

Using the Strengths of the Enlarged Union

Discussion Paper for the Charlemagne Forum on Europe in Aachen 2004

Presented by the Bertelsmann Group for Policy Research

Center for Applied Policy Research (C•A•P)

Bring Europe Back on Course

Enlarged Europe is underway. For the first time in the continent's history, almost all European states are pushing in the same direction, headed for a breakthrough into a new era. The unification of the European continent, after centuries of bloody war, dehumanizing rule of ideologies, and the absurd threat of total annihilation marks a historic watershed. The most ambitious peace project in Europe's history is well on the way to successful completion.

Starting from the integration of six states in limited areas of economic cooperation, the European Union (EU) has developed over the decades into a formidable political entity, under whose auspices the unity of the European continent is becoming reality. Fifteen years after the political earthquake in the center of Europe, voluntary pooling of sovereignty to achieve common goals has prevailed as Europe's greatest idea since the Enlightenment.

On May 1, 2004, the historic step was taken of enlarging the EU by 10 new member states. In 2007, Romania and Bulgaria may also belong to the Union. Additional states in the western Balkans will follow. Before the end of 2004, the heads of state and government will decide whether and when to open accession negotiations with Turkey, Croatia and Macedonia. A Union of no less than 30 members is moving from a futuristic scenario to political reality. In parallel, the EU is defining a comprehensive approach to partnership with its neighbors. Above all, the Union is in the process of codifying its common values and goals into a fundamental constitutional document. In the future, the European Constitution will comprehensively delineate the framework of all dimensions of European political acts. The EU will fulfil another step on the way to supranational statehood.

With this remarkable degree of enlargement on the one hand, and deepening integration on the other, the European Union has attained a new level. Following centuries of internal strife, in the new millennium the European continent must prove itself in new fields. The EU is the world's largest single market and, with the euro, a common currency that is an important reserve currency in global markets. Europe has grown together into a single political and security realm. Culturally, it is on the verge of stepping beyond the borders of the Christian west.

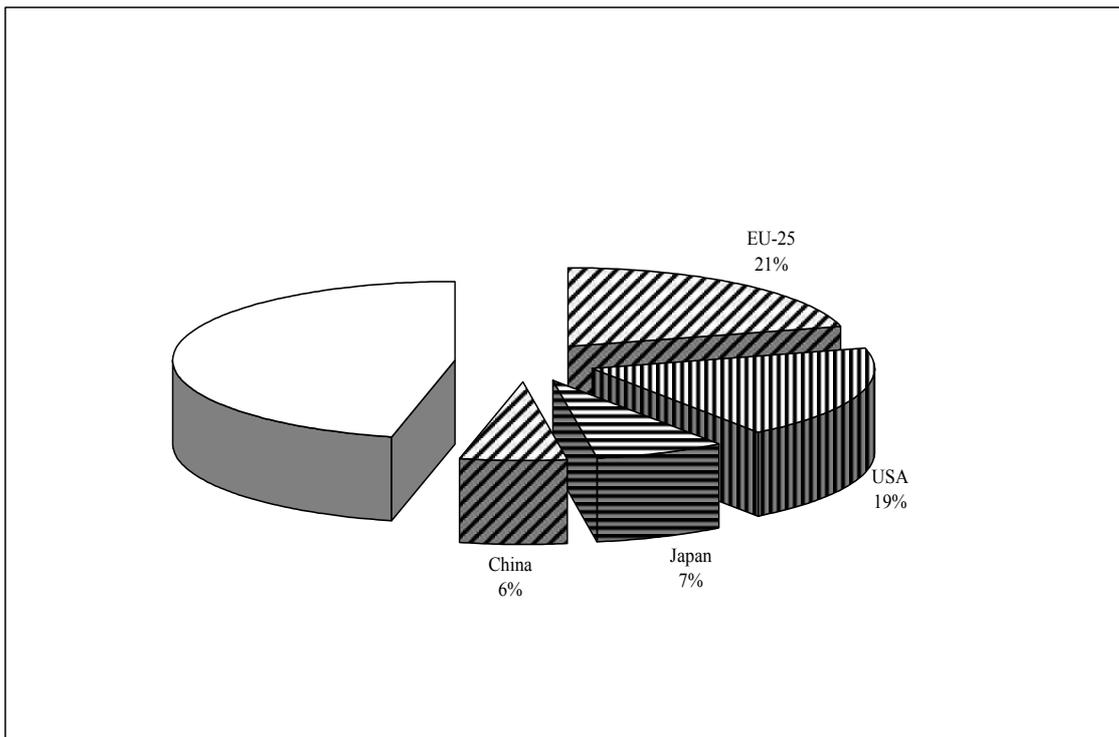
Using the Strengths of the Enlarged Union

Enlarged Europe finds itself in a very promising starting position. It is now important to use this potential to meet the high expectations that its citizens have for a united Europe. Thus the EU of 25, and soon more, must do justice to three central demands:

1. *Effective political abilities.* This assumes the establishment of a capable political system, built upon efficient structures for political leadership, with the ability to mobilize existing resources and to enable flexible options for further development.
2. *Sustainable socio-economic dynamism.* This requires the development of outstanding economic strength, based on a system of attractive social and value systems. It should be characterized by a high degree of productivity and innovation, a high level of education, a leading position in global trade and financial markets, as well as a commitment to solidarity and a balanced society.
3. *Capable security organization.* This includes overcoming internal vulnerabilities and optimizing both civil and military capability to improve its ability to lead and ensure order on a regional basis, as well as to improve its global influence and recognition in security questions.

Europe's political decision-making structures, its economic power, its system of values, and its civil and military capabilities already offer a substantial foundation for the future. Today, the EU produces 26 percent of global GDP, and its share of worldwide exports is greater than 20 percent. In addition, the current EU has a population of more than 450 million, 7 percent of the global total. The entry of Turkey, Croatia and Macedonia would bring the total EU population to approximately 550 million. Consequently, enlarged Europe's economic and geopolitical potential would also grow.

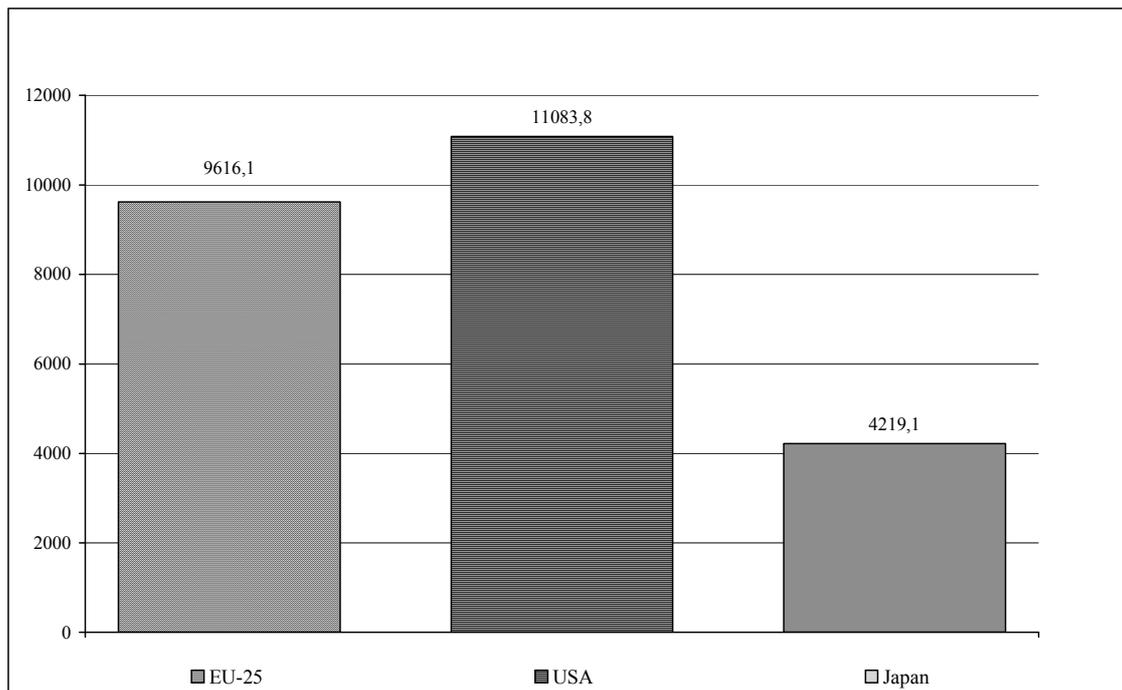
Figure 1: Share of Global Trade (excluding intra-EU trade)



Source: External and Intra-European Union Trade, European Commission, 2004

Nevertheless, enlarged Europe must consistently pursue its chosen course of integration. In this sense, deepening cooperation is not at all an end in itself. In a world that is growing ever closer, even the largest states in Europe can not reach a globally relevant size by themselves. Whether demographically or economically, the EU and its member states will tend to lose relative importance in all of the pertinent categories. Through 2050, global population is expected to grow by 2.6 billion people. Over the same period, the population in today's EU will drop from 450 million to 430 million. The fall in working-age population is even more dramatic. In less than 50 years, the ratio of working-age persons to retirees will drop from 4:1 to 2:1. For years, GDP growth in the EU has lagged that in the United States. Further, Europe may be economically overtaken by future economic giants such as China and India, or by trading blocs in Southeast Asia or the Americas. Even enlargement will change little in these prospects.

Figure 2: Gross Domestic Product (billions of euro)



Source: Eurostat

For these reasons, today the idea of European integration springs even more clearly than at the time of the Union's founding fathers from the insight that security and well-being for Europe's states can no longer be attained alone. It can only be reached by enhancing national capabilities through European bonds. In this sense, the European Union is becoming a state-like actor; moreover, to reach the goals it has set for itself, it is forced to become one. Thus, in many areas it is necessary for the Union to raise the bar:

- In terms of an efficient political system, approving the constitution will bring about substantial progress. Nevertheless, the EU remains an incomplete political system. The constitution will not mark the end of the history of reform; instead, it will enable further dynamic development of the system toward the goals of a capable, democratically legitimated and transparent EU. Institutions and processes, however, are only as strong as the foundations they are built on. Without a comprehensive, overall idea and political will from the member states, even the most efficiently designed political system of institutions cannot achieve sustainable successes.
- Pressure on Europe will increase, if over the long term it attempts to live up to its economic potential in global markets for goods, services and finance. In renewing its economic foundations, and particularly in modernizing the welfare state, Europe has been backsliding in recent years. Promoting convergence among the member states has been laborious and costly, and the new member states' process of catching up will take a long period of time. The increasing level of heterogeneity is putting social cohesion within the EU to the test. To secure the Union's international

competitiveness, reforms are urgently needed, but particularly in crisis-prone times, they are difficult to implement.

- Islamic terror on their home territory has plainly and painfully shown Europeans their vulnerability. Open borders and new borders ease the way for international criminals to enter the EU. At the same time, numerous potential crises are building on the Union's doorstep. In addition, global threats have grave consequences for European security and stability. The EU has not yet engaged these challenges with a comprehensive strategy that ties internal and external security together. Such a strategy, however, is a precondition for the Union to make full use of its capabilities in development, external, security and military policy.

Use the Strengths – and Overcome the Weaknesses

If the enlarged European Union wishes to live up to the demands of its citizens, it must make full use of its potential, both internally and externally. Now is a crucial time for making this political effort, because the EU is experiencing deep changes as part of the enlargement process. With the increasing number of member states, the Union's heterogeneity is also growing. The spectrum of interests that will have to be accommodated as part of European policy is broadening; coalitions are becoming more volatile; the principle of solidarity is increasingly questioned. Enlarged Europe will have to pass through a phase of painful conflicts before a new balance of interests and influences can be found.

With 25 members, the weaknesses that have already hampered a Union of 15 members will become even more apparent. Furthermore, the external arena in which the EU operates will be shaped by increasing imbalances. In the future, the EU will have to act in a world characterized by formidable disparities between societies, states and regions that are rich or poor, young or old, dynamic or hide-bound, democratic or authoritarian, and stable or unstable. These disparities hold the potential for significant future conflicts. Given this background, it is even more important to use an enlarged Europe's strengths productively and to overcome its weaknesses.

Organize Leadership and Continue Optimizing the Political System

Today, 70 percent of all political decisions are taken in Brussels. European law takes up approximately 80,000 pages. In Germany, for example, in the period 1994–98, the Bundestag has addressed 2070 instances of European policy. Contrast this number with only 13 in the early years of integration, 1957–61. Every year, hundreds of new acts and decisions are added to this body of law. Clearly, there is no shortage in the number of

European decisions. Often enough, however, these decisions are products of barely understandable, or even contradictory, goals and cumbersome compromises. Goal-oriented and better decisions would be preferable to simply increasing activism, and this requires clearer strategic tasks. In regard to this capacity for leadership, however, the gap between the enlarged Europe's potential and its political infrastructure threatens to continue widening.

The will for political leadership is indispensable in the enlarged Union, but it remains a rare good. The historical axes of integration are losing their ability to shape events. Today, the increasing heterogeneity of interests and complexity of decisions require a greater degree of active and visible political leadership. This will have to extend beyond the traditional impulses of the Franco-German tandem. Whether in views on the war in Iraq, the two countries' close coordination in the negotiations on the EU constitution, or their pushing through common interests within the terms of the Stability and Growth Pact—in many cases, France and Germany working side by side is seen as the expression of an outdated assumption of hegemony. Thus, it is important to involve other states, depending on the issue at hand. Case by case, the Franco-German duo could be replaced by the “Big Three,” the Weimar Triangle, the six founding states, the eurozone countries, or other coalitions such as net payers or Mediterranean states. The point is to realize ambitions, to increase the EU's internal coherence and to overcome its abstinence in global politics.

Political leadership does not necessarily mean the establishment of a closed core group, in which the most powerful member states would exclusively dominate the EU's business. The discussions about a “core Europe,” triumvirates, directories and pioneer groups are distorted by semantic misunderstandings. These misunderstandings block a sober view of the necessity of understanding differentiation as a strategic opportunity, one that will simply make it possible for the EU to engage the challenges of the future promptly, actively and effectively. In the near future, the option of differentiated integration will come to occupy a prominent position in the EU. Optimizing the instrument of enhanced cooperation, which the European constitution provides for, and establishing new forms of flexibility will open up previously closed paths of development. Individual groups of countries will move forward at varying speeds. The European Union is expected to deliver state-like services in fields ranging from economic and social policy, through external, security and defense policy, to justice and home affairs. Twenty-five or more member states will not be able to engage on all of them with the same intensity at the same time.

The formation of coalitions of member states that want to push the dynamics of integration forward at first within smaller groups is neither exclusive nor a threat to the community method. It is, rather, a source of improved problem-solving abilities for the EU. The picture of the enlarged Union could be shaped, not by a closed and rigid core,

but rather by several issue-related groups that are open to other member states. These would function as centers of gravity for additional integration, smoothing the path for other member states. They would also enable dynamism and innovation to emerge as the results of political leadership. If differentiation is considered in this sense, Europe will remain governable even beyond 25 members. The goal of a political union will not disappear from sight, but will be approached along the path of differentiated integration.

Just as important as leadership at the level of the member state is the ability of the European institutions to lead. Visibility, coherence and efficiency for European policy can only be secured through stronger personalization and a clear division of tasks, which also includes an appropriate delegation of competence. Among the European institutions, this applies most strongly to the European Commission. Over the long term, a strong Commission is only conceivable with a strengthened President of the Commission. To improve this offices democratic legitimacy, to strengthen its hand among the institutions and to give it greater independence from the member states, the Commission's President should be elected by the European Parliament and confirmed by the European Council. The right of heads of state and government to make suggestions for selecting the Commission's President should be dropped. Forming a Commission should be left to the President's own political skills, to judge whether the balanced geographic division and political composition will find sufficient support in the European Parliament and Council.

This step would not only strengthen the Commission's legitimacy and basis of power, it would make European elections considerable more important for the Union's citizens. Elections for the European Parliament would become contests for nominating the candidate for President of the Commission, which would be tied to the European party coalitions. This would make the elections more dramatic and personal. Politicizing European elections would strengthen citizens' interest in European politics, and it would open new paths of communication between the European Parliament and the European public.

In view of stronger personalization, the constitution establishes two key offices, in addition to the President of the European Commission, as part of the Union's institutions: the elected President of the European Council and the European Foreign Minister. Both offices will improve the internal and external continuity, visibility and coherence of European policies. This potential gain should, however, be improved by a clear delegation and division of competencies among the President of the Commission, the President of the Council and the European Foreign Minister. Up until now, the Foreign Minister has had a hybrid role in the Commission and the Council, which he or she could potential interpret to the detriment of the Commission. Further, the future President of the European Council can also represent the Union, "at the presidential level," without prejudice to the responsibilities of the Foreign Minister. This is one area

where a working division of labor must be found. However, the decisive factor for Europe's role in external affairs is not the posts being distributed but rather the bundling of political will.

In addition to leadability and visibility, the ability to make decisions is a critical question for enlarged Europe. Decisions will be more difficult to reach in the enlarged EU than ever before. This holds most true for votes in the ministerial Councils. In this area, the constitution offers substantial progress by reducing, once again, the number of areas in which unanimity is required and by introducing a voting procedure with a "double majority," which both eases the formation of working majorities and reduces the possible combinations for blocking minorities. Now the task in the intergovernmental conference is to defend the principle of the double majority, which offers both clarity and efficiency.

There is a certain amount of negotiating room, in terms of the number of states and the percentage of citizens necessary for a double majority. The Convention's draft provides for a majority of the member states and at least 60 percent of the Union's population; an agreement on thresholds of 55 percent in each would still offer a noticeable improvement over the current regulations set forth in the Treaty of Nice. However, every additional percentage of deviation from the Convention's draft would bring with it a painful loss of workability. Even if, at the end of the day, the principle of the double majority is introduced, the constitution retains a defect: the retention of unanimity in key policy fields such as the common foreign and security policy, certain areas of trade and tax policy, as well as in justice and home affairs. Over the long term, the EU will not be able to avoid discarding the principle of unanimity, even in areas that form the oldest fields of state sovereignty.

Enlarged Europe as an Innovative Learning Community: Continuing the Lisbon Process

Since the beginning of the 1990s, the process of economic globalization has steadily gained momentum. Citizens of the European Union are particularly affected by this process; among the 20 most globalized countries in the world, 12 of them are members of the enlarged EU. Given this background, Europeans are asking questions about the future of their jobs, the retention of social standards, their competitiveness in the international order of places to do business, and about events in financial markets that have taken on a whole new context. Even in areas where the EU is not directly involved as a legislator, the consequences of the common market and the mixture of national and EU citizenships are many and varied. For example, neither the German debate about "Agenda 2010" nor about a planned immigration law could be understood without

reference to how falling borders within the single market and the increasing competition among business locations have compelled the government to take action.

Europe has reacted to these changing circumstances with the Lisbon process, with the publicly proclaimed goal of becoming, by 2010, the most dynamic and competitive knowledge-based economy in the world, while simultaneously modernizing its social security systems. However, continuing high unemployment, aging societies and the crisis of the welfare state's systems paint a bleaker picture of the EU's economic capabilities. At present, the energy seems to be running out of reform efforts in many member states. Concurrently, Europe's economic problems are calling into question its commitment to building solidarity-based societies. While enlargement may increase economic tensions, their causes nevertheless lie elsewhere.

Given the somewhat disappointing macroeconomic results, Europe must travel further along the path started upon in Lisbon. On the one hand, new laws and regulations are not necessarily required to reach the commitments made in Lisbon, but on the other, not every new or old member state intends or is able to pursue the goals with the same intensity. The open method of coordination has already offered some insight in this area. Using this method, detailed and concrete regulations are not enacted; instead, the member states define common policy goals, which are addressed at the national level. Based on a comparison of successful solutions and approaches, the common agreement on goals and their examination, a learning community emerges in economic and social policy. This community supports convergence among the national systems without having to subject them to the dictates of Europe.

Open coordination is a promising instrument that the member states can use to address the need for similarity brought on by globalization, without giving up additional sovereignty. Nevertheless, to prevent open coordination from developing into a substitute for European legislation, intransparent and suffering from poor democratic oversight, the responsibilities of the European institutions should be clearly listed. Further, the various processes of open coordination should be evaluated systematically, and the involvement of national legislatures and the European Parliament should be guaranteed. In principle, open coordination could also be considered a form of enhanced cooperation, one in which not all member states have to participate.

Just optimizing the method of open coordination will not suffice to give the Lisbon process new dynamism. Direct comparisons with the United States make it clear that Europe hardly be the most dynamic and competitive knowledge-based economic area by 2010. Nevertheless, the EU should retain this basic goal. The agreed-upon goals in individual sectors, as well as the deadlines that have been agreed on since Lisbon, should be evaluated and redefined for the half-time report on the Lisbon agenda, which is planned for 2005. As part of this exercise, contradictory goals should be eliminated,

more realistic deadlines should be set, and clear strategic priorities should be set down that are appropriate for the interests of the new as well as the old member states. To avoid undermining the Lisbon project's credibility, the goals and priorities should be ambitiously defined, but without awakening people's expectations that, in the end, Europe will not be able to live up to them.

After decades in which market integration was the key goal, the social dimension of European unification is becoming increasingly important. In light of the widely varying models of welfare states and traditions within the enlarged EU, the goal is not to develop the existing laws that support social policy into a uniform European social policy, but rather to define the cornerstones of a European social model and to use innovative methods for cooperation among the member states. Like the treaties' crosscutting clause on environmental policy, consideration of questions of social protection and employment policy could be mandated for the implementation of Union policies in general. Together with the constitutional goal of balanced growth, and the obligations toward price stability and balanced budgets that are a part of the common currency and the Stability Pact, this would establish a European system of goals for economic and social policy, an up-to-date and broadly accepted socio-economic structure.

Figure 3: Global Population Changes 2005, 2025 and 2050 (in thousands)

	2005	2025	2050
EU-25	455 229	454 422	431 241
EU-28	558 522	570 832	552 318
Europe	724 722	696 036	631 938
USA	300 038	358 030	408 695
China	1 322 273	1 445 100	1 395 180
India	1 096 917	1 369 284	1 531 438
Japan	127 914	123 444	109 722
Africa	887 964	1 292 085	1 803 298
World	6 453 628	7 851 455	8 918 724

Source: United Nations, <http://esa.un.org/unpp/index.asp?panel=1>

Demographic changes and the shrinking proportion of working people will soon have negative effects on European labor markets. Lasting growth can only be secured by substantial productivity increases and rising immigration. In European immigration policy, it will be necessary to change the emphasis from immigration control to

immigration management, which is appropriate to general needs. In this area, setting quotas centrally is not a goal. The member states will continue to be able to set quotas and qualifications as they see fit. It will be necessary, however, to set a goal-oriented strategy for a European “brain gain,” and to implement this in the continent’s labor markets.

External and Internal Security for Enlarged Europe

EU citizens’ sense of security has been disturbed. Since the end of the Cold War, the number of crises and wars in and around Europe has risen, rather than fallen. Europe is increasingly called on to be a peacekeeping and peacemaking actor. Troops from EU member states are on duty around the world. With the attacks in Madrid, the threat posed by international terrorism has become clearer even within Europe. European societies have become targets of, as well as staging points for, terrorist activities. The Union’s member states must take up the struggle against terrorism both internally and externally, while simultaneously retaining the level of openness that a functioning modern industrial society requires.

The decision of the heads of state and government to react to the attacks in Madrid by naming an EU special coordinator for fighting terrorism is a sensible measure to improve cooperation and the exchange of information. Nevertheless, the creation of the new position will also duplicate a number of structures at the European level. Mirroring the European Commission, whose portfolio of justice and home affairs has increased considerably in its importance in recent years, an office is being created within the Council whose tasks, both in personnel and agenda, could have been done by the Commission. In times of crisis, states and organizations tend to give an outward sign that they are taking action. Often enough, however, the existing structures and powers are sufficient—what is lacking is the political will and the strategic planning to use them proactively. In this sense, it would be more efficient to build on existing elements, instead of creating new, doubled structure, which have the added disadvantage of working against the community method.

Just as pressure to act is rising internally, so, too, the pressure on the EU to act externally. The vulnerability to crises and the critical socio-economic position of regions directly neighboring the EU require strategic answers. To avoid creating new, long-term divisions, the EU must make its neighbors attractive offers of functional cooperation. Cross-border fields such as business, energy, transport, infrastructure development, telecommunications and education are all well suited for such offers. Even without prospects of EU membership, a dense net of cooperation could be woven, up to and including a pan-European free trade zone. Based on functional cooperation, institutional cooperation can be deepened, up to partial membership in individual areas

of European integration. This approach of external differentiation can help the European Union develop into an actor with a pan-European dimension without sacrificing its internal ability to function.

From a global perspective, given the massive pressure of problems, the EU is challenged as never before to understand itself as a geopolitical actor. To use the synergy effects of common positions decided at the EU level, enlarged Europe must develop further as a strategic community, improve its operational military capabilities and reconstruct its relations with the key actors in global politics. Only when Europe is able to internalize a new culture of global political reasoning, will it be able to develop sufficient influence in security policy.

The European security strategy, agreed on in December 2003, demonstrates the Europeans' will to establish themselves as an international power. The strategy, however, does not offer sufficient answers to the questions of how and, above all, with what resources Europe intends to meet the new challenges. The enlarged EU will only be able to live up to its potential in foreign and security policy if it determinedly improves its civilian and military capabilities, and if it is prepared to decide autonomously over the shape and timing of its missions.

Furthermore, it must be possible for member states that are prepared to work together to cooperate more closely, even in a small group of states. Implementing the possibilities of structured military cooperation that are provided for in the constitutional draft would be a first step in the direction of a European defense union. In this sense, the idea of a differentiated Europe in the field of security and defense policy strengthens the EU international capabilities. It does not diminish NATO as the transatlantic anchor; rather, it strengthens the alliance of democracies and enables enlarged Europe to do its part as a producer in a new, multinational world order.

More Europe Requires More Democracy

The multiplicity of challenges makes one thing perfectly clear: The enlarged EU will have to make significant efforts toward reforms. A new intensity of colliding interests and conflicts over distribution will make these efforts increasingly difficult. The EU will thus continue to have to work on its capacities and structures for making decisions. Starting from a primarily economic cooperation, in the course of the decades, the European level has taken on additional areas of competence. This has happened most recently in justice and home affairs, as well as in foreign, security and defense policy. These are fields in which "more Europe" is necessary sensible, but which will permanently alter the *gestalt* of the European Union.

Using the Strengths of the Enlarged Union

This tendency will be stronger, above all, in areas that had previously been mostly intergovernmental. Because of external pressure, significant qualitative steps toward deepening should be expected in justice and home affairs, as well as in foreign, security and defense policy. These are also the policy fields in which the citizens expect the most from Europe. As much as 90 percent of citizens surveyed in recent years have described protecting peace and security, fighting against terrorism and organized crime, as well as working against unemployment, poverty and social marginalization as important tasks for the EU. This clearly touches on key areas of state sovereignty. The more tasks the EU has among its responsibilities, the greater the need for transparency in its decisions. Above all, the democratic basis of European policy must be improved, if legitimacy and acceptance in the citizenry are to be secured.

Democratic legitimacy should particularly include the European Parliament, the only organ directly elected by the Union's citizens. In addition to the election of the President of the Commission, the European Parliament should also be strengthened in its functions as a representative and as a legislature. The provisions of the Treaty of Nice and anchoring the principle of a "degressive-proportional" allocation of parliamentary seats in the constitutional draft mark important progress in ensuring democratic representation for Europe's citizens. At the same time, the basic problems remains that an only approximately proportional division of seats is against a fundamental principle of modern parliamentary democracy. The number of small and very small member states means that this cannot be addressed by a new division of seats in Parliament. This makes considering the size of population in decisions taken by the Council, as the second legislative chamber, even more important.

By contrast, in its extension of the European Parliament's legislative functions, the constitutional draft offers a qualitative improvement. For the first time, the European Parliament is named as an equal legislative partner of the Council of Ministers. Above all, the constitutional draft defines a normal procedure for European legislating in which the European Parliament has the right of co-decision in instances when the Council decides by qualified majority. One of the most suspect legitimacy loopholes in the process of European legislation could be closed in the future. Furthermore, the constitutional draft extends the areas where decision is taken by qualified majority, and thus future co-decision by the Parliament. The constitutional draft brings the EU considerably closer to a two-chamber system of legislation, which would reflect its dual character as a union of states and of citizens.

The European Parliament, and with it the Union's citizens, is one of the big winners of the constitution—if it is passed by and within the member states. Unfortunately, citizens remain unaware of this fact. The disputes of the intergovernmental conference—the size and composition of the Commission, the controversial "double majority" of states and population for decisions in the Council—dominated media reports for too long. Almost

Using the Strengths of the Enlarged Union

no recognition remained for the convention's achievements, which included strengthening the rights of the European and national parliaments, unifying the existing treaties in a comprehensive document, giving the Union a single legal persona, mandating incorporation of the charter of rights, and setting up a list of competences. If these progressive steps are communicated to the public, the constitution will be able to pass its various referendums. This summer's European elections will be the first litmus test. At the end of the day, the European Parliament can only lend democratic legitimacy to European decisions, if the EU's citizens actually make use of their right to vote. In this respect, the Union's citizens are the greatest potential that the enlarged Union possesses.