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Article

Redefining the interest, the identity and the role of an enlarged Union

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DR. EDMUND STOIBER,
Minister President of the Free State of Bavaria

Ladies and gentlemen,

the former Vice-President of the European Commission, Sir Leon Brittan, once said that the importance of the eastward enlargement of the EU could be compared only to the signing of the Treaties of Rome in the 1950s.

Indeed, Europe is presented with the historic opportunity of finally overcoming the artificial division of the continent and making the European Union into a true pan-European Community. The enlargement of the EU to the East is an epochal event. There is no political alternative to this step. We must have courage and approach this goal with determination.

Of course, enlargement to 27 or even more countries will permanently change the character of the EU. The area of the EU will increase by around 40%, agricultural land by 50% and the population by 30%. Above all, the internal heterogeneity will increase considerably. The levels of prosperity, the cultural differences, the geographic factors, the camps of interests will all diverge much more than in the past.

These are certainly not minor challenges. But I am sure that it will be possible to master them. We all want EU enlargement to the East to be a success. Two factors will be decisive for this.

Firstly: The enlargement of the EU must be thoroughly prepared.

This concerns the candidate countries as well as the EU itself. Both sides will have to do their homework. For the candidate countries this means that they will have to fully meet the Copenhagen Criteria. We cannot deviate from this requirement. We must not close our eyes for reasons of political opportuneness.

But the EU, too, must prepare itself for enlargement with the requisite seriousness. The institu-

tional reforms laboriously negotiated in Nice are not enough for this – irrespective of the fact that we cannot yet foresee whether the Nice Treaty will even enter into force. What is needed are not just cosmetic corrections, but also fundamental reforms of the Common Agricultural Policy and the EU Regional Development Policy.

Secondly: The enlarged EU must find its identity again and redefine its role. Not all of the goals, ideas and methods that were right 50 years ago are still and will continue to be right now and in the future in the changed conditions. The number of tasks in an EU with 27 countries cannot be the same as in an EU with six, ten or fifteen countries. The negotiations should be completed with ten candidate countries by the end of the year. At least, that is the official version, even though we can now hear other voices that question this. Anyway, the EU is preparing for the "Big Bang": the joint accession of ten countries in the year 2004 – all the countries with which negotiations are ongoing, except Romania and Bulgaria.

I greatly hope that ten countries will really be ready for accession in the year 2004. But, a lot remains to be done for this to be the case.

Some people seem to believe that the problems will disappear as if by magic with the rapid conclusion of the negotiation chapter. But this is a false conclusion. On the one hand, the accession negotiations are far from complete. The most difficult negotiation chapters involving the most expenditure have only just been opened: agriculture, regional policy, financial and budgetary provisions. We should not act as though the accession negotiations are as good as over.

On the other hand, readiness for accession is not measured against the number of negotiation chapters completed, but against compliance with the Copenhagen Criteria.

In fact, economic development in the candidate countries is taking very different courses. I refer

only to the World Economic Outlook published by the International Monetary Fund on 18 April 2002, in which the candidate countries were critically appraised. The IMF believes that the candidate countries are in different conditions. Real economic growth is estimated at 1.4% in 2002 and 3.2% for 2003 in Poland, for example, 3.3 and 3.7% respectively for the Czech Republic, 3.5 and 4.0% respectively for Hungary and 3.7 and 3.9% respectively for Slovakia.

Each country must be measured individually against its own progress in complying with the Copenhagen Criteria. There must be no political discount for anyone. We would be doing no one a favour if, for example, we accepted a country into the EU whose economy is not yet capable to stand up to the competitive pressure in the single market, as required by the Copenhagen Criteria for good reason.

Please don't misunderstand me: I would be happy if at the end of the year we could identify 10 countries that are ready for accession. I would be happy if the way to enlargement were soon clear. I welcome all efforts in this direction. We just have to ensure that readiness for accession is placed on a sound and reliable foundation.

Finally, and this is the most serious point, the conclusion of negotiation chapters that only deal with the question of transitional deadlines for adopting the *acquis communautaire* in no way solves the internal problems of the EU.

I do not want to set up any new formal hurdles for eastern enlargement or delay the accession process. I just want to point out the areas in which the EU must reform itself so that eastern enlargement can become the success that we all want it to be.

Sound finances

No one should view the epochal project of EU eastern enlargement just from a financial point of view. Enlargement to the east is not only essential in terms of the economy, but – above all – in terms of cultural and also security policy. Cities such as Warsaw, Budapest, Prague and Bratislava are just as much foundation stones of Europe as Rome, London, Paris and Berlin. We simply owe it to our historic mandate and our claims to be Europeans

to harmonise the geographic and political Europe at last.

Nevertheless, financial considerations are also necessary. A secure financial basis is essential for the success of eastern enlargement. And first of all this requires sound financial planning.

And that is still the problem. The European Commission calculates the costs of enlargement only up to 2006, the end of the current financial planning period. With its proposal to phase in direct agricultural payments gradually, starting with 25% in 2004 to reach the full 100% only in 2013, the Commission is keeping to the financial prediction of Agenda 2000. From this it concludes that enlargement can be financed without any problems.

The snag is that the Commission has completely cut cost developments after 2006 out of its calculations. The *Süddeutsche Zeitung* had the following to say on this:

"The worst comes afterwards. The EU has no concept whatsoever as to how it will manage the consequences of enlargement for finances. In Brussels they are burying their heads in the sand."

An analysis by Dresdner Bank shows how true this is. It has calculated the costs that will be incurred in 2008 (after the accession of Bulgaria and Romania, as well) if EU agricultural and EU regional development policy are continued unchanged (i.e. without phasing in). With respect to the structural fund alone, in 2008 the € 30 billion structural funds for the *previous* EU countries will be joined by € 37 billion for the *new* members. This is more than double!

With respect to agricultural policy, in 2008 there would be extra spending of € 16.6 billion for new members. The total additional expenditure would thus be well over € 50 billion. For Germany this would mean doubling our net contribution to the EU budget.

The Osteuropa-Institut in Munich comes to a comparable cost prognosis. This means: in the long term this will involve very considerable sums that people here, in other words the tax payers, cannot simply be expected to pay. Nevertheless, the Commission does not openly address this. But we must not bury out heads in the sand, we have to address

problems openly and develop solutions at an early stage.

If we wait until 2006 before we seriously think about whether the EU can be financed, Europe could get into an existential crisis. Forward-looking policies have to take preventive action here and make thorough plans. I hope that sensible solutions can be found in time.

Reforms

The solution must start with a reform of European agricultural and regional development policies, which together account for 4/5 of the EU budget. It was a mistake to avoid making the necessary reforms in March 1999 in Agenda 2000. The current precarious situation is a consequence of the ostrich policy of that time. This mistake must not be repeated again now.

Basically, what I welcome about the Commission's proposals about the transitional deadlines for agricultural policy is the fact that the candidate countries should not be excluded from the supplementary income subsidies for longer. I have always been against excluding the candidate countries whose average per capita income is less than 40% of the EU average from the biggest subsidy pot in the EU as was originally planned. European solidarity cannot work in this way!

Basically, the candidate countries should be treated in the same way as the current EU countries in regard to direct agricultural payments. I believe that transitional regulations are reasonable for a relatively short period.

However, some Member States are now generally questioning the system of direct agricultural payments. I don't agree with that. We will continue to need agriculture in Europe in the future and cannot leave everything simply to competition on the world market. Agriculture is not only about procuring food, it also shapes our countryside, our culture and our society. For this to stay this way, for family farms to have a chance, we will continue to need direct payments in the future. However, they need to be reformed and cut back because otherwise the EU budget cannot be financed.

That is the reason for national co-financing of supplementary income subsidies. In future, the EU

should still define the framework, but also pay a certain percentage itself. It should then be left to the Member State concerned to supplement its own funding to fill in the EU framework.

In this way the candidate countries could quickly be treated equally without the costs for the common budget exploding out of control.

Some people argue that this goes against solidarity because the richer countries can more easily provide the national co-financing than the poorer countries. There's only one thing I want to say about that: treating the candidate countries worse for a full ten years shows a lot less solidarity. Moreover, it must be remembered that agricultural production costs differ greatly and in some countries they are not so high as they are in Germany, for example. Therefore, national scope in co-financing the supplementary income subsidies certainly makes sense.

Fundamental reforms of the EU regional development policy are also needed. Today's system of redistribution via the structure and cohesion fund is too inefficient, too expensive, too centralised and highly susceptible to error and fraud. The approach of wanting to control regional development centrally from Brussels will lead down a cul-de-sac with eastern enlargement at the latest.

A long time ago I proposed that the current system of structural funding be replaced by direct transfer payments to weaker Member States with the help of a Solidarity Fund. The transfer payments were to be used for intensive measures in the regions with weaker structures under the broad responsibility of the Member State concerned.

After all, the Member States and regions know best where and how the EU funds can be used most sensibly with political responsibility to their citizens.

In parallel to this, the Member States that will do without EU funds in future will be given greater scope for national subsidies in the regions that will not be covered by EU funding. And, for example, the Federal Government must be prepared to use funds for this in Germany that will then be saved through the reform of structural policy in Brussels.

In this way, enlargement to the east could be placed on a secure financial foundation without

throwing the system of solidarity in Europe into question.

The future EU

Ladies and gentlemen!

The future enlarged Union will have to redefine its interests, its identify and its role in the world. Europe will have to concern itself with where it is heading. What are our interests in view of the changed circumstances? Enlargement of the EU and deepening integration, are they compatible? Who is doing what in Europe? These will be the future questions in Europe that the next intergovernmental conference will have to deal with.

First of all, we have to define the interests of Europe:

- We need a *unified* Europe that will overcome its division so that it can guarantee its internal and external stability in the long term.
- We need a Europe *united to the outside* in order to secure Europe as a location for investment in the globalised world.
- We need a Europe that is *capable of acting internally* in order to be able to perform truly European tasks effectively.
- We need a *democratic* Europe so that the performance of a task by the EU does not lead to concessions in democratic co-determination and control.
- And above all we need a Europe *close to its citizens* so that it is accepted by the people.

In order to ensure that Europe remains governable following eastern enlargement, fundamental reform of the division of functions is unavoidable. I have already pointed out that the future Europe of 27 will be a different EU. And that it will be different not only in terms of size, the number of members and inhabitants, but that it will be an EU with great economic and cultural differences, with diverging historical experiences and geo-strategic interests. It will not be possible to manage such a much more heterogeneous EU centrally from Brussels in all matters. It will only be able to function if internal diversity, subsidiarity and responsibility for own affairs are preserved to a high degree.

That is not necessarily guaranteed today. The former Commission president, Jacques Delors, once said:

"The European Union gives the impression of wanting to do everything, for which it has justifiably been criticised."

A tendency to want comprehensive jurisdiction can, indeed, be observed in the European Union. A problem in Europe is claimed all too readily as a task for Europe without asking whether the problem really needs to be solved at the European level.

Many examples of this can be quoted. They range from prevention of accidents on the way to school to safeguarding pension systems. These are problems which arise everywhere in Europe, yet they should not be solved by Europe but by the Member States. Nevertheless the EU keeps grabbing new powers. This mostly happens by means of an extensive interpretation of the powers under the internal market or through the newly introduced system of "open coordination".

This is a wrong development because it places the efficiency of the EU at risk, particularly if it grows significantly in size. The EU would not be able to cope in the long term if it wanted to take care of everything and everyone. It also damages its acceptance among its citizens. For the latter want, where possible, a transparent and efficient administration close to the citizen. And they want to know whom they can call to account for European decisions.

The issue of the division of functions will be the central task of the 2004 Intergovernmental Conference. The next intergovernmental conference must not be restricted simply to summarising the treaties and making them more easily readable, as some are demanding. It must sift through the collection of tasks of the Community to establish what must and can still be done jointly in a considerably enlarged and much more heterogeneous EU in future and what should instead rather be taken care of on a national and regional level.

This is the real challenge facing the "Convention on the Future of Europe" which is to prepare the next intergovernmental conference. It is also the answer to the question how deepening integration and enlargement can be reconciled. Deepening of integration must be accompanied by a concentration of fields of action to essentials.

It is therefore urgently necessary that the post-Nice process, which will culminate in the 2004 Intergovernmental Conference by way of the Convention, should result in a clear allocation of functions on the basis of the principle of subsidiarity. Only by this means can we ensure that the enlarged Union of the future remains capable of effective action.

I do not, however, want to disguise that this has not yet been understood in all quarters. The attempt is made by some to exclude the core issue of the redistribution of functions from the debate about reform. Instead, subsidiary questions are to be made the focus of the debate, such as making the European treaties easier to read or dividing them. In the interest of Europe, we must not, however, be satisfied with a round which produces nothing in terms of content and substance.

For a good three months now, the Convention with its 105 members representing the governments of the EU Member States, the European Commission, the European Parliament, the national parliaments and the candidate countries has been convening. Expectations of the body are rightly high. After all, we are dealing here with the project of the century of a comprehensive reform of the European Union which is to culminate in a European constitution.

For Europe faces mighty challenges: enlargement by twelve candidate countries, progressing globalisation, lessons from the terrorist attack of 11 September 2001. Basic reforms are required to manage all these things successfully. Not only have the continuing increase in the number of members and the current expansion of fields of action made the EU more cumbersome and have reduced transparency, they have also made the existing democratic deficit more noticeable.

The Convention must therefore have the courage to examine the collection of European functions to establish whether action by the EU really is essential. There must be no taboos. The transfer of new competences to the European level should be as much the subject of discussion as their repatriation to the Member States.

The EU should only be responsible for core European competences which can only be managed jointly, such as:

- foreign, security and defence policy, a single internal market with functioning commercial competition,
- a single external representation and common currency,
- a reformed agricultural policy,
- and – to the extent that cross-frontier dimensions exist – justice, internal security, transport, infrastructure, environmental and health protection.

Greater action by the Community is required above all in foreign, security and defence policy as well as in combating cross-border crime and international terrorism. The citizens of the EU will not measure its success by the number of directives and regulations it has adopted, but by the efficiency of the common foreign and security policy and its cooperation in justice and home affairs. The EU must be given the required competences and instruments in order to be able to deliver convincing results in this key policy areas.

There is currently a gross imbalance between the economic and foreign policy weights of Europe. That can be seen – along with many other things – in the minor way in which Europe has been able to influence the Middle East conflict, for example. Europe must assume greater responsibility for peace, freedom, law and justice in the world – politically in the first instance, but also militarily within a UN, NATO and EU framework if necessary.

In contrast, everything that belongs to settled traditions in terms of civilisation and culture and so-called civil society should, as a matter of principle, be reserved as the responsibility of the Member States: for example, the internal state structure of the Member States including local government, family structures and social security, labour markets, immigration, voluntary and charitable organisational forms and fields of work, education, culture and sport.

Uniform requirements across the EU with regard to employment quotas, the number of childcare facilities, school curricula or the reform of pension and health systems, for example, do not do justice to the different traditions and existing conditions in the Member States. On the contrary,

they are counter-productive because they restrict fruitful competition between different policy approaches.

Unfortunately, not all papers which have been tabled so far point in this direction. The proposals for the reform of the European Union adopted by the European Commission on 22 May 2002 have been simply disappointing. The Commission refuses to discuss the subject of delimiting its competences because it does not want to accept that the EU cannot and should not appropriate everything the Commission considers important. And yet the delimitation of competences was precisely one of the issues which caused the European Council to set up the Convention. The European Parliament also spoke in its favour.

If, in view of its enlargement to 480 million inhabitants, the EU fails to concentrate to a greater extent on its core tasks, the EU will be hopelessly overtaxed in ten years.

The Commission proposals for increased coordination of economic policy in the European Union will lead to a centralised European economic government. That is the wrong way to strengthen Europe's competitiveness. The Member States must of course observe the requirements of the Stability Pact. But in all other respects we need healthy competition precisely in economic, tax and social policy between the Member States for the best policy in the interest of their citizens. Hence my credo: remove unfair practices: yes; remove competition: no.

Allow me to add a few words on institutional reform. I only wish to refer to it briefly here because the 2004 Intergovernmental Conference will essentially deal with reforming the distribution of functions. The institutions must be guided by the tasks, not vice versa.

It is necessary that citizens should clearly see who in Brussels carries political responsibility for which decisions. And they must have the opportunity through their representatives – be it in the national parliaments or the European Parliament – to exercise effective influence on the decisions of the EU. That is a fundamental prerequisite for people to continue to say yes to European integration.

Against this background I propose the following reforms:

- Legislation should be the joint responsibility of the Council and the European Parliament. Here each member of the European Parliament should represent about the same number of votes. In the Council, as the chamber of the states, votes should be weighted, whereby a certain over-proportional representation of the small states should be accepted.
- The European Parliament and the Council should have the right of legislative initiative together with the Commission. It borders on arrogance for the Commission to claim that it alone represents the Community interests in the European Union and that it is the sole champion of citizens' interests. This fails to do justice to the fact that cooperation in the EU has reached irreversible normality and that it therefore is subject to the democratic rules of the game which are taken for granted in the Member States. An element here is also that the sole right of initiative of the Commission must be broken up through the right of initiative for the European Parliament and the Council, too.
- The Commission should be the politically responsible executive. The Commission President should be elected by the Parliament with the consent of the Council.
I can quite easily imagine a European election campaign with "European leading candidates". This could considerably increase the interest of its citizens in Europe and contribute to greater transparency.
- The Council should take majority decision as a matter of principle. The prerequisite for this, however, is a clear delimitation of competences so that European action remains predictable. Unanimity should continue to apply to the application of catch-all clauses, decisions on own resources as well as in the context of intergovernmental cooperation.
In addition, I support the proposal to concentrate the tasks of the General Council of Foreign Ministers on questions of foreign and security policy in future and to entrust a Council of Europe Ministers with the general coordination function.
Furthermore, Council meetings should be public as a matter of principle.

In the field of intergovernmental cooperation the Council must continue to take unanimous decisions. The Commission should function as secretariat of the Council. Both the European Parliament and the Commission should have a right of initiative, with the Parliament having an additional right of information.

The British prime minister, Mr Blair, going back to the idea of the French prime minister, Mr Jospin, recently suggested reform of the council presidency which rotates on a six-monthly basis. According to this proposal, the European Council should appoint a presidency for five years at a time which would preside over the Council and represent the European Union externally in foreign policy issues.

Statements by the Spanish prime minister, Mr Aznar, go in a similar direction, favouring an extension of the period in office of the President of the European Council to two-and-a-half or five years. During this period the latter would not be allowed to exercise any other political responsibilities in his own country. He would be supported by a presidency team which would be composed of five or six heads of state or government on a rotating basis.

It is not yet clear how this model would function in detail. It may be that it will be presented in greater detail at the next meeting of the European Council on 20/21 June.

I agree with Prime Minister Blair and Prime Minister Aznar that strengthening the EU's ability to act in foreign policy matters is absolutely essential. Europe must be a strong and reliable partner to the United States. My visit to George Bush showed that if we Europeans want to continue to be taken seriously so that we can help to shape the rules of world politics, we must be strong ourselves. Europe can no longer allow itself the luxury of spending less than half as much on defence as the United States. Moreover, we must not allow such a large gulf in armaments technology.

Nevertheless, I believe the approach proposed by Blair and Aznar of establishing a strong president for the European Council to be wrong. It leads away from integration. Moreover, it would not

strengthen Europe's democratic legitimisation, but weaken it.

I see the risk that the European Council would be turned into an EU directorate with inadequate democratic legitimacy and control. Here, the large Member States would be likely to play the leading role to the detriment of the smaller Member States. That would be harmful to the functioning of the EU.

In the long term we will have to achieve more communitarisation in foreign and security policy. And in the process we will have to be aware that, realistically, full communitarisation will meet with considerable resistance for the foreseeable future. That is why the Commission's recent proposal to introduce a Commission monopoly on initiatives in foreign and security policy should be rejected.

Nevertheless, we will have to think about those areas in which a transition from intergovernmental cooperation to a genuine Community policy makes sense. I can certainly imagine this for the Petersberg Tasks, linked with an opt-out clause. A common armaments policy also appears necessary to me.

Europe must be in a position to intervene militarily, rapidly if necessary. To do this we need to push ahead with building up rapid reaction forces. This is not a European army, but we need working political and military structures in the EU that can activate national units quickly and at any time.

Instead of establishing a powerful president of the European Council at the expense of the Commission, and thus reversing the integration process, I am in favour of reforming the Commission and of upgrading the President of the EU Commission in the way I suggested earlier. In other words, the election of the Commission President by the European Parliament with the consent of the Council. The Commission President, given legitimacy in this way, should appoint his own Commission, which would then need to be confirmed by the European Parliament and Council. This would allow the Commission to develop into a democratically controlled and legitimised "European executive".

Ladies and gentlemen!

There is no alternative to the European Union. But the next reforming treaty must involve far more than mere editorial changes and a compilation of the existing treaties. The new challenges, and first and foremost enlargement to the East, have released healthy pressure for reform of the EU. This opportunity for root and branch renewal must not be wasted.

And above all, we must ensure that the citizens are included on the path to the further development of the EU. Europe must not remain a project of the so-called political elite. We must overcome the gap between this so-called elite and the population. That is the only way to win acceptance for further European integration among the population.

That is why the reform debate must not take place only in the Convention. A particular requirement is that the national parliaments should follow the work of this body closely. Only by this means will there be the necessary wide public debate about the future of Europe with the inclusion of its citizens.

The issues at hand are of fundamental constitutional significance and must not be decided over the heads of the citizens.