the geographical South. It has frequently contradicted important goals of the EU and its Member States, particularly in development, environmental and climate policy. The reforms of the past twenty years have mitigated some of these problems, but not resolved them.

And yet agricultural policy – the European Communities' longest and most integrated policy – could enable the EU to support the diverse agricultural systems that carry cultural and social significance in many Member States. Unfortunately, neither the objectives defined nor the instruments chosen to implement these policies have so far helped to sustain Europe's varied agricultural landscape or to safeguard common social and environmental resources in rural regions. Far from it: in some sectors, the CAP has promoted unsustainable methods and models of production. The maintenance of existing sustainable environmental and social structures is still not at the heart of the CAP. Only with the reforms of the 1990s were instruments devised that made the direct pursuit of these goals possible.

Despite these problems, the solution is not to give up on a common EU agricultural policy, thus leaving agricultural issues solely to Member States. Only by working together can European

states tackle growing global challenges; this applies to agricultural policy as much as to any other area. If the EU were to fundamentally rethink its policy, it could become a role model for the whole world – with an agricultural policy capable of supporting the full diversity of individual Member State systems and fortifying common social and environmental resources in Europe's rural communities.

## 2 The EU's common agricultural policy: lacking real solidarity both within and without

The goals of the Common Agricultural Policy were laid down when the European Community was founded in 1957; they have survived unaltered across the various treaty changes.

### Objectives of the Common Agricultural Policy (Article 39 of the Treaty on the Functioning of the European Union):

- 'to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilise markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices.'

This conception of a common agricultural policy – one focused on internal strength, on food security, stability and increased productivity – was understandable in the post-war context, with its traumatic experience of hunger. Attention

was focused on producers and consumers inside Europe. The former were to be strengthened through increased productivity and stable markets, the latter through moderate food prices. In the reforms of the 1990s, the stabilisation of farmers' incomes by means of direct payments was added, at least implicitly, as a further objective. And, since the 1990s, the CAP's 'second pillar' has promoted environmental protection and rural development.

In terms of the increased productivity and security of supply that it aimed to achieve, the CAP was successful. In just a few years, the EU turned from being a net importer to being self-supporting in important food products. Thanks to continued increases in production and productivity, the EU had become one of the world's leading food exporters by the 1980s, thus engendering problems in other countries.

On the basis of the data available, it is difficult to evaluate how far the objective of a fair standard of living for the agricultural community has been achieved. According to European Commission figures, the average agricultural income in the EU-25 (excluding Romania and Bulgaria) is around half that of other sectors. Admittedly, this data does not take account of the off-farm incomes of farming operations. Nor do the statistical surveys permit a distinction to be drawn between farm owners, family members working on the farm and regular employees. Agricultural employees are paid around 30 to 40 per cent less than comparable industrial employees in rural areas.

Since the introduction of the CAP, the 'old' Member States have seen dramatic structural change, resulting in the majority of small and very small farms being abandoned, with the result that rural employment opportunities have shrunk. In the new Member States, there are particularly serious problems of poverty in the countryside. This is especially true of Romania and Poland, where subsistence farming still plays an important role. The CAP did not cause this situation but will have to contribute to resolving it. Any future accession of Turkey and possibly also Ukraine would further exacerbate these discrepancies in agricultural structure, income and development.

In this context it should also be borne in mind that the use of illegal and precarious migrant labour is increasing, especially in slaughterhouses and fruit and vegetable cultivation. East-West migration within the European Union is important in this respect. In Europe, more than three million workers are now involved in labour migration in the agricultural sector, more than 500,000 of them in the Federal Republic of Germany. These people often work without a social safety net, for low pay and with no pension entitlement. The disadvantages are especially severe for women, who make up an increasing proportion of those affected by precarious employment. Here, again, the CAP is not the chief cause of the problem but must become part of the solution.

For consumers, the outcomes of European agricultural policy are mixed. On the one hand, consumers have benefited from stable and generally declining food prices. In Germany, the share of household income spent on food fell from 38 per cent in 1960 to around 14 per cent in 2010. On the other hand, during the same period, prices declined even further on international markets. One of the factors in this price decline, however, was the fact that, in the early 1980s, the EU moved from being a net importer to a net exporter of food products such as grain, milk, sugar and beef, thus contributing to an increased world supply of cheap, subsidised food.

In many areas, the increase in productivity promoted by the EU's agricultural policy was accompanied by a decrease in product quality. Examples range from watery tomatoes to a dramatic reduction in apple varieties. Although food safety has risen as a whole, there are recurrent health scandals, including the contamination of foods with hormones, pesticides and dioxin.

It should also be said that the objectives set out by the CAP imply solidarity only in a very narrow sense. From an intergenerational perspective the CAP is divisive because intensified agriculture is causing long-lasting environmental problems: the loss of fertile soil and biodiversity, the eutrophication of water sources and increasingly monotonous landscapes. Nor does solidarity in

agricultural policy as defined by the EU Treaties extend beyond European boundaries, in particular to the countries of the South.

In recent years, the connection between agriculture and climate change has been a topic of intense public debate. The trace gases nitrous oxide and methane, with their severe impact on the climate, already make up around one tenth of the European Union's total greenhouse gas emissions. To these must be added the emissions caused by changed land use in the EU, most importantly through cultivating imported animal feedstuffs such as soya, but also through ploughing up meadows and draining wetlands. Once all of the emissions related to agriculture – including changed land use, equipment production and transport – are taken into account, an estimated 40 per cent of global greenhouse gas emissions are associated with this sector. The transformation of woodland and grassland into arable land is one of the most important causes of biodiversity loss.

Likewise, if we consider the impact of EU agricultural policy on the agricultural sectors of other countries – especially in developing nations – it becomes clear that the CAP can in no way be described as a good example of solidarity. Like the agricultural policy of other large industrial nations, especially the USA, the EU's policy has caused many problems worldwide. The negative effects arise from both imports and exports.

The EU's export of cheap food products, highly subsidized especially in the 1980s and 1990s, contributed decisively to the fall in the prices of important agricultural goods on the world market. This created an incentive and an opportunity for the governments of many developing nations, particularly in Africa, to neglect small-scale agriculture. In many such countries, European exports pushed small-scale farmers out of their own national and regional markets. Nowadays, the EU plays only a minor role in many export markets. However, there are still certain product groups, such as poultry and pork, in which European exports continue to have highly negative consequences for the agriculture of developing nations. They compromise markets and impede investment, especially in

livestock – an area with great potential to boost employment and rural development.

Exports of animal products were and continue to be possible, but only on the basis of high and still increasing feedstuff imports (especially soya). As a whole, the EU thus imports considerably more calories (and, in virtual terms, land to produce them) than it exports. Latin America has already seen large areas of rainforest and savannah cleared for soybean cultivation and the greatly enhanced price of agricultural goods threatens to accelerate this process. The continued increase in European feedstuff imports is tending to exacerbate the new scarcities on the world markets.

### 3 New global challenges

The global social and environmental challenges currently facing agriculture are numerous, diverse and closely interwoven. Worldwide, food needs to be produced for a fast-growing, increasingly urbanised global population and rural poverty needs to be reduced – and this under more and more difficult conditions, such as the predominantly negative effects of climate change, ever scarcer natural resources, the progressive degradation of soils and unstable world agricultural markets. At the same time, agriculture needs to rise to future environmental challenges by reducing greenhouse gases emissions, providing carbon sinks, ending the overexploitation of soil, maintaining biological diversity and finding sustainable ways of using water resources that are already in short supply.

*A forward-looking agricultural policy not only needs to produce food but also to nurture the agricultural landscape, provide public goods, generate decentralised energy, create vibrant rural communities and ensure adequate incomes.*

The crisis caused by the huge jump in food prices in 2007 and 2008, together with the renewed rise in 2010, indicates that the global surplus experienced since the 1980s is now coming to an end. This will, in turn, also end the era of permanently low global prices for agricultural goods, although variations in yield and price due to climate can be pre-

dicted and will include recurring low-price phases. These fluctuations will be amplified by variations in the oil price, foreign exchange and interest rates and political interventions. Export bans or duties in the case of rising prices and export subsidies in the case of falling prices on the world market will also contribute to these fluctuations. In this unstable market, short-term speculation and the activities of investors in the commodities futures markets have increased. There are many indications that this also contributes to short-term spikes in price volatility. A further destabilising factor is subsidised land use for energy production, which reduces the elasticity of demand for agricultural goods.

Since the mid-1990s, the number of undernourished people in the world has risen by almost 200 million and has now reached almost one billion – and this despite the fact that global per capita food production is still rising fairly continuously. The reasons are complex, with a combination of rural poverty and rising food prices playing a significant role.

Climate change will make the problem of malnutrition more difficult to solve. Even if globally far-reaching measures are taken to adapt to climate change, in the mid-term, lower yields in important production regions, especially in much of the South, must be expected. The result will be a decline not only in the availability of food products but also in the income of many producers in the countries concerned. At the same time, rising oil prices will increase operating costs in conventional, fossil-fuel-based agriculture. Rising energy prices will mean higher prices for fertilisers, pesticides and machine use. Of course, this will also create strong economic incentives to adopt alternatives to the classic prescriptions of the 'Green Revolution.'

## 4 A new vision for the common agricultural policy

On the basis of the challenges set out above, the EU must define environmentally and socially sustainable objectives, thus defining a new vision for a forward-looking agricultural policy.

This new agricultural policy should:

- contribute to ensuring the right to food and food security in the EU and worldwide, and work hand in hand with the EU's development policy objectives;
- utilise resources carefully and sustainably and especially contribute to climate protection and the maintenance of biodiversity;
- create attractive rural areas offering good income and employment opportunities for independent farmers and employees, with a high level of health and safety protection;
- set high standards of animal welfare in agriculture.

In other words, a forward looking agricultural policy needs a multifaceted concept of solidarity and must aim for a multifunctional agricultural sector tasked not only with producing food but also with nurturing the agricultural landscape, providing public goods, generating decentralised energy, creating vibrant rural communities and ensuring adequate incomes. The benchmark here is the UN Declaration of Human Rights, which sets down the right to food as a universal human right. Over and above that, agricultural policy must create incentives to take account of the finite character of resources and natural processes (for example nutrient cycles). Trading large quantities of agricultural goods across long distances, including inside the EU, can disturb these cycles. European agriculture should therefore give greater priority to local and regional resource and nutrient cycles – but not in pursuit of autarchy or protection against competition from imports.

For both environmental and economic reasons, a forward-looking agricultural model will not be able to depend on fossil fuels as a key production factor. To some extent, the change of course this necessitates will be driven by rising energy prices, but there must also be an end to all the agricultural policies and tax incentives that promote continued use of fossil fuels, for example tax exemptions for diesel in agriculture. The agriculture of the future will not only reduce its own energy use but will also contribute to supplying energy on a decentralised basis from renewable sources.

*Future Common Agricultural Policy should promote production methods that utilise natural processes and are optimally adapted to the surrounding ecosystems.*

As a rule, agriculture that depends less on fossil and imported fuels will be more labour-intensive and will thus create new jobs in the countryside. The vision of social justice in agriculture encompasses adequate pay and social security for agricultural labour. Bearing this in mind, it is important that structural change in the candidate countries – moving away from a subsistence agriculture conditioned by poverty – does not simply culminate in large-scale agro-industrial operations offering few and often low-quality employment opportunities. In the north-west European Member States, which today have little employment in the agricultural sector, a more labour-intensive form of agriculture could help prevent further depopulation of rural areas and create new opportunities for employment. This would also benefit migrant labourers from within the EU or from its neighbouring countries. Such labourers must benefit from the negotiated wages and social benefits that are standard in the locality.

Change in livestock production is especially urgent, both from an environmental and an ethical perspective. Dairy and beef production must return to the predominant use of grassland, with as many cattle as possible being reared on pasture. Management systems that promote carbon fixing, improve soil fertility and maintain biodiversity should be encouraged through targeted measures. Poultry must be reared in a way appro-

priate to the species and livestock rearing must be more closely tied to the specific landscapes available locally, in terms both of obtaining fodder and of using manure to improve the soil.

The future CAP should promote production methods that utilise natural processes and are optimally adapted to the surrounding ecosystems.

## 5 Realigning the instruments

Despite several rounds of reform since the 1990s, the current instruments of European agricultural policy fall short of being able to meet the present and future challenges facing the sector. For example, the approximately €40 billion a year spent on direct payments and the approximately €4 billion in investment subsidies mainly serve to artificially maintain or boost competitiveness in an increasingly liberalised internal market and on export markets. In the long term, it is untenable to continue the practice of spending enormous sums of money to compensate farmers when their production does not cover its costs – even without external costs being fully internalised – or, where production does cover its costs, to increase their profits.

In order to promote an agriculture that is socially and environmentally sustainable within the EU – one that lives up to its current and future responsibilities both inside and outside the Union – the instruments of the CAP must undergo a fundamental change. When considering the options, the rationale should be neither to seek new justifications for maintaining the current level of agricultural spending in the EU budget, nor to assume that agricultural funding must be cut drastically in favour of other policy areas. Instead, following the vision outlined above, and taking into account the conditions of the new global framework, the task will be to work out which policy instruments are appropriate, how far they should be publicly funded and, in line with the principle of subsidiarity, whether they would be best implemented at a regional, national or European level. The scale of the agricultural budget required will be determined by these considerations and coordinated with the priorities set by other areas of EU policy.

## European added value

Clear benefits would be brought by measures addressing problems and objectives:

- that are cross-border or even global in nature;
- that are regional or national in nature but for which adequate resourcing is not available in the countries concerned;
- that overlap with other policy areas within the EU's field of responsibility.

**Environmental and climate protection**, along with **biodiversity**, is cross-border and global in character. The protection of biodiversity in particular necessitates the close linkage of the European with the local and regional levels. The preservation and management of a diverse agricultural landscape (also for recreation purposes) is primarily a local task. However, it is extremely important for biodiversity that biotopes in very different regions are preserved and that links be created between them. The EU should therefore ensure that all Member States protect designated areas and support regions that have little funding available for this task. Because many environmentally valuable areas are used for extensive farming, this task also falls within the CAP's remit – although it must be closely synchronised with environmental policies and their objectives.

Particularly in the less wealthy Member States, the EU should also promote the **development of rural communities** and help small-scale farmers and farm labourers to find routes out of poverty. In many of the candidate states, as well as in some of the southern European Member States, the funds available are not adequate to solve the problems of these groups. The key question is not whether this goal should be defined specifically as agricultural policy, as rural development or as part of regional development more generally. Whatever the definition, the great economic and social significance of agriculture in these regions means that rural development must be closely interlocked with EU agricultural policy.

Because the market for agricultural products is part of the European single market and therefore no trade restrictions exist or are permitted, all measures related to agricultural **competition, market and price policy** must be decided or at least approved at European level. The same applies to **international trade policy**, which at times needs to be flanked by measures relating both to price and market and environmental policies.

In order to secure the EU's supplies of food in the long term, it is important to sustain the resources needed for production, such as soil, water and the genetic diversity of livestock and plants. On this issue, agricultural policy shares common ground with environmental and climate policy goals.

In terms of global food security, increasing imports of agriculturally produced animal fodder and energy feedstocks create significant drawbacks. Against the background of the scarcity already observable on global markets, these imports into the EU contribute to rising prices – something that presents a big problem for the poor in the developing world. For this reason, agricultural policy must be closely aligned with policies in the areas of energy and climate, forestry and also development policy. As in other areas, in the context of the CAP it is impossible to avoid the question of how agricultural land can best be used to achieve not only food and energy security but also to protect the environment.

### 5.1 Environmentally and socially correct prices

The prices of products still do not reflect the social and environmental costs of their production. This fact is at the root of many of the undesirable developments presently occurring in the agricultural system. Production costs account for neither the negative consequences of agriculture's greenhouse gas emissions, nor water pollution, loss of biodiversity, or increased social welfare payments resulting from illness or inadequate health and safety protection at work.

Agricultural policy must ensure that each price fully reflects the environmental and social costs or, wherever possible, that these costs are

prevented from arising in the first place. This may be achieved by legislation or by the acceptance of common standards. In the social domain, instruments such as the minimum wage or health and safety protection should be applied.

In many cases, internalising environmental costs will boost the competitiveness of less energy-intensive production systems, which are generally gentler on the climate and the environment. Numerous scientific studies of greenhouse gas emissions in organic and conventional farming have shown that organic farming is a method of production that uses energy more efficiently and produces lower emissions. The recycling of nutrients and the cultivation of legumes, which bind atmospheric nitrogen, make it possible to forego mineral nitrogen fertilisers. Likewise, dispensing with chemical or synthetic crop protection and cutting down on additional fodder should result in a reduced and more efficient use of energy and lower transport emissions. Organic farming utilising multi-year legume cultivation and farmyard manure can turn both grassland and cultivated land into carbon sinks.

### 5.1.1 Putting a price tag on greenhouse gases

In view of the substantial share of the world's greenhouse gases emitted by agriculture, the sector must be firmly included in agreements and mechanisms to protect the climate. However, it should not be forgotten that agriculture – along with forestry – is the only economic sector that not only produces emissions but also has the potential for carbon sequestration. One option for integrating agricultural production into an emissions regime would be to make it part of the Emissions Trading System; another would be to levy a greenhouse gas tax on all agricultural activities relevant to the climate. In such a system, all agricultural products would be subject to a greenhouse gas 'balance sheet.' Based on their net emissions, either an emissions tax would be levied on the products or the production activities themselves would become part of emissions trading.

The boom in bioenergy triggered by political incentives in some countries has played an

important role in focusing public attention on the complex relationships between agriculture, global nutrition, changes in land use and greenhouse gas emissions. As a result, the EU has begun to record emissions using the International Sustainability and Carbon Certification (ISCC) system. A system covering the entirety of agricultural production could build on these experiences, but it would also have to fulfil more rigorous requirements.

Firstly, it should be implemented internationally in order to avoid distortions of competition. If international agreement on the establishment of a system of this kind proves impossible, it should at least be implemented across the whole of the EU, so as to ensure conformity within the single market. In this case, all agricultural products would have to be recorded and a levy imposed on them at the EU's external border based on the greenhouse gas emissions generated by their production. In order for this to be feasible, World Trade Organisation (WTO) rules would have to be adapted in such a way that border adjustments are neither deemed to be a restraint of trade nor able to be used for protectionist purposes.

Secondly, the system introduced must not generate more costs than benefits. Nobody wants to substitute a political failure for a failure of the market. Calculating the greenhouse gas balance of all agricultural activities (including arable and livestock production and forestry) is a complex, costly and time-consuming task. If the greenhouse gas tax or inclusion in emissions trading were to create the right incentives to change behaviour and develop new technologies, data would have to be gathered on a regular basis on every farm. Both approaches would entail considerable administrative costs, since there are a large number of businesses in the agricultural sector, farm structures (size, orientation, methods) are heterogeneous and all farms operate under variable natural conditions. An additional concern is that these administrative costs would probably create economies of scale privileging large-scale businesses. Simplified recording methods might, however, turn out to be more advantageous for small farms. An alternative approach, and a more practical one, at least in the short to medium term,

would be to not integrate agriculture directly into emissions trading but to focus on charging the most climate-relevant operating resources and farming methods – arable farming, in particular, is very energy-intensive. In this way, energy prices that fully reflect the impact energy consumption has on the climate would automatically track and ‘correct’ a substantial portion of agriculture’s effects. Of high priority would be to abolish all subsidies for fossil fuels, such as the diesel fuel tax exemption for agricultural businesses. Alongside this, a tax on nitrogen fertilisers or on nitrogen input from liquid manure should be introduced, since nitrous oxide emissions from fertilisers are among the EU’s biggest sources of greenhouse gases. In livestock production, regulation of the area required per animal and the treatment of animal excrement (solid dung rather than liquid manure) could mitigate the most harmful effects on the climate.

It is well documented that agricultural land is a carbon sink. This is true especially for meadows and grazing land, but also for arable land if it is farmed using methods that promote the formation of humus. The relevant production systems should therefore be specifically promoted and rewarded. However, it has not yet proved possible to quantify this form of sequestration accurately enough to include it in a system that puts a price tag on greenhouse gas emissions. In general, there is still a significant need for research on the key elements of a practicable system, for example on the stage at which emissions should be recorded (farmyards, sales, processing) and the distinctions between systems (area dependent or independent of area). For agriculture to become part of a comprehensive climate strategy, we rapidly need to set up pilot projects and studies. An informed decision could then be taken on whether agriculture should best be included in a climate strategy via emissions trading, taxation or the promotion of particular systems of production.

### **5.1.2 Rewarding agriculture for supporting the ecosystem**

Public payments to agricultural operations should reward contributions to the maintenance of resources such as soil and water that go beyond what is financially imperative or legally required. Examples would be adapted farming methods in areas protected by the Natura 2000 network<sup>2</sup> and in regions where farming is not economically viable but important to maintain ecosystems, create and maintain biotopes and landscapes or cultivate and breed traditional plant and animal varieties.

Farms in disadvantaged locations – such as islands, mountainous regions and areas with poor soil – face severe difficulties: they are remote from markets, have insufficient local services, are vulnerable to market fluctuations and have to protect endangered habitats. Yet it is these farms that bear a special responsibility for preserving some of Europe’s most valuable countryside. A diversity of landscape and habitat can often only be sustained through farming – and the same is true for many small communities. It is crucial that farms with small profit margins and great responsibilities receive appropriate support from the state.

To the extent that such practices are not covered by the higher prices organically farmed products command, they have, thus far, been largely funded out of agri-environmental measures. Payments are based primarily on the extent of income loss. In other words, the provider calculates the losses incurred by farmers by choosing less profitable forms of farming or through burdens imposed by particular methods. This approach is mainly based on WTO rules; however, it creates very little in the way of incentive, as it does not make sustainable production methods more remunerative than other methods.

To be able to promote the provision of a public good, the costs and benefits arising from the production or consumption of particular goods would have to be precisely identified. At present, it is not possible to make such a calculation.

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2 See [http://en.wikipedia.org/wiki/Natura\\_2000](http://en.wikipedia.org/wiki/Natura_2000)

Biodiversity, for example, is very difficult to factor into a system that creates price incentives for the provision of such public resources. Ultimately, we will have to decide how much we are willing to pay to maintain or increase the population of a particular species such as the brown bear or the lynx. The Economics of Ecosystems and Biodiversity (TEEB) study may offer an important starting point for such calculations.<sup>3</sup>

One way to mitigate the problems of measurement at the farm level would be to distribute rewards not by farm but by the kind of farming. The EU should adopt this system for the time being. Among other things, it would make it possible to measure species diversity and assess the impact of organic farming or farming giving a high priority to nature conservation on certain environmental factors such as water, soil and climate. These types of cultivation could then be assigned to particular payment systems on a regional basis.

*The measures the EU takes to stabilise its own markets must not destabilise world markets.*

## 5.2 Stable agricultural markets and fair prices

The level and reliability of incomes from the sale of agricultural products also have an impact on payments for agriculture's contribution to common resources, since both sales and contributions to the public good are, as a rule, part of the same production process – namely environmentally viable farming. Such farming becomes worthwhile when, in addition to public payments, the sale of its products creates an attractive income. However, when prices are uncertain, it is very difficult to determine the appropriate level of public payments.

For the Common Agricultural Policy, this poses two challenges.

— The EU's farmers and consumers must be protected from the effects of extreme price fluctuations on the world market and price trends on

the European internal market must be as predictable as possible. However, care should be taken that measures introduced by the EU to stabilise its own markets do not further destabilise international markets.

— The factors that amplify price fluctuations on the world markets must be limited as far as possible.

### 5.2.1 Supporting producers in the value chain and regional marketing

Farmers would be in a more advantageous position to achieve fair prices if they had better opportunities to negotiate collectively on the marketing of their products. For this reason, EU-wide market regulations should help farmers set up producer organisations to strengthen their negotiating position. These bodies would be able to negotiate prices, quality levels and contracts. To allow producers more scope on the market and greater influence on quantity and price there needs to be a special permit under competition law for Europe-wide, adequately sized producer organisations. If producer groups are too small, they risk being played off against each other in supra-regional markets. A group exemption from competition law for agricultural producers (on the model of the EU exemption for small and medium-sized enterprises) would be a useful way of reinforcing the market position of producers. In this context, competition law should also be revisited to see whether it is blocking possible options for strengthening small and medium-sized enterprises, farms and workers within the value chain. As a matter of principle, competition policy and competition law must not stand in the way of improving the negotiating position of farmers. Restrictions on competition should be permitted in cases where they can help bring about minimum social and environmental standards and ensure adequate wages through agreements and regulation.

In some agricultural markets, for example dairy, the negotiating position of producer groups

3 See <http://www.teebweb.org/>

could be strengthened through a European monitoring agency that would analyse and publish producer and user prices and profit margins. Representatives of the monitoring agency would calculate the full costs of agricultural production in the EU's various countries and regions. Producer groups would be able to use this information as a guideline in their negotiations with purchasers and, if relevant, adjust their production if prices dropped too far or remained too long below a level that covered costs.

Only experience will show how far these potential changes in competition law and the organisation of producers would be effective in stabilising prices. The monitoring agency could also serve as a first point of contact for complaints about price undercutting, not only for stakeholders on the EU side but also for those affected in developing countries, including their governments.

Regional, quality-oriented markets provide many producers with reliable distribution channels and stable prices. Administration and trade must therefore be better tailored to regional marketing. Particularly in the case of meat and dairy products, hygiene and marketing regulations are often not applied directly at the level of food safety itself (as can be seen in the case of pesticide or bacterial contamination) but begin with regulations at the level of processing and marketing. Many of these arrangements are designed with large-scale operations in mind, for example the rule that slaughtering and processing must take place in rigorously separated spaces.

The reform of the CAP should enable such regulations to be adapted to different levels of processing and scales of production. This would allow smaller farms to reach the required standard of food safety using different measures.

Within the framework of the CAP, measures for rural development should in any case provide for the better promotion of regional marketing and retailing structures.

### **5.2.2 Contributing to the stabilisation of world markets**

The EU alone is not capable of eliminating the international causes of short-term price fluctuations on the world market. Instead, it should work within international forums such as the WTO or the G20 to achieve binding rules in the financial markets and trade policy. This is not part of the CAP's remit in the narrow sense, but should nevertheless be one of the tasks of EU agricultural policy.

In addition, the EU needs to improve the quality of its statistics on prices, production, use and storage. On the world grain and oilseed markets the reports issued by the US Department of Agriculture are virtually the only sources of publicly available information. Here, the EU could contribute substantially to the creation of more transparency and thus to stability.

On the commodity exchanges, too, the EU could do much to prevent fluctuations being exacerbated by speculation. One possible step would be to cap the level of trading in futures and options or put it in relation to actual physical transactions. This might reduce the danger of prices being determined primarily by financial markets and not by businesses that want to hedge their traded products against price risks.

The EU must put pressure on the WTO to prohibit export subsidies and similar instruments as such measures make for global instability. They are deployed at precisely the moment when prices on the domestic market are low. They decrease supply domestically but increase it artificially on the world market, thus reinforcing the pressure on prices. Export bans and taxes on exports have hitherto remained almost untouched by trade rules; clear restrictions and regulations must now be applied. However, countries experiencing problems in feeding their populations must still be able to use such measures in emergencies when they need to prevent food exports during a famine. Conversely, countries that export food must take on some responsibility for trading partners who depend on imports for their food security. This applies particularly to the largest exporters.

Many experts regard the substantial decline in stocks, especially of grain, as one cause of the increasingly dramatic fluctuations in world market prices. Climate change is set to exacerbate the situation even further, since more frequent and extreme weather events mean crop losses. For flexible responses to extreme price fluctuations, food reserves should be checked and if necessary topped up. In this way, in phases of rapid price rises a coordinated use of existing stocks could take pressure off the markets. (The objective is not, however, to set a particular ‘price corridor’ for world markets.) To avoid repeating the mistakes of the 1960s and 1970s, it will be important to take into account experiences with storage systems for agricultural goods in those decades.

### 5.3 International trade and sustainability standards

Binding environmental obligations that come without financial compensation can damage competitiveness even when world market prices are on an upward trajectory. This should not pose a major problem for exports, since the EU would have to focus on sustainable production and specialty and high-quality products. For these products, price is not the key competitive factor; rather, the guarantee that high environmental standards have been met could act as an additional quality feature. However, more serious problems could arise in the internal market if supplies from within the EU were squeezed out by imports produced under dubious conditions that made cheaper prices possible.

In this case, it would make sense to tie access to the European market to compliance with sustainability criteria. The basic approach would be that agricultural goods cannot be imported into the EU if the global or local environment has been seriously harmed by their production. As a matter of principle, all agricultural goods – including tropical products, such as coffee, soybeans or cotton, that are not or only rarely cultivated within the EU – should only be imported if their production does not cause unacceptable environmental or social damage. This would mean defining environmental, climate and social standards at a level

appropriate for each exporter. Evidence would be required that these standards were met during production.

In many developing nations, however, the most severe difficulties arise not from farming but from changes in land use. From an environmental and climate perspective, what is causing the most serious damage is the transformation of woodland, rainforests, savannahs and other environmentally valuable areas into farmland. From a social and human rights perspective, acute problems arise from the often forced displacement of small farmers, most of whom are producers of staple foods.

Biomass for use as fuel is currently already subject to certification: importers must show that products entering the EU were not cultivated in areas that, before a named date, held special importance for carbon fixing or biodiversity. This solves the problem only partially as leakage can arise. To control the displacement of small-scale farming more effectively, the criteria must be expanded but in the end the protection of environmentally valuable areas cannot be assured primarily by means of agricultural import policies. What is more important is to create adequate financial incentives that make it attractive for the respective countries and populations to leave natural areas intact.

*In its trade policy the EU must define fair rules for qualified market access, prevent environmental and social dumping and support a transition to sustainable methods.*

In line with the precautionary principle, there would be a blanket exclusion of genetically modified organisms from imports.

Finally, it remains an open question whether and on what scale, social and employment standards should be integrated into the sustainability criteria for market access. In principle, a good foundation is already available in the shape of the fundamental employment rights defined by the International Labour Organisation (ILO), such as the prohibition of forced and child labour and freedom of association. These might be expanded by adding particular

standards for farm labourers. The ILO standards offer a basic framework to guide employment legislation in individual countries but in almost all developing and newly industrialised countries, moves to implement such standards meet with even fiercer resistance than the unpopular environmental and climate protection standards.

In its trade policy the EU must define fair rules for qualified market access, prevent environmental and social dumping and support a transition to sustainable methods. This must occur in agreement with its trading partners and within the framework of multilateral rules. In particular, the aim must not be simply to keep non-sustainably produced agricultural goods out of the EU market. Instead, access should be eased for those producers for whom exporting to the EU creates particularly good opportunities to combat poverty and to introduce more environmentally appropriate farming methods. This process means not only that classic trade barriers such as tariffs have to be dismantled but also that there is a need for targeted support for producers to enable them to comply with public and private quality standards and to provide evidence of that compliance.

## 6 Conclusion

Given its often problematic effects on the environment and development, and new challenges such as climate change and scarcity on the world markets, the EU's agricultural policy requires a fundamental reorientation. This will necessitate a new underlying vision to replace the traditional 1960s goal of improved productivity. The EU's Common Agricultural Policy must:

- contribute to the realisation of the right to food and food security in the EU and worldwide and coordinate closely with EU development policy objectives;

- utilise resources carefully and sustainably so as to contribute to climate protection and the maintenance of biodiversity;

- create attractive rural communities with good income and employment opportunities for

farmers and workers, who also enjoy a high level of health and safety protection;

- set high standards of animal welfare in agriculture.

If it is to achieve these objectives, the CAP must promote production methods that utilise natural processes and fit as closely as possible into surrounding ecosystems. The instruments of the CAP must be radically changed in order to make this possible.

The most important instruments of a future Common Agricultural Policy are:

- environmentally correct prices that take full account of the climate footprint of agricultural production;

- remuneration for environmental and other social contributions through public payments;

- systematic support for the position of farmers in the marketing chain so as to enable higher and more stable prices;

- effective legal regulation ensuring appropriate pay for farm employees and good working conditions with a high level of occupational safety in agriculture;

- a European agricultural trade policy that does not rely on or promote higher exports and that uses agreements setting sustainability standards with third parties to reduce the import of products, the production of which is particularly harmful to the environment and climate.

If we want to tackle today's global challenges, 'business as usual' is not an option. Without an essentially new vision for agriculture, it will not be possible to achieve environmental transformation or a sustainable and just European economy. The links between agriculture, climate change, poverty and hunger are simply too close. As a result, a radical change of course in agricultural policy is inevitable.



# Towards a Europe of Renewable Energies

The Future of European Climate Change  
and Energy Policies

By Delia Villagrasa and Stefan Scheuer

With Michael Cramer, Rebecca Harms, Sascha Müller-Kraenner, Martin Rocholl  
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<sup>1</sup> This paper is the outcome of one year's work by the Expert Commission. It was written jointly, with verbal and written commentaries over the course of several sessions, and with individual contributions by the experts listed. Consequently, not every point made in this paper necessarily represents the opinion of all members of the Commission. Michaele Hustedt, Christine Lins, Hans-Josef Fell and Lutz Mez also contributed in an advisory capacity.

## 1 Introduction

Globally, climate change and energy policies face huge challenges: mitigating climate change, securing long-term energy supplies in the face of rising global demand and opting out of high-risk nuclear energy. Europe's climate and energy policies must also take on the same challenges – for it is primarily the industrialised nations that, within a relatively short time, need to reduce their CO<sub>2</sub> emissions radically and permanently. To achieve this, it will be imperative for Europe to make a complete switch to renewable energy sources. This is the guiding principle for sustainable, secure and affordable energy – a principle based on the expansion of renewable energy, a substantial increase in energy efficiency and a high degree of energy conservation.

Energy consumption in the European Union has now begun to level out, although it is still far too high. At the same time, the price of fossil fuels is on the rise. The external incidental costs of energy generation and consumption in the form of greenhouse gases and other air pollutants are also rising. And, as the world's largest energy importer, the EU is becoming more and more vulnerable to supply risks.

The visible effects of progressive climate change, the shock of the Fukushima nuclear disaster and rising fossil fuel prices – these factors make the need for a fundamental change in our energy system more obvious than ever.

The good news is that it will be possible for Europe to be supplied 100 per cent by renewable energy by 2050.

The European Union has all of the prerequisites for an energy policy based on renewable resources, efficiency and energy-saving measures. There is perhaps no other area of EU policy so clearly destined to bring alive the two core concepts of 'solidarity,' *i.e.* mutual support, and 'strength,' *i.e.* the promotion within and outside the Union of common interests and values. The reason is that the range of renewable energy sources available within Europe enables each Member State to make

the best use of its specific and most cost-effective resources and to trade the energy produced across regional and national borders. Such shared utilisation of renewable potential could, in the long term, give Europe complete independence from Russian gas imports, the whims of oil potentates and the political pressures of the international energy markets. It also opens up the opportunity to create interlinked energy policies based on renewable resources with the EU's neighbours.

Energy saving and efficiency are integral components of such a turnaround. In technological and economic terms they hold a great, as yet untapped, potential to reduce the running costs of our economy and establish local services and markets in energy conservation. European solutions are also well placed to have a global impact, as anyone wishing to export to Europe will have to meet our environmental and efficiency standards.

Not least, by pursuing this path the European Union can create millions of new, secure jobs and remain a world leader in a high-tech domain.

The European Union should view the great challenges of climate and energy policy as an opportunity. A sustainable European climate and energy policy would not only deliver an affordable, reliable and environmentally sound European energy supply, it could also create a new project with which Europeans could identify and contribute to a new political and economic dynamism within the EU.

This is the vision but, to date, the reality is still very far off.

## 2 Current European climate change and energy policies: strengths and weaknesses

The EU has agreed to cut its greenhouse gas emissions by 80 to 95 per cent by 2050. To meet this target, it will be important to tap into the EU's own renewable energy sources. But just *how* important can and should this method be? Everywhere, from Portugal to Poland, the development of renewable resources has begun and

the process of interconnecting European electricity grids is gradually gathering speed. Yet the rigorous and rapid change of course necessary to make European energy policy climate friendly and boost renewable fuels is still lagging far behind what is technically possible.

Despite the enormous potential of renewables, the future of Europe's energy supply is a highly controversial topic among EU members. For industrial, economic and social reasons, many Member States continue to put their faith in nuclear energy, coal and gas. They also pursue different approaches to the regulation of their energy markets; feed-in tariffs, the auctioning-off of carbon emission certificates and regulatory provisions to market incentives are just some of the methods used. These differing national energy mixes and market structures make it more difficult to achieve a coherent internal energy policy across the EU as a whole.

Starting in the 1990s, the first steps towards the creation of an internal European energy market have marked the first attempt to create a European energy policy since the establishment of the European Coal and Steel Community in 1952 and the European Atomic Energy Community in 1957. The 2008 European climate and energy package and the Lisbon Treaty laid down common energy policy objectives. Nevertheless, energy policy remains an area in which responsibilities are shared between the European and the national levels. The Treaty on the Functioning of the European Union includes the proviso that no Europe-wide measure must 'affect a Member State's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply.' Article 176 of the Lisbon Treaty also emphasises the common energy market, the common security of energy supply within the EU and the common development of energy efficiency and renewables, along with the interconnection of grids as being 'in a spirit of solidarity.' As the wording indicates, it has become clear that in the domain of energy and climate protection, only joint action will be able to meet global challenges. In the area of energy policy, however, the Lisbon Treaty of 2007 did not oblige Member

States to act in solidarity at the national but only at European level.

*Energy saving, energy efficiency and renewable energy sources will enhance the strength of the EU.*

In the context of energy and climate change policy, 'strength' appears to be the central issue for energy security. The rapid worldwide rise in energy demand, increasing dependence on imports and volatile fossil fuel prices will have grave consequences, not only for the economy but also for the future of the European welfare state. An EU that saves energy, optimises energy efficiency and promotes renewable energies will be more powerful in a global economy, in which the influence and importance of different players is constantly shifting.

Taken as a whole, however, European energy policy is still too weak, both politically and institutionally, to respond effectively to the challenges we have outlined.

The same is true of the EU's global climate policy. The EU is the world's largest economic and trading bloc. On the one hand, it exports energy-intensive lifestyles and inducements to purchase around the world; on the other, it is a global pioneer in efforts to reduce the negative impact of rising energy consumption. The EU was one of the first supranational organisations to set itself the target of limiting global temperature rise to two degrees Celsius above pre-industrial levels and to draft legislation to curb climate change, even before the Kyoto Protocol was signed. These efforts culminated in the climate and energy package passed by the European Council and the European Parliament in 2009. The package made the EU the first bloc to fix far-reaching, binding legislation for 2020. Its three basic pillars are: renewables to generate at least 20 per cent of energy production, a cut in greenhouse gas emissions by 20 per cent as compared to 1990, and a 20 per cent increase in energy efficiency by 2020. The first two of these objectives are well on the way to being achieved. In contrast, the EU's energy-saving policy is failing, with current measures not capable of delivering a saving of more than 10 per

cent.<sup>2</sup> In addition, although the intended reduction in greenhouse gases will probably be achieved, a reorganisation of transport along sustainable lines is not yet in sight. Since 1990, emissions in this area have actually risen by 35 per cent. The 2020 targets are, in fact, too modest as they ignore Europe's historical responsibility for the climate problem and do not match the emissions levels necessary, as calculated by scientists, to stay under the two degrees Celsius limit of global warming.

Lack of commitment to joint action has also made itself felt in the EU's external climate policy. The international climate talks in Copenhagen should have brought home to the EU that, to succeed globally, a common political line is needed. However, the visible lack of unity between Member States over EU strategy obstructed the talks and was neither in the interest of climate change policy nor of the EU itself.

In view of the weaknesses that exist at several levels, the question is whether it would be more sensible for divergent national approaches to future climate and energy policies to be brought together at the European level, and whether this would require a shift in competencies towards the EU.

### 3 The benefits of an EU climate change and energy policy

The current weaknesses and difficulties of European climate change and energy policy must not obscure the fact that a common roadmap and shared efforts are vital for a sustainable, strong and competitive Europe. Action at the European level has several crucial advantages over national energy and climate policies.

#### Critical mass and new markets

Generally, added value for Europe arises from the fact that the EU makes up a 'critical mass' in economic, political and geographical terms. Such a critical mass is needed to create a stable frame-

work and infrastructure in the energy sector, as well as new markets for energy services (such as measures to save energy). It is also needed to defend the EU's political interests internationally and to successfully shape the policy innovations required once a certain degree of market penetration has been reached. A critical mass is also essential if the necessary transformations are to be implemented in an affordable and socially sensitive way. The same is true if one wants to influence production methods, *i.e.* Europe as a major market for third country exports has the power to determine the efficiency standards to be met by imports to the EU.

#### Geographical diversity

Climate and geography are key factors in determining the potential and cost of tapping renewable energy sources. The EU's territory has a wide diversity of topography and several climate zones and therefore offers excellent conditions to optimise existing, low-cost energy potential: wind along the coasts, sun in the south, hydroelectricity in the mountains, biofuels in the flatlands. In the north, dips in supply can thus be compensated by solar power from the south or reservoirs in the Alps. At the same time, this will enable the cheaper and faster development of renewables across Europe. A Europe-wide power grid with the relevant interconnectors can only be built by the EU as a whole. Working together will minimise costs and optimise power line installation. A pan-European approach can also safeguard the long-term security of supply through renewable energies.<sup>3</sup>

#### Transnational solutions for transnational problems

Climate and energy policies address numerous transnational problems and, in these areas, national solutions usually fall short. For example, in a global market, national efficiency standards would make no sense, as they would have no impact outside of the EU. The same applies to high-risk technologies

2 See the European Commission's *Energy Efficiency Plan 2011*.

3 The European Climate Foundation's Roadmap 2050 (April 2010) shows that a Europe fully reliant on renewable energy is only possible with a greatly expanded and more fully interconnected Europe-wide grid. See also Antonella Battaglini & Johan Liellistam, *Zur Governance des Übertragungsnetzes* [On the governance of the transmission grid], Vol. 16 of the Heinrich Böll Foundation's Ecology Series, Berlin: Heinrich Böll Foundation, 2011.

such as nuclear energy. Accidents or the disposal of nuclear waste would have transnational consequences and would thus have to be resolved at the European level, if not beyond.

### International markets and trade

Although the EU accounts for around one fifth of global energy consumption, it has little leverage on international energy markets.<sup>4</sup> In order to safeguard the European welfare state model, 'effective representation' of the EU's interests vis-à-vis third countries is necessary. This is the case, for example, for objectives such as the implementation of an improved global carbon market or of ambitious reductions by major emitters, including clear rules on how emissions are to be measured and verified. In the current world order, European nation states lack the political weight to achieve such goals on their own. The same is true of European policy regarding the future shape of world trade.

### Genuine competition

Only an efficient European market for energy, including renewables, can ensure that regional monopolies or national energy corporations do not control energy policy. In most EU Member States, near-monopoly structures continue to exist and frequently do little or nothing to achieve an efficient, sustainable and consumer-friendly energy policy. A genuinely European market could help dismantle such structures and allow effective European competition for the best ideas and the lowest prices.

### Conflicting goals

Despite Europe's great potential, there are several conflicting goals obstructing the way to an efficient energy industry based on renewables. European energy policy must confront them.

*Biofuels:* within certain limits, it is important to develop biofuels in order for Europe to achieve a complete conversion to renewables.

However, even the current increase in the use of biofuels is already causing serious concern regarding sustainability. Biofuels have increased the pressure on land use, resulting in a rise in global food prices and contributing to rainforest clearance and probably also to higher greenhouse gas emissions.

*Developing infrastructure:* in order to tap the EU's potential for renewables, a new, expanded electricity grid is needed. The creation of a new energy infrastructure of this kind depends on greater cooperation between Member States. The expansion of grids also meets with local resistance. In addition, some network operators are trying to use this debate as a pretext to encroach upon nature reserves protected under the *Natura 2000* programme. Transport infrastructure has to be greatly developed if, for example, the majority of road freight and air traffic is to switch to rail. This process could further aggravate conflicts over land use.

*Industry:* in some industries – cement kilns or steelworks, for instance – it will be difficult to reduce emissions without carbon capture and storage (CCS). The market-driven growth of these energy-intensive sectors, particularly in developing nations, makes it doubly important to find solutions that go beyond the EU's emissions trading system. However, CCS is still not a functioning technology; many technical and economic issues remain unresolved. Theoretically, the alternative to CCS is to substitute renewable raw materials and more of the new, carbon-absorbing types of cement for traditional cement, as well as promote radical improvements in efficiency in steel and other energy-intensive industries.

*Conflicts between Member States:* within the EU, energy supply takes many different forms. Poland, for example, obtains 90 per cent of its electricity from coal, while France depends on nuclear power for the majority of its electricity. With regard to climate and energy policy, such

4 European Commission, *COM(2010) 639 final: Energy 2020. A strategy for competitive, sustainable and secure energy*, Brussels, 10 November 2010.

different approaches result in strongly divergent interests, thwarting a clear vote for the EU to move to supplying its energy needs from renewables and to abandon coal and nuclear energy. Added to this are gaps in economic development, something the new Member States tend to prioritise. Such differences fuel further conflicts. The EU must tackle these tensions and channel them in productive ways with workable solidarity programmes.

*Responsibility for the energy mix:* other controversial questions include: do common European decisions concerning energy usage have to take a back seat to the strictures of national legislation? Who is to determine the EU's future energy mix? And what would the outcome be, were the EU to make a joint decision on this today? Within the existing balance of power, support for coal, oil, gas and nuclear energy within the EU is still very substantial – even after Fukushima – which is why Member States insist on the right to make their own decisions. Only when the economic advantages of renewables have been acknowledged across the EU can we expect to see support for a complete conversion to these sources of energy. Under the current arrangements the continued use of an energy mix including coal and nuclear power is to be expected.

*Foreign policy on energy issues:* the EU's Member States have, for the most part, not yet agreed to pursue a common and coherent EU foreign policy on energy and climate change issues. Thus, imports of fossil fuels and association agreements with third countries continue to be prioritised. There is also a lack of coordination in foreign trade programmes, especially involving the large Member States such as Germany, the UK, France, or Poland. This makes it easy for third countries to play Member States off against each other and thus undermine a common, clear-cut EU policy. To date, there has been no EU foreign policy regarding climate change and sustainable energy, either in individual states or in the EU as a whole.

While such conflicting goals are not easy to reconcile, the success of a sustainable European climate and energy policy will depend on the attempts that are made to resolve them.

#### 4 Towards a Sustainable European Climate and Energy Policy

A future EU climate and energy policy must be predicated on the following fundamental requirements:

- If it is to achieve anything like the cuts of 25 to 40 per cent demanded by the Intergovernmental Panel on Climate Change (IPCC), the EU must, by 2020, implement at least a general 30 per cent target for the reduction of greenhouse gases. This would be perfectly feasible and would send an important signal to the rest of the world.

- The existing policy on renewables must be fully implemented in its current form.

- The EU's target to reduce energy consumption by at least 20 per cent by 2020 must be made legally binding and increased to 30 per cent for the following period to 2030. An absolute drop in the demand for energy is fundamental if we are to decarbonise the electricity sector. Binding targets for renewable (not 'low carbon') energy sources must be set as soon as possible for 2030, so that a secure investment environment can be created in good time.

- In addition, the EU must adopt a *binding* target for the year 2050 that will require appropriate policies and measures to be drawn up. Since it can be assumed that, in the short term, the developing world's emissions will continue to rise, the EU must aspire to achieve a decarbonised Europe by 2050.

- Globally, the EU must try to convince international bodies such as the UNFCCC and the G20 to adopt the target of keeping global warming below two degrees Celsius.

— The EU must make sure that, by 2050, all its Member States have phased out nuclear power.

#### 4.1 Future EU internal policies

Particularly in the area of *energy saving and market regulation*, radical new laws and funding instruments are needed. The possible measures to improve energy efficiency and reduce energy consumption are well known; they range from renovating buildings to be energy efficient and developing highly energy-efficient products and vehicles, to alternative mobility concepts and behavioural change.

In this respect, the EU still lacks both an adequate legislative framework and sufficient political will. A first step would be to agree binding targets for energy saving. Only then will investors, corporations, local and regional authorities and politicians obtain the planning certainty they need and without which no one will want to invest in energy-saving measures on a large scale.<sup>5</sup> Member States should point the way with national action plans, specifying in detail their targets for the building, transport and industry sectors.

In future, energy market regulation must stress efficiency and energy-saving measures and place a high priority on energy services, not on the volume of electricity or heat supplied. This means, customers would purchase a service such as ‘a warm house,’ ‘a well-lit room,’ or ‘a journey from A to B,’ leaving it up to their provider to decide how to deliver the service using the smallest possible amount of energy. Some countries are already making good headway in experimenting with systems of savings bonds and certificates for energy-efficiency (so-called ‘white certificates’), which may also be traded – as, for example, in the UK, France and Italy. On the East Coast of the United States, in the wholesale energy trading sector, energy-saving programmes are eligible to bid in auctions for future capacity. In 2008, such programmes accounted for almost 10 per cent of capacity purchased.<sup>6</sup>

*The Euratom Treaty has long ceased to meet the requirements of our era. In its place, we need a treaty whose goal is the further expansion of the use of renewable energies.*

Currently, the price of electricity is determined by the marginal costs of the most expensive generating plant still to join the grid. Since renewables have almost no running costs, they push down prices. This has the consequence that prices will drop whenever there is plentiful wind. In the present situation this is advantageous, as it will lower the cost of feed-in tariffs. After 2020, with the share of renewables on the rise, discussions will need to take place on how the energy market should look in the future and which price mechanisms should be used. The question of which suppliers will be able to guarantee a particular volume of electricity at what point in the future will feature strongly in this debate. A reform of the national and European structures to promote renewables must also be considered, as such structures must, on the one hand, enable continued, rapid development of renewable sources and, on the other, contribute to achieving an optimal, relatively cheap mix of renewable energy within Europe. The EU must expedite the creation of energy storage facilities and, in the period up to 2050, will have to prioritise the construction of additional gas-fuelled power stations to help balance the fluctuations in supply from renewable resources.

The Euratom Treaty, lacking in transparency and democracy and geared to promoting the interests of the nuclear industry, has long ceased to meet the requirements of our era and must be fundamentally revised. In its place, we need a treaty whose goal is the further expansion of the use of renewable energy resources.

Subsidies, currently still largely allocated to fossil fuel and nuclear programmes, should be redirected to energy efficiency and renewables. The

5 Of the additional approximately €8 billion that the EU's Cohesion Fund has made available for energy efficiency grants between 2009 and 2013, only €200 million have been claimed so far (see *EurActiv*, January 3, 2011).

6 ‘Regulatory Assistance Project,’ presentation made on 14 December 2010 by Richard Cowart. For further examples, see [www.raonline.org](http://www.raonline.org)

International Energy Agency (IEA) has calculated that subsidies for fossil fuels in thirty-seven countries around the world run to more than US\$550 billion per year.<sup>7</sup> A more intelligent use of these funds could achieve a sustainable energy supply within a short period of time only. The gradual abolition of fossil energy subsidies was decided by the G20 in 2009, but has still not been put into practice.

In the area of power generation, there is not only a need for specific funding mechanisms to provide the necessary investment for renewables, such as grid modernisation; the cost of these mechanisms must also be kept to a minimum. The construction and remodelling required by energy efficiency and renewables programmes will have to be supported through the reallocation of national budgets, the EU budget and new financial instruments within the framework of the Climate Convention. Substantial public resources will have to be made available to support the extensive private investment needed to make our energy system renewables-based. Previous experience of energy policy driven by national and institutional self-interest has shown that it will be particularly important to synchronise the allocation of all public funds and bring them in line with common goals and criteria.

At the same time, the EU must develop an industrial policy that supports investment in industry that is renewables-based, highly efficient and sustainable. If emissions are to drop by 80 per cent before 2050, global industries of this kind must grow by 24 per cent a year, starting in 2010. The EU has made the European Emissions Trading System (ETS) its key instrument for industry. However, the ETS can only deliver the necessary cuts if the targets are ratcheted up and the number of exceptions drastically reduced. In addition, all certificates must be auctioned, both to accumulate capital for investment in efficiency measures and to fund climate protection in the developing world. EU emissions trading is important because it signals price level, provides capital and effectively drives up standards for globalised

production methods, further increasing the efficiency of the cement, steel, automobile and paper production sectors. Further instruments are also needed in pursuit of these aims, for example an improved Ecodesign Directive.

In other areas such as domestic households, transport, trade, retail and agriculture, the taxing of energy use and carbon emissions must be introduced to complement emissions trading. A new carbon tax should also be levied to cover those players who do not participate in emissions trading. The levy must not only be adjusted for inflation but must also rise in small and predictable increments set out in a long-term timetable of at least two decades.

The use of appliances such as boilers, refrigerators, light bulbs, electrical motors and televisions account for almost 50 per cent of the EU's primary energy consumption.<sup>8</sup> EU efficiency standards and the labelling of such products must be tightened in order to stimulate the market and make these products globally competitive. Energy savings of at least 20 per cent by 2020 should thus be possible. Building components such as windows and insulation materials must also become part of future policy to support the national efforts necessary to renovate buildings along energy-efficient lines. The heating and cooling of buildings (including hot water) accounts for approximately one quarter of the EU's energy needs. To reach 2050 targets on time, the energy efficiency of existing buildings will need to improve sixfold. Achieving this at a reasonable cost is feasible, but will mean doubling or tripling today's rate of building renovation, currently running at only one to two per cent per year.

In agriculture, the EU must chart a new course, moving to sustainable farming methods while also supporting a reduction in meat consumption. The EU's close link between economic and agricultural policies must be broken, as must the resistance of some Member States to agricultural policies that would enable the sector to become a carbon sink rather than a carbon emit-

7 See <http://www.businessgreen.com/bg/news/1802530/iea-reveals-fossil-fuel-subsidies-usd550bn>

8 Rob van Holsteijn and René Kemna (VHK), 'Ecodesign of EuP Lot 1 & 2,' Brussels, 18 December 2007.

ter. An important stepping stone in this process would be the utilisation of agricultural waste as a source of energy.

*For the new Member States, cohesion and structural subsidies should increasingly be awarded for energy efficiency, the use of renewables and public transport.*

The EU must also invest in research and development, for example in order to eliminate the current problems related to the storage of renewable energy and reduce the cost of photovoltaic cells. In the area of biofuels there is also a need for further research into improved sustainability. The EU will only be able to retain its strong market position in innovation if pressure for change continues to come from within the Union. Here again, there is a clear role for more rigorous climate targets.

In order to bridge the existing gaps between old and new Member States, the EU needs to nurture solidarity within its boundaries. For the new Member States, cohesion and structural subsidies should increasingly be awarded for energy efficiency, the use of renewables and public transport as opposed to non-sustainable projects. The kind of bilateral partnership for modernisation that currently exists with Russia should be promoted within the European Union.

## 4.2 Future EU external policies

The EU's neighbourhood, development and foreign policies must be aligned with climate change concerns and should promote sustainable energy and climate change policies. This would also help developing countries achieve energy security and lower costs, as well as bringing social and health benefits. The twin aims of combating poverty and combating climate change are not merely compatible; they positively reinforce one another. The EU must strengthen that link, and the

Member States must consider a partial transfer of sovereignty in this field to the European Union (see the chapter on foreign policy in this volume).

Energy imports have several consequences for EU external relations. Today, 53.1 per cent of the EU's energy already comes from outside the Union.<sup>9</sup> This makes the Union dependent on a number of states that, in many cases, are neither democratic nor respect human rights. The problem is exacerbated by a growing tendency to increase energy imports even further. Reduced imports and imports of renewables from neighbouring regions such as Eastern Europe or North Africa would create a far broader range of sources, thus reducing the EU's political dependence on certain countries. Lower energy consumption due to climate protection measures would further reinforce this effect. Gas, the least carbon-intensive fossil fuel, could help to bridge the transition to a fully renewable energy mix but the EU's restricted range of sources must be diversified in order not to exacerbate political dependence.

A foreign and security policy that prioritises a smart energy and climate policy will make better partners of not only the South and the newly industrialised countries, but also the United States. At present this kind of cooperation is still limited and piecemeal – operating via the UNFCCC, bilateral or multilateral agreements, REDD+ partnerships<sup>10</sup> and IRENA (the new International Renewable Energy Agency). This patchwork of organisations obstructs an *effective, common energy and climate-related foreign policy for Europe*. Reaching that goal has, however, become possible since the entry into force of the Lisbon Treaty, which provides for a greater degree of common EU foreign policy. If the internal electricity market is to be effectively extended beyond the EU's borders in such a way that it becomes technically feasible to import electricity from renewables, a shared master plan for a future pan-European energy infrastructure will be required. A move of this kind needs to avoid

9 For the EU-27 in 2007. See *EU Transport and Energy in Figures: Statistical Pocketbook 2010*, Luxembourg: Publications Office of the European Union, 2010.

10 REDD+, the next stage of REDD (Reducing Emissions from Deforestation and Forest Degradation), works to support sustainable forests and other natural landscapes.

the kind of situation that we have in the gas sector today, where individual states and groups of corporations simultaneously pursue competing infrastructure projects. The decision to shelve expensive but prestigious solo efforts is ultimately a political one. Better data on the anticipated costs and benefits would help to give such decisions a rational basis.

*Regional cooperation in the framework of international treaties:* global agreements, such as the UN Framework Convention on Climate Change (UNFCCC) or the regional programmes of the UN, are part of the existing structure of governance within which renewable energies are developed. They are accompanied by a wide range of public-private partnerships – such as the Renewable Energy & Energy Efficiency Partnership, REEEP – in which European governments also participate. In future these will all be absorbed by the International Renewable Energy Agency (IRENA).

Negotiations on the UNFCCC are a crucial instrument to ensure the EU's common external climate policy rests on rational foundations. During negotiations to strengthen the international framework, the EU must act in a considerably more unified way and, between rounds of talks, make use of its bilateral diplomatic networks. Only then will it be possible to align trade policy with climate and energy policy. As negotiations have currently come to a standstill, the EU must be prepared to act as a trailblazer. The EU's historical responsibility for climate change makes such action necessary. Quite rightly, the developing nations and emerging economies point out that the EU and the USA built their high level of development in part upon the unthinking waste of energy and resources – a 'climate debt' that, for the sake of global solidarity, needs to be paid off.

Both the Member States and the EU as a whole will have to allocate funds to pay their fair share to the developing nations, as promised by the industrialised nations at Copenhagen and Cancun (€100 billion by 2020). One option would be to deploy future EU taxes to this purpose.<sup>11</sup>

Of course, the effective use of such funds must be monitored, and relevant mechanisms are being drafted as part of the UNFCCC process. One of the greatest challenges for the newly industrialised and transition countries in the immediate vicinity of the European Union will be to develop national climate protection programmes in the coming years and to draw up the funding plans required. The growth of renewable energies should be an essential component of all national climate protection programmes. The EU should help its neighbours to identify and build on the potential they have to reach their climate targets.

*The special role of the regions adjacent to the EU:* in North Africa and the Middle East, developing a shared electricity grid could improve communication and political cooperation. The European Union has cooperation agreements with all of its neighbouring states. It also works with other states in the context of various international agreements and institutions. Accession negotiations remain the EU's most important leveraging tool to promote the goals and instruments of its common energy policy among its neighbours – even though, in the coming years, it is unlikely that talks about EU accession will go beyond the present circle of candidate countries. The European Energy Community Treaty signed by the EU and the states of the Western Balkans offers the possibility of integrating energy markets without full EU membership. Beyond the borders of Europe and especially with regard to the Union's Southern Mediterranean neighbours, there is also the possibility of close cooperation using the still to be developed UNFCCC instruments.

The European Neighbourhood Policy has been refined and extended through the Eastern Partnership and the Euro-Mediterranean Partnership. Within the framework of the Eastern Partnership, however, partner countries have so far chiefly tried to diversify their supply of fossil fuels and, in the case of Ukraine, to expand nuclear energy. The declaration on the establishment of the Union for the Mediterranean refers to a project entitled 'Alternative energies: Mediterranean solar plan.' On the

11 See also the chapter on European economic and financial policy in this volume.

one hand, the current political upheavals in North Africa underline the need for diversification, not only among the EU's energy trading partners but also in terms of breaking with the existing dependence on oil and gas. On the other hand, they open up opportunities for regional cooperation – the basic precondition for ambitious regional projects such as DESERTEC or Plan Solaire – between states that have hitherto been politically isolated and have shown little active political commitment in the region.

The Partnership for Modernisation agreed at the 2010 EU-Russia summit stressed the importance of cooperating on energy policy and combating climate change, for example through collaboration on research and technology. Admittedly, to date, energy-policy cooperation with Russia remains largely bilateral – either between governments or private enterprises. The principal focus of cooperation is currently on investment and import agreements in the areas of oil and gas. However, cooperation on climate policy is also gaining in significance for the Russian side and must be brought more clearly to the centre of negotiations.

### **A controversy: who decides on the EU's energy mix?**

Are the powers of the EU sufficient to achieve an EU-wide sustainable energy supply? This question becomes particularly acute when we ask who should decide on the EU's future energy mix – each Member State individually, as a national matter, or the EU as a whole, making a majority decision? On this point, the current treaty is very clear. It insists on each Member State's 'right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply' (Article 194(2), TFEU). Because of this right to national self-determination, EU-level decisions that substantively influence the energy mix can only be made with the unanimous agreement of all Member States in the Council;

the European Parliament has only the right to be heard. In other words, there can be no EU-wide regulation of the energy mix if this is against the will of even a single Member State.

The reason for this arrangement regarding the energy mix lies primarily in the Member States' differing positions on nuclear energy. At present, fourteen Member States generate electricity from nuclear power, while thirteen have no nuclear power plants in operation. Advocates and opponents of nuclear energy are at loggerheads: its proponents had worried that a majority of anti-nuclear states in the Council might, one day, force all members to abandon nuclear energy, while its opponents wanted to prevent a majority of pro-nuclear states from blocking a national decision to phase out nuclear power or even to force the introduction of nuclear energy. Thus the right to national self-determination on questions to do with the energy mix, already part of the EU Treaty's chapter on the environment with regard to coal, was codified in the Lisbon Treaty's new chapter on energy – and has accordingly become a hurdle on the way to the mandatory expansion of renewables.

### **The EU**

The right to national self-determination is understandable in the context of the conflicts over nuclear policy, yet it rests on an assumption that is dubious in terms of both economic and energy policy – the assumption that a secure energy supply for industry and the population can be most effectively and efficiently guaranteed by national policy. This position has now become obsolete as a result of individual events, global developments and the new energy article in the Treaty itself.

In addition, the right to national self-determination is at odds with a fundamental principle of European integration, *i.e.* that in cases where national decisions will affect many or even all members of the Community, a joint

policy should be decided at the EU level – or at least national policies should be synchronised. Well before the UN climate summits or the Fukushima disaster, it was already clear that decisions about the energy mix have repercussions that are by no means limited to national territories and populations. On the contrary, because of its effect on the climate, a decision in favour of fossil fuels has global repercussions, and leaked radioactivity does not respect national boundaries. To treat the energy mix as a matter of purely national interest not requiring a coordinated European approach is therefore inappropriate, as this can result in decisions that will have negative consequences far beyond a Member State's borders.

There are further points in favour of the energy mix being determined by the EU. For example, pooling research efforts can yield greater efficiency and an internal energy market favours the construction of cross-border infrastructure. The fact that electricity grids are still run on a national basis and lack interconnections shows that the energy mix is still treated as a matter for individual states. The right to self-determination also results in privileges for national energy suppliers, be they state run or private enterprises often courted by politicians as national champions.

If the Member States have the right to decide on their energy mix and are able to block any mandatory expansion of renewables as long as unanimity is required in Council decision-making, abandoning fossil fuels and nuclear energy across the whole of the EU will be only a distant possibility. The consequence will be a long-term energy policy that includes coal and nuclear power.

A future amendment of the EU Treaties should remove the restriction that those EU energy and environmental policies that may substantially affect energy mix can only be resolved by the community method, *i.e.* unanimously.

### **Each Member State for itself?**

Given the current conflicts of interest between Member States, it may be a good idea for decisions regarding the energy mix to remain a national responsibility. Otherwise there may be a danger that the countries opposed to nuclear power could be forced to adopt it by a majority in the Council and the European Parliament.

From 1 November 2014, a qualified majority in the Council will require 55 per cent of the Member States, consisting of at least 15 countries and at least 65 per cent of the EU's population. Currently, 14 EU Member States operate nuclear power stations; together they comprise 70 per cent of the Union's population. Among them only Germany has decided (for the second time) to phase out nuclear power, while among the countries without nuclear power, Poland and Lithuania tend to favour it. Presently a vote might go 15 to 12 in favour of nuclear power, yet, because Germany has opted out, this would only represent 62 per cent of the EU's population. This demonstrates that, at present, a qualified majority in the Council for or against nuclear power depends on the position of one large country.

Article 194 TFEU only defines the promotion of renewables as a common aim of the Union. Fossil fuels and nuclear power are not mentioned and there is therefore little ground for trying to codify a fixed percentage of nuclear power. Although a blocking minority in the Council only needs to consist of four Member States, current national interests give even the opponents of nuclear power pause. As a result, even they tend to defend the right of individual countries to determine their energy mix, in spite of the disadvantages of the unanimity rule in relation to the achievement of a 100 per cent renewables-based energy production.

### Multi-speed integration with a ‘coalition of the willing’ as an interim solution

Because this kind of treaty change is unlikely in the near future, interim solutions should be considered. For example, if a Member State wishes to abandon fossil fuels and nuclear energy and convert completely to renewables but does not want to miss out on the advantages of acting in concert with other Member States, it should have the opportunity for enhanced cooperation with like-minded countries, as set down in Article 20 of the TEU and Articles 326 to 334 of the TFEU. There are many good reasons to make use of these instruments for energy policy. The Member States involved could form the vanguard of a new, sustainable community – the European Community for Renewable Energy (ERENE).

## 5 Sustainable European climate change and energy policies – some case studies

Below, members of the Commission responsible for this chapter present some key areas of policy and examples of sustainable EU energy and climate change policies.

### 5.1 Nuclear policy in the EU:

#### Risk – no respecter of national borders

*Rebecca Harms*

Even before the Fukushima disaster on 11 March 2011, it was clear that the nuclear industry would not be able to reverse the steady retreat of nuclear energy in Europe.

Today, a total of 143 nuclear reactors operate in the EU. In 1989, there were 177. At that time, the catastrophic accident at Chernobyl in 1986 had halted the industry’s expansion plans and, for twenty years, the EU saw no new nuclear power plant projects. Only in recent years has this begun to change, with the construction of two EPR (European Pressurised Reactor) plants, one in Finland and one in France. These first and, so far, only new construction projects in the

EU since Chernobyl have been beset by technical problems, delays and spiralling costs. The Finnish EPR project in Olkiluoto is a financial disaster. The project is already four years behind schedule and, at €5.7 billion instead of €3 billion, 90 per cent above the originally projected costs. Other European reactors listed in the statistics of the International Atomic Energy Agency as ‘under construction’ are obsolete projects left over from the 1980s in the Slovak Republic and Bulgaria that are now to be revived. The Slovakian project is based on elderly Soviet technology with no double containment shell. The Bulgarian one is located in an earthquake zone. The Fukushima disaster should finally draw a line under these projects.

Today, it can no longer be denied that nuclear energy is accompanied by uncontrollable risks. The consequences do not respect national frontiers and it is unacceptable for countries to decide individually what dangers the citizens of other states should face.

The dangers of nuclear energy mean there must be a rigorous policy of risk minimisation. The idea of solidarity should not expose Member States that have scrapped nuclear energy to the dangers still emanating from other countries’ nuclear power plants. This issue will also need to be examined from a legal point of view.

States using nuclear power plants allow operators to limit their liability in the case of accidents. Damage that goes beyond that upper limit is paid for through taxation and thus by the public. Measures are needed to make sure that the EU’s solidarity mechanism does not create an unjust distribution of risks and benefits in this way.

It is not acceptable for the European Commission to evade the issue by stating that the choice of energy mix is the sole responsibility of Member States. A common EU energy strategy must make risk minimisation its goal. That means shutting down immediately the oldest and most dangerous reactors and setting very rigorous common safety standards, in line with latest scientific and technological knowledge, for those reactors that, in the medium term, are to remain in operation.

Most importantly, however, it means pursuing a common strategy for overcoming this high-risk technology.

The European Commission has a range of different options for launching the process of abandoning nuclear energy in Europe. In the very near future, the Directive on Nuclear Safety must be revised to establish stringent and binding safety standards across the EU.

1. A radical shake-up of the EU's research priorities is long overdue. Instead of putting billions of euros into the fusion energy research project ITER, funding must focus on sustainable technologies that are fit for the future. Due to the disastrous rise in the ITER project's costs (even before construction has begun) the period of the Seventh Framework Programme will see around five times more EU research funds going into nuclear energy projects than into research on renewables or improved energy efficiency.

2. Work on a new radioactive waste directive must be intensified; there must be an end to the complacency on the unresolved question of spent nuclear fuel and radioactive waste.

3. The EU must regulate for appropriate liability in the case of nuclear accidents.

4. The Euratom Treaty, lacking in transparency and democracy and geared to promoting the interests of the nuclear industry, has long since ceased to fulfil the requirements of our era. It must be fundamentally reformed. In its place, we need a treaty that aims to expand the use of renewables.

5. The European Commission must set out a plan detailing how we can ensure that, by 2050, the EU's energy is exclusively provided by renewable sources.

## 5.2 Means of transport that protect the climate

*Michael Cramer and Martin Rocholl*

Since the beginning of the European Union, ease of movement has been simultaneously a pre-

condition and a consequence of European integration. European transport policy must therefore aim to secure and promote the movement of people and goods in a way compatible with the goal of a sustainable European Union. In light of current developments in the transport sector, this poses an enormous challenge, as transport is now responsible for almost 30 per cent of the EU's total carbon emissions. While CO<sub>2</sub> emissions have been successfully reduced since 1990, both as a result of industrial changes and by making buildings more energy efficient, they rose by 35 per cent in the transport sector over the same period. If transport had not cancelled out the successes in other sectors, the EU's climate protection targets might well have been reached some time ago.

An essential factor in this undesirable trend is not that environmentally friendly modes of transport are insufficiently competitive in themselves, but rather that multiple distortions of competition give an unfair advantage to means of transport that are inefficient and environmentally harmful, use excessive energy and produce high levels of emissions.

Across the EU's railway systems, a binding track access charge with no maximum limit applies to each locomotive on each kilometre of track, yet, when it comes to roads, it is left up to Member States whether they wish to charge anything at all. Road tolls are normally charged only on highways and for heavy vehicles of 12 tons or above and its level is capped. Air transportation, too, enjoys advantages over the more environmentally friendly rail networks: Member States do not levy sales taxes on international flights, neither do they tax kerosene. This results in a loss of around €30 billion per year for the European taxpayer and amounts to a hidden redistribution of the ordinary taxpayer's contributions to the frequent-flying business traveller.

This regrettable state of affairs, burdening both the environment and the taxpayer, can only be remedied by the EU. Customers will not be able to choose the form of transport that is genuinely the most economical unless prices on the European market reflect actual costs – costs that

are currently paid indirectly by the general public. For this reason, mobility in Europe must find a system of pricing that truly reflects the real economic costs.

The European Commission's White Paper on the Future of Transport aims to create a 'competitive and resource-efficient transport system.' The EU proposes a specific, long-term target for carbon reduction in the transport sector – a first step in the right direction. However, the goals proposed are too weak: the objective to 2050 is a reduction of 60 per cent compared to 1990, with the interim target for 2030 a reduction of just 20 per cent compared to 2008 (which is still 8 per cent above the 1990 level). Added to that, the specific measures proposed in the White Paper do not even correspond with these objectives.

One positive point, however, is the target to phase out conventional cars from Europe's cities by 2050 (unfortunately to be achieved primarily by promoting electric vehicles rather than through public transport). Another forward-looking proposal is the goal to shift 30 per cent of long-distance road haulage travelling over 300 km to rail and waterways as early as 2030 (50 per cent by 2050). At last, EU funding is focusing on a 'green infrastructure' instead of on expensive and unwieldy mega-projects. Unfortunately, the Commission remains vague on two key areas: the regulation of efficiency targets for passenger and freight vehicles and the principle of internalising external costs. In order to achieve fair competition between the different modes of transport, it is vital that the costs incurred are reflected in their price.

Alongside measures to promote increased use of public transport, cycling and railways, it remains an urgent priority to ensure that private vehicles consume substantially less fuel and emit less CO<sub>2</sub>. Binding energy-efficiency standards for private cars are a cheap measure to protect the climate at no extra charge for car owners if the higher cost of purchasing an efficient car is recouped through lower fuel consumption. In addition, standards for energy efficiency in the EU offer a unique opportunity for climate protection worldwide: All enterprises – regardless of

where production takes place – must meet these standards if they wish to sell their products in Europe. This will boost technological innovation in all parts of the world, which will, in turn, have a positive effect on other markets. In addition, many countries outside Europe, such as China or India, tend to use the EU's minimum standards as a guiding framework.

After voluntary agreements by the automobile industry failed to deliver, the EU set binding targets for the carbon emissions of passenger vehicles in 2008. Fleet-average emissions for new passenger cars sold in Europe in 2015 must not exceed 130g CO<sub>2</sub>/km. This limit, mandatory and backed up by financial penalties, was pushed through in the face of intense lobbying – especially by the German automotive industry. On its own, it is not sufficient to set the transport sector on a climate-friendly path. Nevertheless, this emissions limit is currently the most far-reaching and ambitious efficiency regulation for private vehicles. Even more importantly, the EU regulation set a target of 95 g/km by 2020, albeit with a clause permitting revision in 2013. A maximum of 95 g/km (or indeed 80 g/km, as demanded by NGOs) does not pose particularly difficult technical and economic challenges, yet it would send a very clear signal to the auto industry that fundamental changes are in the offing. If it proved possible to also set a further medium-term target (for example, 70 g/km for 2025), this would demonstrate that the transport sector is finally on the way to complete decarbonisation by 2050. In this way, Europe could become the pioneer of radical change in the global automotive industry (see *Figure 1*). If the 95 g/km target were challenged, Europe would fall behind internationally; it would fail to fulfil its own climate targets and thus endanger its automotive industry's capacity to innovate.

In combination with the efficiency debate, it will be necessary to discuss future technologies and their use. Are battery or fuel cell powered vehicles an option for the future? Should their introduction be subsidised and, if so, in what form? How can we prevent the creation of dead-end niche markets, such as subsidising relatively low-range battery-powered vehicles that are

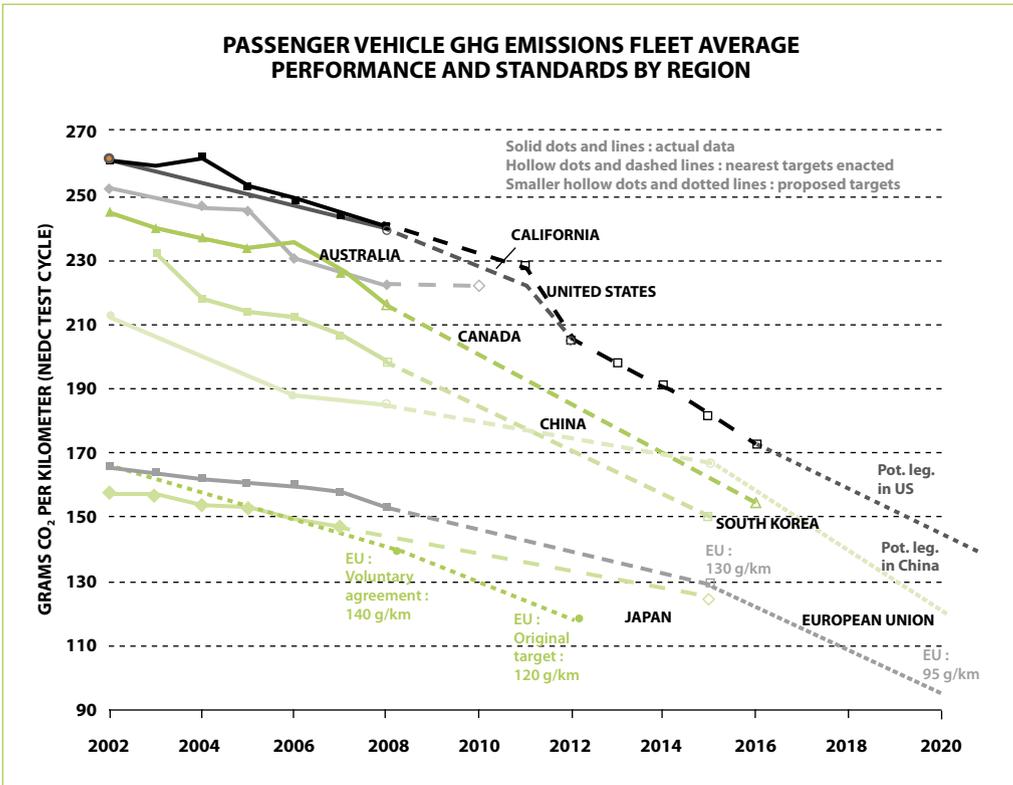


Figure 1. Existing and planned CO<sub>2</sub> emissions standards worldwide

primarily used as a third car by rich families who want to drive into town with a clear conscience and then use the subsidised charging station as a free parking space? Would it make more sense, in the transition phase, to promote the introduction of plug-in hybrids capable of replacing conventional vehicles?

The crucial point will be to link the debates on efficiency and technology in a productive way. The current discussion around the electrification of private transport must not be misused as an excuse to reject binding efficiency standards. Conventional gas - or diesel-powered vehicles (including hybrids) will dominate the global market for at least the next thirty years and their efficiency must therefore be dramatically improved. On the other hand, it might be an option to couple the introduction of ambitious CO<sub>2</sub> limits to assistance for new technologies. Either way, CO<sub>2</sub> targets are a useful measure and constitute an important basis for the development of new technologies.

In this context, EU regulation must also be adjusted. The current CO<sub>2</sub> standard must send out stronger signals in favour of lightweight construction methods. This will enable enormous efficiency gains, regardless of which engine technology wins out in the medium term.

In terms of air traffic, alongside the fiscal measures already mentioned, there are other important instruments that could increase the sustainability of air transport in the short, medium and long term: tightening up emissions trading, advancing the development of alternative fuels, more efficient engines and optimising flight routes. In addition, high-speed rail networks, far less damaging to the environment, should replace short flight routes. Once speeds of 230 km/h are reached, rail travel will be able to completely supersede air travel on some routes.

In the maritime sector, even simple measures such as reducing ship speeds would cut green-

house gas emissions considerably. EU-wide limits that reduce speed by 10 per cent would result in a 25 to 30 per cent cut in emissions (for example, reducing speed from 25 to 22 knots saves about 30 per cent in greenhouse gases for zero investment costs). The EU could introduce the speed limit within its maritime boundaries (200 nautical miles from its coasts) and apply it to all ships entering an EU port. This would bring additional advantages by reducing air pollution. At the same time, the EU could also agree on a market instrument analogous to the Emissions Trading System for air transport and promote 'clean ships.' Emission limits will also have to be introduced for navigation on the high seas, especially as ships sailing in these waters use heavy fuel oil, a hazardous by-product of oil production. As long as the use of heavy fuel oil is permitted, ocean-going ships are nothing but hazardous waste incinerators – only without filters. Inland navigation vessels will have to adapt to rivers rather than the other way around. As 80 per cent of Europe's inland navigation is on the Rhine, a wide, deep and long river that drains into the sea, investment in waterborne transport cannot simply be guided by wishful thinking. Hard facts need to be taken into account.

The Commission's basic principle of combining increased efficiency with a shift to environmentally friendly modes of transport must, however, be supplemented by one crucial demand: if we are to arrive at a modern definition of mobility and want a genuine change of course, increased efficiency and a new transport mix must be coupled with an overall reduction in unnecessary traffic.

### 5.3 Bioenergy 2050: new departures and a word of caution

*Stefan Scheuer and Tobias Reichert*

Using biomass to generate electricity, heat and vehicle fuel is an integral part of the EU's energy scenario to 2050 (100 per cent renewables!) Estimates of the global potential for bioenergy use differ widely but indicate that biofuels are capable of making a substantial contribution to the global energy supply.<sup>12</sup> However, a large-scale expansion of biofuel use carries serious risks: it may exacerbate the negative effects of climate change, create excessive food prices, encourage land grabbing and cause the destruction of valuable ecosystems such as rainforests and savannahs. Although biomass for energy generation is not the sole cause of these problems, it does play a considerable role.

In view of these risks, the EU must take a responsible, cautious and flexible approach to the further development of its bioenergy strategy. As the largest single consumer market, it has an important influence on global demand for biomass. Its influence on production outside its borders, however, is limited. It should be borne in mind that the EU already utilises a far greater land area than it has available on its own territory, especially with its importation of animal feedstuffs. At the same time, demand for bioenergy outside the EU is also set to rise, meaning that the potential for importing energy raw materials is finite and is likely to decline.

To deal with this complex situation, the EU requires a new, precautionary policy on biofuels – one that only expands capacity if it can be delivered sustainably.

■ The use of the biofuels commonly employed today, especially in the transport sector, must not be further expanded and should instead be reduced in the medium term.<sup>13</sup>

12 See Tim Beringer, Wolfgang Lucht and Sibyll Schaphoff (PIK), 'Bioenergy Production Potential of Global Biomass Plantations under Environmental and Agricultural Constraints,' *GCB Bioenergy* 3, No. 4 (2011): 299–312. Beringer et al. note that estimates for global bioenergy potential range from 30 EJ/a to 700 EJ/a – compared to an estimated primary energy demand in 2050 of 600–1000 EJ/a.

13 See Uwe R. Fritsche, Klaus Hennenberg and Katja Huenecke, *The 'iLUC Factor' as a Means to Hedge Risks of GHG Emissions from Indirect Land Use Change. Working Paper*, Darmstadt: Öko-Institut, 2010. Table 5 of the working paper (p. 17) shows that most biofuels have, on balance, a worse greenhouse gas impact than fossil fuels.

— The use of waste products and by-products such as bio-waste and waste from food processing or agriculture should be increased (with an EU-wide minimum requirement for sorting and recycling waste).<sup>14</sup>

— The certification of plant-based fuels is necessary in order to achieve an immediate reduction in net emissions of greenhouse gases and to prevent the use of land that is important for biodiversity, carbon sequestration and food production. This could be achieved primarily by improving the framework set by the EU's climate, biodiversity and agricultural policies.

If animal production were scaled back and livestock were, as far as possible, raised on pasture, the EU's agricultural exports would be dramatically cut and the consumption of meat and dairy products reduced.

EU agricultural subsidies should be redirected to reward services for the common good, such as the protection of landscape, biodiversity and climate. Comprehensive sustainability standards must be defined for the entirety of agricultural production, not just for biofuels. In addition, the EU must set binding climate targets for its own agriculture and forestry and build an efficient and well-funded system that can remunerate the maintenance of diverse and carbon-rich ecosystems outside its borders.

Only in this way will biomass have a future as a sustainable fuel source in the energy industry.

### 5.4 ERENE – a European Community for Renewable Energy

*Michaele Schreyer*

The European Council is aware of the scope of the challenge posed by climate change. Last year, the EU heads of state and government took on board the fact that, by the middle of this century, the EU would have to reduce its CO<sub>2</sub> emis-

sions by between 80 and 95 per cent. It is clear that this goal cannot be achieved with only a few cosmetic changes; it will necessitate a major transformation of the economy. As the European Commission has pointed out in its strategy papers on energy policy, the whole power sector has to become CO<sub>2</sub>-neutral within, at most, four decades. Will this be possible if there is a complete switch to power generation from renewables, along with a strategy for greater energy efficiency and energy savings?

Yes, this is indeed doable. For the EU, a complete transformation to 'green power' is not an unrealistic utopia but a vision that can be made to come true.

The European Union is in the happy position of having all the technology required and the potential to develop it further. In addition, due to its geological, climatic and hydrological diversity, Europe has every form of renewable energy at its disposal: hydropower, wind power, solar-thermal energy, solar power, geothermal energy, wave and tidal power and biomass. Studies have shown that the potential of these energy sources is sufficient to fully cover the EU's present and future energy needs.

In 2006, a study by the German Aerospace Centre (DLR) demonstrated that the EU, Norway, Iceland, Switzerland, the candidate countries Croatia and Turkey and the states of the Western Balkans have the economic potential to generate 5,800 TWh of green electricity. Currently all of them combined only use 3,800 TWh. A study by the European Environment Agency, published last year, estimates that the potential for offshore and onshore wind energy production alone is many times the amount needed within the EU.

To date, however, Europe has exploited no more than a fraction of its potential for green electricity and while politicians continue to worry about energy security there is a huge reservoir of energy sources that remain untapped.

<sup>14</sup> Knut Sander, *Climate Protection Potentials of EU Recycling Targets*, Hamburg: Ökopool, 2008; German Advisory Council on the Environment (SRU), *Special Report 2050: 100%. Energy Target 2050: 100% Renewable Energy Supply*, Dessau-Rosslau: Federal Environment Agency, 2010.

These sources of energy are not equally distributed across the countries and regions of the Union. Although every country and each region has some sources that can be used to produce green energy, nevertheless, due to natural factors, wind energy is primarily available on the coasts of the North Sea, the Atlantic and the Baltic, hydro-power in the countries of the north and in the Alps, solar energy in the south and biomass in northern and central Europe. Accordingly, some countries have the potential to produce much more energy than they need for themselves, while other regions would find it difficult or very costly to satisfy their domestic demands using only those renewables available within their territories. National boundaries are not drawn in such a way as to achieve an ideal mix of renewable energy sources.

Cooperation and a common policy on the use of renewables will provide Europe with advantages that are not available at national level. A common market for renewables:

- offers better and more efficient possibilities to balance a changing supply of energy produced from wind, hydro and solar power;

- could make better use of existing comparative cost advantages that are due to natural diversity;

- could better balance levels of demand that vary according to time of day or season;

- needs less energy storage capacity and reserve power.

What steps, measures and instruments will be necessary to turn the EU's energy policy around and to make the European Union into a European Community for Renewable Energy – ERENE?

On top of implementing the national action plans, adopted by the EU in 2008 to achieve the mandatory targets for renewable energy use by 2020, we will also need a Community Programme to ensure that we reach the further target of 100 per cent renewable energy. This programme should include:

- an increase in R&D for renewables. Presently, the bulk of the EU's energy research funding still goes towards nuclear power, which has been heavily subsidised since the foundation of EURATOM in 1957;

- the development of a European 'SuperSmart Grid,' *i.e.* a European power grid capable of integrating a large number of central and peripheral energy providers, balancing changing supplies of different kinds of renewable energy and handling energy supply and demand;

- the financing and operation of pilot plants and possibly a common system to subsidise investment in the transnational trade of renewable energy that would supplement national funding.

Another important aspect is governance structure. It is unlikely that, in the near future, all 27 Member States will subscribe to the idea that the age of nuclear power and coal has come to an end and that renewables are the way to go. With Council decisions on energy mix requiring a unanimous decision, how can the EU get started on the path to its energy generation coming 100 per cent from renewables?

Today, the countries willing to pave the way towards a complete switch to renewables could act as a vanguard and create a Community for Renewable Energy, either on the basis of a separate treaty or by cooperating more closely within the framework of existing treaties, institutions and decision-making processes. The formation of regional groups that could cooperate more closely would be of clear value. The Baltic Sea Region Strategy is a good example and points the way for further macro-regional associations. Regional cooperation projects to tap the diversity of renewable energies could be the building blocks providing the foundation of the European Community for Renewable Energy – ERENE.

After the Single European Market and the common currency, ERENE could be Europe's next big project – a project that would drive home how important it is to act in unison in order to make Europe fit for the future.

## 6 Conclusions

In view of the pressing global challenges in the areas of energy and climate change, a rapid and comprehensive switch of course in the EU's policies in these areas is vital. If Europe makes use of its enormous potential and introduces the necessary measures in the very near future, a successful reorientation will be possible.

The EU must convert its energy generation completely to renewable sources. This goal is inextricably linked with energy saving and greater energy efficiency. These are the cornerstones of a sustainable climate change and energy policy that can safeguard Europe's energy supply in the long term, protect the global climate and be both reliable and affordable for Europe's citizens.

Alongside the immense economic opportunities presented by such an energy programme, the project could also become a focus for popular pan-European support. In addition, it would allow the EU to become a global role model, showcasing how economic dynamism and prosperity can be achieved with a form of energy that ensures the survival of our planet.

This goal is still a long way off. There is considerable resistance to be overcome, both at the European level and in many of the EU Member States. There are also several inherently conflicting goals that will need to be resolved to create an economic renewable energy industry. However, Europe must face up to these difficulties as only a sustainable climate change and energy policy will be able to guarantee the European Union's future viability and fulfil our responsibility to coming generations.

# The Future of EU Foreign Policy: A Policy of Global Outreach

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Edited by Bastian Hermisson, Heinrich Böll Foundation

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<sup>1</sup> This paper is the outcome of one year's work by the Expert Commission on EU Foreign and Security Policy. It was written jointly, with verbal and written commentaries over the course of several sessions, and with individual contributions by the experts listed. Consequently, not every point made in this paper necessarily represents the opinion of all members of the Commission. Franziska Brantner, Frithjof Schmidt, Joscha Schmierer and Constanze Stelzenmüller also made valuable contributions.

## 1 Introduction

The European Union, like its Member States, risks becoming marginalised in the current world order as emerging new powers gain in stature. EU foreign policy will need to project a strong and unified stance if it is not to become some outer suburb between the metropolises of future power. EU common foreign and security policy, however, is still in its infancy. Often, as was recently the case in Libya, the EU seems discordant and its foreign policy measures are not understood by the broader public. The European multilevel system of governance also makes European foreign policy difficult to grasp: the actors, their areas of competence and responsibilities are not clearly discernible. Unilateral action at the national level often works against principles agreed in the European Union. The EU's reaction to the upheaval in North Africa has been generally insufficient and inconsistent, once again showing that aspirations and reality in European foreign policy are worlds apart.

The EU, as a new type of international alliance in a world characterised by nation states, can serve as a living example of supranational cooperation, shared sovereignty, democracy and human rights. It can contribute greatly to helping the world develop in a spirit of international collaboration rather than remaining simply a setting for conflicts of interest between major powers. This is all the more important since today's global challenges can only be solved multilaterally.

The special nature of the European Union – more than a confederation but not a nation state – need not be one of weakness resulting from disagreement among its members and the lack of a common foreign policy; instead, it could also be one of strength, with the EU exemplifying a closely linked, supranational alliance, demonstrating that multilateral global policy based on values and compromise is possible. The EU has shown that nation states, whose relationship was long characterised by bloody wars, can successfully overcome such antagonisms and create a community with a core of shared values. Today, this achievement should be transmitted to the world through a clear, common foreign policy.

The European Union must answer today's global challenges with a 'policy of global outreach.' To this end, it is important to acknowledge that the values and interests of the EU are not contradictory. Values such as democracy, human rights and climate protection play a key role in Europe's global interests. Only a more just world with greater participation will be a more secure world, and democracy is always a driving force for development, innovation and free trade. Climate protection is not only indispensable for the safety of the planet; it also offers the EU economic opportunities to pioneer comprehensive social and environmental modernisation.

The Treaty of Lisbon, which entered into force in 2009, represents an important legal step towards the communitarisation of foreign and security policies. The Treaty is, however, facing serious problems as regards implementation and development. We advocate, first of all, better use of the existing institutional options for a common foreign policy. Secondly, we would like to see the EU's Common Foreign and Security Policy (CFSP) and its Common Security and Defence Policy (CSDP) both legally and institutionally strengthened and their capacities increased as required.

## 2 The global challenges facing EU foreign policy

There are diverse challenges confronting the European Union. It must meet the requirements of the twenty-first century, in which power relations are clearly shifting toward Asia and other ambitious newly industrialised states (in particular the BRIC countries—Brazil, Russia, India and China). The EU is losing demographic, economic and political significance. Its share of the global economy and world population is dwindling. By 2040, the United States and Europe (including Turkey and Ukraine) will make up only seven per cent of world population, down from 12 per cent today. The end of the Cold War and the subsequent dissolution of the associated blocs has made it harder for the EU to build global alliances. The question of how to distribute wealth in a world with limited resources but an ever-growing population is an explosive one. Existing

multilateral structures such as the Bretton Woods system, the World Trade Organisation and the United Nations Security Council are also being challenged by the newly industrialised countries, which do not feel adequately represented in these organisations. Structural reform of these institutions is long overdue if, in the twenty-first century, they want to continue to play a positive role within the framework of global governance.

At the same time, due to its only partial statehood, the power of the EU is not comparable to that of larger nation states. EU foreign policy is determined by two factors: on the one hand, it compensates formerly influential 'middle powers' such as France and the UK for their declining influence and channels new demands from countries such as Germany; on the other hand, it develops newer, postmodern forms of foreign policy, in which characteristics specific to Europe, such as multilateralism and 'soft power,' are given full rein, thus generating power and influence.

A European foreign policy must therefore take into account the ambitions of the large European nation states, while also doing justice to the principle of equality and diversity among all EU members. A genuinely European foreign policy cannot be a balancing act between such extremes, however. Instead, it must be grounded in the specific characteristics of the EU as an alliance of democratic countries, for it is herein that its legitimacy lies. The goal should be a foreign policy of unity in diversity, for the benefit of all. Against this background, a future European foreign policy must move towards a 'world domestic policy' from which all countries will ultimately profit and which can provide a counter model to a world of zero-sum games.

### 3 Europe's special characteristics

One characteristic of the EU is its attempt to bring together numerous democratic countries that pool sovereignty for common actions. The challenge lies in transforming this feature from a foreign policy weakness into a strength. This will only be possible if the EU remembers that this feature can also serve as a model for a secure,

just and democratic world. This also means that it must project its model of shared sovereignty beyond its own borders. But how can that work if a 'communitarised' foreign policy is itself more or less uncharted territory for the EU? And what will an EU foreign policy look like that is more than just a collection of the various foreign policies of its Member States? Although the Treaty of Lisbon has brought some progress, there are still a number of deficiencies in terms of both effectiveness and legitimacy in the codification of institutional competencies for a common EU foreign policy. The democratic legitimacy of European foreign policy is presently still weak. The Treaty of Lisbon did give the European Parliament new areas of competence for adopting international agreements, but it still lacks decision-making power in questions of war and peace. Thus it cannot replace national legitimacy of foreign policy resolutions, but then this was never meant to be the goal. Decisions on, for example, military or humanitarian interventions still require the approval of national parliaments in some EU countries (for example Germany). On the other hand, there is a structural problem in that foreign policy at the executive level (such as the G8 or G20 or the European Councils) often promises more than it can deliver if there is subsequently national resistance to European decisions on issues such as refugee or climate policy.

The EU foreign policy's values are safeguarded by law – from the Maastricht Treaty to the Treaty of Lisbon. The European Union observes the European Convention on Human Rights, classical and basic social rights, peace, solidarity, distributive justice, democracy, the principles of market economy, good governance and the rule of law. The instruments for implementing these values, however, are not as clearly regulated in the texts of the EU Treaties.

*Expanded democratic control and legitimacy are necessary prerequisites if foreign and security policy is to move to majority decision-making.*

To date, European foreign policy aims have all too often been hampered by the interests of the Member States or by a clash of viewpoints within

the European Union. In other words, it is not only institutional inadequacies in the EU's democratic legitimacy that hamper its foreign policy; the insufficient links between domestic and foreign policies are also problematic, which is why European foreign policy too often seems to be little more than 'the declarations of do-gooders' overwhelmed by the power struggles between various vested interests.

The principle of unanimous foreign-policy decision-making incapacitates the European Union. It is therefore necessary to determine how best to abandon this principle while at the same time advancing democracy at both national and European levels.

Expanded democratic control and legitimacy are necessary prerequisites for moving to a system of majority decision-making in foreign and security policy. If EU foreign policy is to be successful, it is also necessary to consider that it cannot simply reflect conventional major power politics. Major powers are traditionally individual countries but the EU is an association of countries best described as a normative civilian power, not a hegemonic power. Not until the idea of power is decoupled from the traditional notion of a nation-state superpower will an innovative, European way of exercising power with respect to foreign policy be able to take shape. Power in this sense is understood not as a goal but as a means to an end – such as the fair distribution of wealth. Such power could be used to lead global opinion and help shape ideas.

*In a world of multilevel networks, the tried and tested, complex and highly interconnected system of the European Union provides a decided advantage.*

In a world of multilevel networks – transport systems, the internet and smart grids – in which decisions cannot be made unilaterally, the tried and tested, complex and highly interconnected system of the European Union provides a decided advantage. This is apparent in issues of regula-

tion and legislation. As the EU has already been through the process of creating an internal market, it is therefore familiar with the role of international economic power and has created globally accepted standards in areas such as the protection of intellectual property.

With this advantage, Europe should be able to assume a leading role in global integration which would not only serve its own interests but also encourage greater participation worldwide. In order to achieve this, the European Union needs to focus on opening up to other countries politically, economically and socially. The EU can make a two-fold contribution to global integration: it has developed in an exemplary manner from a region long torn apart by conflict and bloody wars to a peaceful, prosperous and democratic area, and thus has an impact through the example it sets. The EU can also make the world more secure by participating in multilateral organisations, with a good example of this being its assistance with the establishment of the International Criminal Court.

Today, there is an opportunity to turn the United Nations into a global peacekeeping power. The permanent members of the UN Security Council have become so inextricably intertwined that military conflict between them is very unlikely. The number one goal of European foreign policy must therefore be to substantially strengthen the United Nations, particularly by playing an appropriate role in the Security Council. At the same time, the EU should help civil society organisations and new social movements play a role in shaping foreign policy.

The EU has integrated the countries of Europe into a partnership based on solidarity. Accordingly, it could make its own model a blueprint for dealing with global challenges so as to achieve a world order based on solidarity. But first it must confront these challenges and, at the same time, allay fears within the EU about the consequences of globalisation. Here it will be critical for the EU to continue its integration model alongside environmental and economic sustainability.

## 4 A European ‘Policy of global outreach’

On paper, the EU is based on values, including the fight against poverty, climate protection, conflict prevention, the rule of law, human rights, democracy and good governance. In practice, however, things look different and the primary driving force is an ‘agenda of protection’ – protection from terrorism, migration and online attacks. Preserving the status quo has priority. Consequently, there is a growing gap between objectives and reality. In crisis situations – such as Libya, Syria, Israel and Palestine – the EU has not taken a clear stand. It must always negotiate to reconcile twenty-seven different national opinions. The result is that other global players do not take the European Union seriously. Recent events in North Africa have clearly shown that the EU, rather than consistently standing up for its own principles and values, has, in the name of stability, collaborated with dictators for years. A new European Neighbourhood Policy needs to change this. It can no longer just rely on cooperating with governments but must engage, more than previously, with the civil societies of neighbouring countries.

*If the European Union confines itself to simply safeguarding the values it has developed and by which it lives, instead of trying to make them universally valid, it will sooner or later lose its significance.*

Credible and effective European foreign and security policies require a ‘policy of global outreach.’ If the European Union confines itself simply to safeguarding the values it has developed and by which it lives, instead of trying to make them universally valid, it will sooner or later lose its significance and therefore threaten its own achievements. A new European narrative must be about what Europe wishes to share with the world; its motives must be global stability, freedom and general prosperity. In order for this to be implemented, Europe must assume international responsibility and be open to criticism, as well as being capable of self-criticism.

The world’s raw materials will not be magically replenished for ever-increasing numbers of people to help themselves. However, a more just distribution of global wealth can have a dynamic effect on growth and technological progress. Global peace-keeping policies are not an exercise in bookkeeping, in which Europe will always be in the red. A European policy of global outreach can and must become a win-win situation for everyone.

### 4.1 Areas of EU foreign policy

What would such a ‘policy of global outreach’ actually look like? Three central areas of policy may serve as an example:

#### 4.1.1 Promoting democracy

Today, the European Union wants to be far more than just an economic community; it wants to be a community of shared values. These values should also be the standard for the EU’s foreign policy. Democracies are generally more stable and peaceful than other forms of government. Moreover, the developed democracies provide greater legal security, which stimulates economic productivity and civil society. All of this serves the interests of the EU, not only in principle, but also in practice. Promoting democracy should therefore be a key focus of the EU’s global foreign policy.

This is particularly apparent in the European Union’s policies toward its neighbours. Since 1995, all of the trade and cooperative agreements that the EU has signed with third countries have stressed democratisation, the market economy and respect for human rights. Promoting democracy is one of the most important policy goals Europe has regarding its neighbours. The more progress a country makes in the direction of democracy, the greater the ‘reward’ will be, whether through closer economic and technological cooperation, greater access to markets, financial assistance or relaxed visa requirements. Concrete reform and action plans (accompanied by numerous financial aid and promotional programmes) provide the basis, and implementation is subject to ongoing review. However, what sounds good in theory often does not work in

practice, either because the programmes do not offer sufficient incentives, or are not effective due to cultural differences or because the EU itself avoids conflict with authoritarian regimes engaging in undemocratic practices. Thus, there is often a gap between official policy and common practice and there are tangible, real-life political reasons for this gap. In negotiations with neighbouring countries to the south and east, standards and values continue to be shelved or watered down, since the wish for security and stability trumps the vision of democratic, value-based development.

The dynamics of the war against terrorism have also sidelined the promotion of democracy, as security issues and the fear of growing Islamist movements proliferate. Consequently, for the sake of stability, Europe has given financial aid to the usual potentates, viewing all change as a risk. The examples of Algeria and Gaza, it was argued, demonstrated that free elections could put political forces in power that oppose the interests of the EU.

Another important factor concerns the economic interests of individual EU Member States, especially as regards energy supply and arms deals. These, too, have thwarted EU neighbourhood policies to foster democracy.

If the Arab Spring helps bring democracy to the Southern Mediterranean region, this development would, much like the democratic revolutions in Central and Eastern Europe in 1989, provide the EU with a great opportunity. Today, however, the EU is facing a different challenge, since the current upheaval is leading to far greater level of conflict than was the case in 1989. This time the European Union will have to think seriously about what it can offer these countries other than prospective membership in order to advance the painful reform processes (especially since the financial crisis has left Europe with very little leeway to expand programmes of financial assistance).

The question as to whether countries should gain more financial support or greater access to EU markets needs to be more strongly tied to reforms. The EU also needs to put greater effort

into strengthening civil society, democratic forces and opposition movements, even if that means opposing the ruling elites. Not top-down but bottom-up is the name of the game.

There are a number of instruments at the disposal of the EU that can serve as levers. A targeted and differentiated opening of the EU's market for agricultural goods would offer economic prospects for the region, especially since a large part of the population subsists on agriculture. The EU could also cut back its dependence on the import of raw materials from this region, instead offering technology transfer for alternative energy sources (for example within the framework of the DESERTEC Foundation).

Finally, for the sake of its own credibility, the EU must avoid double standards and refocus its citizens on the imperatives of foreign and security policy.

#### **4.1.2 Climate protection**

One of today's greatest challenges is to keep global warming below an average of two degrees Celsius. This can only be achieved through binding international agreements on climate protection. If, by circa 2015, a turnaround has not been achieved, the consequences will be dire. The EU needs to pioneer ambitious climate protection policies.

Climate protection will only work if all of the main emitters act in concert. In absolute terms, China presently emits more CO<sub>2</sub> than the United States (though not per resident). Newly industrialised countries have rightly pointed out that the wealth of industrial countries is based on decades of emissions at everyone else's expense. Accordingly, the industrial countries must now support the newly industrialised and developing countries on the path to sustainable prosperity.

In past years, international climate talks have given reason to hope that effective, multilateral global policies are possible, yet these hopes have been dashed. Neither the Copenhagen Summit in 2009 nor the Cancun Summit in 2010 resulted in a binding agreement. As this is an issue affecting all of humanity, it remains to be seen if, and how,

a multilateral, common global climate policy can be achieved. The foreign policy of the EU must measure up to the paradigm of today's global policies.

Recently, the European Union has become marginalised in international talks. However, the EU cannot simply resign itself to the fact that the United States and China are blocking a new global agreement. Irrespective of this, the EU needs to argue decidedly for climate protection policies of varying speeds. Such policies could be based on three main pillars:

**Leading by example:** First of all, independent of all international talks, the EU should cut its CO<sub>2</sub> emissions by 30 per cent by 2020. In addition, the EU should present a long-term strategy for a complete transition to renewable energies. At future climate talks the EU will have to speak with one voice. In order to achieve this, the mandate to represent the EU should go to the European Commission.

**Climate policy as a key foreign policy issue:** Second, the European Union needs to make climate protection a foreign policy priority and create new alliances in order to overcome existing blockades. The EU must approach developing and newly industrialised countries that are interested in protecting the climate and offer them its cooperation. That will make it possible to conclude agreements regarding certain areas, such as protecting the rainforests, which also serve to promote the overarching process of climate negotiations.

**Transfer of funds and technology:** Third, the EU must make funds available to developing countries for climate protection and adapting to climate change. These means should not offset funds earmarked for development cooperation. From 2020, the European Union must pay its share of the \$100 billion approved internationally to help mitigate climate change in developing countries. In order to show solidarity in dealing with climate change, technology transfer and cooperation in the areas of renewable energies and energy efficiency are critical.

In order to stimulate other countries to invest in measures to mitigate climate change, the EU should

take advantage of its influence as the world's largest internal market. To ensure this, the EU has to become the leading market for energy-efficient, sustainable products. Goods and services that are traded in the EU or imported must satisfy high standards of energy and resource efficiency. One example is the principle that the most energy efficient of each kind of household appliance be made the standard for its product class ('Top Runner Programme'). Another example is setting a CO<sub>2</sub> ceiling for automobile fleets, not only for domestic producers but also for imports. Both of these measures would enable the EU to put pressure on companies both inside and outside the EU to manufacture climate-friendly products.

As long as there is no international climate agreement, the EU should also review whether or not to charge a climate duty on imported goods. This is controversial and could only be credible if the EU were to issue a binding declaration to reduce its own CO<sub>2</sub> emissions by at least 30 per cent by 2020 (and if other countries were to follow suit). A climate duty would remove the price advantage of products from countries that do not take measures to protect the climate and would thus serve as an incentive to do more to protect the environment.

#### **4.1.3 Flight, displacement, migration**

Sixty years ago, European countries ensured that the protection of refugees was established in law. The 1951 UN Refugee Convention was inspired by European efforts and it was European countries that pushed for the institution of the UN High Commission for Refugees (UNHCR). The goal was to recognise the rights of refugees, end displacement and give refugees worldwide a chance to start a new life.

The EU continues to affirm its efforts to protect refugees and is one of the largest contributors to the UNHCR. The European Union supports programmes for the protection of refugees and is committed to helping refugees settle in third countries. Furthermore, the EU asserts that sophisticated refugee policies must be accompanied by responsible migration policies. The

Stockholm Programme, running until 2014, aims to develop European migration and asylum policies in solidarity and dialogue with third countries to ensure that refugee dramas like those in the Mediterranean become a thing of the past.

The EU, however, is no longer a leader in refugee protection. Eighty per cent of refugees worldwide are living in developing countries. Pakistan has 1.9 million registered refugees, mostly from Afghanistan. In Iran there are over one million. The estimated number of unreported cases is very high. Many Afghan refugees have been living in exile for two, or even three, generations without any prospect of returning to their home country. In West Africa, during the crisis in the Ivory Coast, Liberia took in a six-digit number of refugees. In 2010, Tanzania naturalised more than 160,000 refugees from Burundi. The situation in the Horn of Africa continues to get worse. Between January and June 2011 alone, more than 135,000 people from Somalia fled to Kenya and Ethiopia. The number of people living in the Dadaab refugee camp currently corresponds to approximately the population of Atlanta, Georgia, or the British city of Manchester.

Countries with very many refugees expect the EU to give them support on the ground, as well as assistance in enabling the refugees to return voluntarily. They also expect European countries to take in an increased number of refugees. The EU has failed by far to meet these expectations. The aims of the Stockholm Programme will presumably not be achieved. The upheaval in North Africa will be a test case. The EU is not prepared to deal with it and would like to take in as few refugees as possible, viewing them as a threat to prosperity. A key player is Frontex, the European agency for operational cooperation between EU Member States in the field of border security. Another test case will be the prolonged refugee crisis in the Horn of Africa. In order to combat the underlying causes and give refugees the chance to start a new life, the EU would have to provide massive support programmes for refugees in the region. In fact, the EU's focus has been to shield itself from refugees from Africa.

An alternative to Frontex would be a policy that creates a system that would allow for refugee protection at the EU's external borders, in particular in the Mediterranean region. Standardisation of asylum procedures in Europe is long overdue; also, all EU Member States need to increase the number of 'new' refugees they allow to settle in their countries. Such refugee protection needs to go hand in hand with an active European immigration policy.

Flight, dislocation and migration are on the rise globally. In addition to war and armed conflict, increasing numbers of people are losing their homes because of climate change or natural disasters. The number of natural disasters, especially in poor countries, has doubled over the last twenty years. In 2010, more than 38 million people lost their homes due to climate-related disasters. Global developments such as the economic and financial crisis, as well as rising food prices, hit the poorest countries hardest.

Rather than regarding flight, dislocation and migration as a threat, the EU should work with the United Nations and international financial institutions to devise new global and regional solutions. An international economic policy that strengthens markets in crisis regions and improves the livelihoods of refugees is vital for this to succeed. In order for both the refugees' home countries and the host countries to benefit, joint strategies for the EU's development and economic policies need to be drafted and approved. This will not be possible without burden-sharing. Developing countries continue to take in high numbers of refugees. These countries expect the EU to acknowledge this effort, be willing to assume greater responsibility and be more open to active refugee and immigration policies.

#### 4.2 Structures, tools and partnerships in EU foreign policy

In order to successfully pursue a policy of global outreach, the EU requires more effective structures and tools. Moreover, even a strong European Union will find it hard to succeed in its foreign policy if working in isolation – it is dependent on allies and partners.

#### 4.2.1 The European External Action Service

The Lisbon Treaty provided for the creation of the European External Action Service (EEAS) as the basis for a modern, post-national foreign policy. The service has been assigned thematic areas of international significance (such as climate and migration) and is headed by the High Representative for Foreign Affairs and Security Policy. One of the main goals of the EEAS is to forge better links between foreign and security policies and to make development policy the basis for security policy, in the spirit of 'development as the new path to peace.' With development and democracy secured, the risk of events such as civil wars should decrease. The new EU framework for crisis management and its humanitarian missions have been designed accordingly: for example, a political and security policy committee has been assigned to the EEAS. Another idea behind the EEAS was for foreign policy no longer to be solely geared to the nation state but to take into account the increasing role of nongovernmental organisations (NGOs) by better integrating them into foreign policy, especially as regards development policy.

In economically and financially difficult times, the EEAS also has the task of making the achievements of the European Single Market serve third countries. If it is true that economics increasingly dominates the agendas of foreign and security policies, then the key function of mediator between third countries and the EU Member States falls to the EEAS, in particular within the framework of global outreach. The promotion of entrepreneurship, the liberalisation of trade, the safeguarding of refugees and fundamental rights and global climate protection are some of the areas where the EEAS could lead by example. The EEAS should also incorporate international expertise from civil society and research findings on basic questions concerning the relationship between security and development, freedom and security. In other words, the EEAS should not so much become the EU's twenty-eighth foreign ministry, but rather a diplomatic force better prepared for the conditions of the twenty-first century.

To this end, the 136 foreign delegations of the EEAS must also become better interwoven with the national embassies of EU Member States, both in the areas of politics and diplomacy as well as consular affairs. Currently, a foreign delegation of the EEAS functions virtually as an added EU embassy and at best arbitrates between the embassies of EU Member States. This means that, at present, the EEAS is neither the single point of contact for a country dealing with the EU, nor does it have the competence to issue political directives to the embassies of individual EU Member States – neither at the consular nor at the political level. To give one illustration, when recently, following the unrest in Syria, some EU ambassadors withdrew from Damascus, this was not a concerted action by the EU but simply a measure taken by several EU countries with other countries following suit. This is a far cry from the consistent and forceful policy of a political union acting in concert so as to increase impact.

There are plans for the EEAS to gradually consolidate the consular services of EU members, for example in Africa, where some of the smaller EU countries do not maintain embassies. Evidently small EU countries with few individual foreign policy objectives and little capacity to act perceive a strong and unified EEAS as a benefit. However, the so-called Big Three (Germany, France and the UK), whose foreign policies derive from differing traditions, are finding it hard to accept that they should relinquish some of their sovereignty and transfer responsibilities in foreign policy; up to now they have been reluctant to support a more effective and unified EEAS.

Herein lie the shortcomings of the EEAS. Like European foreign policy as a whole, the EEAS is caught up in the tension between supranational and intergovernmental structures. This is very apparent in its institutional structure. The head of the EEAS, the High Representative of the Union for Foreign Affairs and Security Policy, is both chair of the EU Foreign Affairs Council and a member of the European Commission. The EEAS is neither an organ nor an agency of the EU and thus has a special status within the EU's institutional structure. At the same time, the European

Parliament does have some say in the EEAS – it reviews its budget of €460 million.

Nevertheless, the new institution has considerable potential to unify European foreign policy and synchronise those policy areas the EU now needs to emphasise and expand. The EEAS Review Conference, including an initial evaluation, is planned for 2012 and will be an important factor in this.

### **Conflict prevention: The example of Somalia**

Despite the EEAS, the actions of the European Union in those countries of the Middle East and North Africa that have seen upheaval show no evidence of unity. A good illustration is Somalia. Somalia's history and geography should make it an important country for European foreign policy. In the late nineteenth century, the country was divided into British and Italian colonies. France occupied neighbouring Djibouti and Germany was vying for the coast. The consequences of these colonial policies persist even today. In addition, Somalia lies on the Gulf of Aden, therefore bordering on the shipping lane to the Suez Canal, one of the routes most strategically important for Europe. Over the last twenty years, Somalia, which has had no central government since 1991, has on numerous occasions been an issue for the international community. The policies of the United States, the United Nations and also European countries on Somalia have dealt only with the symptoms of the problems without pursuing any fundamental strategy aimed at the causes. After the UN intervention failed and since the late 1990s, efforts to combat terrorism have been the dominant concern. The results are sobering, since today the al Qaeda-inspired al-Shabaab militias are stronger than ever.

Another symptom is the rise in piracy. Since the collapse of the central government and even more since the end of 2007, the number of attacks on ships in the Gulf of Aden has greatly increased, hitting World Food Programme transports and

international commercial shipping alike. There are numerous reasons for this increase. The long-running conflicts in the country and the lack of a central government have brought economic development virtually to a halt. State institutions such as the police and coastguard no longer exist. The situation has been aggravated by the environmental and economic impact of toxic waste dumping and unrestricted fishing off the Somali coast, not least by European ships. Only a consistent European policy for security, human rights, development and economic cooperation can offer a truly effective response to this cluster of problems, but the European Union is still far from this. The EU has no clear strategy to take advantage of opportunities for development in Somalia. Security policy shows that the EU is capable of action if there is political will. In the autumn of 2008, it took only two months to set up the EU NAVFOR force. Its operations are based on UN resolution 1816, which allows international ships to take action against piracy in Somali territorial waters – a right that usually only applies in international waters. Operation Atalanta was and is a success. It was possible to provide effective protection to the ships of the World Food Programme in the Gulf of Aden, and the number of successful pirate attacks in the gulf has since declined. However, the EU was not able to agree a uniform structure for combating piracy. In addition to Atalanta, many partners are participating in Operation Enduring Freedom, originally planned as an anti-terrorist mission and carried out by a so-called 'Coalition of the Willing', which is also actively fighting piracy, and Ocean Shield, a NATO mission. These missions have not been able to prevent the spread of pirate activities to the wider sphere of the Indian Ocean where Operation Atalanta can no longer patrol effectively. The EU has demonstrated its ability to treat the symptoms, yet the political problems remain.

The deficiencies in the Union's common foreign policy are apparent. From time to time the EU has exercised 'hard power' so as not to attract the charge of being inactive or powerless. However, the strength of the EU could

actually lie precisely in overcoming this traditional distinction. 'Soft power' and 'hard power' are not mutually exclusive. On the contrary, the necessity to use military force often arises where civilian forms of conflict resolution have failed. In turn, military force can never be the sole solution to conflict.

This is just where a common European policy for Africa is needed. However, so far the EU has not even managed to end illegal European fishing off the Somali coast, much less develop a sustainable strategy for Africa. All missions in Africa, from Congo to the current debate on Libya, have suffered from poor coordination and a lack of both strategic integration and a clear-cut division of responsibilities. This urgently needs to change: overcoming the special interests of EU Member States in Africa and working out a common foreign and security policy vis-à-vis our neighbours to the south is a great challenge and a central touchstone for the ability of an ever more integrated Europe to engage in political action.

#### 4.2.2 Crisis management

If Europe wants to enhance the influence of its values, it must be willing and able to respond to crises, especially in the European context. In 1999, as a reaction to the impression of powerlessness during the wars in the Balkans, the heads of state and government of the EU set ambitious goals. The EU was to be in a position to contain and end violent conflicts in their vicinity and beyond, independent of the United States and NATO. Although this requirement laid down in 1999 (and confirmed in 2008) was initially defined only in military terms, it was expanded in 2001 to include the Civilian Headline Goal for 2010. In the previous decade, the EU carried out 24 operations on three continents – 16 of them civilian operations, seven military and one a civilian-military joint action. It should not be overlooked, however, that most of the missions were relatively small and symbolic and did not always lead to an improvement in the situation on the ground.

It is important to strengthen the crisis prevention and response capabilities of the EU, but this must remain tied to a foreign policy that depends primarily on preventive, peaceful conflict resolution. The EU needs to focus on its strengths and this means developing into a truly civilian power.

Particularly in the area of civilian crisis response, there is a great discrepancy between aims and reality. Many of the civilian goals agreed in 2001 by the European Council have not been achieved. In practice, the capacities pledged by Member States – judges, police, administrative experts, etc. – are seldom made available either swiftly enough or in the promised numbers. This constant shortage of personnel undermines the effectiveness and credibility of civilian EU operations considerably. Also lacking are consistent personnel training procedures. The current debate on the continuation of the 2010 Civilian Headline Goal should be reason enough to review it and attach a clear timetable. It is also time to set up a European peace corps to gradually eliminate the shortage of personnel available for EU civilian operations.

The EU still falls short of its own goals in the area of conflict prevention. Although the Gothenburg Programme for the Prevention of Violent Conflict, adopted in 2001, represented a major step forward, there were neither sufficient human resources made available for its implementation, nor was conflict prevention made a cross-policy issue in European foreign affairs. These deficits need to be eliminated. Building up the EEAS could also serve to integrate conflict prevention actions into all EU institutions. Exchange of knowledge in the area of mediation should also be promoted within the EEAS. In this way best practice can be collected from around Europe and the EU's knowledge gaps can be filled. Finally, the EU needs to establish an institute similar to the United States Institute of Peace.

*The EU needs to focus on its strengths and that means it must develop into a truly civilian power.*

Even if the European Union is viewed first and foremost as a civilian power for peace, it still needs to better coordinate its military capabili-

ties. Present and foreseeable international conflict situations require that the EU be willing and able to use ‘hard power’ if necessary, in addition to the ‘soft power’ which is employed wherever possible.

As has increasingly become apparent, the EU’s current ability to respond to crises is limited. The operation in Libya is only the most recent example of how Europeans can rely less and less on the assistance of their American partners.

The debate on closer military cooperation in the EU will, for the foreseeable future, remain clearly below the level of a European army, regardless of whether or not this is considered a good or a bad thing (see box). In recent months, the extent to which EU member countries diverge concerning the options of and limits to military intervention has become clear. On top of this come the very different traditions – for example the special status of France and the UK as nuclear powers. Greater collaboration would require a broad-based debate on the responsibility to protect and the role of military interventions. Also, before the CFSP and CSDP can be expanded, the democratic structures to control and legitimise the use of military force at a European level must be developed further.

Independent of the establishment of a European army, the Lisbon Treaty already provides for the option of ‘permanent structured cooperation’ in the military sphere: the formation of force groups in the event that not all EU Member States want to participate in a particular mission. The ‘Europeanisation’ of military capabilities would in fact go beyond this, as military equipment and personnel would have to be consolidated and jointly financed, something that, up until now, has fallen flat due to national self-interest. However, European cooperation could be effective and free up reserves – funds that could then be used for civilian and humanitarian crisis prevention. This is all the more important as national budgets are increasingly cut back.

With far-reaching parliamentary participation, the military capabilities of the EU could be strengthened in the medium term by, for exam-

ple, establishing a common headquarters for military operations in Brussels. Up to now, the European Union has had to resort to ad hoc NATO command structures or to member countries for its military operations, which greatly limits the EU’s ability to act and affects response time. In this spirit, the ‘Weimar Triangle’ (Germany, France and Poland) has launched an initiative upon which policymakers could build.

Finally, the European Union should be in position to evaluate effectively its own actions and subject them to parliamentary and expert oversight. In addition to having external analysts evaluate EU missions, the EU should also set up departments in the EEAS able to evaluate missions and determine best practice procedures. The European Parliament’s democratic right of scrutiny in this area generally needs to be improved.

## A European army – Pros and cons

### What is a European army?

‘European army’ is a general term for the further communitarisation of the European defence structures that were strengthened in Articles 23 to 42 of the Lisbon Treaty. Article 42 describes the Common Security and Defence Policy (CSDP) of the European Union as a further development of the European Security and Defence Policy (ESDP). There is already de facto alliance of European armies. It comprises roughly one million soldiers, institutional structures, legal foundations, a quasi-European military headquarters in Brussels, a Political and Security Committee (PSC) and so-called EU ‘Battlegroups.’

### For

Many consider an EU army nothing but an unrealistic utopia and such a distant goal that it makes no sense to discuss it. However, it is wrong to reject a future EU army on principle. The path to an EU army could help set the course for foreign and security policy coopera-

tion among EU member countries. The current debate on combining units and the joint use of military resources shows that the integration of Europe's armed forces is making progress.

Factors that support the notion of an EU army include the potential for savings and disarmament, the de facto impossibility of a future war between regular armies of EU countries, and the idea – not necessarily attractive to the Greens – that classical national concerns such as defending one's country and feelings of camaraderie within the armed forces could be Europeanised.

However, there is another key reason for having an EU army: to provide a building block for a common European foreign policy. Presently, a few member countries play a dominant role in CFSP decision-making and consequently national values frequently hold sway over European ones. The CFSP needs to become more European; it must follow the goals and values of the Lisbon Treaty and not be the tool of member countries. For this reason, we support greater parliamentary control, especially at European level. We believe this to be crucial. However, it will be virtually impossible to implement in practice without an EU army.

Many of the Member States' military capabilities (even those of the larger Member States) are already being jointly organised at bilateral and multilateral levels. Much of this is due to the financial crises and budget squeezes in individual countries. The close cooperation between the French and British militaries is a good example of this. This process will continue in the future. The question is thus not whether we will see a European army, but whether it will be an EU army or an army coordinated at European level but comprised of national troops. The concept of an EU army has to overcome the latter. If this does not happen, we risk having the CFSP/CSDP undermined by national interests, since both the CFSP and the CSDP would be reliant not on the military capabilities of Europe but only the underrated

civilian part. A CFSP/CSDP without an EU army would also undermine Europe's role in strengthening the United Nations.

### **Against**

There are three main reasons to oppose a European army – in the sense of a true communitarisation of European armed forces and not merely better coordinated national armies:

*Institutional reasons and reasons of political legitimacy:* decisions on war and peace are a key aspect of every country's sovereignty. If defence policy were communitarised and a European army established, it would not simply be a further step towards integration – it would fundamentally change the nature of the European Union. However, such a step itself would require prior fundamental changes. Not least for reasons of democratic legitimacy, this would actually only be conceivable as the final step towards the completion of a European federal state in which the Member States and their parliaments would renounce their fundamental rights (including budget rights) and transfer them to the European level. That could be desirable, but even a dedicated European would not necessarily agree. If such a process were lacking, a European army would have no democratic legitimacy and, more importantly, it would totally overwhelm the European Union in its present form. Let us consider some of the practical consequences. In the EU budget, by far the largest budget item would be defence and by far the largest administrative unit would be a European defence ministry. This vision shows that under present conditions and for the foreseeable future, a European army would virtually annul the project of the EU as a civilian power, thereby changing the character of the EU in an undesirable way.

*Practical reasons:* national traditions regarding the use of military force vary greatly. Depending on the country, it is the parliament, the government, the president, or another body that authorises a military intervention.

A process of communitarisation would raise very delicate legal issues; in Germany, for example, this would require extensive constitutional change. If there were a European army we would have to renounce nuclear weapons or else the EU would become a nuclear power, which would have far-reaching political consequences. It seems totally unrealistic that France and the UK would relinquish their nuclear weapons. There are also other practical reasons: the lack of a common language, which would lead to difficulties in training and command structures, the incompatibility of technical equipment and the persistent strong resistance of some countries.

*Strategic reasons:* the argument that the EU should first and foremost, be a civilian power contradicts the idea of a European army as a political aim, since, of necessity, this would obstruct civilian efforts. Within the scope of the CSDP, the EU's current security and defence structures offer civilian as well as humanitarian and military capabilities, *i.e.* sufficient options for different types of interventions and missions beyond purely military cooperation.

### 4.2.3 Alliances and partnerships

#### *Transatlantic Relations*

Relations between the United States and Europe remain crucial for EU foreign policy. On all essential global issues, transatlantic relations are built upon a long-term political partnership and a solid core of shared values and interests. This is especially true for global governance, which cannot be established without the United States. Even if the United States increasingly has to abandon its role as world hegemon, both politically and eco-

nomically, the EU will not be able to successfully pursue a foreign policy based on the cornerstone values of democracy and human rights without working closely with its transatlantic partner. From climate protection to the regulation of the financial markets, from crisis management in the Middle East to a reorientation of global trade policy and dealings with an ambitious China, the 'old West' can only be successful within the framework of transatlantic cooperation. At the same time, the West must face the fact that it is losing some of its global standing, both politically and economically, and has declining influence on setting international standards in areas such as the non-proliferation of nuclear weapons.

The substance and goals of the transatlantic partnership were not sufficiently redefined after the end of the Cold War. A worldview that is shared by countries on both sides of the Atlantic and the common actions required still need to be developed and tested under the changed conditions of the twenty-first century. This can and will continue to cause friction. Tensions in transatlantic relations have continued in recent years as regards relations with Russia, the crisis and conflict resolution in Afghanistan and Iraq and how to deal with Iran's nuclear aspirations. To some extent the positions of the United States and the European Union have diverged over time – today more than in the past – since differing geographies have led to different priorities in foreign policy. Additional tension has also developed because the United States is beginning to scale down its role as a global peacekeeper (see Libya) and is demanding greater involvement from the EU, especially in view of its geographic proximity to some of the crisis areas. To date, the EU has only met such expectations to a limited degree. We are calling for an enhanced transatlantic dialogue to ensure agreement on the basic issues of freedom, security and the rule of law in today's world.

If transatlantic relations are to be redefined and strengthened, then NATO must be reformed so that it can cope with the new security policy challenges. In particular, the notion of 'development as a new concept of peace-building' needs to become one of the alliance's priorities. Today, NATO stands for collective defence as well as for global security within the scope of the United Nations. The basis for this is the 'extended concept of security' that was defined in 2010 in NATO's new Strategic Concept. The continued importance of NATO is apparent when looking at other forms of cooperation between the United States and the European Union. The EU-US summits that have been taking place since 1995 take care of regulatory policies (competition policy, trade policy, etc.) but they have yet to develop any significant political clout. Intensified transatlantic integration, sought in the 1990s through a common trade area, has clearly lost its importance as a political goal. Even if, in the long term, NATO does not remain the sole pillar of transatlantic relations, for the foreseeable future, it will be the only institutional link between the United States and Europe, thus ensuring that transatlantic relations do not fizzle out. NATO, given its current state, represents a constant challenge in the restructuring of transatlantic policies.

### *The EU's relations with Russia*

Since the end of the Cold War, the EU's relationship with Russia has also changed fundamentally. This is due largely to their geographical proximity as well as their mutual dependence, especially in the energy sector. Traditional foreign and security policy issues are thus no longer the only focus of European-Russian relations. Questions of energy policy, migration, visa exemption, public policy, the rule of law and combating terrorism have all gained in importance. All of these issues are presently being renegotiated for a follow-up agreement to the 1994 Partnership and Cooperation Agreement between the European Union and Russia.

The EU needs urgently to develop a uniform line – one that deals with these issues coherently and in the spirit of a partnership for modernisation. The European Union's relationship to Russia will have to be evaluated not solely in economic terms but also on the extent to which it becomes a new kind of partnership that includes institution building, democracy and human rights. Any modernisation of Russia that looks to economic issues alone will fail.

A long-term relationship based on partnership and mutual trust in foreign policy, economic and cultural issues also implies reaching agreement on basic questions of global governance in areas such as climate change or key decisions in the UN Security Council. In terms of a partnership for modernisation of foreign and domestic policy, the EU should strive to gain Russia as a long-term partner in a 'policy of global outreach.' In order for such a partnership to prosper, the European Union must also develop common policies in this area.

Due to the different historical relations that individual EU countries have had with Russia it is difficult to forge a common EU–Russia policy. The Central and Eastern European EU Member States, greatly influenced by decades of Soviet rule, see Russia more as a threat. On the other hand, some Western European countries such as Italy, Germany and France are banking on close, largely economic cooperation. In order for such tensions to be successfully bridged, there needs to be an open discussion about the differing interests and historical experiences members of the EU have in and with Russia.

The Weimar Triangle could support a strategic, sustainable partnership for the modernisation of Russia. The Triangle is a forum in which France, Poland and Germany discuss and coordinate their foreign policies. Ties between the former Eastern Bloc country Poland; Germany, long divided between the political blocs; and France, the 'old' major power and permanent member of the UN Security Council, should be able to open up prospects for overcoming historical positions by means of a strategic partnership for the modernisation of Russia using compromise and negotiation.

One thing is clear: the independence of Russia's neighbours, the opening of the EU to these neighbours and the partnership with Russia must be carefully coordinated to ensure countries such as Ukraine or Georgia have room for manoeuvre in their relations with Russia. They must not have to choose between either good relations with the EU or with Russia.

### *Strategic partnerships*

Today, European foreign policy generally needs to have a global focus. This is particularly the case regarding ambitious new powers such as China, India and Brazil. In an increasingly multilateral world, EU foreign policy will hardly be able to develop its influence without a number of strategic partners. The goal of global governance based on common values will only become a reality if the EU is able to project this in a resolute and concerted manner beyond its external borders. At the same time, the EU must, as far as possible, make this the basis of its alliances and strategic partnerships.

In establishing strategic partnerships, for example with China or India, the EU must make sure it promotes not only economic interests but also joint solutions to global challenges. The main tenet must be to encourage each strategic partner to act in the spirit of global responsibility – that is in a manner in which burdens are distributed fairly. Moreover, the EU's strategic partnerships must also reflect its fundamental values. Strategic interests cannot be sacrificed, nor selectively implemented depending on the partner.

*The extent to which the EU can successfully win over other countries as partners in shaping global governance is a key challenge for future European foreign policy.*

Of all future partnerships, that with China may well hold the greatest significance. As long as serious differences over questions of democracy and human rights persist, a strategic partnership will not be an option. Cooperation on economic and political issues, however, is definitely possible. One problem is that China does not consider the EU to be an equal partner. Up to now, European-Chinese cooperation has been limited to areas such as regulating internal markets and competition rights. More political aspects of the relationship are largely excluded. As a result, China often plays individual EU member countries off against one another, both politically and economically. This situation will need to change urgently if the EU wants to win over China as a responsible stakeholder in dealing with global challenges.

The extent to which the EU can successfully win over other countries as partners in shaping global governance represents the key challenge for future European foreign policy. This in turn will only succeed if, on the basis of a strong and common foreign policy, the EU itself is taken seriously as a global actor.

*The EU will only set a good global example when it finally makes a break with the principle of national sovereignty.*

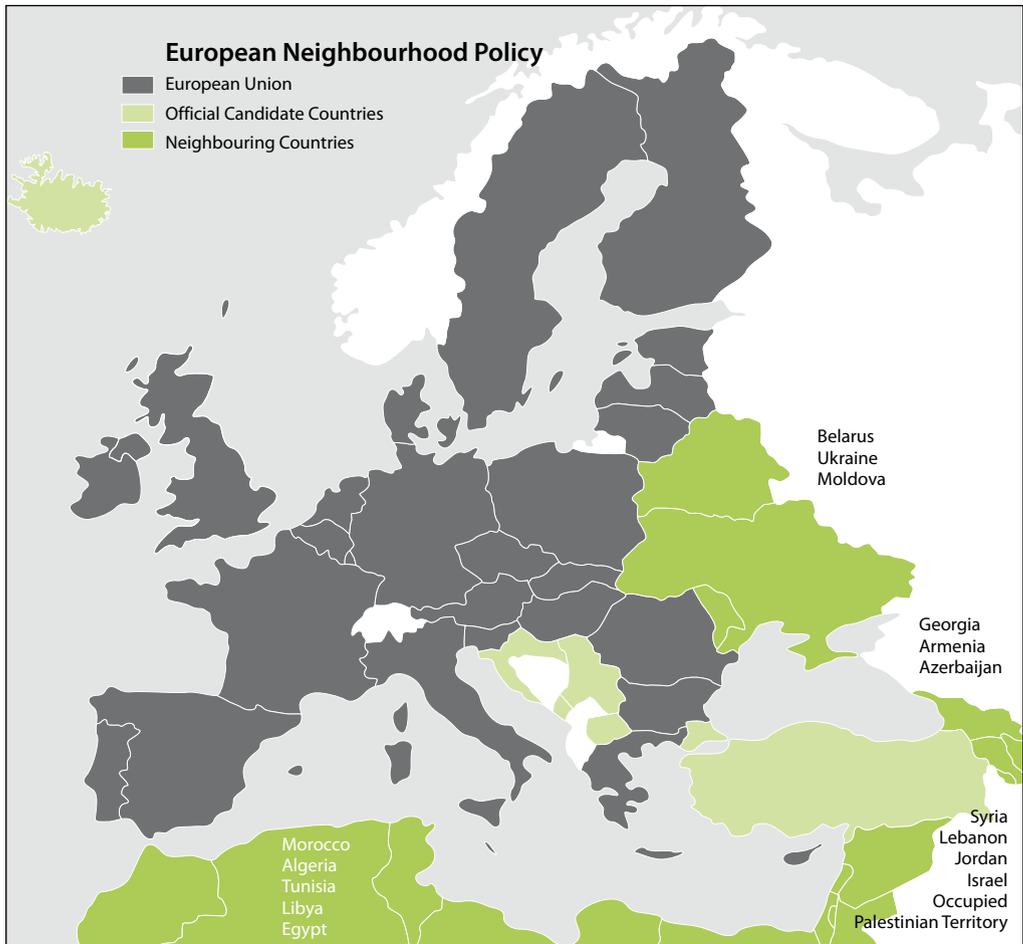
## 5 Conclusion

In light of the global challenges, there is a danger that the EU will be marginalised in the arena of world politics in the twenty-first century. Given that domestic and foreign policy problems need to be viewed in combination and in view of the global nature of issues such as energy security, migration and climate protection, answers will only be found in a common and coherent European foreign policy.

The EU cannot retreat into a 'Fortress Europe'; it must develop into a global actor. It cannot withdraw from a confusing and unmanageable world – its precept has to be to open up and help shape the future. If the EU becomes limited to simply safeguarding its own values, as an island unto itself, rather than working towards these values being recognised universally, then Europe will sooner or later lose its significance – a loss that will ultimately threaten its own achievements.

What will also be decisive for Europe's involvement in the world will be if it persuades other countries and their civil societies to intensify multilateral cooperation in a new global order. Crucial to this end is an open discussion on the future of the nation state and a modern notion of what sovereignty means in the twenty-first century. Only in this way will it be possible to solve the contradictions between globalisation, democracy and national sovereignty, which, due to the influence of national interests, have repeatedly led to a failure to do what is right and proper at a global level.

The EU will set a good example in its foreign policy only if it is possible to finally break with and transcend the principle of national sovereignty in favour of European cooperation based on solidarity, both within Europe and in its relations with third countries.



Source: [www.europarl.europa.eu](http://www.europarl.europa.eu)

# A New Relationship Between the EU and its Neighbours

The Future of EU Enlargement  
and Neighbourhood Policy

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Edited by Christine Pütz, Heinrich Böll Foundation

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## 1 Introduction

For some years now, EU members have tended to view the Union's neighbours mainly as a nuisance. Many think that the EU's relations with its neighbours should be limited to trade policy and the containment of migration. However, recent developments in Tunisia and Egypt have shown that the EU must develop a new neighbourhood policy. This is particularly true for the Mediterranean region, but also stands for countries to the east of the EU that have so far been left in a deliberate limbo between neighbour status and EU accession.

Such a new neighbourhood policy should be based on the insight that solidarity and shared wealth cannot and should not be restricted to European citizens alone, and the awareness that Europe has a vested interest in being surrounded by neighbours with strong, sustainable economies and flourishing democracies. Over the next decade, major challenges for the EU's neighbourhood policy will come from the Southern and Eastern Mediterranean regions, especially regarding the supply of energy, demographic developments and the overall political situation. The EU urgently needs to develop a new neighbourhood policy based on its long-term interests in the region; one that responds to the needs of its neighbours and is able to address the growing interest other global players are showing in the region.

In recent years, the issue of enlargement has also become problematic. Seven years after a wave of new countries joined the EU in 2004, the positive feelings that accompanied previous enlargements have almost vanished, especially in the old Member States. Further EU enlargement is no longer very popular, even among citizens who supported the accession of new Member States in the past. The reasons for the present scepticism vary but are, in one way or another, related to three factors:

1. Disappointment and disillusion with the 2004 and 2007 enlargements;

2. The conviction that the EU must first solve its internal problems, both institutionally and economically, before it can even consider further enlargement;

3. The perception that the present candidates are far from ready to join and might never be able to comply with the required EU standards.

The challenge for those who still believe in the further enlargement of the EU is how to explain to a sceptical audience why this should be supported.

For these efforts to have any chance of success, we need to be clear about why exactly the previous positive mood surrounding EU enlargement has gone sour, and what went wrong with the EU's old neighbourhood strategy. First, however, to revive the process of enlargement and shape a new neighbourhood policy, it will be necessary to give plausible explanations of why and to what end further enlargement and a new neighbourhood policy are needed. And, in addition, upon what values should they be based?

Freedom, diversity and solidarity are values that must remain central to any new enlargement and neighbourhood policy: freedom in relation to civil rights, the principle of open societies and the rule of law; diversity in recognising the need for migration (a necessity in the light of current demographic trends) and based not on 'false' tolerance but on integration. In order to achieve this, migration policy has to be freed from the constraints of security policy stipulations. It has to be based on solidarity in the sense of shared affluence, the social market economy and sustainable development for neighbouring countries. Protecting the environment and the responsible management of resources in Europe must not be pursued on the back of Europe's neighbours.

## 2 Enlargement policy

### 2.1 Enlargement policy: Results and evaluation

#### *To begin: A success story*

The enlargement of the European Union from its original six Member States in 1957 to today's 27 was actively supported by the majority of European politicians, and most European citizens saw it as a logical and necessary step in the development of the EU. When the UK, Denmark and Ireland joined in the 1970s, this was seen as a natural step from which all sides would profit (although some in France had qualms about going cross-Channel). The accession of Greece, Portugal and Spain in the 1980s was seen as the ultimate success of the process of democratisation that, in all three countries, had begun ten years earlier and to which the EU had greatly contributed. In the mid-1990s, Austria, Finland and Sweden became EU members. All three were efficient welfare states that strengthened the Union both economically and democratically.

The accession of the countries of Central and Eastern Europe in 2004 and 2007 was a direct result of the fall of the Berlin Wall in 1989. By taking in the countries that, for almost sixty years, had been isolated behind the Iron Curtain, the EU was able to deliver on its promise that it was open to all European countries willing to join. Until 1989, this had been nothing but a dream based on strong feelings of solidarity with the oppressed citizens under communist rule. After the end of the Cold War, all of the former Soviet satellites wanted to join – and they were warmly welcomed. The old division of Europe was overcome. The old Member States were willing to invest in the new members and by doing so they showed that their pledge of solidarity was not an empty promise. Solidarity with 'other' Europeans went hand in hand with a strong sense of self-fulfilment and self-realisation on the part of the old Member States.

In all cases, enlargement turned out to be a win-win situation for the existing as well as the new members. A bigger EU meant stronger economic growth for all and the establishment of stable democracies for most newcomers. By becoming a union of 27 (soon to be 28 with the accession of Croatia), the EU managed to overcome the old dividing lines in Europe and become a stronger player on the global scene.

#### *Deficits of enlargement*

Justified pride over success does not mean that the past inadequacies of the EU's enlargement policy may be ignored. Politicians, keen to overcome the post-war division of Europe, especially underestimated the impact of the accession of ten new Member States from Central and Eastern Europe in 2004 and 2007. The fact that most of the new EU countries complied technically with the accession criteria did not mean that most citizens in the old EU Member States were able and willing to accept the newcomers as equals. The psychological gap between West and East proved much more difficult to bridge. After seven years, the EU is still struggling with the impression shared by many in the old Member States that they were forced to share sovereignty with new Europeans about whom they know little. On the other hand, many citizens in the new Member States feel that they are still being treated as second-class Europeans.

On top of this lack of preparedness and feelings of alienation come real problems in the new Member States, problems not solved prior to accession and thus imported into the EU. Romania and Bulgaria still have major problems with organised crime and endemic corruption. In 'old Europe,' too, the treatment of the Roma has always been a problem, but the accessions of 2004 and 2007 have multiplied such difficulties and the EU is still looking for a fair and consistent policy in this area. In some new Member States, authoritarian tendencies threaten to undermine fragile democratic institutions.



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**Past enlargements**

- Foundation 1957: Belgium, France, Italy, Luxembourg, Netherlands, West Germany
- Enlargement 1973: Denmark, Ireland, United Kingdom
- Enlargement 1981 and 1986: Greece, Portugal, Spain
- Enlargement 1990 and 1995: Austria, East Germany, Finland, Sweden
- Enlargement 2004: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia
- Enlargement 2007: Bulgaria, Romania



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**Future enlargements**

- Member States
- Candidate countries: Croatia, Iceland, Macedonia, Montenegro, Serbia, Turkey
- Potential candidate countries: Albania, Bosnia and Herzegovina

These examples highlight a design flaw in the last round of enlargement: when in doubt, the political will to enlarge took precedence over the accession criteria. The Copenhagen criteria – democracy, rule of law and minority rights as prerequisites for new members – were not adequately taken into account. Where there were divergent interests, the political goal of quick admission was given precedence. While this may have been a valid political consideration, it also created a number of serious subsequent problems regarding democratic values and economic development and, not least, prompted doubts with regard to further EU enlargement.

## 2.2 Current doubts and why we should overcome them

Many European citizens are of the opinion that the EU should not grow any further, at least not in the foreseeable future. Politicians, too, have turned against it – even ones that are known to have championed enlargement in the past – or, faced with growing opposition, are no longer willing to defend their former positions.

### *An oversized EU*

Several reasons can be identified for the present feeling of malaise in the debate on EU enlargement. Some relate to the EU itself. For many citizens of ‘old’ Member States, the accession of twelve new countries in 2004 and 2007 has created a Union in which they no longer feel at home. They do not know their new European fellow citizens very well and they have the impression that many newcomers were absorbed into the EU despite not meeting all of its standards. The new, larger EU has gained importance in the world, but many of its old subjects now consider it to be a juggernaut that, because of its size and because they mistrust some of the new drivers, does not function as smoothly as before. The problems with the adoption of the Lisbon Treaty are seen as proof that the expansion went too far, too fast and many have misgivings because the vision of the EU’s final shape seems to be deliberately vague. For many Europeans the ongoing economic crisis has underlined the need for the

EU to deal with its present problems first – and only then consider further enlargement. Some go even further and call into question the EU’s ability to deal with the huge economic differences that exist between Member States in a satisfactory and sustainable way.

It cannot be denied that the EU faces a huge challenge in overcoming the current problems in the eurozone. However, it would be a big mistake to interpret these short-term problems as standing in the way of future enlargement, or to allow today’s difficulties to cloud the long-term interests of the EU. Almost all the present candidate states are not going to join the EU today or even tomorrow. The EU has enough time to deal with most of its structural economic complications before new members join. Urgent EU reforms are not a good reason to break off negotiations that will only be concluded at a much later date and, if and when successful, will only strengthen the EU’s economy and its chances in competing with other global players. This especially applies to Turkey.

*The candidate countries are not yet ready*

### *The Balkans*

Many Europeans still perceive the Western Balkans as a region of eternal strife and violence, dominated by corrupt elites and organised crime. They therefore think they should either be kept out of the EU for good or at least for another decade in order to be able to fulfil the minimum standards that allow accession talks to begin. The premature accession of Romania and Bulgaria in 2007 has strengthened the feeling that the EU should not make the same mistake again, and that it has to be tougher with new candidates on issues such as fighting corruption and establishing an independent and well-functioning judiciary.

*If the EU tries to isolate the countries of the Western Balkans, this will not solve their problems.*

Some such perceptions have a basis in reality. In several Balkan countries corruption is still rife, newly established democratic institutions

are weak or volatile and, after many years of violent confrontations, different ethnic communities still find it hard to live together. If these problems remain unresolved they will make accession impossible. Unstable and imperfectly democratic Balkan countries, however, will still continue to have a negative effect on neighbouring EU states. If the EU tries to isolate the countries of the Western Balkans, this will not solve their problems. In the long run, the EU has a clear self-interest in doing its utmost to help these countries resolve their problems. The history of EU enlargement shows that the most effective way of doing so is by facilitating reforms and gradually integrating them into EU structures.

### *Turkey*

Turkey is portrayed by the opponents of its accession as a country that, because of its geography and history, is not really European. It is also argued that, as a big country, its accession would challenge the existing division of power inside the EU and its low per capita income and its huge regional differences would entitle Turkey to enormous amounts of financial aid. Post 9/11 and with the rise of Islamophobia inside the EU, the fact that the majority of the Turkish population is Muslim has become an additional argument against Turkish membership.

It is true that Turkey has many unresolved problems, especially in the fields of democracy, human rights and the rule of law. However, these issues have little or nothing to do with Turkey's history, geography or with its majority religion. They are part of an ongoing transformation that, over the last few years, has already made the country more democratic and definitively more prosperous. Positive changes are underway as part of the EU accession process and because the majority of Turks want their country to have higher living standards. The EU would be well advised to use its influence to keep this reform process on track, as it is in its own interest to have a democratic and stable Turkey as a reliable partner inside the EU – instead of creating a frustrated neighbour that feels unjustly rejected.

### *The conclusive arguments are still valid*

One thing must first be made clear: the key reasons for which countries in the Western Balkans and Turkey became accession candidates are still valid. Although over the course of the last five years there has been increased criticism regarding EU enlargement, there are good reasons why we should continue the process. One of the most important lessons learned from previous rounds of accession is that the EU will only be able to influence candidate countries and their reform processes if it keeps its promise that, once all conditions have been fulfilled, EU membership will be the reward. If, on the other hand, the EU reneges on its promises, or waters down the conditional relationship between reform and membership, this will fundamentally weaken the EU's ability to promote reform in other countries.

### *Why the countries of the Western Balkans should join*

The Western Balkans are surrounded by EU territory. To keep this region out indefinitely would create a situation in which the EU would be unable to influence the stability and development of that part of Europe in a positive way. After the wars that tore apart the former Yugoslavia in the 1990s, the EU has a moral obligation to use all its power to prevent a repetition of those terrible events, something that would inevitably not only affect the inhabitants of the region but also create major instability in the middle of the EU. Based on its enlargement experiences in Central and Eastern Europe, the EU has the means and the instruments to gradually 'Europeanise' the countries of the Western Balkans. The successful incorporation of these countries would also prove to the rest of the world that the EU is not only trying to export democracy and stability but that it is, first and foremost, able to implement these concepts inside Europe, even under difficult circumstances.

### *Why Turkey should join*

The EU's interest in having Turkey inside the EU is as great now as it was in 2005 when the Union decided unanimously to begin negotiations. Turkey has a rapidly growing economy that

would make the EU an even stronger power in world trade. If the EU is serious about its ambitions to become a global player in foreign and security policy, especially in its immediate neighbourhood, Turkish membership of the EU would be a major asset. Without Turkey being a solid part of the EU, it will be much more difficult to ensure energy security and manage migration. By taking in Turkey, the EU could prove to its southern neighbours and the rest of the world that it is a Union based on common values and not on one particular religion. For the EU, having Turkey as a member would be an effective step to dismantle the still popular myth that a clash of civilisations on Europe's borders is inevitable. On the other hand, rejecting Turkey, now that talks about membership are under way, would create animosity and resentment not only in Turkey but also in other neighbouring countries in the South – and that would harm the EU's long-term strategic interests.

All these arguments in favour of further enlargement to the Western Balkans and Turkey are still valid. Thus far, however, this has not been enough to overcome the doubts and hesitations among many Europeans.

*We need to return to the firm application of the Copenhagen criteria – this will be a sign of assertiveness and strength.*

### 2.3 In favour of a new enlargement policy

#### *Fixing the final borders*

In part, the doubts about the future of the EU stem from a lack of clarity concerning its final borders. If the EU admits the countries of the Western Balkans and Turkey as new members, which countries will be next? Will enlargement continue indefinitely without any clear idea as to where the EU will end?

In order to tackle this recurring question, the Union should make it clear which European countries still have a chance of gaining entry – albeit not necessarily in the near future. To do so is both intellectually possible and politically desirable. The present lack of clarity only plays into the hands of

those who accuse the EU of not knowing where its final borders are or, if it does, of not telling its citizens.

Over the next few years, absolute priority should be given to managing the accession of the countries that have already been promised full membership: the Western Balkans and Turkey. After that, two regions of Europe remain that, in principle and if they themselves want it, could eventually join the EU: the Eastern European countries situated between the current EU and Russia (Ukraine, Belarus and Moldova) and the countries of the South Caucasus (Georgia, Armenia and Azerbaijan). For these six countries the door to the EU should remain open, despite the fact that accession talks will not start anytime soon. Membership is thus a very distant prospect. On account of this, the EU should replace its existing Eastern Partnership policy with a new strategy to help the countries move closer to the EU.

#### *Improving the accession process: 'Regatta' and merits*

For future and potential candidate countries, the pace of accession talks must be based on the merits of the respective applicants. This is supported by the 'regatta principle,' according to which it is not essential that a number of countries join on a specific date. Instead, they can do so at their own pace according to when and how well EU benchmarks are met. This fundamental change in enlargement policy, together with the new initial and final benchmarking system and the necessary agreement of the Council to open and close each chapter, could provide the basis for a better accession procedure for both EU and candidates.

#### **Benchmarks, the regatta principle and merits**

*Benchmarks:* Benchmarks define the criteria applicants must meet to initiate and finalise each individual chapter of negotiation. Explicit benchmarks help applicants meet and Member States rate achievements, which makes it easier to take the (unanimous) decisions necessary to open and close each chapter.

*The regatta principle and merits:* According to the ‘regatta principle,’ candidate countries are judged on their individual merits and admitted to the EU when all accession criteria have been fulfilled. Thus, candidates that meet the criteria more quickly will join sooner. If candidate countries cannot or will not meet the benchmarks, negotiations may fail. Thanks to the principle of unanimity that applies to opening and concluding all chapters, each Member State can enforce this new conditionality. The regatta principle is thus in sharp contrast to the ‘big bang’ – the simultaneous entry of several candidates, regardless of their level of individual compliance with accession criteria, as was particularly the case with Romania and Bulgaria in the accession rounds of 2004 and 2007.

The regatta principle and the merit-based approach are not just a concession to reality; they also demonstrate the EU’s new assertiveness and strength. The EU needs ‘good’ accessions – in other words, political change in the context of the accession process should not just take place on paper. The rule of law and democracy must be operating properly at the time of a candidate’s accession. If the EU fails to ensure this, the credibility of its own fundamental values will suffer, above all in the eyes of its citizens. Without popular support for EU integration, enlargement will not work. The binding nature of the Copenhagen criteria has to be instituted anew, as it is a sign of the EU’s assertiveness and strength. At the same time, however, it is also essential that the EU shows solidarity and responsibility towards neighbouring countries.

#### *Need for transitional arrangements*

Commitment to an enlargement process based on preconditions should go hand in hand with other mechanisms designed for candidate countries that are not able to fulfil their obligations in the short term, or with which the EU is not able to start negotiations quickly. This is not about creating shortcuts, but about transitional arrangements for those potential member countries that will have to wait many years before they can even start proper accession talks.

The EU should develop new instruments that make it possible for some of the Balkan states to remain part of the accession process even though, mostly for domestic reasons, they will be unable to keep up with the pace set by some of their neighbours. Accordingly, there needs to be a step-by-step process of integration into EU structures that rewards tangible progress in certain fields while keeping up the pressure to continue with further reforms.

#### *Merging into the EU*

Given the stricter criteria for accession, the EU must now consider new intermediate statuses between membership and non-membership. On the one hand, the accession process must not be forced, *i.e.* candidates should not be compelled to submit to processes that ultimately cannot be successful. On the other hand, such states must not be decoupled from the EU. These states need the chance to merge gradually into the EU and the single market.

### **Which countries need the merging process?**

Changes to the enlargement process will have a major impact, especially in the Western Balkans. For Bosnia and Herzegovina, Kosovo and to some degree Albania, it will be more difficult than for other Balkan countries to attain the EU’s legal standards. The EU must be prepared for this. Due to their incomplete statehood and lack of recognition, Bosnia and Herzegovina and Kosovo are particularly affected by this.

Such merging processes could also prove useful for other countries. The latest developments in Ukraine have shown that the EU was unable to prevent a return to authoritarian rule. Here, the EU was not able to commit itself to an accession process. The chosen approach, *i.e.* the EU’s neighbourhood policy, is largely decoupled from the question of if and when Ukraine might join the EU and is overly focused

on Ukrainian officials and institutions. The EU's current neighbourhood policy does not offer the citizens of future accession countries benefits in the form of cultural exchanges, visa facilitation or other measures that could be part of stabilisation agreements. The EU needs a new set of instruments for Ukraine that, while not part of the official pre-accession process, must offer more than the present neighbourhood policy.

### *New internal EU rules*

Many EU countries fear that, although the Lisbon Treaty supposedly deals with the challenge, further enlargement will make the EU even slower and more cumbersome in its decision-making. Furthermore, large Member States are afraid that, under the present rules, the accession of many small countries and potentially two big ones will further weaken their dominant role. The only way to still such fears is to start a debate alongside the present accession negotiations as to how to prepare the EU and its decision-making processes for a membership of over 35 countries. This will be difficult as, after the long and laborious work on the Lisbon Treaty, there is little enthusiasm for a new round of institutional discussions. Still, the potential accession of many small states will make this inevitable.

The EU needs to have a serious debate on amendments to the present rules – ideally before it opens its doors to the countries of the Western Balkans – that must ensure that an EU of 35 can continue to operate efficiently and democratically. Issues that will need to be discussed include more majority decision-making in the Council, greater opportunities to form coalitions of the willing and upgrading the role of the larger Member States. Procedures for closer cooperation between Member States that want to move faster on certain issues, without permanently excluding others not yet ready to join, are already part of the Lisbon Treaty. In due time, these kinds of arrangements should be evaluated to see whether they have proved to be effective.

The possibility for new Member States to catch up on certain parts of the EU *acquis* at a later point or to have the option not to participate in certain policy areas (something some members have already opted to do) would make accession easier and more attractive for some candidates. At the same time, it would not undermine the existing cooperation between and integration of those members willing and able to go beyond the EU's lowest common denominator.

In the past, similar debates about a 'multi-speed EU' or an 'EU à la carte' have come to nothing, mainly because it was felt there was no real need to develop effective and acceptable alternatives to full EU membership with the same conditions applying to all. An expanding EU that tries to incorporate all remaining European states willing to accede may have to revisit some of the old models rejected in the past. The big challenge, now as then, will be to combine more flexibility and improved efficiency in an enlarged EU with strong parliamentary control, both at national and European level.

## 2.4 Regions

For a number of reasons, the countries of the Western Balkans and Turkey should be the primary focus of EU's present enlargement policy.

### *The Western Balkans*

For the countries of the Western Balkans, with the exception of Croatia, the problem is that EU membership was promised in 2003. Since then, however, even the start of accession talks has been postponed indefinitely. The EU has adopted a 'wait-and-see' policy that has already damaged the credibility of the Union and is rapidly diminishing its chances of influencing reform across the region. While being realistic about the length of time it will take most Balkan countries to join, the challenge for the EU is to develop mechanisms that will keep up the momentum on the long road ahead. The EU must accept that, while there are huge differences among the Balkan countries, at the same time the region is interconnected on many levels. This, however, makes it highly diffi-

cult to draw new boundaries between the hopefuls that could join the EU relatively quickly and those that will need more time to adjust.

The EU has to decide quickly whether it will be possible to open accession talks with all the countries in the region or, if not, what other mechanisms will need to be put in place to close the gap between the current situation and reaching the minimum requirements for negotiations.

Macedonia, Serbia and Montenegro should be able to implement a sufficient degree of short-term reform to meet the prerequisite for talks. The EU will have to find interim arrangements along the lines of what is already under way for Bosnia and Herzegovina, Kosovo and Albania.

In the context of the historical structures in the Western Balkans, it will be crucial to cushion the effect of the accession negotiations being conducted at differing speeds. Due to their common past, the peoples and economic relations of the Western Balkan countries are still interlinked across today's borders. This is especially true for ethnically diverse Bosnia and Herzegovina. Cutting Bosnia and Herzegovina's close economic, familial, political, energy, transportation and historical ties with its neighbours by putting an inflexible EU external border in place would have devastating consequences. Here, interconnections must be maintained and even expanded. Despite different accession speeds, the EU thus needs instruments to promote regional collaboration and cooperation.

At the same time, the 'benefits' the EU can dispense must be used with great care. In the Balkans in particular, the EU therefore needs to continue with a carrot-and-stick approach to prompt the political elites to make the necessary political, legal, economic and structural changes. Benefits must be tied to reforms in the areas of civil liberties, anti-corruption and democracy. Concurrently, this process must fit so well with the interest these countries have in becoming full EU members that their efforts do not wane and they continue to implement the reforms required to meet the Copenhagen criteria. Such an 'entry-level' EU membership may not provide

all the benefits associated with full membership (freedom of travel, economic development, prosperity) in advance. At all times the EU must retain the prospect of full EU membership to be used as leverage to prompt political reforms in the accession and candidate countries.

### *Turkey*

The problem with the EU-Turkey negotiations, begun in 2005, is that the pace of political reform in Turkey has since slowed down substantially; negotiations on certain questions could soon grind to a halt because there are no more chapters to open. Talks on about half of the chapters are stalled because of opposition either from the EU or from Member States such as France and Cyprus. Sooner or later, both the EU and Turkey will have to come clean on how they want to continue a process that has demonstrated how very difficult it is for a divided Union to negotiate with a major country. Turkey faces EU demands for fundamental reform without having any guarantee that, at the end of that process, it will actually be allowed to join.

The best thing the EU could do in this situation would be to restate its commitment to Turkish membership. Unfortunately, this is not very likely to happen in the near future. The French president and the German chancellor have both repeatedly expressed their opposition to full Turkish membership. Although the present political set-up in France and Germany might change over the next two years, it seems that now, because of its internal economic problems, the EU will find it difficult to restore confidence in the willingness of both sides to stick to their promises. On top of this, the prickly question of Cyprus is not conducive to strengthening EU commitment.

With membership in limbo and only a distant prospect, the challenge, over the next couple of years, will be to keep Turkey-EU relations alive, while simultaneously working on removing the remaining obstacles.

One way of achieving this would be constantly to keep in mind the powerful strategic argu-

ments in favour of Turkish membership. On most major global issues, Turkish membership would strengthen the European position. It is in the EU's own interest to have Turkey on board; to reject Turkey or only award it second-rank status is not.

Keeping those long-term interests in mind and knowing that the economic ties between Turkey and the EU are growing stronger every year, the EU should try harder to convince the Greek Cypriots that to find a compromise with the Turkish Cypriots and Turkey is not only in their best interest but also in that of the whole of the Union.

For most Turks, the most visible and grievous result of the current impasse is the visa regime. It is easier for citizens of certain non-European countries to get a short-term visa for some EU Member States than it is for Turkish citizens. Based on its experience with the Western Balkans, the EU should gradually facilitate and liberalise its visa policy with Turkey. In Turkey, this would restore confidence that the EU is still serious about the country's membership prospects and that negotiations with the EU can produce tangible results even before accession.

One of the areas in which the EU and Turkey should be able to cooperate better is foreign policy, especially in their shared neighbourhood of the Balkans, the Caucasus, North Africa and the Middle East. Here, an informal and flexible mechanism for better coordination and communication would prove to sceptical citizens on both sides that the benefits of closer cooperation can be tangible – for instance by solving difficult conflicts that, on their own, neither the EU nor Turkey would be able to resolve.

### 3 EU Neighbourhood Policy

The upheavals in the Southern and Eastern Mediterranean have clearly shown that the focus on 'stability' previously pursued in EU neighbourhood policy was a serious mistake and to the detriment of peoples oppressed by their rulers. Given the now obvious shortcomings, a simple 'business as usual' approach is no longer acceptable. In May 2011, the European Commission out-

lined a new position on the changing situations of its eastern and southern neighbours in its paper 'A New Response to a Changing Neighbourhood.'

In recent years, the EU and particularly the European Commission has primarily become a manager of Europe's Mediterranean policy; it has been a long time since it last acted as an engine for change, as at the start of the Barcelona Process.

#### European Neighbourhood Policy (ENP)

European neighbourhood policy rests on two regional pillars: the Union for the Mediterranean (formerly the Euro-Mediterranean Partnership) and the Eastern Partnership. The central goal of the European Neighbourhood Policy (ENP), as developed in 2003, is to harmonise the EU's relations with its immediate neighbours and create a 'circle of democracies' surrounding Europe.

The political transformation of North Africa and parts of the Arab world has had considerable impact on the realignment of the neighbourhood policy and the consequent search for new mechanisms for more ambitious cooperation with partner countries. A great deal can be learned from this example. In view of the pro-democracy uprisings in Tunisia and Egypt, the EU offered the Southern Mediterranean countries a 'Partnership for Democracy and Shared Prosperity.' Countries looking to reform are to receive additional support in keeping with the principle of honouring 'more with more.' Free and fair elections subject to appropriate monitoring are a requirement for participation in the Partnership.

#### The Barcelona Process: The Union for the Mediterranean

The 1995 Barcelona Process – also known as the Euro-Mediterranean Partnership (EUROMED) – was the EU's first comprehensive concept for the Mediterranean region. It initially involved 15 EU members and 12 Southern and Eastern 'partner

countries.<sup>2</sup> The Barcelona Process included a comprehensive approach to three areas of cooperation (political, economic and cultural/social partnership) and the signing of Association Agreements with all partner countries.

In 2008, to give added impetus to the relationship between EU and Mediterranean countries, French president Nicolas Sarkozy proposed a new framework for cooperation, the 'Union for the Mediterranean'. Its original goal was decentralisation. By shifting Mediterranean policy out of Brussels and into the region, a 'Mediterranean Union' was to be created based on the model of the European Union. Ultimately, the Mediterranean Union was defined as reforming and further developing the Barcelona Process through new structures: biannual summit meetings of the heads of state and government, a regularly rotating co-presidency, a secretariat in Barcelona and a standing committee with equal representation. Currently, 43 states are part of the Union for the Mediterranean: the 27 EU Member States; 10 former partner countries of the Euro-Mediterranean Partnership (Malta and Cyprus joined the EU in 2004); Mauritania; the candidate countries Turkey, Croatia and Macedonia; the potential candidate countries Albania, Monaco, Montenegro and Bosnia and Herzegovina; and the Arab League. As before, Libya has observer status. In addition to creating new institutions, the Union for the Mediterranean has focused on intergovernmental cooperation between EU Member States, the EU itself and the Southern states. It has, however, neglected EU-Mediterranean cooperation on political and civil society matters.

The EU is thus changing tack in its philosophy of cooperation: while it has hitherto mainly pursued the gradual integration of the countries on its southern margins, the EU is now trying once again to apply more positive conditionality to

such processes. It remains to be seen whether this approach can be sustained in practice. There is a danger that it will just result in more of the same, *i.e.* the provision of financial assistance without any firm commitments to lasting political reform in return. The approach also entails a 'less for less' or negative conditionality, which many neighbouring countries fail to grasp. It has, nevertheless, great potential to revive some aspects of the ENP, such as rewarding partners willing and able to reform, making distinctions between countries and emphasising shared values such as democracy, human rights and the rule of law. In addition, working with civil society organisations has become an important goal.

### The Eastern Partnership

The Eastern Partnership was established in 2009 along the lines of the Barcelona Process (or Union for the Mediterranean) as a central European response to the French initiative. Its goal was to restore the geopolitical balance between the EU's eastern and southern neighbours. Political dialogue with partners in the East (Belarus, Ukraine, Georgia, Azerbaijan, Moldova and Armenia) remains challenging, however, especially with regard to democratisation and civil society. The institutions and instruments of the Eastern Partnership are less developed (it does not have a secretariat or a co-presidency). Nevertheless, a civil forum similar to the former EuroMed Civil Forum has been established – today's non-governmental EuroMed Platform. As part of the EU's bilateral relations, regional dialogue with these neighbour states is just as important as with those in the South.

The European Neighbourhood Policy and the Eastern Partnership, however, have not been able to meet the ambitious goal of transforming societies in Eastern Europe. There have been backward

2 The 15 EU Member States of 1995 and 12 Mediterranean partner countries: Morocco, Tunisia, Algeria, Egypt, Syria, Jordan, Israel, the Palestinian territories, Lebanon, Turkey, Cyprus and Malta. Libya acquired observer status in 1999. See map on page 88.

steps (Ukraine, Georgia) and massive setbacks (Belarus, which does not participate in the ENP but is involved in the multilateral component of the Eastern Partnership). Semi-authoritarian regimes remain in Armenia and autocratic structures persist in Azerbaijan.

### 3.1 EU neighbourhood policy to date – the state of play

The objective of the EU's neighbourhood policy to date has been to promote stabilisation in the South and homogenization in the East. In the process, the fact that the EU's stabilisation and foreign trade policies neglected human rights and democratic standards was tacitly accepted. However, recent developments in North Africa have shown that backing authoritarian regimes is no guarantee of lasting stability.

With hindsight, we must also concede that the EU's neighbourhood policy did not effect lasting and comprehensive Europeanisation. There are many reasons for this. It would be wrong to explain the meagre results of the neighbourhood policy as being solely due to the fact it offered no prospect of membership or that it was inadequately financed. The effectiveness – or lack thereof – of the neighbourhood policy should rather be judged against the background of limited resources, instruments and prospects for cooperation.

The weaknesses of European neighbourhood policy to date have been:

*Inadequate focus on issues:* European neighbourhood policy declared numerous priorities for cooperation without adequately defining the content.

*An excessive focus on government:* It has been pointed out, with good reason, that numerous projects were realised solely in cooperation with the governments or public institutions of the partner countries, leading to a long period of neglect for civil society. The creation of a new, energised civil society forum or dialogue will be an important step to ensuring that society as a whole plays a part in neighbourhood policy.

*Insufficient conditionality:* European neighbourhood policy has relaxed the principle of conditionality. While reform was made a prerequisite in some areas of cooperation (such as justice and domestic policy, where readmission agreements are a prerequisite for visa facilitation), a noticeably lower priority has been given to further cooperation being dependent on advances in the process of democratisation.

*Lack of tangible incentives:* European neighbourhood policy has not offered enough suitable short-term and tangible incentives that would have made it easier for elites, generally sceptical of reform, to become more involved in cooperation.

*Insufficient nuances:* The conditions and needs of individual neighbouring countries, both East and South, vary greatly. The EU, with its European norms, standards and bureaucratic requirements, has not found an adequate way of addressing this fact.

*A lack of membership perspective, alternatives with little appeal:* To date, the EU has also been unable to influence developments in these countries as they had little or no prospect of membership. The offers the EU has extended towards the Mediterranean countries such as advanced status, action plans or association agreements have been of little interest to some Arab countries.

*Poor judgment:* Europe was also not sufficiently aware of its limited options given the state of local conditions and competition from other actors in the East and South.

The new situation in the Southern and Eastern Mediterranean now offers sufficient reason to redefine the concept and instruments of multilateral and regional cooperation.

### 3.2 Instruments for a new EU neighbourhood policy

The EU's future neighbourhood policy should focus on the following: positive conditionality and democracy, migration and integration issues, and the strengthening of civil society.

### *Positive conditionality and democracy*

An important difference to previous policies would be if the so-called ‘positive conditionality’ were to be strictly applied, *i.e.* additional aid and political support would only go to those countries that had done most to improve democracy and human rights. The EU has to show its neighbours that it will monitor progress on issues such as the freedom of the press, the independence of the judiciary, efforts to combat corruption and the conduct of elections and it has to make clear there will be benefits for countries that perform well. Here, the EU should offer tangible rewards such as better access to the internal market, closer cooperation in certain areas or more financial assistance. Setting up a *European Endowment for Democracy* would be a good way to focus new efforts to promote democracy.

The governmental structures of all partner countries are highly centralised. Nevertheless, new drivers of reform, new elites and new moves to democratisation can arise both regionally and locally. Both the Eastern Partnership and cooperation with the EU’s southern neighbours should place more emphasis on decentralisation and self-government. At present, too many projects and programmes are focused on the capitals and major urban centres.

The EU should be able to respond flexibly, quickly and in a politically appropriate manner to changes, crises, conflicts, contradictions or stagnation in political transformation processes. To this end, the European Commission and its delegations in the field must be capable of greater autonomy and flexibility in their responses to developments. A closer evaluation (without bureaucratic red tape), a review of how EU funds are being used and evaluation of projects and programmes is necessary.

### *A new migration and integration policy*

In migration and visa policy, the primary focus should not be a continuous tightening of security through biometric visa applications and similar measures. Rather, immigration should be seen

as an opportunity for greater diversity. Europe’s credibility as a guarantor of universal values is undermined if it does not respect the dignity of visa applicants or treats them in a demeaning or racist manner. Free trade zones in the neighbourhood must not only encompass freedom of movement for capital and products but also for people. Intercultural exchange and mobility are the European values of the twenty-first century.

### *A stronger link between migration and integration policy is required.*

Measures facilitating travel, including visa exemptions, are instruments that give people in the partner countries contact with the reality of life in the EU. The EU should make its borders to the Southern and Eastern Mediterranean more permeable by moving away from its Frontex border policy; it should make its migration and visa policies more coherent and flexible (facilitating circular migration, introducing mobility partnerships, facilitating temporary work and study visits, etc.). There has to be a stronger link between migration and the various levels of integration policy.

Given the great political importance and sensitivity of this issue in many Member States, cooperative efforts must be made to improve homeland security, police services, border protection and, in particular, the implementation of the agreed road maps that will lead to visa liberalisation in the long term.

### *Strengthening civil society*

European neighbourhood policy has traditionally been focused on the state. It is, however, essential that cooperation policy assign greater value to civil society actors. To achieve this, specific steps will need to be taken to convince politicians and citizens alike that there is more need for reform. A policy of small steps needs long-term engagement; it will only be possible to finalise such a process if the key actors are convinced that it is of advantage to themselves and their societies. One way to create a solid and lasting basis for reform would be for the EU to promote non-governmental organisations.

### 3.3. The Southern Neighbourhood: New opportunities in North Africa and the Middle East

For the EU, the Mediterranean will remain one of the most important regions. Geopolitically, it is the bridge to the Middle East, the Black Sea region and Africa. Existing and emerging problems in the Mediterranean region such as energy supply, regional conflicts (Israel-Palestine, Cyprus, Western Sahara), international terrorism, organised crime, the drug trade, pollution and migration call for regional solutions. The planned free trade zone in the Mediterranean region would be one of the world's largest, encompassing 40 states and 600 to 800 million consumers.

The neighbourhood policy's bilateral orientation and European focus has led to some increased economic and political competition in the Mediterranean and between individual neighbour states. It has thus tended to hamper rather than promote regional integration. Yet regional integration in North Africa, the Middle East and the Mediterranean region as a whole is one of the key ways to create jobs, needed even more urgently now than before the uprisings.

Systems and challenges in individual North African and Middle Eastern states vary greatly, making a nuanced approach on a bilateral basis necessary. Nevertheless, multilateral cooperation is at least as important, especially when it concerns shared responsibilities for regional challenges such as migration, energy supply, water distribution, the pollution of the Mediterranean, traffic routes, international terrorism, etc..

The new situation in the Southern and Eastern Mediterranean is cause enough to redefine the concept and instruments of multilateral and regional cooperation. The EU paper on 'A New Response to a Changing Neighbourhood' devotes only a small

section to the Union for the Mediterranean.<sup>3</sup> In the medium and long term, however, it is in the interest of both the EU and its southern neighbours to revive multilateral cooperation and to strengthen projects for regional cooperation. The aim must be to manage the current transformation processes constructively.

#### *The economy: Focus on labour-intensive areas of production*

The countries of the Mediterranean region do not lack capital; nevertheless, it is rarely used for economic diversification and job creation. The focus on a single product such as energy makes countries excessively dependent on fluctuating exchange rates. The EU should assist Mediterranean countries in specialising in the production of goods that do not require a high level of skill, as labour-intensive manufacturing would increase employment and expand local markets. The region offers great cost advantages with its proximity to Europe and locally available primary products. Europe should ensure privileged access to the single market for products from the Mediterranean region.

#### *Development of the domestic agricultural market*

The Mediterranean countries produce too little food and thus have to spend substantial sums on imports. The demand to open European markets for agricultural products from the region, however politically sound, is thus questionable from an economic point of view. Due to a lack of water and efficient agricultural technology, the countries of the South are currently incapable of feeding large parts of their own populations. With a few exceptions, such as Egyptian cotton, the agricultural sector in the South cannot and must not be mainly focused on export; it should, above all, satisfy internal demand and absorb the labour surplus left by the industrial sector.

3 European Commission/High Representative of the European Union for Foreign Affairs and Security Policy (2011): Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: 'A New Response to a Changing Neighbourhood', Brussels May 25, 2011, COM(2011)303.

### *Energy and the environment*

Currently, there are two main initiatives for cooperation on energy and the environment: the Mediterranean Solar Plan and private projects such as DESERTEC. It is the responsibility of the EU to ensure that such projects create a win-win situation for both North and South, guaranteeing environmental and social sustainability.

#### **DESERTEC**

The DESERTEC project was developed independently of existing Euro-Mediterranean cooperation. It aims to generate clean power in the Sahara through solar and wind energy and thus cover a major share of consumption in the Middle East and North Africa (MENA), as well as up to 15 per cent of the EU's energy needs from 2050 onward. However, the idea is controversial. Major issues include the insecurity of supply due to the volatile political situation, the centralisation of power generation and the associated grid expansion, the cost to consumers, the risk of terrorist attacks and the question as to whether the interests of the MENA countries are truly being taken into account.

#### **The Mediterranean Solar Plan (MSP)**

The Mediterranean Solar Plan (MSP) was launched during the founding summit of the Union for the Mediterranean, held in Paris in 2008. Its objective is to promote the generation, transmission and use of solar energy and to encourage greater energy efficiency. The MSP is one of the Union's five flagship projects for the Mediterranean. By 2020, the project is slated to generate 20 gigawatts of renewable energy for the EU with up to 100 gigawatts by 2050, in addition to covering 50 per cent of the domestic demand of the MENA countries.

To date, the EU has pursued neither the DESERTEC project nor the Mediterranean Solar Plan with any intensity within the ENP. While the paper 'A New Response to a Changing

Neighbourhood' has proposed a more intensive dialogue on energy policy with Europe's southern neighbours, the expansion of the Energy Community and the creation of another such community between the EU and its southern neighbours, there has been little to no implementation. At present, only the very first stages of cooperation between the private initiatives of major energy companies such as DESERTEC and the government initiative that is the Mediterranean Solar Plan are in place and, to date, the private enterprises involved pursue their primarily profit-oriented goals largely unimpeded. As sustainable development is so very vital for the region, the interests of the Southern Mediterranean countries must play a greater role. What is needed is a detailed analysis of the energy needs of the MENA countries and how best to create new jobs and training opportunities locally. Energy policy presents the EU and the MENA countries with a number of shared challenges: the diversification of energy supply, the creation of common markets and thus energy market reforms, the development and modernisation of energy infrastructures, the improvement of energy-saving technologies and the use of renewable energies.

### *Education and culture*

In many Southern and Eastern Mediterranean countries, the number of unemployed graduates and the percentage of young people without job prospects is very high, creating a situation ripe for social conflict. There is an urgent need not only to adapt education and vocational training to the needs of local labour markets but also to relieve the labour shortage in the EU. In addition, new training and job opportunities in areas such as renewable energy need stronger support.

In general, cultural cooperation should be more nuanced (according to categories, themes and target groups). The widespread availability of exchange programmes for students and language programmes would make an important contribution to reducing mutual prejudices, improve networks between individuals and foster closer ties between societies.

## Contacts with Islamic movements – Opportunities and dangers

Many autocratic rulers justify their oppressive regimes by claiming that the only alternative is Islamic fundamentalism. In some of the countries where despotic regimes have recently been overthrown, Islamic movements enjoy substantial popular support. Increasingly the political dividing line is not between left and right or progressive and conservative, but between secular versus religious parties, *i.e.* the separation of religion and state versus an Islamic constitution. In many Arab countries, Turkey's constitution is viewed as model of how to combine democracy, Islam and Muslim traditions. The EU has to decide how to deal with such religious movements. On the one hand, there are good reasons to build relationships with Islamic groups that reject violence. Islamic parties will play an important role in the region's new democracies – even if they may not win an overall majority. In order not to alienate local populations once again, the EU will have to talk to Islamic groups, as they will likely become an important political force. Only through such dialogue will the EU be able to influence the internal debates of such movements and promote moderate voices within them. Therefore, it is in the EU's best interest to deal with Islamic actors, otherwise it will be unable to regain the role of a credible actor in the region, helping to modernise and moderate social forces within the Arab world.

However, although there are good reasons to seek a dialogue with Islamic parties and groups, the dangers and difficulties of such a process should not be underestimated. After working for decades with the regions' autocratic rulers, the EU must not, once more, make the mistake of abandoning its values for purely pragmatic or economic reasons. Consequently, before making contact with Islamic groups, the EU should set a number of preconditions for dialogue. Namely, such groups will have to reject violence and be willing to participate in the democratic process. In addition, their major

objective should not be to proselytise but to become serious political actors. Overall, the EU will have to recognise that conditions vary widely across the region. This means that the EU will have to judge each case on its own merits and then decide whether to open a dialogue or not. Above all, Europe should try to improve its relations with Muslims in the Southern and Eastern Mediterranean region by redefining and improving the way it treats its own Muslim populations.

### *Cooperation with Turkey*

The new role the EU aspires to play in the region would be more viable if it were willing to establish a strategic partnership with Turkey. In recent years, Turkey has become an important player in the region. It is seen by many countries, if not as a paradigm, then as a good model to follow because its booming economy, multiparty democracy and ability to combine a predominantly Muslim population with a secular state seem to be hallmarks of success. Opening up the ENP to Turkey would provide several potential areas of collaboration, in which European money and incentives could be combined with Turkey's experience in transitioning from authoritarianism to democracy and from a state-dominated economy to a social market economy. Turkey has something to offer in many areas that are important for the EU, be it private sector development, student exchanges, reforming Islamic parties or redefining relations between civilian and military authorities.

Well-structured cooperation between Ankara and Brussels would not only improve the effectiveness of the ENP but also help overcome the lack of trust that currently exists between the EU and Turkey. In addition, it would prove that, with the accession of Turkey, the EU could become a more effective and influential global actor.

### 3.4 Restructuring the Eastern Partnership

The revolutions in North Africa and the Middle East have focused attention on the institutional relations between the EU and its southern neighbours. However, the so-called Eastern Partnership between the EU and Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan is also part of the ENP.

Much of the above-mentioned criticism of the EU's Southern neighbourhood policy also applies to relations with its eastern neighbours: too much focus at the state level on promoting trade and cooperation, little or no civil society involvement, few concrete benefits for ordinary citizens such as a more flexible visa regime and the unsolved question of how to reconcile a nuanced approach to very diverse countries with the unwillingness to make a distinction between the efforts of countries that perform well and those that do not. Underlying all of this is the EU's inability to influence developments in countries that, at least until now, have no prospect of ever joining the EU. As mentioned above, one way to regain support for further EU enlargement among the Union's citizens may be to define the ultimate borders of the EU. Such a step would show the EU's six eastern neighbours that, in the long run, EU membership is possible, even if it might take many years. Such clarity about who may or may not eventually join the EU would help these countries out of their current limbo. Nevertheless, the EU will have to do more than point to a rosy but distant future.

For the EU to apply 'positive conditionality' to relations with its eastern neighbours would be an important step forward, as it would demonstrate that democratic reforms will be rewarded. Such a policy could reverse the trend currently dominant in this part of Europe, which has seen regimes become more authoritarian and less democratic without any tangible EU reaction to such negative developments.

*The road to EU membership is long; it is therefore important to define tangible intermediate steps.*

Whenever one of the EU's eastern neighbours accomplishes structural improvements in the area of human rights or democracy, it should be rewarded with, for example, more access to the internal market, closer cooperation in certain policy areas or more financial assistance.

As with Turkey and North Africa, most citizens in this region would feel much closer to Europe if they were able to travel more easily to the EU. Thus, visa regulations should be liberalised once border controls and administrative procedures have been improved.

The road to EU membership is long; it is therefore important to define tangible intermediate steps that will encourage citizens and political leaders to keep pushing for reform.

As a general rule, the EU's Eastern Policy has not taken the interests of the people in the region seriously enough. Only wide-ranging social change will transform the EU's eastern neighbours for good; this is where the EU needs to make a stronger commitment. The Civil Society Forum, founded in 2009, has developed a suitable strategy that should be put to use more effectively as a basis for civil society initiatives. Nevertheless, working with civil society must not be perceived as an alternative but as a complement to working with official authorities and governments. Whenever civil society structures are supported it will be necessary to establish which spheres of activity need to be strengthened. In addition to the core areas of democratisation, fundamental rights and the media, care must therefore be taken to promote activities in areas such as the environment, energy, health care and social policy.

### 3.5 The EU's relations with Russia

One of the greatest challenges in European neighbourhood policy is to coordinate an active EU policy towards Russia that encompasses equally dedicated and nuanced positions towards Europe's other eastern neighbours.

The EU must prevent a new division of Europe into a Russian zone of influence marked by authoritarianism and territorial conflict and a democratic European Union. For precisely this reason, a coherent policy towards Russia is vital for the EU. It is essential to harness the diversity of EU Member States' economic and political relations with Russia and use this to contribute to its modernisation and democratisation. This must also be the goal of a new partnership agreement between the EU and Russia. A Russia that turns away from Europe would not only harm itself; it would also have enough disruptive power to block democratic transformation and European integration in the whole region.

To date, there has been no joint EU policy towards Russia, *i.e.* one guided by shared interests, marked by coherence and with a clear message. On the contrary, there are frequent conflicts between EU members rooted in differing historical experiences, economic interests and regional political preferences. Contrasting attitudes among old and new EU members must be respected and, wherever possible, reconciled in an open process of consultation with the aim of developing a common policy towards Russia and Eastern Europe. For the coming years, this will be a major policy challenge for the European Union.

Other than securing its energy supply, the EU also has a vital interest in cooperation with Russia as a partner in addressing global challenges such as climate change, disarmament, arms control and dealing with conflict areas such as Iran, Afghanistan and the Middle East. However, Europe must not promote its interests by recognising Russian hegemonic claims to its 'near abroad.' The only recently achieved sovereignty of former Soviet republics is not negotiable; this also applies to their right to decide which political alliances to join. The approach is to find win-win solutions in economic and security policy and to integrate Russia wherever possible. There are numerous European projects in which Russia already participates or could participate in future: transport, energy and the environment, legal harmonisation and security issues. Europe should also offer Russia the prospect of closer cooperation with the EU and NATO.

The prospect of EU membership, which should continue to be a viable option for other Eastern European countries, will most likely remain illusory for Russia. Nevertheless, the same issues will be at stake in the short and medium term: cross-border cooperation, economic modernisation, joint European security, the rule of law and human rights and freedom of movement and travel. What is important, however, is that the EU's Eastern neighbourhood policy should never become subordinate to its Russia policy. The EU needs to develop bilateral and multilateral programmes for its eastern neighbours – programmes that may, but do not have to include Russia.

## 4 Conclusions

The European Union has reached a point in its relations with its neighbours where it cannot simply offer more of the same. This is true both for enlargement and neighbourhood policy. Within the EU, support for the accession of new states has declined significantly and candidates are increasingly of the impression that the EU has lost interest in them. Negotiations are dragging on, yet membership remains out of sight. The Arab Spring has thrown into sharp relief the shortcomings of the old neighbourhood policy – both in the East and the South.

The EU is faced with the challenge of breathing new life into the enlargement process and radically rethinking its neighbourhood strategy. In doing so, it should not get distracted by scepticism at home and abroad. There are good reasons to continue accession talks with the countries of the Western Balkans and Turkey and to keep the door open for other possible candidates. Following the revolutions in a number of North African and Middle Eastern countries, new neighbourly relations will need to be established, something not only desirable from the EU's perspective but imperative for economic, political and cultural reasons.

The admission of Turkey, a vibrant economy and an ambitious regional power, is in the EU's best interest. The EU's worldwide standing would suffer greatly if it were to deny Turkish member-

ship for reasons that ultimately amount to an unwillingness or inability to accept a European country because the majority of its population practices a different religion.

The countries of the Western Balkans are geographically surrounded by EU members. To exclude them for good would cause instability in the heart of Europe, something certainly not in the EU's interest. How can the EU credibly promote democracy in neighbouring countries if it is not able to admit small countries still struggling with the effects of a recent, cruel war?

These long-term strategic considerations are as valid in 2011 as they were in 1999 and 2003.

The EU's current policy must be reviewed and then improved. To this purpose, a critical evaluation of the last two rounds of enlargement in 2004 and – most importantly – 2007 will be necessary. One lesson, though, has already been learned from the accession of Central and Eastern European countries. To ensure that problems are not postponed indefinitely, the current negotiations must be absolutely clear as to the conditions for membership – conditions that derive from strict principles. Vague promises of reform should not be taken at face value; evidence of their actual implementation will have to be provided. In future, only countries that meet the EU's criteria for membership will be able to join the Union.

Three further points must also be taken into consideration:

*Firstly*, the final borders of the EU need to be defined. This is important to prevent speculation and to provide a positive signal to those neighbours that, one day, will have a chance of being admitted. For the countries currently belonging to the Eastern Partnership, this would signal that accession talks are possible – once the EU creates the necessary framework and once the candidate countries fulfil all the necessary conditions.

*Secondly*, transitional arrangements must be made for possible candidates who will not be eligible for accession in the near future. The EU

should develop a framework that offers unlikely and potential candidates unable to fulfil membership criteria in the foreseeable future the opportunity to make gradual progress in specific areas, thus moving closer to the EU without becoming involved in negotiations for which they may not be qualified and which they would likely fail.

*Thirdly*, the EU should debate a revision of its internal rules to make sure that a Union of 35 or more members would still be able to function efficiently and democratically.

*The EU must become both stronger and more flexible.*

The EU has already begun to overhaul its current neighbourhood policy. The reason is clear: the Arab Spring forced the EU to admit that its old strategy had failed and that a new one was needed – one that corrects the mistakes of the past while addressing the challenges arising from the new political landscape in many parts of North Africa and the Middle East.

The main criticism – especially of Europe's Mediterranean policy – is that it lacked a strategy to promote democracy. Here, cooperation between the EU and its partners was not linked to advances in democratic governance and the rule of law. The EU did business regardless of whether rulers had a veneer of democracy or were outright despots. Civil society was barely involved and tangible benefits for the general public were either vague or nonexistent. Overall, the agreements lacked clear goals.

These serious deficiencies must be overcome in a new neighbourhood strategy. The EU should recall its own values and apply them consistently when cooperating with neighbours, vigorously promoting open and transparent discussion in societies, in which viable political majorities do not yet share those values or the EU's political and social standards. Conditionality vis-à-vis political elites blocking modernisation and transformation can only be successful in countries in which democratic change arises from and is being demanded by society. One possibility to promote this would be to ease the stringent visa policy

currently in operation and allow more freedom of travel. This would show to the people of North Africa and the Middle East that the EU is not aiming to suppress well-regulated personal travel but wants to encourage it.

The EU should propose a new economic policy for the region, one that promotes labour-intensive manufacturing and increases the quantity and quality of agricultural production among its southern neighbours. Cooperation in the energy sector should not only benefit the EU as the main buyer of clean solar energy, it should also take into account the demands of the producers and the local creation of jobs.

It would be much easier to implement such a new neighbourhood policy for the Southern Mediterranean if the EU were willing to cooperate with two partners previously not involved in this process. The first is Turkey, a major power

in the region and a model for many countries. The EU should also consider ways to work with perhaps the most important new political force in many countries – Islamic parties and movements. This could prove difficult and should only be done whenever specific and clearly defined conditions are met.

Much of what applies to the need for a new neighbourhood policy for the EU's southern neighbours also holds true for the Eastern Partnership. Here, the prospect of membership could alter the political dynamic – however, the admission of those countries is a distant prospect. Hence, until the time arrives, the EU must be both firmer and more flexible: firmer by adhering strictly to the positive conditionality described above, and more flexible with regard to visa policy, the involvement of civil society and the definition of concrete goals meant to foster reform.

# The Future of European Democracy

By Claudio Franzius and Ulrich K. Preuß<sup>1</sup>

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<sup>1</sup> This paper summarizes the findings of a more detailed study. The authors wish to thank Jan Philipp Albrecht, Annalena Baerbock, Claire Demesmay, Silke Gebel, Gerald Häfner, Markus Jachtenfuchs, Daniela Kietz, Manuel Sarrazin, Joscha Schmierer and Michael Schreyer for their comments and suggestions, which are included in this chapter.

## 1 Introduction

For about 200 years we have known what criteria a state must fulfil to be regarded as a democracy. There is near consensus on some of the vital elements: democracy is a form of government by the people, exercised by a sovereign public authority, which, in rare cases, may be empowered by the people's own collective decisions, or, more commonly, by representatives who are elected in free and fair elections and who are accountable to the people.

What we do not know is whether such a definition also applies to forms of government not limited to a single state. Is democracy, as defined above, possible on a global scale? This question is hotly debated in academia; the majority seems to be sceptical. Yet, what about the *European Union*, an international organisation welding together the political fate of 27 nations? This is a moot point, even among the EU's Member States, as there is no consensus on the current or future political status of this supranational construction. Is the EU nothing but a watchdog overseeing the European Single Market? Is it a league of democratic countries? Or is it a body politic with its own legal system, the legitimacy of which is based on its democratic character?

Questions about the EU's political form and democratic character are inextricably linked. Only a democratic EU will be able to survive as a body politic, and only because the EU is a body politic with its own legal system does it need to be democratically constituted. The question, though, remains: how? In this study we attempt to discover some of the answers. One of the major challenges is that the EU is without precedent. There are no comparable democratic traditions, nor are there models in other parts of the world to guide us in developing a theory of democracy applicable to a supranational entity. The recommendations made in the final chapter of this study – recommendations based on the concept of a 'living democracy' – have thus to be viewed as intellectual experiments that aim not only to invigorate the notion of democracy but also to stress that 'Project Europe' is a completely novel political entity.

## 2 The European Union as a novel political entity

The European Union exercises its *own sovereignty*, i.e. its power is not just derived from the sovereignty of its Member States. Thus it needs its *own legitimacy*, meaning it has to develop and secure democratically legitimate mechanisms for the exercise of its political power. Only once this has succeeded will the EU become a fully valid body politic. Consequently, Europe's 'democracy issue' is an existential issue for the European Union as a whole.

### 2.1 Structural prerequisites

We hold that the causes of Europe's 'democracy issue' are not solely rooted in European peculiarities; Europe is simply in the vanguard of developments taking place all over the world. Increasingly states are subject to forces outside their own spheres of influence. Such situations can be the result of choice – such as joining the European Union – or they can be unplanned, as is often the case with the unforeseen consequences of international interconnections and dependencies. The regulatory functions required by such developments are often undertaken by international organisations such as the World Bank, the International Monetary Fund (IMF) and the World Trade Organisation (WTO) that are able to devise and implement international programmes independently. Frequently this has direct effects on the living conditions in the member countries of these organisations. As a consequence, the time-honoured sovereignty-based principle of international politics, by which states make agreements of their own free will, is being eroded.

*Increasingly political decisions extend beyond the reach of the instruments available to make them legal and democratically accountable.*

The preconditions for democratic self-determination are undergoing fundamental change. The recent history of modern struggles to increase democratic participation has always taken place within the boundaries of the nation state. Such territorial circumscriptions are being altered in

a world characterised by global dependencies. This results in the 'democratic dilemma' of an increasingly boundless political world: more and more often, political decisions extend beyond the reach of the instruments available to make them legal and democratically accountable. Most notably in the EU, the Member States are increasingly finding that their freedom to make decisions has been circumscribed, often substantially so, by actors beyond their boundaries. This strengthens the feeling that the right to self-determination, as embodied in the democratic institutions of the state, is becoming progressively irrelevant for key national political questions. At the same time, those responsible and supposedly accountable to the people – via the ballot box – are becoming more and more intangible.

This vacuum in the space meant to be the arena for democratic action has the consequence that many citizens perceive the international organisations who make these decisions as interlopers in a world whose everyday aspects are still largely shaped by national traditions. Such unease does not, however, contradict the sense most citizens have that, overall, their country's membership of international organisations brings economic, security and political advantages. Many citizens sense that such considerable encroachments into their everyday existence are ultimately the result of their own choices and are being enacted in their own name. This, in turn, creates the pervasive sense of frustration that engenders the need for more effective participation.

The peoples of the EU have themselves decided to engage in such dependencies. Thus, democratic conflicts within the EU – citizens subject to rules whose supranational authors remain untouchable – cannot be understood as traditional power struggles. What we have to deal with are conflicts caused by interdependencies. They are not caused by a clash between 'Us' and 'Them', nor is the loss of democratic self-determination caused by foreign rule. Such novel conflicts are the result of a voluntary commitment via membership of the EU; responsibilities towards other members and the Union itself are an inseparable

part of the new political status – a people that has become a member people. This is not without consequences for the right to democratic self-determination.

*Living democracy needs a space for debate.*

## 2.2 The EU's distinctive feature: Living democracy

The EU is *not* based on any pre-political common denominator between its member peoples, or on a political consensus between its Member States. European democracy is *not* based on a European people, something that could only come into being if Europe's diversity were unified by force. Neither is the EU an example of the individualistic, human-rights based model of democracy – a notion that has become popular in international law and neglects pre-political communalities, traditional institutions and shared responsibilities in favour of individual autonomy. The alternative, as proposed in this paper, is 'living democracy.'

Living democracy needs a space in which European issues can be properly debated. This is less to find policy consensus but rather to institutionalise conflicts between different social groups to allow for the development of political communalities. A living democracy focuses on competition between political alternatives and aims to create greater democracy by enhancing the opportunities to participate in political decision-making. Living democracy aims to widen the avenues for all citizens in their diversity, whatever their moral positions and interests, not only to participate in decision-making but also to offer them the chance of owning the process. To follow Pierre Rosanvallon's suggestion, this could be called 'appropriation democracy,' a type of democracy that, through new political procedures and structures, would open the way to a permanent critique of government policy. This, in turn, would mean that democratic governance would become government by and through the governed.

### 2.3 The political character of the European Union – an associative status treaty

Democracy is a notion of political rule in which equals govern their peers. Once it exceeds the traditional boundaries of the nation state it has to find a form adequate to such an aspiration. For the EU, this form is the association. The union formed by the EU Member States is a treaty with political characteristics that touches on existential issues by modifying the political status of every single member of the association.

An association, understood as a discrete form of political communitisation, means that the states involved participate by fulfilling the duties agreed in the treaty. They themselves are thus the means to realise and develop the political community. By doing so, they transform their interconnection into the treaty's purpose, effecting a fundamental change in the status of the association's members. Independence based on sovereignty becomes membership based on mutual consideration and trust. The founding Treaties are neither purely pragmatic, nor do they aim at a unification of the signatory states; they are status treaties and thus respectful of the characteristics and national traits of the signatory parties. The result is that, while Europe is able to support civil solidarity, it has not been easy to transform this into financial solidarity in the form of the redistribution of wealth.

If the EU is viewed as an association, this indicates a new quality underlying the political processes. Its efforts to offer and implement globally specific European solutions may be the EU's most particular trait. The consciousness of a European 'Us' is founded on mutual trust, not only in regard to the reciprocal respect of legislative acts but also as a political mode. The result is a transactional Us – a diverse Us, an 'Us of different kinds'. To base such an Us upon reciprocal solidarity raises opposition. This is expressed as the will for democratic self-determination by the member countries unwilling to face the harsh consequences of transforming the EU into a community based on solidarity and financial transfers, even if the cost of such opposition is the destabilisation of monetary union.

### 2.4 Institutional characteristics: Member State democracy meets European Union democracy

Those who speak of European democracy cannot ignore democracy in the Member States. It is a characteristic of the EU, as a union of people living in democratic countries, that its own democratic values and institutions can only be realised in cooperation with the democratic institutions of its Member States. Article 2 of the Treaty on European Union (TEU) explicitly states that the Union and its members hold certain values such as human rights, freedom and the democratic principle in *common*. This is more than just the affirmation of a consensus. 'Common' refers to reciprocal duties and a shared responsibility between Union and Member States. As regards the democratic principle, this commonality means that there exists a jointly held responsibility that individuals may enjoy the same level of democratic participation in their double role as citizens of their respective nations and of the European Union, although the mode in which these political roles are reflected in institutional forms may differ. Consequently the EU Treaty explicitly states that a member that, within its sphere of sovereignty, transgresses against democratic principles may no longer take part in the EU's decision-making processes within the Council.

This is also reflected in the EU's two-tiered legitimisation structure. One strand of legitimacy is based on the entirety of the Union's citizens and runs via the European Parliament; the other runs, via the Council and the European Council, to the national parliaments – and thus to the people constituted as Member States.

**a.** To the degree that areas of policy become communitarised, hopes for democratic legitimisation and control rest with the European Parliament (EP). If Europe did not have a parliament, this would aid and abet bureaucratic structures and in turn lead to less accountability. The Lisbon Treaty has not redressed the executive's dominance in European politics. The strengthening of the European Council, not accountable to the European Parliament and with only very lim-

ited accountability to national parliaments, has codified the predominance of national heads of state. The European Parliament is, nevertheless, a powerful institution that need not fear comparison with national parliaments. Doubts concerning its role in building European democracy are not primarily based on its legal position, *i.e.* a parliament controlling Commission and Council, for this would just mean that the usual parliamentary conflict between government and opposition was being externalised and delegated to the EU's institutions. A much more important factor is that, to date, European elections are rarely personalised. This key weakness is demonstrated by the fact that hardly anybody knows or can even name his or her Member of the European Parliament. In addition, the electoral and party systems are inconsistent and there are few debates concerning European politics. Although the TEU states otherwise, the fact that the Council appoints the President of the Commission has, thus far, remained unchallenged (Article 14(1) TEU). This will only change once the European political parties manage to nominate their own candidates prior to the elections. This would be an important starting point for the strengthening of European democracy.

One should not, however, over dramatise the non-proportional allotment of seats in the EP. Here a strict proportionality would be very much at the expense of small Member States – a fact the German Constitutional Court seems to ignore, an oversight for which it has been much criticised. Most national democracies do not employ a strict proportionality of votes. In Germany, votes cast for parties that do not clear the five per cent electoral hurdle are not taken into account – a substantial deviation from the principle of equal representation.

**b.** The national parliaments, as rediscovered by the Constitutional Convention, will have to exercise greater democratic control. The German parliament will have to tackle more European issues. It will need to ensure that the German government does not make decisions without proper parliamentary control. To demand greater accountability is one thing; to implement such demands will be difficult as negotiations within

the Council lack transparency. Nevertheless, the more wide-ranging rights of national parliaments and their newly created right to bring lawsuits may very well increase the pressure to draft new legislation in a way that does not involve too many different institutions. This would resolve conflicts of jurisdiction at the political level.

A parliamentary mandate is an apt tool with which to limit a national government's freedom to negotiate. The argument that the EU is an efficient decision-making body has no intrinsic value in regard to the need for legitimisation. Those decisions with far-reaching consequences in particular must be legitimised by the parliaments of the Member States. To fulfil this role they need the right to access information, otherwise they will not be able to control their governments. Whenever the European Council decides to switch from unanimous to majority decision-making, the German representative will only be able to act if he or she has a legal national mandate. If the national governments who have not been directly elected for a role in the Council of Ministers act responsibly and in a way that considers the political pros and cons, this will enhance the interrelationship between European politics and the European peoples. It will also make decisions more political in the arenas where it matters most, namely in the national parliaments where there needs to be support for the European project.

## 2.5 Direct participation of EU citizens

Living democracy does not only take place within the institutions of the EU and its Member States. The EU is an association whose citizens have democratic representation and may also actively and directly influence EU policy in a form of participative democracy, the most important of which may well be the European Citizens' Initiative.

**a.** The Treaty of Lisbon defines the participation of EU citizens as part of the democratic life of the Union, thus codifying equality, representation and participation as pillars of a democratic society. When designing forms of participation, it is important that this is done in such a way as to

prevention of the domination of the political process by powerful, well-organised groups.

*In joining together representation and participation, the Lisbon Treaty demonstrates a remarkable potential for innovation.*

The Treaty of Lisbon codifies equality (Article 9 TEU), representation (Article 10 TEU) and participation (Article 11 TEU) as the basic principles of democracy and democratic self-determination. Article 10(3) TEU declares that European democracy cannot be realised solely through elections and that citizens have the right to participate in the democratic life of the Union so that decisions will be made in a manner that is transparent and as far as possible reflects the wishes of the people. The EU thus waives the option to either make either a collective or symbolic attempt to improve democratic participation via more transparency. This emphasises the demand – based on Articles 10(3) and 11 TEU – that accountability and responsibility require dialogue. Article 11(3) obliges EU institutions to enable citizens and representative organisations to voice their views concerning all aspects of the Union publicly in a suitable manner. The institutions are to lead an open, transparent and continuous dialogue with representative organisations and civil society. The European Commission already holds extensive hearings with those affected by its decisions in an attempt to make the EU's policies more transparent and consistent.

In joining together representation and participation, the Lisbon Treaty demonstrates a remarkable potential for innovation. The option to widen the scope of democratic participation shows that the Lisbon Treaty does not prescribe a parliamentary system similar to the ones in Member States such as Germany.

**b.** As the Union's political system can only pursue the parliamentary track with a two-pronged approach, and with European policy overwhelmingly the privilege of national governments, the strengthening of European democracy cannot solely be focused on the powerful ideal

of representation as found in modern constitutional democracies. Aspects of direct democracy will have to play a role, too. There are many precedents for this in local and national politics. The European Citizens' Initiative also opens the way for such an approach at the supranational level. The involvement of civil society is no longer limited to Commission hearings for a few select organisations; instead, all citizens are offered the chance to participate. Article 11(4) TEU declares: 'Not less than one million citizens who are nationals of a significant number of Member States may take the initiative of inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens consider that a legal act of the Union is required for the purpose of implementing the Treaties. The procedures and conditions required for such a citizens' initiative will be determined in accordance with the first paragraph of Article 24 of the Treaty on the Functioning of the European Union.'

The European Citizens' Initiative wants to open up avenues for grassroots politics. The activities of the EU institutions, often perceived as nothing but the pet projects of the elite, will no longer solely be influenced by a few influential lobby groups. Although only one specific issue can be made the subject of a Citizens' Initiative at a time, which means that this is no mechanism to effect fundamental policy change, it may still stimulate transnational debate as it requires the backing of citizens from a 'significant number of Member States.' The result could be heightened public perception and more public involvement in EU affairs. Unlike the mostly ineffectual right to petition the European Parliament, the European Citizens' Initiative is addressed to the Commission, which still has the exclusive right of initiative in the lawmaking process. The Commission has only limited ability for political leadership as it frequently has to find a consensus and is only infrequently held accountable for its decisions. The European Citizens' Initiative, on the other hand, opens up a way for citizens to *force* the EU to tackle issues previously neglected.

### 3 How European democracy might evolve – some proposals

The Treaty of Lisbon is a model of what Pierre Rosanvallon calls the *decentring of democracies*. For a long time it has seemed as if ‘the collective could only constitute and empower itself in a central space oriented to the act of voting.’ However, to simplify democratic ideals with reference to *one* constitution applicable to one territory ignores how intricately interwoven pluralized global society has become: power can neither be concentrated in one place, nor can it be legitimised by the unified decision-making process of a collective subject analogous to that within a nation state. According to Rosanvallon, the erstwhile focus on national democracy recedes in favour of ‘a logic of expansion, diversification and differentiation. In future, commonality, equality and representation will be realised through diversification and overlap.’ Certain schools of thought may still find this disconcerting for national democracies; when it comes to European democracy, however, this is a constitutive factor.

The EU will not have to become a state to become more democratic. The federal experience shows that for citizens to get involved in ‘multi-layered systems,’ there have to be opportunities for participation at the different levels. The Member States, viewed as traditional entities of sovereign self-determination, lack the scope needed to cope with the urgent global challenges that impact on their territories in the twenty-first century. As Habermas recently noted, the demand to extend the political scope of action beyond national boundaries is based on the normative content of democracy itself.

The basic features of this normative posit are met institutionally by the Lisbon Treaty. The question as to how to flesh out the defined two-tier structure of legitimisation will have to be answered in the *political* arena. What we are dealing with is a mutually complementary ‘authoritative group’ which is in need of enhanced legitimisation on both sides. This group – the citizens of the Member States who are, at the same time, citizens of the Union – is able to express

its will as to a redistribution of power within the Union to make it adequate to deal with the issues at hand. The EU would gain greater legitimacy if this was to occur.

#### 3.1 The European Parliament

A weakness of the European Parliament is that it lacks the right to initiate legislation. Although no bill can become law without the consent of the EP, the parliament is not on a par with the Commission. The European Parliament is the arena in which decisions to redistribute wealth can and have to be made accountable to the EU’s citizens. Consequently, it is a major issue that the EP still does not possess certain legislative powers: it does not have the right to introduce bills, nor does it have a genuine right to decide legislation. Both of these rights are being withheld by the Council of Ministers, in which unanimity is required for change.

*The EU Commission has to be more closely linked to the popular vote.*

What is more important is that those who make decisions within the EU are rarely held accountable. European elections have next to no influence on decisions made by the Commission and the Council of Ministers. This means the EU does not so much fall short on public relations as on accountability. In order to change this, the European Commission needs to become more closely linked to the popular vote, especially in the selection of the members of the Commission. However, to achieve this would require a treaty amendment, something not likely to happen in the near future. One way to allow citizens to have a more immediate impact on EU policy would be for the political parties to create supranational lists and have joint top candidates. For as long as voters are unable to influence the composition of the Commission and its policies, national executives will continue to dominate the EU.

#### *The Member State parliaments*

Whenever European democratic institutions are under discussion it is also necessary to focus on the relevant institutions in the Member States,

otherwise we will be unable to grasp the transnational character of European democracy. In this context, an important aspect is the coequality of Member States' parliaments with the EP.

Currently, national parliaments are only willing (or able) to influence EU policies in limited ways. In addition, the degree to which national parliaments are able to control their 'own' governments' activities within the Council varies sharply between countries. In political systems where the government is based on a parliamentary majority, the onus to control rests with the parliamentary opposition. Consequently, the rights of parliamentary minorities have to be strengthened. This is especially important as parliaments have to avert the danger that intergovernmental negotiations will supplant truly European approaches. In order to strengthen democracy in Europe, the parliaments of the Member States have to be able to control national governments more effectively. This will be only possible if they are given better access to information that at present is often only available to governments.

### *Electoral law*

The reform of electoral law is another key area.

**a.** There is currently a substantial gap between popular democratic participation at national level and the widespread indifference of EU citizens to European elections. EP electoral law will need to be changed in such a way that the central aspect is not the political will of the Member States, but rather the political will of EU citizens. It is in this capacity that they constitute the electorate, not as national populations.

Currently, European elections are dominated by national issues. Accordingly, voters frequently use these elections to voice their unease with national politics. The electoral system favours this, as the citizens of the Union are only eligible to vote for national candidates and parties. There is thus very little incentive for EU parliamentarians to put European interests ahead of national interests. In addition, elections are held according to national regulations and these vary from coun-

try to country. This disparity is not advantageous in attempts to increase the powers the EP.

In order to increase the direct legitimacy of political action, we require a unified European electoral law. Once election campaigns have become Europeanised, it is to be expected that European parties will also develop. Even the principle that each vote carries the same weight presupposes a unified election process. It is thus important to demand the further harmonisation of European electoral law.

**b.** We also want to stress the importance of transnational candidate lists. The proposal to complement national lists with transnational ones should be supported. What this will mean in practice is that each European party would have the right to put forward 25 candidates drawn from at least a third of the Member States. Voters would have two votes; one for a national list and one for a transnational list, the latter being for an electoral district encompassing all of the Union. The votes for the delegates elected via the transnational lists would be proportionally translated into 25 newly created seats in the EP. Admittedly, without changes to the Treaty, such a reform, which would also require a European election authority, would not be viable. It would, however, offer the opportunity for the European Parliament to make use of the right, newly conferred by the Treaty of Lisbon (Article 48(2)), to initiate a procedure to have the Treaty changed. Notwithstanding the likely difficulties such a proposal would encounter in attracting a majority within the EP, Member States should back such a reform.

**c.** A further option would be split mandates. Parties would then have the opportunity to nominate not just one candidate but teams of two with different profiles, defined on the basis of gender, age, ethnic or religious backgrounds, profession or other criteria. One of the two, determined before the election, would be the 'first among equals' and would, if elected, be paid for the full mandate; the other, as a substitute, would receive half the parliamentary allowance. Split mandates would open up the business of politics to people unwilling to give up their usual full-time occupa-

tion. This would increase the diversity of parliamentarians and create a link between the world of politics and normal everyday life. Whether this model could provide an option should be subject to rigorous debate.

**d.** Democracy would also be boosted if multiple re-elections became more difficult. One idea to avert the ossification of the political scene is to raise the majority necessary for the election of candidates running for a third time. Under this approach, someone who has, for example, previously won his or her mandate with 36 per cent of the vote would have to obtain 38 per cent to get re-elected. This margin could continue to be raised for each subsequent election. If the vote were for a list of candidates, the same would apply to the ranking on the list. Such an approach could help to ensure that candidates would not just be able to rely on a loyal base of voters; instead they would have to engage more strongly with those outside their immediate core electorate.

**e.** Postal and electronic ballots should be further promoted, as this tends to improve participation in elections and the quality of voters' decisions. Voters are under less pressure if they do not have to decide in the voting booth. They gain time to gather further information and discuss issues with other voters, resulting, hopefully, in more thoroughly considered decisions. Once the number of those 'voting at home' has reached a certain margin, it should be possible to further differentiate the electoral process by giving, for example, citizens a number of votes they can cast for different candidates on a list. A 'none of the above' (NOTA) could be a further option on the ballot. This would mean that, instead of invalidating one's vote or not voting at all, there would be an option enabling voters to register their protest in a more focused way. Once such an option were in place, one could even discuss, however controversial this may be, the possibility of introducing compulsory voting.

*A Europe-wide electoral law would strengthen European parties, which, in turn, would spawn a stronger European political consciousness.*

### 3.2 European parties and associations

A Europe-wide electoral law would strengthen European parties – which, in turn, would spawn a stronger European political consciousness. This, as stated in the Treaty of Lisbon, should help to express the will of the citizens of the Union (Article 10(4)).

**a.** A democratisation of the Union demands that European parties should loosen their national ties and become more than just offshoots of parties with their power bases in only one Member State. To date, European political parties are nothing but umbrella groups of national parties and, consequently, the European perspective is often pushed to the sidelines. Now that the Treaty of Lisbon has endowed the EU with a legal personality, it is time for the parties to gain European legal status. The recognition threshold for European parties should not be too high; otherwise there would be the danger that the established parties will continue to dominate EU politics. Assuming certain democratic standards are met, new political movements should be able to be recognised as parties and allowed to run in European elections.

European parties may be the counterweight to correct the dangerous imbalance that has arisen between the normative aspirations of the Treaties and the factual dominance of national interests. Citizenship of the Union necessitates strong political parties operating at the European level. Such parties could also mitigate the risk of nationalist sentiments hijacking plebiscites on European issues in Member States. This means that European parties should also be able to influence national election campaigns.

In order to strengthen European democracy, European parties will have to develop broader networks. Today, European parties, in conjunction with European foundations, EP parliamentary groups and national parties and foundations, already play an important role within the EU. On the road to a living democracy, however, it is important to allow spontaneous political formations to have more of a say. If our aim is to curtail the technocratic traits of the EU, it will be necessary to establish new mechanisms to achieve

a civil society democracy that goes beyond the formalised contexts of representation and legitimacy.

**b.** Of fundamental importance in this context is a model of party financing that connects to the people. A possible model might be a ‘democracy tax’ of, say, €100. In return, the citizen would receive a voucher equivalent in value, which, post election, could be passed on to the non-profit organisation of their choice. Compared to present models such as tax credits for donations to non-profits, this would result in a ‘democratisation’ of donations and allow a certain levelling of the playing field between ordinary citizens on the one hand and wealthy and corporate lobby groups on the other. Overall, such a system would clarify the relationship between citizenship and taxation and promote more democracy.

### 3.3 Elements of direct democracy

It is not only the creation of transnational candidate lists and a European statute for parties that might enhance democracy; there is some hope that the European Citizens’ Initiative (ECI) will also bring about reform. The ECI could become an important tool to bestow the EU with a pluralistic legitimacy, able to overcome the unproductive dichotomy of representation and participation. Whether this can succeed will, to a large extent, depend upon how the ECI is implemented. Regulation (EU) No. 211/2011 of the European Parliament and the Council of 16 February 2011 has laid an important foundation. The authors of this paper emphatically disagree with all those who regard the ECI as a trifle, as nothing but a somewhat enhanced right to petition. The far-reaching possibilities opened up by the ECI have to be explored with an open mind. It is to be hoped that the ECI will open ways to push important political issues onto the European stage – an absolute necessity for a living democracy.

The number of signatories needed for an ECI is relatively low at one million (about 0.2 per cent of the Union’s citizens) when compared to similar mechanisms in member countries. The European Parliament succeeded in fixing the necessary minimum number of countries from

which the signatures must originate to a quarter of all Member States, *i.e.* seven. Another important detail is that signatures backing an ECI can be collected online. For this, the Commission will provide free open source software and the Member States are called upon to establish electronic platforms to host the system. This latter point, however, may be one of the weaknesses of the regulation, as a unified process would make implementation much simpler.

It seems that limiting the ECI to affairs that fall within the domain of the Union is too restrictive, as many of the issues about which citizens are concerned are not addressed by European politics and are therefore excluded from an ECI. We recommend that initiatives that could only be implemented by a change in primary law also be made eligible. Only initiatives that are clearly in contravention of constitutional principles should be declared ineligible by the Commission, which, even cases such as these, will have to give grounds for its decision.

It would be desirable for successful ECIs to be legally binding and for the Commission to be then obliged to draft the appropriate legislation. Without such an obligation, the EU will fail in its objective of granting citizens more influence on policy. If the ECI were simply regarded as nothing more than a non-binding suggestion, it would have been an unnecessary initiative, as every citizen already has the right to petition the Commission. As the ECI goes beyond such non-binding procedures, the Commission should therefore only have the right to reject ECIs on a properly substantiated basis. This principle must be observed in the implementation process.

It is of particular importance that the implementation process is also mandatory. Successful ECIs must result in a hearing organised by the Commission. This should come before one of its expert committees and not before the Committee on Petitions. The Commission will only be able to fulfil its aspiration of being in touch with EU citizens if it creates an adequate, public and political forum for the ECI, the demands of which should not fall on stony ground.

### 3.4 A democratic public opinion

At the centre of the debate on European democracy is the question of a democratic public opinion, an aspect to be neither over- nor underestimated. It is possible to speak of a European public opinion when the same issues are being discussed at the same time and from the same angle in different EU Member States. One good example of this was during the BSE crisis, when the media in a number of Member States reported on food safety. If the number of shared European political issues increases, and if national media make reference to coverage in other Member States, there will be more interconnectedness. We could then speak of a European media environment and thus a European public opinion. Such transnational openings and interconnections already exist to a certain extent, and it is clear that the media is a decisive factor in the formation of such a democratic public opinion. When, on the other hand, European issues are viewed solely from a national angle, this will weaken the concept of European public opinion. This could be clearly observed in the German quality press during the debt crisis.

Nevertheless, we have to consider whether the current wave of protests in countries such as Greece or Spain (where the events on Madrid's Plaza del Sol were staged for the media) were demonstrations of national public sentiment or European public opinion angry at being excluded from decisions that were of direct concern to the citizen. To a certain degree, the hesitant policies of some states seem to have triggered protests in others. Thus, in spite of their national differences, public controversies gain a European tinge.

*Internet access has to be free, equal and not limited by political or technological factors.*

Information networks are crucial for the exchange of opinions and attitudes. This role was played by the press in the nineteenth century and by radio and TV in the twentieth, which have now been supplanted by new and different communication technologies. Of these, the Internet is of the utmost importance. Today, protest movements and even revolutions are organised via social networks such as Facebook. If such new media are overregulated, the

potential they have to effect further structural transformation in the public sphere may be lost. This is why the internet and its supranational forms of communication should not be over-regulated, otherwise new democratic, cross-border public opinion will be unable to promote European democracy. Internet access has to be free, equal and not limited by political or technological factors. In Germany, for example, there is still no nationwide broadband access, which does not bode well for the European model of a universal service that does little more than prescribe what the market already has to offer.

People coming together via online networks create net communities. This is why net neutrality is a prerequisite of democracy. The EU should not view the Internet in primarily economic terms. The main focus should not be on the investment security of Internet providers but on the web's democratic qualities. Mass media must remain subject to public law and, as in the case of radio, should not be subject to European single market freedoms and competition law. A Europe that focuses first and foremost on the commercialisation of media will fall far short of its democratic promises.

## 4 Dealing with crises

How are we to handle the EU's recurring crises? Although it is right to quarrel in public about the stabilisation of 'weak' Member States, crisis scenarios should be used sparingly. This is not to say that there is no such thing as crises that can threaten the EU, but not every problem equals a crisis. Sometimes it is nothing but a symptom of the democratic process.

The present debt crisis shows that we have to deal with the challenges posed by European integration in a more democratic fashion. In this context, yardsticks that work for the nation state may be utterly useless at the European level. European politics needs to become more intimately linked with the will of its citizens in their double role as citizens of a nation and citizens of the EU. To achieve this, we will need to strengthen participation rights in civil society. This is not just a task for the European Union. It is also a challenge for the democratic systems of its Member States.

## Short Biographies of Commission Members

### Joachim Fritz-Vannahme, Bertelsmann Foundation

Joachim Fritz-Vannahme has been director of European projects at the Gütersloh headquarters of the Bertelsmann Foundation since 2007. Prior to this, he was a foreign correspondent in Paris and Brussels and the head of the politics and science desks at the weekly newspaper *Die Zeit*, where he was also the deputy editor-in-chief from 1995 to 1999. His main areas of focus include the policies of the European Union and the European institutions. His publications include *Das neue Paris* (Harenberg 1992) and *Wozu heute noch Soziologie* (Leske + Budrich 1996).

### Ralf Fücks, Heinrich Böll Foundation

Ralf Fücks has been a member of the executive board of the Heinrich Böll Foundation since 1996. He is responsible for the domestic political education and Europe and North America departments. He was elected to the Bremen state parliament in 1985, where he served as chair of the Green parliamentary group until 1989. He then served as co-president of the national Green Party. He returned to regional politics in Bremen in 1991, serving as Senator for Urban Development and Environmental Protection. Ralf Fücks is a regular contributor to major German daily and weekly newspapers, international political periodicals and online publications, where he covers issues relating to ecology-economy, political strategy, Europe and international politics.

### Christine Pütz, Heinrich Böll Foundation

Christine Pütz is head of the EU desk of the Heinrich Böll Foundation. Until 2007, she worked with research and educational institutions including the Centre Marc Bloch (Berlin), the Mannheim Centre for European Social Research and the *Centre de recherches politiques de Sciences Po*

in Paris. The main focuses of her academic and political education work are Europe, France and political parties. She also offers training and coaching for undergraduate and postgraduate students.

### Rainer Steenblock, former Minister of Schleswig-Holstein

Rainer Steenblock was Deputy Prime Minister and Minister of the Environment of the state of Schleswig-Holstein from 1996 to 2000, and a Member of the German Bundestag from 1994 to 1996 and from 2002 to 2009. As the Green Party's European policy spokesperson and its representative on the Committee on the Affairs of the European Union in the German Bundestag, he focused on issues including EU accession and the European Neighbourhood Policy. Rainer Steenblock previously served as the local leader of the Green Party on the Pinneberg district council and was the spokesperson for the executive committee of the Schleswig-Holstein Greens.

### Sub-Commission on European Economic, Financial and Social Policy:

#### Annalena Baerbock, spokesperson of BAG Europa

Annalena Baerbock is spokesperson of the national working committee on Europe (BAG Europa) of Bündnis 90/The Greens and a member of the executive committee of the European Green Party. She helped write the German Green Party's platform for the European election campaign and assumed a leading role in the drafting of the European Green Party's position paper on social issues. In November 2009, Annalena Baerbock was elected chair of the regional Brandenburg Green Party. She is currently pursuing a PhD in humanitarian law with a scholarship from the Heinrich Böll Foundation.

### **Reinhard Bütikofer, MEP**

Reinhard Bütikofer has been a Member of the European Parliament since 2009. He is the spokesperson of the European Green Party and the European deputy chair and treasurer of the Greens/EFA. He is a member of the Committee on Industry, Research and Energy, a deputy member of the Committee on Foreign Affairs and a member of the Subcommittee on Security and Defence, of which he is the Green Party coordinator. From 2002 to 2008, Reinhard Bütikofer was the national co-chairperson of Bündnis 90/The Greens. Prior to this, he was the Secretary General of the national Green Party.

### **Thea Dückert, Carl von Ossietzky University, Oldenburg**

Thea Dückert has been a guest researcher at the Institute for Social Sciences at the University of Oldenburg since 2010, where she lectures on European economic, social and labour market policies. She was a Member of the German Bundestag from 1998 to 2009. Until 2002 she was the spokesperson on labour market and social policy of Bündnis 90/The Greens in the German Bundestag. Thea Dückert was the deputy chair of the German Green Party from 2000 to 2007 and served as its parliamentary leader from 2007 to 2009.

### **Sven Giegold, MEP**

Sven Giegold has been a Member of the European Parliament representing the Green Party of the state of North Rhine-Westphalia since 2009. He is the coordinator of the Greens/EFA for the Committee on Economic and Monetary Affairs. He has been a member of the governing assembly of the German Evangelical Church Congress since 2007, and also helped build up the European coordination of campaigning organisation Attac. Sven Giegold co-founded the Institut Solidarische Moderne in 2010. His political work focuses on globalisation, financial policy and ecology.

### **Rainer Emschermann, European Commission**

Rainer Emschermann is an economist and currently works for the European Commission's Directorate-General for Enlargement. He is a member of the team in charge of membership negotiations with Turkey and is responsible for competition policy, public tendering procedures, budget control, culture, education and civil society. Rainer Emschermann worked in the cabinet of the European Commissioner responsible for the Budget from 2000 to 2004. Between 1995 and 1999 he advised the Green Party in the European Parliament on EU budgetary matters.

### **Wolfram Lamping, Georg August University, Göttingen**

Wolfram Lamping is an assistant professor at the Institute for Political Science at the University of Hanover and a lecturer at the Technical University of Darmstadt. He currently also teaches a course on the political system of the Federal Republic of Germany at the Department of Political Science of the University of Göttingen. He has previously been a visiting professor at universities in Bremen, Hanover, Gießen and Münster. The main focuses of his research are social policy and social institutions in Germany, comparative welfare state research and European social policy.

### **Arnaud Lechevalier, European University Viadrina Frankfurt (Oder) and Centre Marc Bloch, Berlin**

Arnaud Lechevalier has been a visiting professor at the European University Viadrina Frankfurt (Oder) since 2007 and teaches on the Master of European Studies programme. He has also been an associate researcher at the Centre Marc Bloch in Berlin since 2001 and a researcher at the Centre d'Économie de la Sorbonne in Paris since 2005. In 2006 he completed his PhD on the economic analysis of the social security systems in the EU at the Université de Paris. His main areas of research include the EU's economic policy, social Europe and a comparison of employment, pension and health care policies in Germany and France. He also writes a well-known blog about Germany.

### Gerhard Schick, Member of the German Bundestag

Gerhard Schick has been a Member of the German Bundestag since 2005. He is the financial policy spokesperson of Bündnis 90/The Greens in the German Bundestag, a member of the Committee on Finance and a deputy member of the Committee on the Affairs of the European Union. From 2001 to 2007 he was the spokesperson of the Greens' working committee on economics and finance. In 2009, Gerhard Schick was an advisor to the Hypo Real Estate inquiry committee. He has been a member of the national council of the Green Party since 2008.

### Kai Schlegelmilch, Green Budget Europe, German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

Kai Schlegelmilch is an economist and a qualified banker. He is a founding member and has been the deputy chair of both the Forum Ökologisch-Soziale Marktwirtschaft (FÖS) and of Green Budget Europe (GBE) since 2002. He played a key role in the introduction of the eco-tax reform working with the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). Since 2007 he has worked as an advisor on renewable energy at the BMU. He has also worked on behalf of the German development agency, GIZ, advising the governments of China, Vietnam and Thailand on the introduction of eco-taxes. Prior to this, he worked at the Wuppertal Institute for Climate, Environment and Energy and at the European Environmental Agency in Copenhagen.

### Daniela Schwarzer, Stiftung Wissenschaft und Politik

Daniela Schwarzer heads the European integration research division at the Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs). Her areas of research include economic governance in the EU, crisis management in the eurozone and perspectives for EU-27

integration. She was editor of the *Financial Times Deutschland* from 1999 to 2004. She was a member of the team of external advisors to the Polish Secretary of State for European Affairs for Poland's EU Council Presidency in 2011. She is a co-founder and co-publisher of the *European Political Economy Review* and the website [www.eurozonewatch.eu](http://www.eurozonewatch.eu). She regularly teaches at German and international universities.

### Mechthild Veil, Office for Social Policy and Gender Studies in Europe

Mechthild Veil is a freelance feminist social scientist at the Office for Social Policy and Gender Studies in Europe in Frankfurt. Prior to this, she was visiting professor at the University of Applied Sciences Frankfurt am Main and taught at the Nell Breuning Institute in Frankfurt. Her research focuses on a comparison of German-French reform of social policy, in particular the gender dimension of pensions and family policies. Mechthild Veil is a co-publisher of *Feministische Studien*, has been a member of the executive board of the Heinrich Böll Foundation Hessen since 2008 and is a past winner of the Hessian state government's Elisabeth Selbert Prize.

### Helmut Wiesenthal, Emeritus Professor of Political Science

Helmut Wiesenthal was Professor of Political Science at the Humboldt University Berlin from 1994 to 2003, when he went into retirement. Prior to his professorship he held a number of other positions including research fellowships at the Universities of Bielefeld and Bremen and at the Max Planck Institute in Cologne. His research focused on political governance, globalisation and institutional reform as well as future opportunities for the labour market and social policy. His most important publications include *Gesellschaftssteuerung und gesellschaftliche Selbststeuerung* (VS Verlag für Sozialwissenschaften 2006) and *Das soziale Europa* (Heinrich Böll-Stiftung 2008).

## **Sub-Commission on European Agricultural Policy:**

### **Holger Bartels, Industriegewerkschaft Bauen-Agrar-Umwelt**

Holger Bartels is the head of the agriculture and environment department of the national executive committee of the Industriegewerkschaft Bauen-Agrar-Umwelt (Trade Union for Building, Agriculture and Environment). He is vice-president of EFFAT (European Federation of Trade Unions in the Food, Agriculture and Tourism sectors) and spokesperson for trade unions on the United Nations Commission on Sustainable Development. Holger Bartels also serves as a member of the advisory committees of the European Commission's Directorate-General for Agriculture and Rural Development and is an expert on agricultural issues on the EU Economic and Social Committee.

### **Andrea Beste, Institute for Soil Conservation and Sustainable Agriculture**

In 2001 Andrea Beste founded the Institute for Soil Conservation and Sustainable Agriculture, which she continues to oversee today. She studied geography at the University of Mainz, specialising in sustainable farming practices in the Tropics. In 2002, she completed her PhD in agricultural science at the University of Gießen. From 1996 to 2000 she was a research fellow on the project 'Ecological Soil Management', supported jointly by the Federal Institute for Crop Cultivation and Protection of Rhineland-Palatinate, Mainz, and the Foundation Ecology and Agriculture, Bad Dürkheim.

### **Christine Chemnitz, Heinrich Böll Foundation**

Christine Chemnitz has worked at the Heinrich Böll Foundation in Berlin since 2007 as an advisor on international agricultural policy. She studied agriculture in Göttingen and Berlin and worked as a researcher at the Humboldt University of Berlin after completing her degree. Christine Chemnitz's work primarily focuses on the relationship between sustainable agricultural development, food security and how to structure

agricultural trade so that it is environmentally friendly and socially just.

### **Stephan von Cramon-Taubadel, Georg August University of Göttingen**

Stephan von Cramon-Taubadel has held the position of Chair of Agricultural Policy at Georg August University of Göttingen since 1999. After completing a bachelor's degree in Montreal and a master's degree in Winnipeg, he pursued a PhD in agricultural economics at the Christian Albrechts University in Kiel. The main emphases of his teaching and research include EU agricultural policy, agricultural transformation in the former Soviet Union, price transmission in the marketing chain for agricultural products and the integration of land and agricultural management in Israel and Palestine.

### **Martin Häusling, MEP**

Martin Häusling is an agricultural engineer and runs his own farm in Kellerwaldhof, which he converted to organic production in 1988. He has been a Member of the European Parliament for the Greens/European Free Alliance since July 2009. He is a member of the European Parliament Committee on Agriculture and Rural Development and of the Committee on Budgetary Control. Prior to this, Martin Häusling was a Member of the Hessian state parliament and spokesperson for agriculture, forests, hunting, Europe and consumer protection.

### **Ulrike Höfken, Minister of the Environment, Agriculture, Food, Viticulture and Forests**

Ulrike Höfken has been the Minister of the Environment, Agriculture, Food, Viticulture and Forests of the state of Rhineland-Palatinate since May 2011. Prior to this, she was a Member of the German Bundestag from 1994 to 2011. From 2002 to 2005, she was the Green Party spokesperson on consumer and agricultural policy in the German Bundestag. Ulrike Höfken was the spokesperson for food policy and genetic engineering from 2009 until 2011 and the deputy chair of the Committee for Consumer Protection,

Food and Agriculture between 1998 and 2005. She was also a member of the Committee on the Affairs of the European Union.

### **Matthias Meißner, World Wide Fund For Nature**

Matthias Meißner has been working for the World Wide Fund for Nature (WWF) Germany since 2008 as an advisor on international agricultural policy and sustainable land use. He coordinates the WWF's Europe-wide working group on the 2020 Common Agricultural Policy. He is also responsible for issues involving global food security on the basis of sustainable agriculture at WWF Germany. Before working at WWF Germany, Matthias Meißner worked for other non-governmental organisations in the areas of sustainable agriculture and conservation in Germany and Europe.

### **Friedrich Ostendorff, Member of the German Bundestag**

Friedrich Ostendorff is a farmer (his farm converted to organic production in 1983) and has been a Member of the German Bundestag since 2009. He is a member of the Committee for Consumer Protection, Food and Agriculture and the Green Party's spokesperson on agricultural policy. Between 1982 and 1996, he was the chair of the regional small farmers' association (AbL) of the state of North Rhine-Westphalia. He became the leader of the Green Party on the Unna district council in 1994 and on the regional council of the Arnsberg district government in 1999. He was also a Member of the German Bundestag from 2002 to 2005. Between 2007 and 2010 he was the regional deputy chair of BUND (Friends of the Earth Germany) in the state of North Rhine-Westphalia and the organisation's national agriculture spokesperson.

### **Theo Rauch, Free University of Berlin**

Theo Rauch has worked as a freelance honorary professor and development policy advisor and trainer since 2002. He currently lectures and researches at the Institute of Geographical Sciences at Berlin's Free University, the Department of Rural Development at the Humboldt University of

Berlin and the University of Zurich. His main area of expertise is development policy with a focus on rural development. His most important publications include *Entwicklungspolitik* (Westermann 2009) and *Afrika im Prozess der Globalisierung* (Westermann 2007).

### **Tobias Reichert, Germanwatch**

Tobias Reichert holds a degree in economics and has been working with various non-governmental organisations since the mid-90s. He is also a freelance consultant on issues relating to global trade, agriculture, the environment and development. Since 2007 he has been an advisor on world trade and food policy at Germanwatch in Berlin, where he has a special interest in the impact of the EU agricultural policy on developing nations.

### **Bernd Voß, Member of the state parliament of Schleswig-Holstein**

Bernd Voß has a degree in engineering and runs his own farm. He has been a Member of the Schleswig-Holstein state parliament since 2009. From 1994 to 2003 he was a representative of Bündnis 90/The Greens on the Steinburg district council, where he served as regional party leader and held the office of deputy councillor. Between 2002 and 2006, Bernd Voß was a member of the EU Economic and Social Committee. He is currently a spokesperson for the Greens' regional and national working committees for rural development and agriculture.

### **Marita Wiggerthale, Oxfam Germany**

Marita Wiggerthale is an expert on trade and agriculture at Oxfam Germany. Her main areas of focus are world food issues, international agricultural trade, European agricultural policy and supermarket chains. After completing her master's in politics, economics and education, she held the position of Secretary General of the International Catholic Rural Youth Movement (Internationale Katholische Landjugendbewegung) headquartered in Brussels. This was followed by a two-year stint as a lobbyist in the trade division of Germanwatch prior to joining Oxfam Germany.

## **Sub-Commission on European Foreign and Security Policy and Crisis Management:**

### **Eltje Aderhold, United Nations**

Eltje Aderhold has worked in the diplomatic service since 1992. Her first foreign posting was at the German Embassy in Hanoi, followed by postings to the United Nations and the Organisation for Security and Cooperation in Europe. She has also served as a political advisor to NATO in Macedonia and was responsible for contact with civil society at the Embassy in Kabul. Between 2006 and 2009, Eltje Aderhold was the scientific coordinator of the working committee on international policy and human rights for Bündnis 90/The Greens in the German Bundestag.

### **Annegret Bendiek, Stiftung Wissenschaft und Politik**

Annegret Bendiek is deputy head of the EU external relations division of the Stiftung Wissenschaft und Politik (German Institute for International and Security Affairs), which she joined in 2005 as researcher. Her areas of expertise include the financial and institutional aspects of CFSP, EU external relations and issues relating to justice and home affairs in transatlantic cooperation between the EU and the US. From 2003 to 2005 she was a research assistant (C-1) in the political science department at the University of Bielefeld. She received a scholarship to study European integration and social structural change at the German Research Foundation (Deutsche Forschungsgemeinschaft) from 1998 to 2003. During this period she also taught at the University of Osnabrück, where she completed her PhD in 2003.

### **Franziska Brantner, MEP**

Franziska Brantner has been a Member of the European Parliament for the Greens/EFA since 2009. She is foreign policy spokesperson on the Committee on Foreign Affairs. After completing secondary school, she first worked for a year at the Heinrich Böll Foundation offices in Tel Aviv

and Washington, D.C., before pursuing degrees in political science and economics in Paris and New York. She wrote her dissertation on the capacity of the UN for reform at the University of Mannheim, completing her PhD in 2010. She was a member of the Peace and Security Commission of the national Green Party and was one of the authors of the Party's platform for the European elections in 2009.

### **Ulrike Guérot, European Council on Foreign Relations**

Ulrike Guérot is a political scientist and has headed the Berlin office of the European Council on Foreign Relations since it was founded in 2007. The main emphasis of her work and research is the EU integration process, EU institutions, Franco-German relations and EU-US relations. She is a member of the executive board of Europa-Professionell of the Europa-Union Germany. From 2000 to 2003, Ulrike Guérot was the director of the Europe programme group at the German Council on Foreign Relations (DGAP), and from 2004 to 2007 she was a researcher at the German Marshall Fund.

### **Omid Nouripour, Member of the German Bundestag**

Omid Nouripour has been a Member of the German Bundestag since 2006. From 2006 to 2008 he worked on issues relating to European domestic and legal policy and was a member of the Committee on the Affairs of the European Union in the German Bundestag. He was also on the Subcommittee for EU Budgetary Issues. In May 2008, he switched to the Committees for Budget and Defence. In the current parliamentary term, Omid Nouripour is the spokesperson on security policy for Bündnis 90/The Greens. He represents the Party on the Defence Committee.

### **Frithjof Schmidt, Member of the German Bundestag**

Frithjof Schmidt has been a Member of the German Bundestag since 2009. He is the national deputy chair of Bündnis 90/The Greens and

a member of the Committee on Foreign Affairs. As the political coordinator of the working committee on international policy and human rights for the Green Party in the German Bundestag, his work focuses on international relations, peace and development policy and human rights. From 2000 to 2006, Frithjof Schmidt was the regional leader of the Greens in North Rhine-Westphalia and a member of the executive committee of the European Green Party. He was a Member of the European Parliament from 2004 to 2009.

**Joscha Schmierer, Kommune.  
Forum für Politik, Ökonomie und Kultur**

Joscha Schmierer is a journalist writing, inter alia, for *taz*, *Die Welt* and *FAZ* and is also co-publisher of the magazine *Kommune. Forum für Politik, Ökonomie und Kultur*, of which he held the position of editor-in-chief from 1983 to 1999. From 1999 to 2007 he was part of the planning committee of the Federal Foreign Office, first under Foreign Minister Joschka Fischer and later his successor Frank-Walter Steinmeier. There his responsibilities included fundamental questions of European policy. His most important publications include *Keine Supermacht, nirgends. Den Westen neu erfinden* (Wagenbach Verlag 2009) and *Mein Name sei Europa* (Fischer Taschenbuch 1996).

**Constanze Stelzenmüller, The German Marshall Fund of the United States**

Constanze Stelzenmüller has been a Senior Transatlantic Fellow at the Berlin office of the German Marshall Fund of the United States since 2009. Prior to this, she headed the office for four years. From 1994 until 2005, she was an editor in the political section of the weekly newspaper *Die Zeit*. She writes on a broad spectrum of issues, including German and European foreign and security policy, transatlantic relations and defence policy. She is chair of the executive board of the German section of Women in International Security and heads the academic advisory council of the German Foundation for Peace Research. Constanze Stelzenmüller holds a doctorate in law.

**Stefani Weiss, Bertelsmann Foundation**

Stefani Weiss has held the position of project manager at the Bertelsmann Foundation since 1999 and has been a member of the Foundation's Brussels staff within the Europe's Future and International Governance programmes since 2007. Prior to this, she was the executive assistant to the board of Atlantik-Brücke and director of the European Law and Politics programmes at the Gustav Stresemann Institute in Bonn. Her areas of expertise include European foreign and security policy, NATO-EU relations, disarmament, conflict prevention and crisis management, as well as international relations and globalisation.

**Sub-Commission on European Climate and Energy Policy:**

**Michael Cramer, MEP**

Michael Cramer has been a Member of the European Parliament since 2004. He is the Green Party representative on the Committee on Transport and Tourism (TRAN). He is also a voting member of the Committee on European Affairs in the German Bundestag, and is spokesperson of Europa-Union Deutschland's group of European parliamentarians. From 1989 until 2004, Michael Cramer was a member of the Berlin city government, where he served as the spokesperson on transport issues for Bündnis 90/The Greens.

**Hans-Josef Fell, Member of the German Bundestag**

Hans-Josef Fell has been a Member of the German Bundestag since 1998. He is currently the spokesperson for Bündnis 90/The Greens on energy policy, and is a member of the Committee on the Environment, Nature Conservation and Nuclear Safety. Between 2002 and 2005, Hans-Josef Fell was the spokesperson for research policy and the Greens' representative on the Committee on Education, Research and Technology Assessment in the German Bundestag. He was the spokesperson for technology policy and the party representative on the Committee on the Environment, Nature Conservation and Nuclear Safety from 2005 to 2009.

### Rebecca Harms, MEP

Rebecca Harms has been a Member of the European Parliament for the Greens/European Free Alliance group since 2004. She also co-chairs the group. She is a deputy member of both the Committee on Industry, Research and Energy and the Committee on the Environment, Public Health and Food Safety. Before becoming a Member of the European Parliament, Rebecca Harms served from 1994 to 2004 as a Member of the Lower Saxony state parliament, in which she was chair of the Green parliamentary group from 1998.

### Michaele Hustedt, CPC Berlin

Michaele Hustedt is a freelance political consultant and coach. She co-founded and remains the head of the CPC Institute of Berlin, together with Albert Schmidt. Her work focuses primarily on the conflict of interest that exists between politics, NGOs and the private sector. She is a facilitator for, among other things, the bioenergy network of the Deutsche Umwelthilfe. Michaele Hustedt was a Member of the German Bundestag from 1994 to 2005, serving most recently as the Green Party spokesperson on energy policy and as a member of the Committees on Finance and Labour as well as the Committee on the Environment, Nature Conservation and Nuclear Security.

### Christine Lins, European Renewable Energy Council

Christine Lins has been the Secretary General of the European Renewable Energy Council (EREC) in Brussels since 2001. She studied international economics and applied linguistics with a specialisation in marketing at the University of Linz. She has more than 15 years' professional experience working with renewable energy. EREC is the voice of the European renewable energy industry in Brussels, a sector which currently employs more than 550,000 people and generates annual revenues of €70 billion.

### Lutz Mez, Free University of Berlin

Lutz Mez is the coordinator of the interdisciplinary Berlin Centre for Caspian Region Studies at Berlin's Free University. In 1986 he co-founded, with Martin Jänicke and Thomas Ranneberg, the Environmental Policy Research Centre (FFU), of which he was director until April 2010. From 1993 to 1994 he was a visiting professor at Roskilde University in Denmark. He completed his PhD in political science in 2001. Lutz Mez is a member of the editorial board of *The Journal of Transdisciplinary Environmental Studies* and publisher of the series 'Energiepolitik und Klimaschutz' at VS Research. His research focuses on the energy and environmental policies of industrialised and transition countries.

### Sascha Müller-Kraenner, The Nature Conservancy

Sascha Müller-Kraenner has been the director of The Nature Conservancy in Europe since 2007. He is also one of the founders and partners of the Ecologic Institute in Berlin. He was appointed deputy chair of the Ecologic Institute in Washington, D.C. in April 2008. From 2003 to 2006 he headed the Europe and North America department of the Heinrich Böll Foundation, as well as the Foundation's programme on foreign and security policy. He was the director of the North American office of the Heinrich Böll Foundation in Washington D.C. from its establishment in 1998 until 2002.

### Martin Rocholl, European Climate Foundation

Martin Rocholl has been the Programme Director, Transport and Policy Director of the European Climate Foundation since 2008. He is also honorary chair of the BUND network Friends of the Earth Europe. Between 2005 and 2008 he was an advisor on economic and European policies, environmental projects and NGO management and chair of Friends of the Earth Europe. Prior to this, he was the director of Friends of the Earth Europe in Brussels. Martin Rocholl has more than 30 years' voluntary and professional experience in

environmental organisations and has also worked as a journalist and a molecular biologist.

### **Stefan Scheuer, Stefan Scheuer S.P.R.L.**

Stefan Scheuer has been a freelance consultant on environmental and energy policy and EU affairs since 2007. His clients include the European Climate Foundation, Greenpeace, the UK's Energy Saving Trust, Friends of the Earth, WWF and the European Environmental Bureau. Stefan Scheuer worked at the European Environmental Bureau in Brussels from 2000 to 2007, most recently as policy director. He also served as the chair of the European Environmental Citizens Organisation for Standardisation (ECOS).

### **Michaele Schreyer, former member of the European Commission, European Movement Germany**

Michaele Schreyer is the vice-president of the European Movement Germany and co-chair of the supervisory board of the Heinrich Böll Foundation, to which she was elected in 2007. She has been a trustee of the European University Viadrina Frankfurt (Oder) since 2008, and of the University of Göttingen since 2009. Michaele Schreyer was a member of the European Commission from 1999 to 2004. Prior to this, she was the Green representative on the Berlin city government and a member of the Berlin Senate. She holds a PhD in economics and teaches European politics at various universities.

### **Delia Villagrasa, energy policy advisor**

Delia Villagrasa is currently Senior Advisor on climate change issues relating to the EU, climate financing and UNFCCC negotiations at the European Climate Foundation. After some time in the private sector, she began her environmental policy career at WWF International. From 1995 to 1999 Delia Villagrasa was the director of the Climate Action Network Europe, followed by several years as head of the Business Council for Sustainable Energy. She then became a freelance consultant on EU environmental issues specialising in EU energy and climate policy.

## **Sub-Commission on European Neighbourhood and Enlargement Policy:**

### **Joost Lagendijk, Sabanci University**

Joost Lagendijk is a senior advisor at the Istanbul Policy Centre of Sabanci University in Istanbul. He was a Member of the European Parliament representing the Dutch Green Party from 1998 to 2009. In this role, he worked specifically on EU policy toward the Balkans and Turkey. He was the chair of the Turkey-EU parliamentary delegation for many years and a parliamentary rapporteur for Kosovo. He has published three books on the borders of the EU, US-EU relations and Europe's relations with its Muslim neighbours.

### **Kai-Olaf Lang, Stiftung Wissenschaft und Politik**

Kai-Olaf Lang is the deputy director of the EU integration research group at Stiftung Wissenschaft und Politik (the German Institute for International and Security Affairs). His areas of research include the foreign and security policies of Poland, the Czech Republic and Slovakia, the EU accession of these countries and the transformation and consolidation process in the Visegrad countries. His publications include *Postkommunistische Nachfolgeparteien im östlichen Mitteleuropa* (Nomos 2009).

### **Cornelius Ochmann, Bertelsmann Foundation**

Cornelius Ochmann is a senior project manager at the Bertelsmann Foundation. His responsibilities include projects in Eastern Europe. He also advises European institutions on EU policy toward the former Eastern Bloc. His other areas of focus include European politics, particularly EU-Russia relations and the EU's eastward enlargement. Before he joined the Bertelsmann Foundation, Cornelius Ochmann was a researcher at the Institute for Political Science at the University of Mainz.

### Rachid Ouaisa, Philipps University Marburg

Since 2009 Rachid Ouaisa has been head of the Department of Near and Middle Eastern Politics at the Centre for Near and Middle Eastern Studies, University of Marburg. He is also the director of the Iraq Centre DARCI. From 2002 to 2008 he was a researcher at the Department of International Relations at the University of Leipzig. His areas of expertise include the political, social and economic processes of the modern Near and Middle East since 1800. His current DFG (German Research Foundation) project is entitled 'Moderate Islamic parties as a future EU partner within the Barcelona process? The foreign and economic policy of moderate Islamist parties.'

### Isabel Schäfer, Humboldt University of Berlin

Since 2008, Isabel Schäfer has been co-project manager of the Volkswagen research project 'Hybrid European-Muslim identity models,' which is part of the Institute of Social Sciences at the Humboldt University of Berlin. From 2001 until 2009 she was researcher at the Institute for Political Science, Free University of Berlin. Her teaching and research focuses on European Neighbourhood Policy, Europe-Arab relations and German and European Middle Eastern policy.

### Manuel Sarrazin, Member of the German Bundestag

Manuel Sarrazin has been a Member of the German Bundestag since 2008 and the Green Party spokesperson on European policy since 2009. He is also a member of the Committee on the Affairs of the European Union in the German Bundestag and of the Subcommittee for EU Budgetary Issues. At the age of 16, he joined the Hamburg regional Green Party, the Green Alternative List (GAL). In 2004 Manuel Sarrazin was elected to the Hamburg state parliament, where he remained until 2008. He has been a member of the executive committee of GAL Hamburg since 2008 and a deputy member of the Council of the European Green Party since 2010.

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Claudio Franzius has been a lecturer at the Department of Law of the Humboldt University of Berlin since 2008 and is currently acting departmental chair at the University of Hamburg. Prior to this, he worked at the Universities of Bremen, Constance and Frankfurt. Claudio Franzius teaches the legal foundations of politics at the Otto Suhr Institute of Political Science at the Free University of Berlin. His research focuses on European constitutional law, national and administrative law and European domestic policy. His latest publication is *Strukturfragen der Europäischen Union* (with Franz C. Mayer and Jürgen Neyher; Nomos 2010).

#### Ulrich K. Preuß, Emeritus Professor of Public Law

Ulrich K. Preuß is an emeritus professor at the Free University of Berlin, where he taught public law and policy from 1996 to 2005. Between 2005 and 2010 he was Professor of Law and Politics at the Hertie School of Governance. He studied law and sociology at the Universities of Kiel and Berlin and holds a PhD from the University of Gießen. From 1972 to 1996 he was Professor of Public Law at the University of Bremen, serving simultaneously as the director of the Zentrum für Europäische Rechtspolitik (Centre of European Law and Politics) from 1991 to 1996. He taught as a visiting professor at the University of Princeton, the New School University in New York and the University of Chicago. He has been a member of the Bremen Staatsgerichtshof (State Supreme Court) since 1992.



The EU finds itself at a crossroads. On the one hand, the debt crisis has shown the necessity for increased coordination and integration. On the other hand, support for a closer union with increased solidarity is dwindling. Many citizens feel that a new dimension to the European integration is being heralded that involves substantially greater risk without having them involved in the process.

For all the scepticism surrounding the increased centralisation of political decision-making, there is also a growing expectation that the EU will face up to pressing global challenges. There is broad recognition that Europe must unite in order to act as a creative force. What will be decisive will be 'how'. A European Union in which citizens feel politically dispossessed but are at the same time held responsible for grave policy errors would not be a sustainable model.

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