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Science, Vilnius University
Istituto Affari Internazionali, Rome
Latvian Institute of International Affairs, Riga
Mediterranean Academy of Diplomatic Studies,
University of Malta
Netherlands Institute of International Relations
'Clingendael', The Hague
Slovak Foreign Policy Association, Bratislava
Swedish Institute of International Affairs,
Stockholm
Trans European Policy Studies Association
(TEPSA), Brussels

ie Institut für
ip Europäische Politik

Bundesallee 22, D-10717 Berlin
Tel.: +49/30/88.91.34-0, Fax: +49/30/88.91.34-99
E-mail: info@iep-berlin.de
Internet: <http://www.iep-berlin.de>

www.eu-consent.net

EU-25 Watch

On the Project

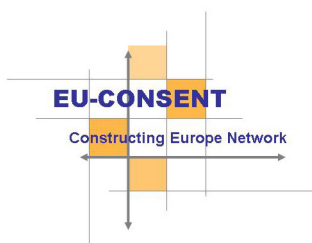
The enlarged EU of 25 members is in a process of reshaping its constitutional and political order and at the same time of expanding its membership and taking on new obligations in international politics. This project sheds light on key issues and challenges of European integration. Institutes from all 25 EU member states as well as from the four acceding/candidate countries (Bulgaria, Romania, Croatia and Turkey) participate in this survey. The aim is to give a full comparative picture of debates on European integration and current developments in European politics in each of these countries.

This survey was conducted on the basis of a questionnaire that has been elaborated in June and July 2005 by all participating institutes. Most reports were delivered by November 2005. Issues of *EU-25-Watch* are available on the homepage of EU-CONSENT (www.eu-consent.net) and on the internet sites of all contributing institutes.

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List of Authors

Contributors to this issue:

Austria: Doris Zeibig, Österreichisches Institut für Internationale Politik, Wien

Belgium: Johan Pas, Groupe d'Etudes Politiques Européennes, Brussels

Bulgaria: Krassimir Nikolov, Bulgarian European Community Studies Association, Sofia

Croatia: Nevenka Cuckovic, Visnja Samardzija, Mladen Stanicic, Igor Vidacak, Institute for International Relations, Zagreb

Cyprus: Giorgos Kentas, Costas Melakopides, Cyprus Institute for Mediterranean, European and International Studies, Nicosia

Czech Republic: Petr Kratochvil, Petr Pavlik, Institute of International Relations, Prague

Denmark: Anna de Klauman, Catharina Sørensen, Danish Institute for International Studies, Copenhagen

Estonia: Piret Ehin, University of Tartu

Finland: Petri Burtsov, Hanna Ojanen, Kristi Raik, Tapani Vaahtoranta, Finnish Institute of International Affairs, Helsinki

France: Alexis Dalem, Centre européen de Sciences Po, Paris

Germany: Kathrin Brockmann, Marcus Delacor, Daniel Göler, Timo Goosmann, Gesa-S. Kuhle, Barbara Lippert, Sammi Sandawi, Institut für Europäische Politik, Berlin

Greece: Nikos Frangakis, Greek Centre for European Studies and Research, Athens

Hungary: Gábor Lakatos, Krisztina Vida, Institute for World Economics of the Hungarian Academy of Sciences, Budapest

Ireland: Hilary Mc Mahon, Institute of European Affairs, Dublin

Italy: Flavia Zanon, Istituto Affari Internazionali, Rome

Latvia: Dzintra Bungs, Latvian Institute of International Affairs, Riga

Lithuania: Jurga Valanciute, Institute of International Relations and Political Science, Vilnius University

Luxembourg: Jean-Marie Majerus, Centre International de Formation Européenne Robert Schuman, Luxembourg

Malta: Stephen C. Calleya, Mediterranean Academy of Diplomatic Studies, University of Malta

Netherlands: Hinke Pietersma, Netherlands Institute of International Relations 'Clingendael', The Hague

Poland: Celina Blaszczyk, Malgorzata Czernielewska, Anna Jedrzejewska, Maria Karasinska-Fendler, Marek Kozak, Rafael Trzaskowski, Przemyslaw Zurawski vel Grajewski, Foundation for European Studies, European Institute, Lodz

Portugal: André Barrinha, Pedro Courela, Institute for Strategic and International Studies, Lisbon

Romania: Gabriela Dragan, European Institute of Romania, Bucarest

Slovakia: Aneta Antusova, Vladimir Bilcik, Slovak Foreign Policy Association, Bratislava

Slovenia: Ana Bojinović, Sabina Kajnc, Centre of International Relations, University of Ljubljana

Spain: Alicia Sorroza Blanco, José I. Torreblanca, Elcano Royal Institute/UNED University, Madrid

Sweden: Rikard Bengtsson, Malmö University/Swedish Institute of International Affairs, Stockholm

Turkey: Atila Eralp, Center for European Studies / Middle East Technical University, Ankara

UK: Markus Wagner, Federal Trust for Education and Research, London.

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Introduction: A portrait of the Union in a puzzling state of mind

Barbara Lippert/Timo Goosmann

For the European Union, the troublesome year 2005 ended on an upbeat tone. The somewhat unexpected compromise on the financial perspective 2007-2013 that was reached at the meeting of the European Council in December 2005 will encourage the Union and its 25 members to address the challenges of European integration and its immediate tasks with more confidence.

The future of Europe

The Union's agenda is shaped by demands of deepening and widening on the background of economic globalisation and transnational threats to security and welfare. After the big bang enlargement of 2004 and the setback in the process of ratifying the Constitutional treaty (TCE) that occurred in spring 2005 the European Union is in a puzzling state of mind. The December 2005 European Council withdrew its original neutral term "period of reflection"¹ for dealing with the constitutional crisis and re-instated the positive formula "future of Europe"² that had been declared at the Laeken summit in 2001. This shall signal that big issues (Why EU? What kind of EU and Europe do we want?) beyond the usual EU-business are at stake. The 25 heads of state and government also acknowledged the importance to follow closely the "**national debates on the future of Europe underway in all Member States**"³. This exactly is the underlying idea and purpose of "EU-25 Watch": to learn more about preferences, mind sets and other domestic conditions which shape positions of governments and other actors in the EU arena and which drive European integration.

This issue of "EU-25 Watch" sheds light on how key issues like the "Lisbon process" or the "role of the EU in the world" are framed, debated and addressed in the 25 member states and in four acceding/candidate countries (Bulgaria, Romania, Croatia and Turkey). Regularly, authors not only refer to policy makers but also to pressure groups and the media, thus giving a comprehensive insight into national discourses and current as well as upcoming issues.

Out of the richness of information and interpretations and the many details that are given from the perspectives of 29 countries four general observations shall be put forward for further discussion:

- **Heterogeneity and diversity** of preferences, conditions and capacities is a dominant feature of the EU-25. Member states are currently going through **different cycles of modernisation and adaptation**. The diverse and uneven implementation of the Lisbon strategy is a case in point. While old member states like France, Germany and Italy are particularly slow, countries like the Nordics and other **newcomers** with a recent history of Europeanisation via membership are on **path of reform and still have an impetus** for change that others lack. Expectations are high that the EU should combine **competitiveness** with **social security and solidarity**.
- Across the EU a **gap between the citizens and the political class** is widening. Considering the lack of trust it is not enough for European leaders to go on with business as usual, especially since the political crisis is widely interpreted as a **crisis of leadership** at both national and EU level. The future of the **TCE** is open, a **wait and see** attitude is prevalent in most member states.
- **Consolidation and limits of the EU** in political, functional and also geographic terms is becoming a major concern in member states. **Enlargement fatigue** sweeps through old member states.
- European integration is currently largely **driven by external factors** that set priorities of action for the EU. However, an attractive **integration project** à la single market or EMU is **missing** that would strengthen internal political cohesion of the EU.

¹ Declaration by the Heads of State or Government of the Member States of the European Union on the Ratification of the Treaty Establishing a Constitution for Europe, European Council, 18 June 2005.

² Presidency Conclusions, 15/16 December 2005, paragraph I.

³ Presidency Conclusions, 15/16 December 2005, point I.5.

To draw a picture that captures the whole of the EU-25 and come to overall conclusions from this analysis is difficult. We have to simplify and generalise from country specifics in order to crystallise trends and patterns in the EU-25. Readers are invited to follow their own guiding questions and make comparisons between the member states. In the future we will surely need to devote more time to understand what is going on in the member states and how Europeanisation works both ways, down from and up to the EU-level, thus making sense of the puzzling state of the Union.

Heterogeneity and diversity

After the accession of ten more member states the EU became **bigger and more diverse**. While a trivial fact in itself, the implications of this growth in membership are manifold and deserve further empirical investigation and academic explanations.⁴ One example for heterogeneity inside the enlarged EU are different levels of prosperity, varying preferences with regard to policy choices and basic orientations towards European integration.⁵ The size of population and economy as well as geographic location and political/cultural identities play an important role in determining positions of EU governments.

Heterogeneity and diversity are to some extent an issue of old/new member states, but not simply an East/West issue if one also takes into account previous rounds of enlargement. New member states enter the EU on a path of reform and adaptation. Given the broadness of the Union's *acquis* the scope and depth of this specific form of "**Europeanisation**" (adapting to EU demands in individual ways) impacts on the whole of the politico-administrative and economic order and has some serious social consequences too.⁶ Successful membership mostly depends on continuing the adaptation and reform process after accession, even if the pace slows down and priority measures are reconsidered, as it seems to be the case in Hungary for example.⁷

Challenges of globalisation – country constellations

Considering how the 25 member states respond to the **challenges of globalisation**, the completion of the internal market with its increased competition also among member states and to the functioning of the Monetary Union we can currently observe the following **constellations**:

Interestingly, among the most successful⁸ EU members are the **EFTA countries** (Finland, Sweden and Austria) that joined the EU in 1995 – the enlargement previous to the 2004 round. Their reform tracks date back to the nineties when they introduced public sector reforms, focusing in fields such as social security, the labour market and research and development, both prior to and after their membership. However, the example of the likewise successful Denmark proves that it is not simply an issue of old/new members. It appears that the Nordic countries – with their typical, however not uniform, social model that is based on high levels of taxation as well as social security payments – are perceived as positive examples of coping with change throughout the EU. The so called "flexicurity"⁹ is often referred to by authors as a point of orientation for their countries' strategies.¹⁰ There are some important conditions for the success: The Nordic countries have comparatively small and very open economies with a distinct mix of high educational standards, a high labour productivity, a good ability to adapt in international competition, an efficient administration and an appropriate resource management that combines with high levels of social cohesion and a (still relatively) high share of government expenditure in GDP.

⁴ This is a core question for EU-CONSENT, especially regarding the mutually reinforcing effects of deepening and widening of the EU. For the development of sets of expectations concerning past and future integration of Europe cf. <http://www.eu-consent.net/content.asp?CatId=259&ContentType=Projects>, latest access 9 January 2006.

⁵ Compare for example the Italian and Estonian contribution.

⁶ Cf. Lippert, Barbara / Umbach, Gaby: *The Pressure of Europeanisation. From post-communist state administrations to normal players in the EU system*, Baden-Baden: Nomos Verlagsgesellschaft, 2005.

⁷ Cf. the Hungarian chapter on the Lisbon Agenda (question 4).

⁸ In terms of the Lisbon ranking (general economic background, employment, innovation and research, economic reform, social cohesion and environment). Cf. European Commission: *Structural indicators. Update of the Statistical Annex (annex 1) to the 2005 Report from the Commission to the Spring European Council*, Brussels, 11 March 2005, http://europa.eu.int/growthandjobs/pdf/statistical_annex_2005_en.pdf, latest access 9 January 2006.

⁹ Cf. the Danish chapter on the Lisbon Agenda (question 4).

¹⁰ Cf. for example the Turkish and Estonian chapters on the Lisbon Agenda (question 4).

Among the better performing countries of the EU are also the **UK, Ireland and Spain**. The UK thinks of itself as the “master pupil” that has no basic problems in implementing the Lisbon agenda,¹¹ given its track record from Thatcher to Blair in deregulation, the approach “from welfare to work” and other reforms described as the “Third Way”.

Ireland, and to some extent also Spain, are two countries that benefited (and particularly Ireland still does) from a probably overly generous structural/agricultural policy and that combined these EU transfers with a course of modernisation that is viable and constantly produces growth.¹² Interestingly, as far as the mental shape and economic conditions are concerned, these countries – government and population alike – seem less frightened to cope with an environment of global and European competitors .

At the other end of the spectrum we meet **stagnant economies** and slow reforms of the welfare systems (pension, health, social security system reforms) in the founding countries, notably in **France, Germany¹³ and Italy**. Given the economic weight of the three as the economic “powerhouse” in the West of the EU (combined with the South of the UK) their performance is crucial for the entire EU. While there is a general awareness of the economic obstacles among policy makers within the three countries, the scope of the reforms differs significantly, as well as the level of support for the objectives of the Lisbon Agenda. For example, the French report states that “in France, the Lisbon Agenda is not very well known and not very well considered. It is mainly an intergovernmental process, and, as such, is often regarded as a sign of the loss of influence of traditional French views on Europe. It is widely regarded as a British invention.”¹⁴

In the spectrum marked on one side by dynamic and on the other by rather stagnant countries, the **new member states** are located **in between**. They do not follow one and the same approach¹⁵, but they share basic orientations and conditions of countries that have undergone a comprehensive pre-accession and modernisation course and are still on a path of reform and catching up.¹⁶ Like many Western European and Mediterranean countries they lean towards corporatist and/or clientelist social models that look for a balance between efficiency and solidarity. Thus they demand high transfers from the EU budget for the agricultural sector, for reducing regional and social disparities and for investment in infrastructure. However, for catching up with the comparatively wealthy and robust economies of the old EU-15 they try to make use of their comparative advantages to the full. That is why – for the time being – they are also in favour of a liberal agenda, why they support the freedom of services based on the country of origin principle, why many are reluctant to get chained by a working time directive,¹⁷ and why they try to attract FDI through low taxes and simple tax systems etc.

On this background we conclude that the member states are currently going through different cycles of modernisation and adaptation so that there is a lack of simultaneity. This hampers any substantial agreement on concrete measures and effective programmes at EU-level. A good example to illustrate this point is the Lisbon process.

Lisbon – shared goals but no drive

The goals of the Lisbon process are widely shared among the members of the EU. Given the diverse contexts, traditions and models of social systems, labour market policy etc. the EU preferred coordination (by means of the rather loose method of open coordination) over legal harmonisation or other legally binding impositions and sanctions. The **results so far are meagre**, and where there is improvement it is not linked to incentives from the Lisbon process or perceived in this context. Everywhere in the EU member states are making **additional efforts** to increase growth and improve employment strategies.¹⁸ They are aware of the fact that the national, not the EU level is key so that

¹¹ Cf. the United Kingdom’s chapter on the Lisbon Agenda (question 4).

¹² While Spain’s growth rate (3,1% in 2004) is high, also the unemployment rate settled on high levels of 11% (2004), cf. http://epp.eurostat.ec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL, latest access 9 January 2006.

¹³ In some respect, Germany probably has to be considered as a special case. The heritage of unification burdens German economy and the tax payers. Annually still about 4 per cent of its GDP is transferred to the new *Länder*.

¹⁴ Cf. the French, German and Italian chapters on the Lisbon Agenda (question 4).

¹⁵ Compare for example Slovakia with Hungary.

¹⁶ See for example Estonia and Latvia that are inspired by Anglo-Saxon models, which others, like Hungary are not.

¹⁷ Cf. the Estonian, Slovak and Slovenian chapters on the Lisbon Agenda (question 4).

¹⁸ Take the Slovak Minerva project as an example, cf. the Slovak chapter on the Lisbon Agenda (question 4).

they refrain from claiming a more pro-active approach of the EU, notwithstanding some support for spending more money from the EU budget on “Lisbon activities”. There is also a common understanding with regard to the priorities and key sectors like education, knowledge-based industries etc. However, there are very different experiences and preferences with regard to the ways to achieve these goals and at which social costs.¹⁹ This is also reflected in many authors’ analyses of the negative outcome of the referenda on the Constitutional Treaty in France and the Netherlands.²⁰

The attitudes towards two directives which are currently debated in the EU – the **services directive** and the **working time directive** – show the differing cost/benefit analyses and diverse effects that are expected from the implementation. It also shows that the level of commitment and participation of non-governmental actors (social partners) and national parliaments in the formation of a political position of the governments varies considerably among member states: The contributions within “EU-25 Watch” suggest that it is generally more significant among the “old” members while especially in many of the ten member states that acceded the EU in 2004 official government positions seem to dominate.²¹ For the EU, it will become crucial to assess and explain the likely **social fallout** and the overall impact of any piece of legislation as far as member states, economic sectors, social and professional groups and others are concerned. This information, provided for namely by the Commission, will certainly influence the formation of national positions and also of transnational actors.

Financial framework – little innovation

From the country reports, written before the European Council reached an agreement on the **financial framework 2007-2013**, one could already conclude that the vast majority of member states was prepared to accept the Luxembourg proposal of 15 June 2005 as the basis for further negotiations. This implied a far lower budgetary ceiling (1,06% of GNP) than originally proposed by the Commission (1,21% of GNP), a preservation of the 2002 agreement on the ceiling for CAP expenditure and – on the income side – a reduction of the British rebate. On the expenditure side room of manoeuvre existed more or less under the appropriations “Competitiveness for growth and employment”, “The EU as a global partner” and, because of its sheer volume, under the appropriation “Cohesion for growth and employment”. Notwithstanding the general sympathy to direct EU resources towards the Lisbon goals (create new and better jobs, improve competitiveness on a global scale) and concede priority to fund R&D projects, the proposal backed by France and the UK to establish a globalisation fund was greeted with little enthusiasm.²²

The **new member states** in particular were interested in a **timely compromise** within the British presidency (2005), fearing that otherwise payments would be postponed considerably and probably millions of Euro could be lost. Their interest in a quick deal was stronger than considering at this point the arguments for a fundamental restructuring of the budget on the expenditure side and a consistent own resources mechanism. The Maltese answer to question 3 on the financial framework reflects this attitude: “The government and opposition [...] have argued that a compromise agreement is better than no agreement at all.” Moreover, there was little innovative thinking and new proposals around. Many perceived these negotiations as a *déjà vu* of the Agenda 2000, however with a different constellation of member states. Any agreement had to bridge the notorious cleavages between the net recipients and the net contributors. As political and media reactions across Europe have shown the agreement reached at the European Council in December 2005 is largely appreciated and met with relief, but it does not show real innovations.

The bargaining over the financial framework proved that for the EU (level) it is becoming increasingly difficult to produce a coherent and convincing output. Considering the constellation of member states described above **coalition-building** is volatile and will certainly remain a big issue for all governments. In a bigger and more diverse EU the com- and perplexities of problems and solutions increase. Thus diversity and heterogeneity aggravate the **legitimacy/efficiency dilemma** of the EU. The upgrading of the common interest - which should be more than the agglomeration of the interests of the 25 - is highly demanded yet it is hard to achieve.

¹⁹ Some authors refer to this debate in the context of „social dumping“, cf. the Austrian, Belgian, German, Luxembourgian and Portuguese chapters on the Lisbon Agenda (question 4).

²⁰ Cf. for example the Croatian, Finnish, French, Irish and Slovenian chapters on the Constitutional crisis (question 1).

²¹ This becomes apparent comparing e.g. the Danish, Finnish, German and Italian chapters on the Lisbon Agenda (question 4) with the respective answers from e.g. Estonia, Hungary, Latvia and Poland.

²² Cf. the Danish and Slovak chapters on the financial framework (question 3) and the Belgian and Latvian chapters on priorities and perspectives of the EU (question 7).

When asked about upcoming issues on the national agenda that might over time also be uploaded to the EU level or influence decisions taken there often issues linked to the Lisbon agenda are identified by the authors like employment²³, competitiveness²⁴, decentralisation²⁵ and the preparation for the Euro-zone²⁶ in the case of the new members.

The capacity to act also influences the EU's acceptance among the citizens of its member states.

Citizens and political elite – the gap is growing

The fact that some governments are particularly open minded towards globalisation, opposed to define stricter rules to govern globalisation and also to regulate the internal market does not mean that this approach is shared by the majority of the citizens nor that the socio-economic situation of that particular country is at ease. Take the case of Estonia: The government and political class reassure EU-partners – “We like globalisation”²⁷ – while income disparities are high, the GDP per capita is still among the lowest among the EU-25²⁸ and unemployment was above 9% in 2004.²⁹ Another example is Slovakia: While the government receives a remarkable degree of acclaim considering its reform strategy³⁰ social exclusion still constitutes a major obstacle and unemployment even remained above 18% in 2004.³¹

Expectations-capabilities gap

This might indicate a **growing divide between the political classes in the new member states and the citizens** and indicate an upcoming problem also for the EU as a whole. The centrist programme of the party Law and Justice (PiS) in Poland (winner of parliamentary and presidential elections) signals the return of a more state interventionist, etatistic governance approach, focusing on an active role of the state in social and employment policy. This goes together with **concerns over good governance**, a challenge also for some old EU member states. In the chapter on upcoming issues and events in each member state (question 6) the contributors describe a number of critical issues of governance in the respective countries. On one hand, many issues are framed by domestic agendas, but a number of core topics such as competitiveness, the fight against unemployment, health care and retirement/pensions can be observed in many countries as all European concerns

Overall, **public opinion** in the EU-member states is **more sceptical and status quo oriented** than the political class. This may be one reason why better leadership is demanded by so many commentators and policy makers,³² among them Tony Blair as can be found in the United Kingdom's contribution: “The crisis should be seen as one of political leadership in general: neither at the national nor the European level have politicians been providing the answers that the people are demanding as a response to economic and social change.” In the Finnish chapter on the constitutional crisis the authors characterise the crisis “as a failure of the European leadership in listening and relating to the wider public.” The Hungarian report goes even further, stating that “European integration is desperately missing political leadership and visions of the future. One can say that the highest ranking politicians of the member states ‘betrayed’ Europe, since they do not perceive the EU any more as an excellent historical opportunity to solve problems and face challenges in common, but rather as a battlefield of clashing national interests.”

²³ Cf. for example the Austrian, French, Hungarian, Italian, Luxembourgian, Portuguese, Slovenian and Turkish chapters on Upcoming Issues and Events (question 6).

²⁴ Cf. for example the Croatian, Estonian, Finnish, German and Irish chapters on Upcoming Issues and Events (question 6).

²⁵ Cf. for example the Slovenian chapter on Upcoming Issues and Events (question 6).

²⁶ Cf. for example the Cypriot, Czech, Latvian, Lithuanian, Maltese, Polish and Slovak chapters on Upcoming Issues and Events (question 6).

²⁷ Prime Minister Andrus Ansip at Hampton Court, cf. the Estonian chapter on the priorities and perspectives of the EU (question 7).

²⁸ Even though the GDP per capita in Purchasing Power Standards in percent of the EU-25 average has risen from 41,2% (2000) to 51,5% (2004).

²⁹ Cf. http://epp.eurostat.cec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL, latest access 9 January 2006.

³⁰ Cf. the Slovak chapter on the Lisbon Agenda (question 4).

³¹ Cf. http://epp.eurostat.cec.eu.int/portal/page?_pageid=1133,47800773,1133_47803568&_dad=portal&_schema=PORTAL, latest access 9 January 2006.

³² Cf. e.g. the Belgian, Croatian, Finnish, Greek, Hungarian, Slovak and the UK chapters on the Constitutional Crisis (question 1).

However, if there is a consensus, it is that “the EU” should find the ideal way to **combine competitiveness with social security**. In this sense and despite the many types of social models and their variations that exist in the EU, the authors point out a marked difference to the USA. It has often been concluded that citizens (and increasingly politicians as well) are ambivalent whether the EU is part of the problem or part of the solution of challenges like globalisation. This seems to be more than a question of better communication, it is also a question of clear cut analysis. Political actors (also EU institutions) have to know and explain to what extent there is an added value of involving the EU or transferring competencies to the EU in a given policy field. This is even more difficult in times when citizens lack trust in the institutions of the EU.

At the same time the EU is also confronted with high expectations about what it should³³ do so that the EU risks a **growing expectations/capability gap**. The debate about the constitution and the demand for a “social Europe” illustrates these contradictory expectations and the gap between competencies of the EU and public expectations. This is reflected in statements like the one from the Belgian State Secretary for European Affairs, Didier Donfut, who according to the Belgian contribution (chapter 1, Constitutional Crisis) believes “that Europe’s citizens do not see the Union bringing any solution that is decisive for guaranteeing their existence. They have increasing expectations with regard to Europe, but many have the impression that Europe is becoming a problem rather than a solution for their interests in unemployment, social vulnerability, environmental deterioration, climate change, de-industrialisation and increased energy costs.”

Constitutional and political crisis of the EU

While the notion “crisis” is widely accepted to describe the EU after the negative referenda and the failed summit of June 2005, the governments of the 25 responded calmly and were **eager to de-dramatise the situation**. They interpreted the “non” and “nee” as being more than an accident but less than a catastrophe, they called it a “setback”³⁴, a “warning”³⁵ or a “wake-up call”³⁶ rather than a “turning point” in European integration. However, in media and academic commentary and probably also behind closed doors cabinets and party circles discuss the extent of this crisis with more intensity and critical objectivity. To some the EU is at a critical juncture of the European integration process while others feel reminded of the traditional ups and downs in the process of integration.³⁷

Most actors (probably including the citizens) are at a loss about how to make sense of the crisis and how to overcome it, i.e. how to exploit the chances offered by the wake up call. Those who voted negatively or did not vote at all did not send an unambiguous message: Their reasons rooted in the domestic economic and political situation – aspects that are intensively analysed in the chapter on the constitutional crisis (question 1) – and echoed a growing estrangement vis-à-vis the EU. The image of the EU as a stronghold to cope with the challenges of the future is diminishing.

As already pointed out above, many contributors to “EU-25 Watch” No. 2 interpret the constitutional crisis as a **crisis of leadership**. Apparently, governments are hesitant how to respond to the significant degree of discontent. To go on as if nothing had changed – an option provided for by the bureaucratic machinery (on all levels of the EU) that continues to work as a matter of routine – is perceived as a disregard of those who said “no”. A minority of the authors argues that the TCE is dead and cannot be saved. The Polish report contains a statement of the leader of the ruling Law and Justice party, Jaroslaw Kaczynski, who claims that the whole idea of the reflection period unnecessarily prolongs the crisis: “We should accept that the constitutional treaty was rejected, the Nice Treaty is in force and if we were to discuss a long term solution of the institutional problems we should start from the scratch”. Similar points of view can be drawn from the UK chapter on the constitutional crisis (question 1).

More frequent is a **“wait and see attitude”**³⁸ and the impulse rather than the strategy to shelve the TCE or, as formulated in the Hungarian report, a “hibernation” of the document. This is not only an

³³ See contributions to question 7 (reinventing the European social model/cope with globalisation), e.g. from Hungary.

³⁴ Cf. e.g. the Finnish, Lithuanian, Slovak and the Slovenian chapters on the Constitutional Crisis (question 1).

³⁵ Cf. e.g. the Bulgarian and Croatian chapters on the Constitutional Crisis (question 1).

³⁶ Cf. e.g. the Austrian, Cypriot, Irish and Latvian chapters on the Constitutional Crisis (question 1).

³⁷ Cf. e.g. the Croatian, Danish, Greek, Hungarian and Lithuanian chapters on the Constitutional Crisis (question 1).

³⁸ Cf. the Finnish and Swedish chapters on the Constitutional Crisis (question 1).

expression of the need for reflection and orientation. It also reveals that a consistent idea or programme for an alternative and different EU is missing. That is also the reason why many shy away from obvious alternatives, be it cherry picking, rewriting and /or re-organising parts of the TCE or starting it all over again from the Nice treaty.³⁹ Also the core-Europe and other flexible arrangements of “25 minus x” that shall help govern an ever larger EU gain little support from governments and citizens alike.

The slow start of the period of reflection in the member states underlines that a glue is missing but also that the **shock is not as productive in terms of original thinking** as hoped for. Some experiences are disastrous, like the one in the Netherlands where after the rejection of the TCE a broad public debate was supposed to be launched, but eventually had to be stopped even before the start due to disagreement between political parties, the government and the parliament regarding the question who would chair the debate.⁴⁰ Also in other member states it has proven to be very difficult to engage citizens in a public debate on TCE contents.⁴¹

Bearing in mind all these aspects one could ask: Is the so called constitutional crisis an episode rather than a critical juncture? Probably only historians will tell us, but there is a **danger in just going on with business as usual**. One of the reasons why the EU ran into the ‘referenda trap’ is that it underestimated latent medium term developments and ignored processes of declining legitimacy and diminishing levels of mutual trust among the member states.⁴² So far the reflection period has shown that taking into consideration the widening gap between citizens and the political elite an intense public debate cannot simply be launched by decree and that trust in the EU cannot be restored by PR means.

Consolidation and limits of the Union

Recently in many member states and also the European Parliament, a debate on the **limits of the EU** has started and gained momentum after the negative referenda in France and the Netherlands. Limits refer to the EU’s scope of activities, competences and geographic boundaries internally⁴³ and externally. It is again a subject of diversity and heterogeneity in the EU. The official term in Eurospeak is “**consolidation**”.⁴⁴

Apparently the EU that now encompasses the largest part of the continent needs to **reflect upon its limits also in geographic terms**. There is not one government that straightforwardly argues that the EU should definitely answer where it should end. However, formally the EU has not entered into any further commitments that go beyond the four countries that are also covered by the “EU-25 Watch” (Bulgaria, Romania, Turkey and Croatia) and the rest of the Western Balkans that have a “European perspective” as well as the leftover EFTA countries. This would add up to a Union of around 35 member states, depending on the future splits in post-Yugoslavia. Notwithstanding the affirmation of consolidation (and of the criteria as far as the qualification for membership is concerned), as in the past, proximity and ties with non-EU neighbours determine preferences of members to pave the way for their neighbours to join the EU in the future. Ukraine⁴⁵ and Moldova⁴⁶ are obvious candidates for this line of thinking.

There is however no movement inside the EU for shutting the door to others forever. Moreover, the reports show a strong sense to keep the promise and stick to the signed treaty on accession with

³⁹ Cf. e.g. the Belgian, Danish, Dutch, German, Hungarian, Irish, Portuguese and Romanian chapters on the Constitutional Crisis (question 1).

⁴⁰ Cf. the Dutch chapter on the Constitutional Crisis (question 1).

⁴¹ Cf. e.g. the Bulgarian, Cypriot, Czech, Maltese, Romanian, Slovak and Turkish chapters on the Constitutional Crisis (question 1).

⁴² Moreover, public opinion is not without contradictions. Subsequent to the referenda in France and the Netherlands or other countries like Luxembourg no social or other popular movement against the EU or for a different EU appeared.

⁴³ This aspect was not directly addressed in the questions. However, there is some reference made in the answers to question 1, e.g. concerning ways out of the crisis or TCE innovations that should be implemented based on the Nice Treaty.

⁴⁴ Regarding the use of the term “consolidation” cf. e.g. the following press release: European Commission: Consolidation, Conditionality, Communication – the strategy of the enlargement policy, IP/05/1392, 09.11.2005.

⁴⁵ Cf. the Polish chapter on the Future of EU Enlargement (question 2).

⁴⁶ Cf. the Romanian chapter on the Future of EU Enlargement (question 2).

Bulgaria and Romania,⁴⁷ despite concerns as to the fitness of these countries in political and economic terms. That is one reason why many reports now refer to a strict observance of the Copenhagen criteria and also refer to the capacity of the Union to absorb new members without losing its dynamic. **A change is underway** that acknowledges the need of consolidation and functioning of the already big EU rather than promoting expansion further and further to the East. **Enlargement fatigue** sweeps through the EU. For the time being this assessment is more frequent in the old EU⁴⁸, among the six original members in particular, than in the new member states (citizens and governments), however this might change over time. Up to now the European Neighbourhood Policy (ENP) as a framework and concept to effectively deal with third countries in the neighbourhood, excluding the membership question, has not gained momentum yet. Poland in particular is a fervent promoter of an active Eastern policy including a membership perspective.⁴⁹ Some suspect this stance as being essentially containment policy vis-à-vis Russia and a strategy to dismantle the rest of the post-soviet sphere with the feeble promise that the EU is filling in the vacuum. With regard to the EU's policy towards Russia and other post-Soviet states (e.g. in the Southern Caucasus) a field for controversies and conflicting interests and perceptions among old and new Central and Eastern European member states seems to be taking shape.

Turkish membership is not as controversial any more as it already has been. Even in Germany and Austria the debate cooled down. Assessments differ whether Turkish membership will overstretch and overburden the EU, also concepts about the future of the EU and the balance between deepening and widening differ as has been laid down above. The ways to manage migration or to deal with multiculturalism and with Islam in particular will continue to be discussed across the EU, however most intensively in old member states which up to now have been the main target countries of migrants. The EU is only one framework of reference in these discourses and for many member states not the primary one.⁵⁰

It still seems too early to assess the impact of the 2004 enlargement on old and new members. The extent of public attention and political debate with regard to the integration of ten new members is limited. This also signals that no major frictions and disruptions neither of the internal market nor in other fields have been observed so far. The transition periods and terms of accession seem to work fine, irrespective of whether they are convincing from a political and economic point of view. Thus new member states criticise the restrictions for the free movement of workers. Only Sweden, Ireland and the UK opened their labour markets and are quite happy with the results.⁵¹ The German government insisted on a transition period of as long as seven years and the grand coalition will probably apply this maximum period.⁵² The apparent **success** of Eastern enlargement does not produce political momentum to continue this line.

The importance of external factors and the absence of an attractive integration project

Citizens and governments alike support more Europe in a sense that **more collective action and representation of the Union is welcome in the least integrated fields**, the CFSP/ESDP and issues of internal security like fighting terrorism and international crime.⁵³ This does not necessarily correspond with claiming a transfer of competencies, a European army or border control. But these are surely the most dynamic areas, where **European public goods** should increasingly be provided by the EU for the member states. Also the new members discover the **added value of CFSP and also ESDP**.⁵⁴ This is an interesting process for countries that generally favour a strong transatlantic link and that see NATO, i.e. the USA, as the primary provider of their security.

⁴⁷ The two countries fear a negative spill over by connecting the ratification of the TCE with their accession. Cf. the Bulgarian and Romanian chapters on the Future of EU Enlargement (question 2) as well as respective contributions from Turkey and Croatia.

⁴⁸ Cf. the Danish, Dutch, Finnish, French, German and Luxembourgian chapters on the Future of EU Enlargement (question 2).

⁴⁹ Cf. the Polish chapter on the EU's Role in the World (question 5).

⁵⁰ Cf. the Italian chapter on the Future of EU Enlargement (question 2).

⁵¹ Cf. the Irish, Swedish and the UK chapters on the Future of EU Enlargement (question 2).

⁵² This can be explained by sector-specific economic implications of EU enlargement in Germany as well as with cases of misuse regarding the freedom to establish a business, cf. the German chapter on the Future of EU Enlargement (question 2).

⁵³ Cf. e.g. the Bulgarian, Czech, French, Greek, Italian, Latvian, Luxembourgian and Maltese chapters on the EU's Role in the World (question 5).

⁵⁴ Cf. e.g. the Cypriot, Estonian, Hungarian, Latvian and Lithuanian chapters on the EU's Role in the World (question 5).

The **European Security Strategy** is a document where strategic interests of the 25 converge. It is perceived as a good basis for a global and significant role of the EU. However, potentially controversial issues include: Russia⁵⁵, Eastern Neighbours⁵⁶, regionalisation of the CFSP⁵⁷, multi-speed/directoire tendencies (EU-3)⁵⁸, export of democracy⁵⁹ and the NATO-EU-relationship.⁶⁰

There is a lot of sympathy for institutional reforms as entailed in the TCE in the field of the CFSP/ESDP. Nevertheless, as long as the period of reflection continuous and the fate of the TCE is undecided there are only minimal steps towards an anticipated implementation. This concerns the **European External Service** as well as the **Foreign Minister of the Union**, topics that are covered intensively in the chapter on the EU's role in the world (question 5).

When asked to name **upcoming issues on the national agendas** of the 29 countries that might over time also be uploaded to the EU level or influence decisions taken there many authors identified topics that are linked to external policies: minorities and neighbours (Hungary), immigration (Denmark, France, Ireland, Italy, Malta), Iraq troops (Italy), energy security (Austria, Latvia, Lithuania, Malta), becoming full member of the Schengen area (Bulgaria, Estonia, Latvia, Slovakia) and global/international governance (Finland, France).

While external factors increasingly seem to drive European integration and set priorities of action of the EU, **an attractive integration project** (à la Single Market or EMU) **is missing**. The goal to become a geostrategic actor cannot sufficiently mobilise political identification and resources and thus ensure political cohesion, legitimacy and effectiveness that is expected of the Union. As the Danish report puts it, the traditional vision of Europe as “a common project for peace is forgotten. Peace and security is not enough to justify the existence of the EU today. People are focused on how the EU affects their everyday lives, and on how they can benefit from it. The Foreign Minister describes this tendency towards a more utilitarian approach to the EU as ‘tomorrow’s Europe of realism in contrast to yesterday’s Europe of idealism’.” The author of the Hungarian report agrees: “Sixty years after World War II and sixteen years after the fall of the Berlin Wall, and given the ongoing peaceful unification of the continent, the need for and the mission of the EU must be re-formulated and shared with the public.”

Outlook: a fascinating, yet puzzling panorama

Following the trend of the previous rounds of enlargement pragmatism prevails regarding the direction of the integration process and its methods. The glue is missing and a visionary project of integration not in sight. At the beginning of 2006 the EU finds itself in a puzzling state of mind and with many loose endings. The scenario in which the EU is trapped is not an unlikely one. The many elections in the EU member states at the national or regional level (in at least 18 member states) in 2006/2007 also limit the room for manoeuvre. The **political crisis of the EU** is to a considerable extent the crisis of the member states with many weak governments and leaders. Still, glimpses of hope exist that the TCE will eventually be ratified and take effect.

The EU is looking for a **new balance** to cope with heterogeneity and diversity, to reconnect with the European citizens, to address the finalité issues and reconsider the meaning of what consolidation and limits of the EU will mean in the future and last but not least how to provide security and promote its ideas of and interests in global governance.

Countries that have **recently acceded** to the EU seem particularly **well equipped** to cope with change and the **demands of competitiveness**. Certainly, accession is only one condition, however it seems to be a crucial one because the preparation for membership demands a comprehensive

⁵⁵ Cf. e.g. the Estonian and Latvian chapters on the EU's Role in the World (question 5).

⁵⁶ Cf. especially the Polish chapter on the EU's Role in the World (question 5).

⁵⁷ Cf. e.g. the Maltese and Portuguese chapters on the EU's Role in the World (question 5).

⁵⁸ Cf. e.g. the Austrian, Cypriot, German, Hungarian, Italian, Portuguese and Slovak chapters on the EU's Role in the World (question 5).

⁵⁹ Cf. e.g. the Irish and Latvian chapters on the EU's Role in the World (question 5).

⁶⁰ Cf. e.g. the Austrian, Bulgarian, Croatian, Dutch, Latvian, Luxembourgian, Portuguese, Slovak, Slovenian and Spanish chapters on the EU's Role in the World (question 5).

package of modernisation measures that shakes up the whole state and economy. **New members** are on a path of reform and still have an **impetus for change** that others lack if they do not have an equivalent project and coherent programme that is able to mobilise and direct resources over a decade or so.

With regard to priorities and perspectives of the EU (2005-2009) there is some awareness that institutional reforms will be put on the EU's future agenda, with or without the TCE. In line with a **pragmatic approach** this is likely to be done case by case and with a rather **low level of ambition**. Besides security issues the goals and problems dealt with under the Lisbon process will become a top priority for the EU and its member states as well as for the acceding countries. **Both sides of Lisbon**, the competitiveness and social cohesion demands, are reflected in the country contributions. A debate on EU wide minimum standards and corridors for tax rates etc. will surely be discussed across the EU.

To analyse the mutually reinforcing effects of EU deepening and widening – this constitutes the main idea of EU-CONSENT, a network of excellence for joint research and teaching that stretches across Europe and which also provides the general framework for “EU-25 Watch”.⁶¹ Throughout the analysis of the 29 reports on key issues such as the constitutional crisis and period of reflection, EU enlargement, the financial framework, the Lisbon Agenda or the EU's role in the world a lot of links, contradictions and ambiguities become apparent – a **fascinating, yet puzzling panorama** of details that allows each reader to follow an individual route through current European debates.

⁶¹ For more information regarding EU-CONSENT see the project's internet site on www.eu-consent.net.

Chronology of Main Events in 2005

1 January	Luxembourg takes over the EU Presidency for the first half of 2005
2 January	The European Parliament approves the text of the Treaty establishing a Constitution for Europe
1 February	Parliamentary ratification of the Constitutional Treaty in Slovenia. The Association Agreement between the European Union and Croatia enters into force.
8 February	Prime Minister Anders Fogh Rasmussen wins new term in office in Denmark.
20 February	Positive referendum to ratify the Constitutional Treaty in Spain, with 77% of the votes in favour.
21-22 February	American President George W. Bush visits NATO and the European Union. It is the first visit of a US President to the EU institutions and also the first major tour of President Bush in his second term of office.
22-23 March	European Council: Heads of state and governments agree at EU summit to reform the Stability and Growth Pact and to relaunch the Lisbon Agenda, re-focusing the priorities on growth and employment.
16 March	The EU postpones its accession talks with Croatia.
6 April	Parliamentary ratification of the Constitutional Treaty in Italy.
19 April	Parliamentary ratification of the Constitutional Treaty in Greece.
25 April	Accession Treaty with Bulgaria and Romania signed.
28 April	Parliamentary ratification of the Constitutional Treaty in Spain.
11 May	Parliamentary ratification of the Constitutional Treaty in Slovakia.
25 May	Parliamentary ratification of the Constitutional Treaty in Austria.
27 May	Parliamentary ratification of the Constitutional Treaty in Germany.
29 May	Referendum on the Constitutional Treaty in France: 54,9% of the votes against the treaty.
1 June	Referendum on the Constitutional Treaty in the Netherlands: 61,6% of the votes against the treaty.
2 June	Parliamentary ratification of the Constitutional Treaty in Latvia.
16.-17. June	European Council: Agreement on the Financial Perspective 2007-2013 is not achieved. A "period of reflection" after the failed French and Dutch referenda is agreed.
22 June	Joint Conference of EU and USA on Iraq in Brussels.
30 June	Parliamentary ratification of the Constitutional Treaty in Cyprus.

1 July	Great Britain takes over the EU Presidency for the second half of 2005.
6 July	Parliamentary ratification of the Constitutional Treaty in Malta.
7 July	A series of four suicide bombings hits London's public transport system and once again demonstrates the challenges of international terrorism.
10 July	Positive referendum to ratify the Constitutional Treaty in Luxembourg, with 56,5% of the votes in favour.
18 September	Parliamentary elections in Germany.
21 September	The EU's so-called "Cyprus-declaration" states that full acknowledgement of all EU member states is a "necessary part of Turkey's accession process to the EU".
25 September	Parliamentary elections in Poland.
3-4 October	After long debates official start of accession negotiations between the EU and Turkey and also between the EU and Croatia.
10 October	Start of Stability and Association Agreement (SAA) talks between the EU and Serbia and Montenegro.
13 October	Commission Vice-President Wallström presents her "Plan D" for Democracy, Dialogue and Debate on the future of Europe.
23 October	Lech Kaczynski becomes new President of Poland.
25 October	Commission presents Comprehensive Monitoring Reports on Romania and Bulgaria.
27 October	Informal European Council in Hampton Court to discuss the challenges of globalisation.
31 October	Kazimierz Marcinkiewicz becomes new Prime Minister of Poland after the victory for the conservative Law and Justice (PiS).
19 November	Angela Merkel becomes first female chancellor in Germany and leads a Grand coalition of Christian Democrats and Social Democrats.
21 November	Start of Stability and Association Agreement (SAA) talks between the EU and Bosnia and Herzegovina.
7 December	Fugitive Croatian General Ante Gotovina is arrested in Spain and shortly later handed over to the International Criminal Tribunal for the Former Yugoslavia (ICTY) in The Hague.
15-16 December	European Council: Agreement on the Financial Perspective 2007-2013 and to grant Macedonia the EU candidate status.

1

What are the interpretations of and reactions to the constitutional crisis of the EU?

Which lessons and strategies for a way out of the crisis are discussed in your country?

Please refer to:

- **Nature of the current crisis (e.g.)**
 - Deep going crisis beyond historic precedence
 - Wake up call
 - Clash of basic concepts of European integration

- **Priority reasons for the problems and failures of ratification (e.g.)**
 - Domestic politics and constellations
 - Social and economic reasons
 - Issues related to the EU in general
 - Issues related to the constitutional treaty in particular
 - Lack of political leadership
 - Lack of communication with wider public

- **State of ratification in your country**

- **Attitude of public opinion since spring 05 (i.e. after recent referenda in France the Netherlands and Luxemburg)**

- **Ways out of the crisis throughout and after the “period of reflection” (e.g.)**
 - Abandon constitution – trim down constitution and select some provisions – save entire constitution
 - New IGC (if so which agenda and when?)
 - New convention (if so in which composition?)
 - Elements of national and EU communication strategy for Union citizens on European integration

- **Innovations and provisions of the constitution that should/could be implemented (by degree probably). Please indicate if treaty change and ratification would be needed and refer for example to:**
 - Institutional aspects: president of the European Council, Foreign minister of the EU, European External Service; involvement of national parliaments
 - Decision making etc.: double majority, extension of qualified majority voting, Union citizens’ initiative
 - Charter of fundamental rights
 - Justice and home affairs (including terrorism)
 - Any other

- **Coverage and treatment of the constitutional crisis in academic circles and publications**

Austria

2005 was a year of reflection and celebration in Austria. In May 2005 Austria took stock of 50 years of sovereignty since the signing of the Austrian Staatsvertrag or State Treaty in 1955, 60 years since the end of World War II and 10 years of EU membership.⁶²

Somewhat peculiarly, whilst on the one hand Austria reflected upon the achievements and accomplishment of its post-World War II history and the significant advantages it has gained since its EU membership, on the other hand the public perception of EU matters changed considerably towards a more sceptical and pessimistic view.

Nature of the current crisis

The general interpretation in Austria of the nature of the current crisis, which was triggered by the rejection of the referendums on the EU constitution in two of the founding EU member states, France and the Netherlands, is generally viewed as a wake-up-call, particularly in the light of the most recent EU developments.

Reasons for failure of ratification

The reasons for the negative votes on the constitution have been mainly put down to the rapid implementation of the enlargement project, the general negative performance of the EU in social and economic terms, as well as down to national politics.

Austrian Chancellor Wolfgang Schuessel's interpretation of the no votes in the referendums was that the speed of many EU projects has just been too fast for its citizens.⁶³ The former foreign minister of Austria and now EU Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner, noted that the EU enlargement of May 2004 still needs to be dealt with in the individual member states and that the introduction of the EU constitution as well the EU's communication on the subject with its citizens was not optimal.⁶⁴ She believes that the EU must take this as a wake-up-call, in the sense of trying to halt and listen to its

⁶² On 12 June 1994, 66.6% of the Austrian population voted in favour of joining the EU.

⁶³ 16.08.2005, Federal Chancellery (Bundeskanzleramt, BKA), www.bka.gv.at, Interview with Chancellor Wolfgang Schuessel by the Frankfurter Allgemeine (FAZ).

⁶⁴ 11.08.2005, www.europa.gv.at, Interview with Benita Ferrero-Waldner by NEWS.

people. Moreover, the principle of subsidiarity must be taken seriously and implemented accordingly. The People's Party⁶⁵ noted that a phase of active reflection on EU projects is required and national parliaments should be strengthened.

State of ratification

The EU Constitution was ratified by the Austrian parliament in May 2005 (the National Council passed it with one dissenting vote and the Federal Council with three dissenting votes).⁶⁶

Public opinion since spring 2005

Austria was the 8th country to ratify the constitution via parliamentary decision and public debate around it focused on the EU budget, EU enlargement, a new stringent asylum law and rising unemployment.⁶⁷ In a Eurobarometer poll, which was conducted at the same time as the EU Constitution was rejected in France and the Netherlands in May 2005⁶⁸, 46% of the interviewed Austrians stated that they did not benefit from EU membership, in contrast to 41% who stated they did.⁶⁹ Moreover, 47% (minus 20 percentage points in comparison to the 2004 Eurobarometer survey) supported a European Constitution and 41% the actual draft of the EU Constitution. Austria and the Netherlands saw the strongest relative decline in support among the EU-25 since autumn 2004.⁷⁰ Moreover, when asked about the general support for a European Political Union only 40% (minus 9 percentage points in comparison to the 2004 Eurobarometer survey) stated their support, which constitutes the strongest relative decline in the EU.⁷¹

⁶⁵ Interview with the Oesterreichische Volkspartei (OeVP), October 2005. The current government is a coalition between the People's Party and the Alliance of Austrian Future (BZOe, Buendnis Zukunft Oesterreich, Party Chairman is Joerg Haider. The Freedom Party split up at the beginning of 2005 and the coalition partner changed its name).

⁶⁶ Ibid.

⁶⁷ Eurobarometer 63.4, *National Report, Executive Summary – Austria*, Spring 2005 p.2. As already stated in EU 25 Watch 2004, the coalition partner of the People's Party, the Freedom Party put forward the idea of holding a referendum on a national party, whilst the opposition Green Party was in favour of an EU-wide referendum.

⁶⁸ Eurobarometer 63, *Spring 2005 – First Results*, p. 13.

⁶⁹ 13% DK.

⁷⁰ Eurobarometer 63.4, *National Report, Executive Summary – Austria*, Spring 2005 p.4.

⁷¹ Ibid.

Ways out of the crisis

The Austrian Federation of Trade Unions⁷² suggests to use this current period of reflection to amend and trim down the constitution and certain provisions in order to save the constitution as such. It argues that the citizens' negative attitude towards the constitution stems from the belief that Europe is steering more towards economic than social goals. Also the Federal Economic Chamber⁷³ holds the view that it will be necessary to amend the constitution in order to gain acceptance.

The Austrian Green Party MP and Green/European Free Alliance (EFA) MEP Johannes Voggenhuber, in cooperation with his British colleague Andrew Duff, MEP from the Alliance of Liberals and Democrats for Europe (ALDE), presented a 'Roadmap' on the role of the European Parliament (EP) during the period of reflection on the 4.10.2005.⁷⁴ According to Johannes Voggenhuber, a three-stage plan is foreseen: The first phase (until the end of 2006) should be used to find compromises on all controversial issues, such as the Charter of Fundamental Rights, etc.; the second phase (until March 2009) should be used to discuss a EU social model, while in the third phase until June 2009 – coinciding with EU Parliamentary elections – the new Constitution should be voted on.⁷⁵

The Austrian Society for European Politics⁷⁶ points out the necessity of involving the citizens in a debate and stresses that the EU Commission needs to take measures to counter the sometimes exaggerated critique voiced in the media and elsewhere.⁷⁷

The Austrian government will make it one of its priorities in the Austrian EU Presidency in the first half of 2006 to find a mechanism to bring the EU Constitution process back on track, by implementing the EU "Plan D – dialog, discussion and democracy", also in view of the EU Intergovernmental Conference meeting in Vienna in June 2006.

Implementation of specific provisions of the constitution

The governing People's Party has not formulated a detailed position on the issues yet, however, they are currently under review under the general preparation for the upcoming Austrian EU Presidency between January and July 2006.⁷⁸

The Austrian Society for European Politics believes that⁷⁹ several aspects would need to be reviewed: institutional aspects, such as the discussion on a president of the European Council, Foreign Ministry of the EU, European Foreign service and the involvement of national parliaments; decision-making issues such as double majority, extension of qualified majority voting and unions citizens' initiatives, as well as the Charter of Fundamental Rights and justice and home affairs – including aspects of terrorism.

The Green Party states that the EU Commission should be invited to present a proposal for the reform of Part III of the Constitution. European citizens would give a verdict on the final constitution in a consultative ballot to be held across the Union on the same day as the EP elections in June 2009.⁸⁰

The constitutional crisis in academic debates

The Institute for the Danube Region and Central Europe points out that the constitutional crisis was an important issue for academic circles, however, this was not reflected in the public debate.⁸¹ In that sense media coverage and the public debate around the ratification were not so much focused on the aspects of the constitution, but were rather a mixture of general EU issues and insofar focused more on further integration and enlargement, social and economic issues.

⁷² Interview with the Oesterreichische Gewerkschaftsbund (OeGB), October 2005

⁷³ Interview with Wirtschaftskammer (WKOe), September 2005.

⁷⁴ Interview with Die Gruenen, September 2005

⁷⁵ 21. 9. 2005, *Der Standard*

⁷⁶ An NGO and important participant in Austria's EU debate.

⁷⁷ Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005.

⁷⁸ Interview with the Oesterreichische Volkspartei (OeVP), October 2005

⁷⁹ Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005

⁸⁰ Interview with Die Gruenen, September 2005

⁸¹ Interview with the Institut fuer den Donauraum und Mitteleuropa, October 2005

Belgium

Nature of the current crisis

After the negative referendum in France, the Belgian Prime Minister, Guy Verhofstadt, and its Minister of Foreign Affairs, Karel De Gucht, expressed their disappointment, but stressed that it should not mean the end of the ratification procedure or a stand-still of daily politics within the EU.⁸² The Minister of Foreign Affairs understood the national reasons which led to a rejection, but particularly regretted the result, because of France being a big country and a founding member of the EU.⁸³ After the Dutch negative outcome of the referendum, the Belgian Prime Minister said he was disappointed, but expressed his desire that all member states should be given the possibility to express their opinion about the constitutional treaty, be it via parliament or by referendum.⁸⁴ Foreign Affairs Minister De Gucht hoped politicians would wake up and realise that one should also campaign in European politics; since one can not at the same time argue that 70% of all decisions are European while pretending it's a political level that doesn't exist.⁸⁵ Furthermore, he argued, that paradoxically the constitution is the best response against the things that motivated the French and the Dutch to a negative vote.⁸⁶ The crisis after the rejection by France and the Netherlands should not, according to Prime Minister Verhofstadt, result in reducing the EU to a free trade area under the direction of a number of large member states.⁸⁷

As to the situation in general, the Flemish liberals (VLD)⁸⁸ recognize the existence of a political crisis, but think that the realisation of concrete issues can overturn the negative view the EU has among its citizens. With regard to political progress a time-out can be held, but

on economic issues concrete steps need to be made.⁸⁹ The francophone socialist party (PS)⁹⁰ considers the French and Dutch rejections as a deep crisis that should not be minimised. The Flemish socialists (SP.a)⁹¹ believe that one has forgotten the success of the national member states that constituted Europe after the Second World War, which were strong and active governments taking care of public goods such as health, education, public transport and so on. The collective choices they made were at the basis of our current providence state model. The current problem with Europe is that it brings these collective issues back into question.⁹² The Flemish christen-democrats (CD&V)⁹³ recognise the existence of a crisis, but they wonder whether it is a crisis on the idea of European integration or a crisis among its institutions. They believe nowadays citizens do not have enough confidence in Europe as the mean of protection against their social-economic insecurity.⁹⁴ Professor Hendrik Vos, European politics specialist at Ghent University, said Europe is probably undergoing its worst crisis in history, since it's the first time the project is not welcomed. There have been other crises in the past, but those were of a political nature and were resolved through negotiation. This time there is a legitimacy crisis.⁹⁵ Paul Magonette, Professor and director of *l'Institut d'Etudes Européennes* at the Université Libre de Bruxelles agrees with the idea that Europe is going through one of its fiercest crises, which resembles the one during the 1970s just after the oil-crisis. There is the same blockage and national tension now that push member states to react divided, as well as a general sense of discouraging euroscepticism.⁹⁶

⁸² "Referendum: Le non ne peut pas paralyser l'Union", *Belga*, 30/5/2005; " 'Nederlaag voor Europa' zegt De Gucht", *De Standaard*, 30/5/2005.

⁸³ "Het is niet waar dat de Europese Unie nu niet meer werkt", *De Morgen*, 31/5/2005.

⁸⁴ "Reacties", *De Tijd*, 2/6/2005.

⁸⁵ "Karel De Gucht, Minister van Buitenlandse Zaken: Europese campagne ernstig nemen", *Het Nieuwsblad*, 3/6/2005.

⁸⁶ "Minister van Buitenlandse Zaken De Gucht over Europa na het neen van Nederland en Frankrijk", *Het Laatste Nieuws*, 4/6/2005.

⁸⁷ "Verhofstadt: la crise de l'UE ne doit pas déboucher sur un 'directoire'", *AFP*, 2/6/2005.

⁸⁸ Which is part of the governing coalition both at the federal and the regional.

⁸⁹ "Réunion commune du comité d'avis chargé de questions européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

⁹⁰ Which is part of the governing coalition on all the different government levels (federal and regional).

⁹¹ Which is part of the governing coalition both at the federal and the regional level.

⁹² "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

⁹³ They are part of the governing coalition at the regional level, and in the opposition at the federal level.

⁹⁴ "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

⁹⁵ "Europa zit in een legitimiteitscrisis", *De Tijd*, 31/5/2005.

⁹⁶ "Paul Magonette, directeur de l'Institut d'études européennes de l'Université de Bruxelles "L'Union va se donner un délai, elle sait qu'il n'y a plus rien à attendre du couple Chirac-Villepin", *Le Monde*, 10/6/2005.

Reasons for failure of ratification

The Prime Minister interpreted the French rejection as a vote not for less but for more Europe, in particular a more democratic, balanced, social and political Europe.⁹⁷ The Minister of Foreign Affairs said that the rejection was partly due to the fact that the founding of the EC took place through a first generation, in an era that is perceived differently by the second generation.⁹⁸ Professor Marc Ferry of the Université Libre de Bruxelles thinks that there is indeed a correlation between the French negative outcome and unemployment, but argues that this doesn't mean that the social crisis would constitute the major cause. The no-vote is much more a political no-vote. The refusal, and the fears it expressed, are aimed much less at the content of the text of the constitutional treaty than at the way the European construction itself functions.⁹⁹ The Minister of Foreign Affairs believed, after the Dutch rejection, that it was not based on the constitutional treaty, but on an anxiety against the EU, against globalisation and heavy unemployment.¹⁰⁰ He said the problem is that no one ever says a word about Europe, although it's the biggest political project, and thus, sooner or later people will wonder what Europe is all about, and when they don't understand they will say they don't want to have anything to do with it. Particularly with regard to the French and Dutch negative vote, the Foreign Affairs Minister believes the Constitution has been explained very badly: those who were in favour have never emphasised its benefits; they only stressed the potential disaster in the case of a no-vote.¹⁰¹ State Secretary for European Affairs, Didier Donfut, believes that Europe's citizens do not see the Union bringing any solution that is decisive for guaranteeing their existence. They have increasing expectations with regard to Europe, but many have the impression that Europe is becoming a problem rather than a solution for their interests in unemployment, social vulnerability, environmental deterioration, climate change, des-

industrialisation and increased energy costs. This affects the political legitimacy of the European project and the citizens' adhesion to it.¹⁰² Prime Minister Verhofstadt did not think the crisis can suddenly be explained by a lack of communication. According to him politicians have hesitated too long to choose which Europe they want; since the last 25 years were marked by all kinds of compromises but, due to a clash of conceptions among the member states, without setting out the final goal.¹⁰³

Among most of the political parties deception reigned as well. The president of the Francophone Socialist Party (PS), Elio Di Rupo, expressed his comprehension for the French that the EU was a deception for what he called "*progressistes*", since, although the EU may build a wall against nationalist resurrection, it does not provide the expected answers regarding real problems such as unemployment, social insecurity, education etc.¹⁰⁴ According to the PS the crisis is the result of a fundamental asymmetry between on the one hand, the competition policies that belong to the EU and the social policies that are still a competence of the Member States, although the latter should correct the negative effects of the competition policies.¹⁰⁵ The Flemish socialist party (SP.a) believes the basis of the current crisis is that citizens no longer have confidence in Europe, and that it is not through better communication or minimal institutional improvements this confidence will return.¹⁰⁶ The francophone liberals (MR)¹⁰⁷ recognised that Europe did not need so much efficient managers, but rather a huge and unique political project that demands leadership. And Europe is presently lacking such leadership.¹⁰⁸ Joëlle Milquet, President of the francophone Christian Democratic Party

⁹⁷ "La classe politique belge est horriblement déçue", *La Libre Belgique*, 31/5/2005.

⁹⁸ "Het is niet waar dat de Europese Unie nu niet meer werkt", *De Morgen*, 31/5/2005.

⁹⁹ "Jean-Marc Ferry, de l'Université Libre de Bruxelles, analyse les conséquences des deux votes: "Nationalistes et Ultralibéraux renforcés"", *Libération*, 3/6/2005.

¹⁰⁰ "Reacties", *De Tijd*, 2/6/2005.

¹⁰¹ "Minister van Buitenlandse Zaken De Gucht over Europa na het neen van Nederland en Frankrijk", *Het Laatste Nieuws*, 4/6/2005.

¹⁰² "Une dynamique sociale pour relancer l'Europe: discours du Secrétaire d'Etat Donfut lors des Journées diplomatiques", 7/9/2005, available at <http://www.diplobel.fgov.be>.

¹⁰³ "Non, rien de rien: de Europese Unie na de referendums", *Humo*, 8/6/2005.

¹⁰⁴ "La classe politique belge est horriblement déçue", *La Libre Belgique*, 31/5/2005.

¹⁰⁵ "Réunion commune du comité d'avis chargé de questions européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹⁰⁶ "Réunion commune du comité d'avis chargé de questions européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹⁰⁷ Which are part of the federal governing coalition, but in the opposition on the regional level.

¹⁰⁸ "Réunion commune du comité d'avis chargé de questions européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

(CDH),¹⁰⁹ suggested to launch a new and ambitious plan to reconcile Europe with its citizens, that goes beyond the debate on the constitutional treaty. There is an urgent need for a debate on the future of Europe.¹¹⁰

Professor Hendrik Vos, said there is a lack of strong leadership. Europe resembles to a bureaucratic monster, with nobody inspiring at the top. In the past there were personalities like Kohl, Mitterrand and Delors. He believes the actual President of the Commission, Barroso, is not doing a good job: he changes his message depending on his audience and continues to smile. Professor Vos states that people don't get fooled by that.¹¹¹ According to Professor Paul Magnette the voting-map in the Netherlands is less clear than is the case in France, since the no-vote found its origin within all the social layers of the Dutch population and almost as much among the left and the right. He thinks that, for the most part, the referendum has been decided on the enlargement, but that delocalisation and xenophobia played a role as well. Furthermore he believes that the argument, as would a better communication have saved the constitutional project, is a false one. Since the Maastricht-treaty there is a structural crisis which, over the years, only increased between the convictions of those elites that have negotiated the Constitution and the day-to-day occupations of ordinary citizens.¹¹²

State of ratification

The (federal) Senate approved, as the first of seven Belgian parliaments that had to discuss upon it, the European Constitutional Treaty on 29 April 2005 by a large majority. The (federal) Chamber of Representatives approved it on 19 May 2005, although during the debate only one third of the representatives was present. The debate itself focused more on the question whether a referendum or population consultation should be held or not, rather than on the content of the Constitutional Treaty itself. Prime Minister Verhofstadt, explained the absence of a popular debate by the large support the Constitutional Treaty gets among

the Belgian population.¹¹³ After the vote a big information campaign was planned.

At the regional level the parliament of the Walloon region has, almost unanimously, ratified the constitutional treaty on 29 June 2005. This ratification stressed, according to the Walloon Minister for International Relations, Marie-Dominique Simonet, the importance the Walloons give to the European construction.¹¹⁴

The Flemish Parliament is currently the only parliament of seven that still has to vote on it. Some have stressed the need for a profound debate and have argued in favour of a popular consultation.¹¹⁵ The discussions about the ratification have started only at the end of October in the Commission on Foreign Policy, European Affairs & International Cooperation of the Flemish Parliament.¹¹⁶ After approval in the commission, the issue will still have to be discussed upon during a plenary session of the Flemish Parliament.

Public opinion since spring 2005

The results of a poll in Belgium before the French and Dutch referenda (between the end of April and beginning of May and among 1000 individuals) showed that only 40 percent would have expressed his or her opinion when a referendum or a popular consultation would have been held. From those 40%, about 78% would have approved the constitutional treaty. It should be noted that these percentages are averages, and that important differences exist according to age, gender, language community, and political conviction.¹¹⁷

Ways out of the crisis

The Belgian Prime Minister, just after the French result, referred to a joint declaration in annex to the Constitutional Treaty, in which it is provided that if at least 20 member states approve the constitution the Heads of State and government will consider the situation.¹¹⁸

¹⁰⁹ Which is part of the opposition at the federal level, but part of the governing coalition at the regional level.

¹¹⁰ "La classe politique belge est horriblement déçue", *La Libre Belgique*, 31/5/2005.

¹¹¹ "Europa zit in een legitimiteitscrisis", *De Tijd*, 31/5/2005.

¹¹² "Paul Magnette, directeur de l'Institut d'études européennes de l'Université de Bruxelles "L'Union va se donner un délai, elle sait qu'il n'y a plus rien à attendre du couple Chirac-Villepin", *Le Monde*, 10/6/2005.

¹¹³ "Entretien", *Le Soir*, 20/5/2005.

¹¹⁴ "Le Parlement wallon ratifie la constitution", *La Libre Belgique*, 30/6/2005.

¹¹⁵ "15 000 handtekeningen voor debat EU-grondwet", *De Tijd*, 30/9/2005.

¹¹⁶ "Bourgeois vraagt Vlaams Parlement ratificatie Europese Grondwet", *Press release by the Cabinet of Minister Bourgeois*, 27 October 2005, available at <http://www.nieuws.vlaanderen.be>.

¹¹⁷ "Oui ou non, les Belges très partagés", *La Libre Belgique*, 26/5/2005.

¹¹⁸ "La classe politique belge est horriblement déçue", *La Libre Belgique*, 31/5/2005.

Prime Minister Verhofstadt pointed out that he is not in favour of a pick-and-choose approach, since this would result in losing the global view and the danger that only the inter-governmental elements will be withheld and not the community elements.¹¹⁹ He believes that every member state should be given the possibility to express his opinion about the constitutional treaty, while as from September a debate on the European construction has started that should make clear the choice between a European policy capable of dealing with citizens problems as well as the economic and political challenges, or on the other hand, a European Union that is diluted into not more than a free trade area.¹²⁰

As to the instauration of a period of reflection by the Council the Belgian Prime Minister, at a joint meeting of the parliamentary committee on European affairs and the committee of foreign affairs,¹²¹ considered the reflection should take place at different levels, both on a European one and within the Member States. But such reflection has to go much further than merely democracy, dialogue and debate, as described in the European Commission's Plan D. Since, still according to the Prime Minister, within Europe we do not so much deal with the problem of a failing ratification of the Constitution, but rather with a deep lack of confidence in Europe and the European Institutions. The reflection period should consist of three major clusters: regarding communication, regarding continuity, and the making of fundamental choices.

As to communication, the Prime Minister urges for a number of citizens' misunderstandings regarding Europe to be pointed out. First of all, it should be made clear that Europe does not cost a lot at all, since the budget of the EU is about 40 times less than the budgets of the member states. A second misunderstanding regards the issues with which the EU is dealing. Too often have politicians used Europe as a scapegoat for everything that fails. Therefore it should be made clear what Europe is dealing with and with what it is not. Thirdly, one should listen more often and better to what European citizens have to say, and why they

are afraid or conspicuous about the European Union.

As to continuity, it's important that the reflection period should not result into a vacuum or a stand-still. One should continue to work on some concrete realisations in order to show citizens the EU is still on the move.

Thirdly, the reflection period should be the occasion to make some clear choices, choices that have not been made in the past. More in particular a choice has to be made between a strong political Europe or nothing more than a free trade area. This includes discussions and choices not only about the budgetary perspectives, including new resources, but also, and even more importantly, discussions and choices on economic and social strategies, CFSP and defence policy, and the European area of freedom, justice and security. The members of the Euro-zone, and those wanting to become part of it, can serve as platform for structural (and not *à la carte*) closer cooperation among those wishing to become an avant-garde within the EU. The Prime Minister is convinced that this should be the subject of a Summit of Heads of State and Government in 2006. Such an avant-garde should however consist of those members having a similar idea about what the Union should become, and not a group driven only by large member states as suggested by some, since in the past the differences among big member states created more problems than the divergences among small member states. The smaller member states have always initiated major projects of the European integration.¹²² As such there is no use of installing a 'directoire' of the big member states.¹²³

The Minister of Foreign Affairs, Karel De Gucht, believes that the creation of sub-groups that should take the lead in further integration or closer co-operation should be avoided since it's not workable for the coming two years. It would also be misleading to imagine that the big member states should take the lead over the smaller ones. Presently the big member states have less the potential for paving the way out of the crisis; since either they are too busy by struggling with national problems, or they are unable to bring forward any useful common position due to their difference in

¹¹⁹ "Réunion commune du comité d'avis chargé de questions européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹²⁰ "Verhofstadt veut poursuivre la ratification de la Constitution", *Belga*, 14/6/2005.

¹²¹ "Réunion commune du comité d'avis chargé de questions européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹²² "Sarkozy ziet kern-Europa van zes grootste lidstaten", *De Standaard*, 27/9/2005.

¹²³ "Verhofstadt rejette les idées de Sarkozy sur l'Union européenne", *L'Echo*, 27/9/2005.

opinions.¹²⁴ Furthermore, Minister De Gucht stated that the re-writing of the Constitution would be senseless.¹²⁵ Starting up a new debate on the future of the Union would result in wasting a lot of energy and reinforce the idea that Europe does nothing more than talking. On the short term Europe should prove it is capable of dealing with concrete issues, and as such regain confidence among its citizens.¹²⁶ He suggests a restore confidence-programme in which the EU should deal with core-business-segments within two years.¹²⁷ The European Commission should take the lead here, similar to what was done by the Commission-Delors.¹²⁸ In the longer term, after elections have taken place in France and the Netherlands it could be possible to organise a second referendum on the constitution, since the citizens negative vote had little to do with the content.¹²⁹ The State Secretary for European Affairs, Didier Donfut, suggests to keep as a basis the text of the constitutional treaty, but to enrich it by adding responses to those issues that have resulted in a no-vote. Until then it is necessary for the EU to act on two major domains that should constitute a reaction towards those who voted against: on the one hand one should continue to act in a concrete way in justice and home affairs, and on the other hand all member states should underwrite a manifest on social dynamism which should take away the disbelief in a strong social Europe.¹³⁰

The Flemish liberal party (VLD) argues that it is up to the Commission to take the lead during this reflection period with regard to the core-business of Europe (employment, economy, trans-border simplification, etc.) and that it should deal with some concrete issues like the budget (strict application of the modified rule of the stability- and growth pact), realisation of the 7th Framework Programme for research and technical development, the White book on transport, the reduction of agricultural export

subsidies within the framework of the Doha negotiations of the WTO.¹³¹ The French speaking socialist party (PS) thinks the Commission should urgently pick up its responsibility in order to get out of this crisis. However, the citizens of the EU call for more than mere communication. There are two major problems that should be dealt with: first, the absence or the renunciation to a political project within the Union's development, and secondly, the weakness or absence of any political control and forgoing debate on the major orientations of the EU.¹³² The Flemish socialist party (Sp.a), which believes that a lack of confidence among EU citizens is at the basis of the current crisis, argues that it is not through better communication or minimal institutional improvements that this confidence will return. The Europe of the future should not be restricted to growth, jobs and competition, but it should also include social cohesion. At the end of the reflection period the European Council and the Commission should come forward with an action plan in which a social dynamic is included, and in which guarantees are provided for safeguarding the European social model from neo-liberal reforms. Furthermore a debate should be held and choices should be made between a left or a right oriented Europe.¹³³ The Flemish christen-democrats (CD&V) believe there is a need for Europe to deal with some concrete issues that are still pending like the budget on the Doha-round. Europe should, by picking up the pieces, and dealing with the problems day after day, cherish its cause, but with the aim to realise more ambitious projects.¹³⁴

Professor Paul Magnette believes Europe has little to expect before 2007, after some political changes have taken place in Germany and Great-Britain. For the coming ten years Europe will be dealing with smaller projects that perhaps can found the basis for future projects.¹³⁵ Furthermore he believes there isn't

¹²⁴ "Je wint het debat met concrete resultaten: toespraak van Minister De Gucht in het Europees Universitair Instituut te Firenze", 6/7/2005 available at <http://www.diplomatie.be>.

¹²⁵ "Le futur de l'Europe selon De Gucht: rendre confiance et penser à Delors", *L'Echo*, 7/7/2005.

¹²⁶ "De Gucht wil EU-lidstaten groeperen in "kerngroepen" buitenlands beleid", *De Tijd*, 7/7/2005.

¹²⁷ "Karel De Gucht pleit in Helsinki voor sterker buitenlands EU-beleid", *Belga*, 27/10/2005.

¹²⁸ "De Gucht wil EU-lidstaten groeperen in "kerngroepen" buitenlands beleid", *De Tijd*, 7/7/2005.

¹²⁹ "Un nouveau référendum en France", *La Libre Belgique*, 1/9/2005.

¹³⁰ "Le secrétaire d'Etat estime "indispensable d'enrichir le texte"; *Le Soir*, 20/9/2005.

¹³¹ "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹³² "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹³³ "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹³⁴ "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹³⁵ "Paul Magnette, président de l'Institut d'études européennes de l'Université de Bruxelles "L'Union va se donner un délai, elle sait qu'il n'y a plus rien à attendre du couple Chirac-Villepin"; *Le Monde*, 10/6/2005.

any interest for Belgium in delaying the ratification procedure, and the most reasonable thing for Belgium to do would be to try to belong to the top of its class in other issues, like the budget. And to start up new projects there should be co-operations among four or five, although these may take long and prove to be difficult.¹³⁶ Jean-Marc Ferry, Director of the centre on political theory at the Université Libre de Bruxelles, is against the idea of a Constitution at this time. A constitution should only come as a last phase in the European construction, after the establishment of structured civil society, and a political society that links up the national and the European parliament and that leaves space for public debate. Only then, one can envisage the idea of a Constitution. He thinks that the way out of the crisis is by answering three major questions: first, about the nature of the EU, secondly, regarding its global role, and thirdly, about the way the European construction takes place. As to the first question, he believes that a close cooperation among a number of member states, at the risk of creating a bi-polar EU between a Rhineland and an Atlantic vision, would be the best and most reasonable compromise. In its global role the EU should accept the idea that, due to its lack of military capabilities, it will never become a hyper-power but it should equally understand that it can play a very important symbolic role. It should focus on safeguarding the EU's social model by domesticating the markets without destroying its mechanisms. Finally, one should stop pretending that the reasons in favour of the Constitution have been badly explained. It is time for the political class to understand that one can not build a project as ambitious as the EU above the heads of its citizens; every important decision and every new phase in the European integration should be dealt with in the public arena.¹³⁷ Robert Verschooten, President of the European Study and Information Centre (ESIC) argues in favour to recall together the European Convention since he believes that neither the mere continuation of the ratification procedure nor the instauration of a reflection period will provide an adequate answer to the current problems. The Convention should investigate which adaptations can be made to the constitutional treaty or which provisions should be added in

¹³⁶ "3 Questions à Paul Magonette, directeur de l'Institut d'études européennes (ULB)", *La Libre Belgique*, 16/6/2005.

¹³⁷ "Jean-Marc Ferry, directeur du Centre de théorie politique à l'Université libre de Bruxelles: "l'Union est devant un triple choix: sur sa nature, son rôle dans le monde et sa façon de procéder""", *Le Monde*, 17/6/2005.

order to respond to the critique and the expectations of its citizens. This should include a public and transparent debate, with public hearings on those issues that are presently considered problematic in the constitutional treaty. This way civil society should be given the possibility to express its opinion. One should also consider the possibility of splitting the present constitutional text into a genuine constitution (covering the basic principles of the EU, the fundamental rights and its institutional structure) and a basic treaty for all the other (amended or not) constitutional provisions of the present text. The genuine constitution should then be subject to a referendum on the same day in all the member states, while the other basic treaty should be subjected to a vote in all the national parliaments. Those having approved by referendum the constitutional treaty would be part of the European Union, while those having only approved the basic treaty would be part of a European Economic Area, as long as they do not approve the constitutional treaty.¹³⁸ Professor Vos also believes that recalling together the Convention would be the smartest thing to do. He suggests an emotional and honest debate about possible solutions. This should not be, as it is almost always the case, a sterile debate that copes with the decency practices of international diplomacy, but one where opposing ideas can overtly clash. As such, before reaching a compromise,¹³⁹ it becomes clear of who is in favour of what.

Implementation of specific provisions of the Constitution

Professor Hendrik Vos stated that politically it will be difficult to save the constitutional treaty as a whole. One could, if the political atmosphere allows it, recuperate bits and pieces of it, like the idea of a president and a minister of foreign affairs.¹⁴⁰ Paul Magonette does not believe certain parts of the constitutional treaty can be saved on the basis of the actual existing treaties. Since finding a procedural solution will fall short anyway, because of the seriousness of the crisis: even the idea of anticipating the designation of a permanent president of the European Council and abandon the half-year rotation of the presidency no longer holds.¹⁴¹

¹³⁸ "Roep de Europese Conventie opnieuw bijeen", *De Tijd*, 16/6/2005.

¹³⁹ "Laat Europa maar daveren", *De Tijd*, 16/6/2005.

¹⁴⁰ "Europa zit in een legitimiteitscrisis", *De Tijd*, 31/5/2005.

¹⁴¹ "La Constitution est morte, ses organes sont à prendre", *Le Soir*, 3/6/2005.

The constitutional crisis in academic debates

A large number of conferences have been organised on the issue, and it was also often the subject of inaugural speeches during the opening of the academic year at universities and research centres. Academics and experts were also interviewed on a regularly basis by different media (see the different newspaper articles referred to throughout this document).

Bulgaria

Bulgarian positions on EU-related issues that are included in the EU-25 Watch survey – among them the constitutional crisis, negotiations on the next financial framework, prospects for further enlargement, foreign policy, security and defence, etc. – reflect one major preoccupation of the country and its political elite: forthcoming EU membership. Bulgaria is still an acceding country, and not (yet) a full-fledged EU member state; this status impacts on political priorities, on practical action by the government and political parties, and on public debates. Accession is the country's immediate goal, and the whole Bulgarian domestic and foreign policy making is dominated by the pre-accession agenda.

Politics. At the stage of government formation following the parliamentary elections of June 2005, the imperative of membership was the most powerful consolidating factor. The stalemate resulting from a distribution of seats in parliament with no clear winner was overcome after a six-week negotiation process only with the argument that further delays in swearing in a stable government might undermine the country's credibility and its capacity to respect commitments made during the negotiation process. That, in turn, could endanger the prospects of Bulgaria's entry in the EU on 1 January 2007 and lead to the imposition of a safeguard that would postpone accession until 2008. Despite the bitter wrangling between socialists and liberals during the electoral campaign and even after the new parliament was summoned, a three-party centre-left coalition was established between the Bulgarian Socialist Party (BSP), the National Movement Simeon II (NDSV) and the Movement of Rights and Freedoms (DPS – a party that represents primarily Bulgarian Turks). They formed the so-called "government of European integration, economic growth and social responsibility".

Debate. Almost the entire post-electoral political debate was accession-driven. Both in anticipation of the publication (on 25 October 2005) of a monitoring report by the European Commission and after that, political discourse rotated around criticisms about delays in the country's preparedness to meet commitments made on specific sub-divisions of the chapters of the *acquis*. This report not only set the agenda of national debates in substantive terms, but it served as a unique point of reference and source of authority, and it "contaminated" the vocabulary employed in the media with the specific Euro-jargon.

Reform policies. Domestic reforms were characterized, on one hand, by a general "reform fatigue". However, on the other hand, there was the ambition to demonstrate a concerted effort to respond to the critical findings of the Commission's monitoring report. The governing political elite, most specialized units of the civil service, expert circles and related social groups (such as the magistrates and the branches of the legal profession as a whole) took part in this exercise. In short, political and economic reforms, too, being dictated by pre-accession requirements, clearly shifted from a horizontal effort to transpose EU legislation towards a focused strain in those sub-sectors that had raised serious EU concerns.

As can be seen from the above summary, the pre-accession agenda was dominant at the levels of politics, policies and public debates. Its major thrust was to secure Bulgaria's entry in the EU on 1 January 2007, and avoid or minimize the risks of postponing accession until 2008. On this background, all other issues, which were of major significance for the EU (or were at least perceived as such), but which did not derive directly from the pre-accession process, were treated with a set of complementary tactics:

Non-involvement. This approach emphasises Bulgaria's status of a not-yet EU member. In popular debate, this line of argument reads: "We should take pains at doing our pre-accession "homework". The EU should deal with its internal problems." It draws a clear distinction between the pre-accession and the post-accession agenda. It is based on the understanding that meeting entry requirements, fulfilling commitments made during the negotiations, adopting and implementing EU legislation – these are all

activities that the acceding country should perform not only “in order to” achieve EU membership, but also “until” it does so. In the race towards EU membership, the date of entry is seen as a finish line, beyond which one starts a new game (a new race) with a different set of rules. That is usually the rationale behind the attempts of the political and business elite, while the country finds itself at the pre-accession stage, to distance itself from analyzing and debating problems that stand high on the agenda of the EU-25.

Defensive/negative involvement. This is an approach to dealing with current EU developments, which reveals the limitations of non-involvement. In one way or another, the most important cleavages within the EU-25 appear on issues that demonstrate the implications of the 2004 phase of the Eastern enlargement. These are, for example, EU-wide debates on the constitutional treaty, on the 2007-2013 financial framework, on the prospects for further widening. In most of the “old” EU members, these deliberations show a certain “enlargement fatigue” of a different intensity, which is of a crucial short-term importance for Bulgaria and Romania. The coincidence of a “post-2004-enlargement fatigue” in the EU and a “pre-2007-accession reform fatigue” in Bulgaria and Romania has a cumulative negative impact on these two countries’ entry prospects. Moreover, the specific modalities of these “internal” EU debates and some set-backs (such as the two negative referenda or the much criticized UK budget package proposal) imperil, more often than not, the seemingly unrelated issue of Bulgaria’s and Romania’s accession date. In such a context, the tactical approach adopted by national representatives is to try to prevent or at least limit potential damage: “Bulgaria should not be punished or endure negative consequences because of processes which do not depend on us.”

Positive involvement. Despite the pre-eminence of the above two tactical approaches, Bulgaria has resorted to a positive involvement in the debate on high priority EU issues, as well. As a rule, the expression of concrete views has taken place on specific substantive issues that are relatively non-contentious. On the contrary, Bulgarian representatives have tried to avoid tackling hot issues subject to controversy among current EU members, or have addressed them from a damage limitation perspective insofar as particular lines of debate or proposals subject

of negotiation have posed a threat to the country’s accession prospects. In stating such specific positions, Bulgaria builds upon its experience of full-fledged participation in the work of the European Convention, where most arguments of today’s debate were developed and tested. In this context, positive involvement serves a double purpose. First, as a PR tool, developing “pro-European” positions supporting non-contentious causes helps Bulgaria build the image of a “good European” and promotes the country’s accession to the EU. Second, on substance, it is a modest contribution to directing the current debate and even possibly bringing it to a useful conclusion (in the short term). Moreover, it places Bulgaria as a future member state on the political “map” of the EU in terms of the country’s strategic views and preferences on the Union’s system, construction and policy package (in the medium term).

The constitutional crisis

Bulgaria has actively participated in the first (non-institutionalised) phase of the “future of Europe” debate in 2001. Further on, official representatives of the Bulgarian government and of the National Assembly (coming from parties forming the governing coalition and from opposition parties) took part as full-fledged members of the European Convention in 2002-2003. Deliberations in a EU-wide format as full members prior to EU accession proved a valuable learning exercise for Bulgarian politicians. At the last stage of EU constitution making, Bulgaria was invited as observer at the Intergovernmental Conference (IGC) in 2003-2004. In sum, the country’s political class, key units in the civil service and expert circles became fully informed about and substantively involved in the elaboration of the constitutional treaty.

Having such a continuous record of involvement and a high degree of intensity of participation, Bulgaria negotiated a form of presence at the last phase of this process – the signature of the Treaty establishing a Constitution for Europe on 29 October 2004 in Rome. As the country was not yet EU member, it could not sign the treaty proper. However, as the country had an observer, its Prime Minister Simeon Saxe-Coburg-Gotha signed the Final Act of the Intergovernmental Conference. His presence at the ceremony in Rome was widely used for public relations purposes and to some extent proved effective in convincing the wide

public in the country's achievements on the way to EU membership.

The ratification of the constitutional treaty is a question of legal complexity. Since Bulgaria has not signed this treaty, it is not expected to launch a ratification procedure – be it via parliament or by way of referendum. However, if the constitution is ratified by the EU-25 and enters into force by the time of the country's entry in the EU on 1 January 2007, Bulgaria will have to accede to the Union having the constitutional treaty as a legal basis. In other words, Bulgaria agreed to consider the constitutional treaty as a primary source of *acquis communautaire*. In the opposite case, the Treaty of Nice will serve as a legal basis for accession. At the last stage of Bulgarian-EU accession negotiations, a special provision was made in the Accession Treaty/Act of Accession of Bulgaria and Romania to take into account both possible options. This complex legal package was endorsed and the Accession Treaty was signed on 25 April 2005. Later, when the Bulgarian parliament ratified Accession Treaty (on 12 May 2005, by a vote close to unanimity), it de facto indirectly endorsed the constitutional treaty. Therefore, Bulgaria could also be counted among the countries where the constitutional treaty has already been endorsed by means of a parliamentary procedure.

While being a matter of legal complexity, as shown above, the indirect(!) ratification of the constitutional treaty in Bulgaria became – fortunately – a question of political simplicity. When the Bulgarian parliament gave its indirect approval for the constitutional treaty – albeit without a substantive political (or public) debate on the constitution as such – it managed to avoid a much more complex political situation in the second half of 2005.

The negative results of referendums on the EU constitutional treaty in France and the Netherlands were a cause for concern by Bulgarian politicians. However, they did not trigger broad public debates, because they coincided with developments of a higher order of priority. In June 2005, two issues of primordial importance stood on top of the domestic political agenda – regular parliamentary elections and ongoing monitoring on behalf of the European Commission. Both pre-electoral disputes and a critical letter issued by the Commission's DG "Enlargement" (13 June) distorted political assessments of the looming crisis. The results

of the two referendums were interpreted as "a warning signal that we have to fulfil all commitments made in Accession Treaty in the fixed deadlines"¹⁴². On the other hand, the pre-electoral domestic political setting encouraged the governing party to picture itself as the only guarantor of sustained efforts to lead the country through the forthcoming turbulent period towards a successful accession.

In the summer and autumn of 2005 there were several circumstances that drove the attention of political parties away from the EU constitutional crisis and hampered attempts to produce an elaborate assessment of its nature and causes. First there was the campaign leading to parliamentary elections, then came the long and painful birth of a new government. Later, still, came everyone's fixation on the forthcoming monitoring report of the European Commission (announced on 25 October 2005). Only after the report was published could the party (BSP) leading the new governing coalition develop a more substantive evaluation of the post-referendum situation.¹⁴³ In the words of the Prime Minister, "there is a certain feeling of a loss of direction of development in the EU during the last months, a feeling of unclear priorities, and even – to a minor degree, of course – a feeling of a loss of the EU's *raison d'être*." The evaluation goes further by introducing a geographical distinction in an attempt to downplay negative overtones. "The tendency marked by the unsuccessful referendums in France and the Netherlands and by the unsuccessful talks on the 2007-2013 financial perspectives is valid for the old member states to a much greater degree than for the new members and for the candidate countries. On substance, there is a much higher degree of euro-optimism in the countries of Central and Eastern Europe. [...] [O]ur countries' membership gives the EU new strengths and a new positive energy."¹⁴⁴

¹⁴² Interview of Mr. Solomon Passy, Minister of Foreign Affairs, for the "24 chasa" daily newspaper, given on 11 June 2005, available at the web site of the Ministry of Foreign Affairs: www.mfa.government.bg.

¹⁴³ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

¹⁴⁴ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

From the outset, Bulgarian politicians have consistently and repeatedly emphasized the distinction between Bulgaria's accession and the constitutional crisis. This has become a leitmotif of all political representatives, irrespective of political colour. They argue that increase in Euroscepticism and in reticence concerning enlargement should not influence in any way Bulgaria's accession on 1 January 2007, and that the country should not be punished or endure negative consequences because of processes, which were not dependent on us. Such views are shared by politicians and by expert circles, and in the civil service.¹⁴⁵

In the current reflection period, Bulgaria attentively follows the debate about possible solutions to the constitutional impasse ranging from proposals to subject the treaty to a re-negotiation to suggestions about an anticipatory entry in force of the constitution by putting some of its elements in advance. In the EU-wide debate, the so-called "cherry-picking" is seen by some as a solution to salvage important parts of the advances agreed. In the views of others, the package of reforms should not be unbundled, as carefully crafted balances and compromises may be lost. There are still those who are vehemently opposed to implementing any part of the constitutional treaty, arguing that such an approach would be disrespectful of the will of the people and equals to smuggling the text through the back door. Still others, while supporting the document, urge caution so as not to complicate possible future ratifications.

On this background, the three general tactical approaches outlined at the beginning of this paper are applied as complementary to one another. Official Bulgarian representatives refrain from taking categorical stands on controversial issues related to the debates on the constitutional treaty, unless a twist of deliberation would threaten the country's accession. However, the combination of non-involvement and defensive involvement is replaced by attempts at positive involvement on some specific options. It is difficult to expect that Bulgaria would seek a place among

¹⁴⁵ Discussion of Mr. Mladen Chervenjakov (MP, Bulgarian Socialist Party), Mr. Chetin Kazak (MP, Movement of Rights and Freedoms) and Mr. Assen Agov (MP, Democrats for a Strong Bulgaria) on the current EU budgetary crisis, held in the "Koritarov Live" TV programme of "Nova" Television on 7 December 2005, stenographic recording offered by the Bulgarian Telegraph Agency, available at the web site of the party "Democrats for a Strong Bulgaria": www.dsb.bg.

initiators of a re-launch of treaty reform. The obvious reason is its status of a yet-to-be member state, which it will have for another year. However, it offers its support for finding a positive outcome of the current stalemate. Thus, Bulgaria does not exclude the implementation of some innovations agreed in the constitution even prior to (and irrespective of) its ratification. Support for "cherry picking" in certain specific cases – where non-contentious issues are discussed – is justifiable, insofar as advance implementation of some constitutional provisions was foreseen from the beginning.

Two possible examples of the anticipatory introduction of some constitutional innovations touch upon the position of a European Foreign Minister and the establishment of an European external action service (see comments in the section on the EU's role in the world). There are also other possible options that enjoy the informal support of EU experts in the civil service.¹⁴⁶ One of them is the possible separation of the constitutional text into two parts – one with more political and the other with more technical provisions. The political part could/should be short and could be approved by referendums, while the technical part should be the subject of ratification by the national parliaments of member states. Another package of innovations that would be acceptable for Bulgaria to be introduced in advance of the ratification of the constitutional treaty is the Protocol on the application of the principles of subsidiarity and proportionality, including the ideas of an early warning system. According to such views, subsidiarity could be reinforced by means of signing the relevant inter-institutional agreement. A similar approach is taken on the question of the role of national parliaments, which is also an issue generally supported in Sofia.

Croatia

Nature of the current crisis

The negative outcome of the two referenda on Constitution was interpreted in Croatia as a

¹⁴⁶ Discussion of Mr. Mladen Chervenjakov (MP, Bulgarian Socialist Party), Mr. Chetin Kazak (MP, Movement of Rights and Freedoms) and Mr. Assen Agov (MP, Democrats for a Strong Bulgaria) on the current EU budgetary crisis, held in the "Koritarov Live" TV programme of "Nova" Television on 7 December 2005, stenographic recording offered by the Bulgarian Telegraph Agency, available at the web site of the party "Democrats for a Strong Bulgaria": www.dsb.bg.

result and a part of the EU institutional crisis¹⁴⁷. However, the present crisis *is not* seen as a deep going crisis beyond historic precedence neither by leading politicians (both governing and opposition) nor by the experts, having in mind the idea of European Union as economic, social and political integration of states and citizens of Europe. The argument for it is the fact that the EU already experienced several dissatisfactions among member states that undermined the integration process. Namely, in the history of the EU some member states have already rejected treaties in referenda (e.g. Ireland and Denmark) or rejected participation in EU institutions (e.g. policy of free chair France pursued in 1960s). The present crisis does not mean that the EU is dead as an idea – on the opposite, there is a need to have strong Europe in a global distribution of economic and political power.

There are opinions among Croatian experts that the recent decisions on opening of the negotiations with Turkey and Croatia in October 2005, as practical steps towards continuation of enlargement, are the first signals indicating that the EU is on the way to overcome the crisis¹⁴⁸.

The current crisis is seen as a warning and a signal indicating that internal EU problems might hamper development agenda on building a stronger Union.

Reasons for failure of ratification

There are opinions among Croatian experts¹⁴⁹ that one of the reasons for negative outcome at the referenda is the problem of democratic deficit in the EU, but also the existing gap between political elites of Europe and citizens of the EU member states. Namely, those two share two visions of Europe: the first vision tries to achieve its goals through the market integration process (aiming at achieve free movement of goods, services, people and capital); while the second vision foresees the EU as a political union in which the countries will have to give up their sovereignty.

Another aspect of the current crisis is reflected through different attitudes of member states towards enlargement. Turkey was an issue of wide debates before the referendum took place in France and for that reason the negative outcome was interpreted as a signal to political leaders of EU countries to approach this single accession with much more concern. At the same time, the public opinion surveys in the EU demonstrated that a vast majority of EU countries supports the future enlargements (53%)¹⁵⁰. Even more, the EU citizens' support to further enlargement is even stronger in EU 25 than it was in the EU 15 (37%) and that the citizens of new member states are the strongest supporters of the next enlargement.

The majority of expert analysis and comments¹⁵¹ on Dutch and French referenda in Croatia showed the complexity of the domestic politics of European integration in various member states. Voting decision in referendums on EU issues tended to say less about the issue at hand than they do about voters' views of a government's performance or the balance of domestic party political forces.

The Dutch 'no' was interpreted in Croatia predominately through economic reasons, as a fear of loosing the existing level of social standard. Namely, in order to respect EU budget discipline, there were significant cuts in the Dutch budget. Prices became higher after introducing the euro. Voters felt they have to pay to a common budget much more than some other EU countries and for that reason they have used the referendum to reconsider the budgetary distribution to common funds in the EU. Therefore, the negative outcome reflected to a certain extent the dissatisfaction over a growth of everyday costs in Netherlands¹⁵².

Some commentators in Croatia agree with Jean-Claude Juncker's opinion that the 'no' vote is more about what the EU is now, rather than about what the Constitution itself is. There is a belief that the EU citizens did not vote against the European Constitution by giving a

¹⁴⁷ The main challenges the EU is facing after the French and Dutch referenda on the European Constitution were discussed at the Round Table "European Union after the French and Dutch Referenda", organized by IMO in Zagreb, Croatia, 9 June 2005. See: www.imo.hr.

¹⁴⁸ Prof. Damir Grubisa, Faculty of Political Sciences at TV Forum, 3 October 2005.

¹⁴⁹ The full list of the experts participating at the round table is available at www.imo.hr.

¹⁵⁰ Eurobarometer 62 survey (December, 2004)

¹⁵¹ See for instance Mihovilovic, M., Rejection of European Constitution is French NO to Chirac, in weekly Nacional, 31.5.2005; and Pilsel, D., French No Opened European Crisis, in daily Novi List, 31.5.2005.

¹⁵² HE Lionel Veer, the Ambassador of Netherlands to Croatia at the IMO Round Table "European Union after the French and Dutch Referenda", in Zagreb, Croatia, 9 June 2005. See: www.imo.hr.

negative vote at referenda, neither had they voted against the enlargement. People voted against, because they fear their country might lose sovereignty. At the same time, it was understood as a paradox that the European citizens have rejected the Constitutional Treaty, although it clearly specifies what EU citizenship rights are; it also empowers citizens by assuring them human right contained in the Charter on Fundamental Rights¹⁵³. Therefore the main question is whether the French and Dutch citizens have rejected the present state of affairs within the Union, or the one proposed in the Treaty. This could be understood in a way that rejections actually resulted as an outcome of dissatisfaction with current situation in the Union, not with the proposed one in the Constitutional Treaty.

There is belief among experts in Croatia that the EU Constitution aims to resolve problems of democratic deficit and ease a complicate structure under which EU institutions operate. The Constitution promotes the principle of variable speed of accession, and provides a possibility of opting out the EU. The objection of a great centralization does not make sense, since it strengthens subsidiarity principle and reinforces the role of national parliaments.

Several Croatian media and experts¹⁵⁴ stressed the lack of political leadership from France and Germany as the most directly responsible for many of the EU problems including the failure of the EU constitution ratification. According to some commentators, both countries seem to have lost some of their enthusiasm for the European integration project and became more inward looking and defensive. Apart from that, there were some media comments on the lack of leadership role of Mr Barroso who is still struggling hard to find a strategy to get his message across to the wider European public and was not able to conduct a successful EU constitution campaign.

Lack of communication is considered in Croatia to be one of the most important reasons for the negative outcome of referenda. There is evidently a serious gap between political elites and masses, a feature that has been indicated already at previous elections for

the European Parliament. There were opinions that a better information strategy should have been put into place long before the process of ratification had been initiated. Secondly, the question was opened whether referendum is an appropriate way to consult what the people think about the problematic issues.

There are also opinions that referenda are inadequate as a mean for discussing complex issues¹⁵⁵. A referendum opens only two solutions ('yes' or 'no'), but does not give a possibility to express different, other opinion or give a suggestion. The leading Croatian opposition party Social Democratic Party (SDP)¹⁵⁶ shares the opinion that the communication strategy of the Croatian government with its own citizens should be much improved in order to better govern all issues related to the future EU accession process.

In this context the debate was held on openness and transparency in the European Union and the wider challenge of enhancing European governance, focusing the European Commission's recent approach to information and communication and the specific proposals that have been introduced to enhance openness, transparency, accountability and participation in European governance and initiatives to facilitate interactive communication with European citizens and stakeholders¹⁵⁷.

State of ratification

Croatia is not a EU member and therefore has no obligation to ratify the Constitutional Treaty. Croatia became candidate for EU integration in 2004 and only recently (3rd October 2005) the negotiations with the EU were opened. Thus Croatia did not participate in the Convention.

Public opinion since spring 2005

Among citizens there is a high level of support for the European Constitution. In the last *Eurobarometer* survey¹⁵⁸, 60% of Croatian respondents were generally in favour of the European Constitution. In the same time, 65% said that they have heard about it, but only

¹⁵³ Prof Sinisa Rodin, Faculty of Law, University of Zagreb at the mentioned IMO Round Table, June 2005.

¹⁵⁴ Frlan Irena, Weakening tandem Paris-Berlin, in daily Novi List, 11.6.2005.; Dr. Damir Grubisa, Faculty of Political Sciences, University of Zagreb, Lying Politicians, European and Croatian, in daily Novi List, 24.6.2005.

¹⁵⁵ Prof Ivan Grdesic, Faculty of Political Sciences, University of Zagreb at the IMO Round Table, June 2005.

¹⁵⁶ See the Commentary section at the SDP web site www.sdp.hr.

¹⁵⁷ IMO seminar «New trends in EU information policy. Zagreb», September 21st 2005 with participation of Ian Thomson, UK expert on EU information.

¹⁵⁸ Eurobarometer 63.4.

26% gave a positive opinion on the EU Constitution. This indicates that rather high lack of information, although Croatian media have reported quite intensively on Constitution issues. Among the main reasons for having a Constitution, Croatian respondents pointed its key role in further integration of the EU, and concerning the smooth functioning of institutions. Main reasons for the negative approach to the Constitution was the fear of loosing national sovereignty and the fact that the Constitution does not recognise Europe's Christian roots.

Ways out of the crisis

One of possible scenarios is the one in which the Treaty would be redrafted, and only some of its parts brought to being. Some commentators¹⁵⁹ in Croatia think that one of the biggest mistakes done by the Convention (and supported by IGC) was submitting to EU citizens the document entitled 'Constitution', even though the document itself does not have many genuine constitutional characteristics. The third part of the Constitution might have been a separate document without any 'constitutional ambition'. The same holds for the Charter of Fundamental Rights which is binding only for EU institutions, but not for legal systems of the EU member states.

Some Croatian media commentators mentioned the possibility of convening a new IGC (with or without a Convention preceding it) during which attempts would be made to change the Constitutional treaty so that it could be ratified at national level more likely, or to renegotiate a whole new Treaty. However, as a number of commentators consider the current crisis to be less about what the EU is doing, but more about governments and politicians generally, there is a scepticism regarding the usefulness reconvening new IGC. Suggestions concerning the possible ways out of current crisis go rather in the direction of addressing underlying causes of distrust of politicians.

The issue is presently not very much debated by the government. Some experts consider that the Convention, as a new method of preparing IGC, has actually done a very good job when it comes to encouraging debates at the EU level. There is little space for improvement as far as the openness of the

Convention to outside inputs is concerned¹⁶⁰. Nevertheless, national governments failed to develop adequate consultation mechanisms and invest serious efforts in communicating the most important messages of the Convention to their citizens.

Some Croatian experts¹⁶¹ consider that EU leaders have not yet learned how to listen to the public opinion and have failed to deal with the key problem of communicating EU to their citizens and preparing them for further EU enlargement. This might lead to further deepening the gap between the political elites and public, and further decreasing the support to next EU enlargement. Croatian government welcomed the new European Commission communication on dialogue between civil society in the EU and candidate countries as a positive step forward in promoting the involvement of civil society in the debate on the EU enlargement, and contributing to strenghtening mutual understanding of societies in current and future EU member states¹⁶².

Implementation of specific provisions of the Constitution

The EU constitution is broadly understood in Croatia as a tool to make decision-making within the Union easier for the Union of 25 member states. The provisions of the constitution which concern the increased role of national parliaments have been considered by some Croatian experts as particularly important. These provisions should be kept since they enable national parliaments to be better involved in controlling subsidiarity, in having an important influence in ensuring that only appropriate decisions are taken at the European, as opposed to the Member State level.¹⁶³

Some Croatian experts¹⁶⁴ consider that the failure to further expand the scope for majority voting in the Council might cause the paralysis of decision-making and make it impossible for

¹⁶⁰ Igor Vidacak, Institute for International Relations, at the mentioned IMO Round Table.

¹⁶¹ Igor Vidacak in the article *Despite approval of politicians, Turkey might be rejected by Union citizens*, *Poslovni dnevnik*, 4 October 2005.

¹⁶² Jadranka Kosor, Croatian Deputy-prime minister, in her speech at the opening of the conference *EU and Croatia: Strengthening Civil Society Dialogue*, 30 September 2005, Zagreb

¹⁶³ Siniša Rodin, Faculty of Law, at the mentioned IMO Round Table.

¹⁶⁴ Igor Vidacak, in the article published in *Poslovnik dnevnik*, 31.5.2005.

¹⁵⁹ Rodin, S., Faculty of Law, University of Zagreb, in daily *Novi List*, 7.9.2004.

the EU to define new common standards in certain crucial areas of interest for EU citizens. Among the provisions of the Constitution that should also be implemented is the new simplified system of decision by double majority in the Council of Ministers. The present Nice system is far more complicated and the threshold for adopting a decision is too high.

The constitutional crisis in academic debates

The constitutional crisis was well covered by all leading media, and was discussed on several occasions on round tables organised by public institutes and think-tanks that included leading experts for EU and constitutional law (round table organised by IMO and European Circle). However, it was less debated in Croatian scientific journals and publications.

Cyprus

Nature of the current crisis

The Cypriot political class and the diplomats we have interviewed consider the current EU crisis as a wake up call. Although the EU has faced some earlier institutional crises, these circles believe that the ongoing crisis is unique and quite serious¹⁶⁵.

Reasons for failure of ratification

Cypriot diplomats conveyed to us¹⁶⁶ their belief that the French and the Dutch rejection of the Constitutional Treaty should be ascribed to domestic political, financial and social problems. The no vote has sent a clear message to the EU: The peoples of Europe are not satisfied with the way the EU functions. In addition to the domestic causes and the "democratic deficit" hypotheses, however, Cypriot public opinion has also noted the reservations expressed by the French and the Dutch voters concerning the prospects of Turkey's eventual accession to the Union.

State of ratification

Cyprus has already ratified the Constitutional Treaty¹⁶⁷. On 1 July 2005, the House of

Representatives adopted that Treaty and on 4 July 2005, it became a law of the state¹⁶⁸. The right-wing Democratic Rally (DISY), the centrist Democratic Party (DIKO), the social-democrat United Democratic Centre Party (EDEK), and three small parties -the New Horizons (NEO), the United Democrats (EDI), and the European Democrats (EYDI)- voted in favour of the Treaty. The socialist Progressive Party of the Working People (AKEL) voted against, while the Ecologists-Environmentalist Movement abstained¹⁶⁹.

Some EU specialists have argued that the rejection of the Treaty in France and the Netherlands encouraged AKEL to vote against the Treaty without running the risk of paying any political price. AKEL is the largest political party in the governmental coalition, in which DIKO and EDEK participate as well. Traditionally, AKEL had entertained a sceptical view towards the EU; however, it did support the Republic of Cyprus' accession to the Union as a means to induce progress toward the fair and functional settlement of the Cyprus Problem.

Some parties asked for a referendum on the European Constitution. The government, however, insisted on the ratification of the Treaty by Parliament¹⁷⁰.

Public opinion since spring 2005

According to the latest (Oct. 2005) Eurobarometer survey, more Cypriots were getting sceptical about the EU¹⁷¹. Their earlier confidence in the prospects of ambitious enlargement has been shaken¹⁷². Some specialists ascribe this tendency to the Cypriots' disappointment over the EU's rather passive role in the Cyprus Issue to date. For Cypriots had expected that the EU institutions would take urgent and bold initiatives regarding the settlement of the Cyprus Issue according to the very principles and norms on which the Union is founded.

It is, therefore, important to note here a positive development. In late 2005, Cypriot public opinion was deeply gratified by the reception that Members of the European Parliament and various EU watchers extended

¹⁶⁵ Phileleftheros, "Cyprus said yes to the European Constitution", July 13, 2005.

¹⁶⁶ Unless otherwise stated, the interviews referred to in this Report were conducted by Giorgos Kentas in Brussels and Nicosia (via phone or email), in October 2005.

¹⁶⁷ "Yes to the European Constitution", Simerini, July 2, 2005.

¹⁶⁸ "The President Signed the Ratifying Law on the European Constitution", Phileleftheros 5 July 2005.

¹⁶⁹ "A Vocal No from AKEL", Phileleftheros May 19, 2005.

¹⁷⁰ See Christos Clerides, "The Referendum for the European Constitution", Phileleftheros, 29 March 2005.

¹⁷¹ See Eurobarometer 63.4, "National Report: Cyprus".

¹⁷² See Eurobarometer 63.4, "National Report: Cyprus".

to the Report on the “European Solution to the Cyprus problem” that was presented in Brussels in October 2005. In particular, it was noted with satisfaction that Mr Elmar Brok was one of the noted European figures who expressed his support for the Report.¹⁷³ Entitled, *A Principled Basis for a Just and Lasting Cyprus Settlement in the Light of International and European Law*, the Report was written by a group of distinguished Constitutional and International Relations experts.¹⁷⁴ Having said that, the Spring 2005 Eurobarometer had recorded that “Six out of ten citizens of the Republic of Cyprus trust the European Parliament and the European Commission. For both Institutions, the level of trust expressed by citizens of the Republic of Cyprus is higher than the EU average”.¹⁷⁵ In addition, the Republic’s citizens exhibited an impressive degree of support for “a Common Defence and Security Policy (94%) and a Common Foreign Policy (88%)”.¹⁷⁶ Finally, the same Eurobarometer issue found out that the “development of a European political union has the support of 63%, while 53% favour a monetary union and 70% support further enlargement”.¹⁷⁷

Ways out of the crisis

With regard to the ongoing crisis over the Treaty, the Cypriot government believes that a period of reflection is indeed necessary. The President of the Republic, Mr. Tassos Papadopoulos, called for the ratification of the Constitutional Treaty¹⁷⁸. Cypriot diplomats told us that other issues, such as the new financial framework 2007-13 and the next enlargement wave, will top the EU agenda in the near future. They do not expect that the issue of the Constitutional Treaty will return to the agenda before the end of 2006.

With regard to the Republic of Cyprus’ initiatives under “Plan D”, the Government is

preparing a series of events, inspired by the Commission’s Directive. Thus, inter alia, the events will aim to convey to the public information on European issues, using such means of communication as printed media, various publications, articles in newspapers and magazines, TV coverage of events, lectures at schools, students’ essay competition, public debates, etc..

Implementation of specific provisions of the Constitution

By endorsing the Constitutional Treaty, Cyprus has accepted the provisions related to the EU’s future institutional aspects. Should the Treaty come into force, Cyprus is looking forward to implementing those provisions. As yet, the Cyprus Government has not decided with regard to the modification of the Nice Treaty or the implementation of some provisions of the Constitutional Treaty. Some Cypriot bureaucrats told us that they expect some initiatives to be taken in the field of external relations. They consider CFSP/ESDP matters as mostly geared to the large member states of the EU. By supporting the Constitutional Treaty, Cyprus has approved the posts of the European foreign minister and the President of the European Council. Cypriot bureaucrats told us that they can see the utility of the two posts; however, they would not approve the enhancement of the High Representative’s competences beyond the Nice Treaty. A unanimously approved legal framework should bind any decision about these issues. CFSP experts insist that this issue will be a crucial one for the EU’s leaders. They see a dispute between those states that will support the enhancement of the High Representative’s post and those that will support the maintenance of the status quo. Cypriot diplomats that we interviewed seem convinced that the work on the development of the European External Action Service should continue. They also told us that the materialization of this body is a *sine qua non* condition for the enrichment of the CFSP. Since the EU aims at an enhanced role in international politics, it should work on the finalization of that body. Cypriot diplomats expect that when the period of reflection is over, the European External Action Service will be put into action.

Cyprus would not approve the extension of qualified majority voting in the field of the CFSP. Cypriot diplomats told us that they understand that within the enlarged EU some

¹⁷³ “The Third Road for the Cyprus Problem”, Simerini, October 16, 2005.

¹⁷⁴ The International Expert Panel that wrote the Report consisted of the following Professors: Andreas Auer (Switzerland), Mark Bossuyt (Belgium), Peter Burns (Canada), Alfred De Zayas (USA), Silvio-Marcus Helmons (Belgium), George Kasimatis (Greece), Dieter Oberndorfer (Germany), and Malcolm N Shaw (United Kingdom).

¹⁷⁵ Eurobarometer 63.4, Executive Summary for Cyprus (Areas Under the Control of the Cyprus Government), Spring 2005, p.3.

¹⁷⁶ Eurobarometer 63.4, p. 5.

¹⁷⁷ Eurobarometer 63.4, p. 5.

¹⁷⁸ See “The Future of the European Constitution”, Phileleftheros, 18 June 2005.

complications may surface. This, however, should not constitute an excuse in order to change the existing voting system in the Council. Some experts told us that some small states -such as Cyprus, Malta and Luxembourg- would be prepared to resist the transformation of the qualified majority voting system. Cyprus supports the endorsement of the Charter of Fundamental Rights. Bureaucrats at the Ministry of Justice told us that Cyprus supports the idea for a common strategy in dealing with home-grown and international terrorism.

The constitutional crisis in academic debates

We were unable to record in Cyprus any profound academic discussions on the constitutional crisis. Similarly, no publications of note could be registered, since only a few commentators made their remarks in newspaper columns. Cypriot academic circles, both in the Greek and the Turkish Cypriot community, continue to be intensely preoccupied with the developments unfolding daily in the Cyprus Issue. However, the constitutional crisis is among the issues chosen to be addressed by the forthcoming first volume of *The Cyprus Yearbook of International Relations*, to be published by the Cyprus Institute for Mediterranean, European and International Studies (KIMEDE) in May 2006.

Czech Republic

The Czech discourse on the Constitutional Treaty had two remarkable features which make the Czech debate profoundly different from that in most EU member states: Firstly, the political debate is more or less dominated by the Eurosceptic camp in which President Klaus' voice is particularly significant and provocative. The ideas presented by the Treaty's opponents are not radically new, but the warnings and threats which previously rang hollow are now (after the "double no") accepted by a substantial part of the population as wise warnings from those who always reminded the European political elite of the EU's ill-conceived nature and democratic deficiencies. Furthermore, the prevalence of the Eurosceptic discourse in political debates and to some extent in the media makes it particularly difficult for proponents of the Constitutional Treaty to present their cause positively, and not just as a defensive reaction. A good illustration of this paradox are the

articles and speeches of Minister of Foreign Affairs Cyril Svoboda. For example, in one of his articles Mr. Svoboda began a defence of the Treaty by reviewing its weaknesses and stressing the inability of Czech diplomacy to remove these shortcomings from the text, and only then moving on to applaud the Treaty's advantages.¹⁷⁹

The second rather unusual feature of the Czech debate is its fundamental polarisation. Among proponents of the Treaty we find all of the three parties in the government – the Social Democrats, the Christian Democrats and the Freedom Union. In fact, the European Union and the Constitutional Treaty are the main (and almost only) ties keeping the otherwise very heterogeneous coalition government together. Under such conditions it is understandable that in the government's manifesto the ratification of the Constitutional Treaty was described as the top priority, and that subsequently the government pushed hard for the Treaty's ratification.¹⁸⁰ On the Eurosceptic wing of the Czech political spectrum stands the strongest opposition party, the Civic Democrats, and the President. Perhaps unsurprisingly, the leftist opposition, the Communists, also holds a sceptical view of the Constitutional Treaty, thus putting the government under intense pressure from both sides. But while all political parties usually moderate their rhetoric to comply with their voters' attitudes, the President feels no such constraint, and is thus perceived as the most radical and outspoken opponent not only of the Treaty, but also of the project of (political) integration as a whole.¹⁸¹ The Eurosceptics have been remarkably more influential than before particularly due to their success in convincing a substantial number of Czechs that it is them and only them who defend the Czech Republic's real national interests against the wilful Eurocrats. This argument gained more strength following the rather

¹⁷⁹ Svoboda, C. O ústavě s chladnou hlavou (On the Constitution with sobriety), <http://www.mzv.cz>.

¹⁸⁰ Programové prohlášení vlády České Republiky (Programme Manifesto of the Government of the Czech Republic), http://www.vlada.cz/1250/vlada/vlada_progohl.htm (latest access: 12.12.2005).

¹⁸¹ Among his numerous statements on the Constitutional Treaty we can include the following: "I am not critical (of the Constitutional Treaty), I am hundred percent against." (Prezident Václav Klaus je jednoznačným odpůrcem ústavy (President Václav Klaus is an unequivocal opponent of the Constitution), Czech Press Agency ČTK, 2 February 2005); "We are making a jump into darkness, a jump from intergovernmentalism to supranationalism." (Ústava je skok do temnot (The Constitution is a jump into darkness), Czech Press Agency ČTK, 24 May 2005).

unfortunate intervention of two leading representatives of the European Parliament, who sharply criticized the President's views regarding the Constitutional Treaty. While the substance of their critique might have been correct, their attack was taken by the President and the Civic Democrats as cautionary example of "the inquisitorial crusade against those who do not share the unified view of European federalists".¹⁸²

Nature of the current crisis

Although a number of different interpretations of the failure of the ratification process were present in the Czech discourse, no top politician depicted the crisis as something the EU could not handle. The most optimistic note, at least initially, was taken up by Prime Minister Paroubek who dismissed the French and Dutch rejections as nothing the EU could not cope with.¹⁸³ To the contrary, Mr. Paroubek insisted on the continuation of the ratification process, the main argument being the necessity to find out the opinion of the population in every member state, including the Czech Republic (CR).¹⁸⁴

Statements containing an essentially identical message were also issued by the influential Social Democratic MP and member of the lower chamber's Foreign Affairs Committee Vladimír Laštůvka, by the Vice-Chairman of the Christian Democrats Jan Kasal, and by the top Freedom Union leader Pavel Němec. Thus all three ruling parties unanimously rejected a halt to ratification.¹⁸⁵ The only dissenting voice in the government came from Foreign Minister Svoboda, who interpreted the French rejection as a serious blow to the whole ratification process and called for deeper deliberations on the current situation before undertaking further

steps in any direction.¹⁸⁶ Unlike other high-ranking government representatives, Mr. Svoboda went as far as saying that the crisis showed "an absence of a deeper vision of a unified Europe" and the incompatibility of a number of concepts of the EU, ranging from the free market, over the political community of national states to a federal entity.¹⁸⁷ Being a member of the Christian Democratic Party, which disagrees with Turkey's EU membership, Mr. Svoboda went on to depict further enlargement and deeper integration irreconcilable, and ended up with a "no to enlargement."¹⁸⁸

The Czech Eurosceptics also agreed that the European Union could survive the crisis, but the EU's course towards deeper integration, particularly where matters of national sovereignty are at stake, must be changed. According to President Klaus, the two referenda finally stopped a twenty-year period of creeping integration, characterised by repeated attempts to create an artificial European state.¹⁸⁹ This position has been echoed almost verbatim by the Civic Democrats and their key EU expert, Jan Zahradil.¹⁹⁰ Yet while the Civic Democrats stopped short of suggesting the dismantling of the existing system, proposing instead to stick with the Nice Treaty, Klaus supported the abandonment of much of what has been created in the last two decades.¹⁹¹ The government politicians lessened their uneasiness regarding the future of the Treaty by postponing any decision until after the European Council's June summit, and then by accepting with relief the so-called "period of reflection." Needless to say, both advocates and opponents of the Treaty interpreted this decision a victory: Prime Minister Paroubek presented the period as identical with his

¹⁸² Dnešní tisková konference EP ke Klausovi ve výročí (Today's press conference of the EP regarding Klaus in quotations), Czech Press Agency ČTK, 20 April 2005; ODS chce, aby se europoslanci za kritiku Klausovi omluvili (The ODS wants the MEPs to apologize for the critique of Klaus), Czech Press Agency ČTK, 21 April 2005.

¹⁸³ Paroubek, J., Jak dál po evropském summitu (What to do after the European Summit), Mladá fronta Dnes, 23 June 2005.

¹⁸⁴ Paroubek, J., Jak dál po evropském summitu (What to do after the European Summit), Mladá fronta Dnes, 23 June 2005.

¹⁸⁵ I čeští politici řeší, co po francouzském "ne" s euroústavou (Czech politicians also discuss what to do with the EU Constitution after the French "no"), Czech Press Agency ČTK, 30 May 2005.

¹⁸⁶ Francouzské "ne" euroústavě v ČR povzbudilo její odpůrce (The French "no" to the EU Constitution has encouraged its opponents in the CR), Czech Press Agency ČTK, 30 May 2005.

¹⁸⁷ Svoboda, C., Integraci Unie, ne rozšiřování (Yes to the union's integration, no to enlargement), <http://www.mzv.cz>; for a treatment of Mr. Svoboda's position see Vláška už ví, co dál s EU (The government already knows what to do with the EU), Respekt, 5 June 2005.

¹⁸⁸ Svoboda, C., Integraci Unie, ne rozšiřování (Yes to the union's integration, no to enlargement), <http://www.mzv.cz>

¹⁸⁹ Klaus, V., We should make a different EU, 8 August 2005, <http://www.hrad.cz>.

¹⁹⁰ Vláška už ví, co dál s EU (The government already knows what to do with the EU), Respekt, 5 June 2005

¹⁹¹ Klaus, V., We should make a different EU, 8 August 2005, <http://www.hrad.cz>.

original proposal to prolong the time span of ratification¹⁹², and the Civic Democrats called it a time for the final burying of the Treaty.¹⁹³

Reasons for failure of ratification

There was basically only one problem connected with the ratification. The method of adoption was never clearly determined (whether parliamentary or via referendum – see below), and this hampered measures taken by the government to increase the chance of successful ratification, such as the information campaign.

Interestingly, in purely statistical terms the political elite seemed to be more of a problem regarding the Treaty's adoption than the public at large. Although until the French and Dutch referenda support for the Treaty had been increasing among the population, Czech MPs were rather hesitant. This high disapproval rate among Czech politicians was especially palpable in the European Parliament, where the Czechs tallied the highest no vote out of all national constituencies, surpassing both the Poles and the British (more than 60 percent of Czech MEPs voted against the Treaty).¹⁹⁴

State of ratification in your country

At the time of the French referendum, the Czech Republic was most probably the only EU member state which had yet to reach a final decision on whether the Constitutional Treaty should be ratified by parliament or a referendum.¹⁹⁵ This rendered any analysis or even a prediction of the Treaty's adoption a rather fruitless exercise, since the outcome of a referendum could be substantially different from that of a vote in the parliament. Given the strong opposition to the Treaty among leading politicians, it is quite surprising that the Treaty was supported not only by the majority of population, but also by the Civic Democrats voters. Thus a referendum might appear as the better choice for the government. Yet, this

scenario was not easily carried out, either because it is unclear whether a constitutional amendment could be adopted, or whether the Treaty could be ratified using provisions already present in the Czech Constitution, such as the "European" Article (10a).¹⁹⁶ The biggest political parties are also divided on the scope of the law on referendum: The Social Democrats would prefer a more general law allowing for referenda on different key political issues, whereas the Civic Democrats proposed a special law for a referendum on the Constitutional Treaty. Thus the only step so far taken was the preparation of an "explanatory campaign", whose aim was to strengthen support for the Constitutional Treaty among the public.¹⁹⁷ But even this measure was controversial. Originally, the Foreign Ministry was responsible for the coordination of the campaign, but later the headquarters of the campaign moved, for rather obscure reasons, to the Government Secretariat.¹⁹⁸

Public opinion since spring 2005

The last Eurobarometer opinion poll in the CR was carried out between 18 May and 7 June, just as the referenda in France and the Netherlands were held, meaning that the data were already influenced by their outcome to some extent.¹⁹⁹ By that time, the existence of the Constitutional Treaty was known by a majority of Czechs (88 percent), but knowledge of the Treaty's content remained very low (77 percent stated they knew nothing about it). However, support for the Treaty fell dramatically from the last poll in autumn 2004— from 63 percent to just 44 percent. Even though this figure is undoubtedly influenced by the no votes, the drop of 19 percentage points is profound. With 44 percent approval, the CR belongs to the six EU member states where support for the Constitutional Treaty is below fifty percent. At the same time, the number of

¹⁹² Paroubek, J.: *Zahraniční politika vlády – záměry a výsledky* (The foreign policy of the government – intentions and results), *Právo*, 8 September 2005.

¹⁹³ *Prohlášení české vlády k otázkám ratifikačního procesu euroústavy* (The declaration of the Czech government regarding the ratification process of the EU Constitution), Czech Press Agency ČTK, 1 June 2005.

¹⁹⁴ *Patnáct ze 24 českých europoslanců hlasovalo proti ústavě* (Fifteen out of 24 Czech MEPs voted against the Constitution), Czech Press Agency ČTK, 12 January 2005.

¹⁹⁵ *I čeští politici řeší, co po francouzském "ne" s euroústavou* (Czech politicians also discuss what to do with the EU Constitution after the French "no"), Czech Press Agency ČTK, 30 May 2005.

¹⁹⁶ Cf. Šlosarčík, I., *The Czech Republic: The ratification of the Constitution for Europe 1*. Federal Trust Constitutional Newsletter, November 2004, pp. 5-6; Kratochvíl, P. & L. Königová, *The Czech Republic: The Ratification of the Constitution for Europe 2*. Federal Trust Constitutional Newsletter, November 2004, pp. 6-7.

¹⁹⁷ *Vládní kampaň by mohla ústavu vysvětlovat nebo přímo podporovat* (The government's campaign could explain or directly support the Constitution), Czech Press Agency ČTK, 12 February 2005.

¹⁹⁸ *Kampaň k euroústavě bude mít na starosti Grossův úřad* (The campaign on the EU Constitution will be a task for Gross's secretariat), Czech Press Agency ČTK, 13 March 2005.

¹⁹⁹ *Eurobarometr 63.4. Veřejné mínění v zemích EU* (Public opinion in EU member states), *Národní zpráva ČR* (National Report Czech Republic), Spring 2005, <http://www.evropska-unie.cz/download.asp?id=967>.

opponents of the Constitution has almost doubled since last autumn, reaching almost one third of the population.²⁰⁰

The sociological profile of proponents of the Constitutional Treaty is young, well-educated persons. Their main argument in favour of the Treaty is its necessity for the building of Europe (56 percent of Czech population). Opponents, on the other hand, can be found especially among supporters of the Communists, and non-voters. Their arguments are typically based on the fear of a loss of national sovereignty (42 percent of Czechs compared to the 32 percent EU-average) and the convictions that the Constitutional Treaty is too complicated (34 percent) and technocratic (30 percent).²⁰¹ In July, the population was divided on the next steps: 25 percent preferred to go on with ratification, 40 percent preferred to put off ratification and thoroughly explain its advantages, and 35 percent would stop the process entirely. No matter how divisive the question of what to do with the Constitutional Treaty is, the majority of Czechs would like to decide about the Constitutional Treaty in a referendum.²⁰²

Ways out of the crisis

The passivity of the pro-Treaty camp is also vividly shown in its approach to the period of reflection. With the exception of the first day after the no votes when the Prime Minister insisted on further ratification, politicians supporting the Treaty have been silent on future developments, and no clear scenario of what to do after the period of reflection has ever been officially proposed. The only common theme seems to be insistence on the Treaty's progressive nature and the need to keep the document alive, even at a price of substantial modifications.

²⁰⁰ Eurobarometr 63.4. Veřejné mínění v zemích EU (Public opinion in EU member states), Národní zpráva ČR (National Report Czech Republic).

²⁰¹ Eurobarometr 63.4. Veřejné mínění v zemích EU (Public opinion in EU member states), Národní zpráva ČR (National Report Czech Republic) and Informace z výzkumu STEM Trendy 07/2005 (Poll Information STEM Trends 07/2005), <http://www.stem.cz>.

²⁰² Informace z výzkumu STEM Trendy 07/2005 (Poll Information STEM Trends 07/2005), <http://www.stem.cz>; Evropská ústava očima veřejnosti (The European Constitution through the eyes of the public), CVVM, <http://www.cvvm.cas.cz/index.php?disp=zpravy&lang=0&r=1&s=&offset=&shw=100454> (latest access: 12.12.2005).

Implementation of specific provisions of the Constitution

Yet these modifications are also not discussed in a more concrete manner. Instead, those elements of the Treaty that render it less acceptable for the CR are spelled out. According to Foreign Minister Svoboda, these critical provisions are the decrease in number of commissioners, the newly established President of the European Council and the incorporation of the Charter of Fundamental Rights. This focus on what the CR (or even Mr. Svoboda personally) would like to change is, however, deeply problematic. Firstly, it precludes a more thorough discussion on what should be changed to prevent a future veto in any of the EU member countries and provide for effective functioning of EU-25. Second, if we compare the lists of "to be deleted" clauses of the Christian Democratic Foreign Minister and the Social Democratic Prime Minister, we find significant differences, such as the (non)inclusion of the Charter of Fundamental Rights. Thus even the Foreign Minister's views cannot be taken as representative of the position of the Czech government.²⁰³

In contrast to the government's rather precarious position, the Civic Democrats, and above all the President, seemed jubilant after the ratification failure. Their proposals on the Treaty usually boil down to scrapping it altogether. If a document in the form of a constitution must be written, then the sole reason for such a step is protection against "the constructivism of Europhiles" – hence President Klaus' famous proposal to establish an Organisation of European States which would clearly (de)limit the narrowly-defined powers of the new organisation.²⁰⁴ Given the extremely critical attitude of the Czech Eurosceptics, it is almost impossible to name all of the provisions seen as trespasses against national sovereignty. But to give at least a few examples, the extension of qualified majority voting tops the list, with passerelle following closely. "Socialist" features of the Treaty criticised by Eurosceptics include the Charter of Fundamental Rights.

²⁰³ Svoboda, C., O ústavě s chladnou hlavou (On the Constitution with sobriety), <http://www.mzv.cz>.

²⁰⁴ Klaus, V., The Czech Republic and the EU after the French and Dutch referendums, <http://www.klaus.cz>

The Communists, whose influence on Czech foreign policy is currently on the rise, agree with the Civic Democrats that the Treaty was justly rejected, but their view of the Treaty's weaknesses overlaps with that of the rightist opposition only where national sovereignty is concerned. The Communists do not share the Civic Democrats' view that the Treaty introduces more Socialism into the EU but rather perceive it as an instrument of "transnational liberalism."²⁰⁵ The only thing all relevant political parties agree on is that the country should have its own representative in the European Commission, and thus the number of commissioners should not be lower than that of the member states.

The constitutional crisis in academic debates

Concerning Czech politicians' attitudes to the Treaty, academia generally criticised the ambiguity of the Czech position, particularly the inability to clearly define the method and the legal framework for adopting the Treaty. Academic coverage of the Treaty has centred around three organisations: The Institute of International Relations has been the main organiser of a series of conferences on the connection between European integration and the European public. The first two of the four conferences dealt mainly with the Constitutional Treaty, its failure, and scenarios for the future development of the Union.²⁰⁶ Another centre of research, with a more policy-oriented slant, is The Europeum Institute for European Policy, which focussed, however, on analysing the Treaty, particularly before the critical period following the French and Dutch referenda.²⁰⁷ While these two institutes took a generally pro-Treaty stance, the third, the Centre for Economics and Politics, was very critical of the Treaty, and its publication "The Breakdown of the European Constitution" was probably one of the most pronounced collections of Eurosceptic voices both from the CR and abroad.²⁰⁸

²⁰⁵ Tisková konference KSČM (KSČM Press Conference), 2 June 2005, <http://www.kscm.cz/article.asp?thema=2729&item=26587&category=> (latest access: 12.12.2005).

²⁰⁶ See the web page of the Institute, http://www.iir.cz/evnts_calendar.asp?idi=146 (latest access: 12.12.2005).

²⁰⁷ See the Europeum's web page <http://www.europeum.org/index.php?&lang=en> (latest access: 12.12.2005).

²⁰⁸ Krach Evropské ústavy (The breakdown of the European Constitution), <http://cepin.cz/cze/kniha.php?ID=58> (latest access: 12.12.2005).

Denmark

Nature of the current crisis

The overall Danish reaction to the double no in France and the Netherlands is a feeling of recognition. In many ways the Danish political elite experienced a similar situation after the Danish no vote to the Maastricht Treaty in 1992. The current discussion on how to create a debate on European issues that includes the citizens has been present on and off in Denmark since the Maastricht Referendum. Given their long experience with such issues, politicians are aware of the difficulties and limitations involved with creating a public debate without a referendum date to trigger the attention of citizens and the media. Nevertheless, the involvement of citizens in EU affairs is a high political priority in Denmark, and the Danish parliament has decided to allocate 14 million Danish kroner (approximately 1.8 million euros) to debates and events in the current period of reflection.

In official speeches and statements, the Prime Minister, Anders Fogh Rasmussen (the Liberal Party), and the Minister of Foreign Affairs, Per Stig Møller (the Conservative Party) have argued that the current situation is a crisis situation²⁰⁹. However, they also point out that the crisis should be put into a broader historical perspective. The EU has experienced many crises in its lifetime and politicians have always found a way out of the crisis, they argue. Furthermore it is pointed out that in spite of the recent failure to ratify the Constitutional Treaty, the EU has delivered many crucial results, such as peace, freedom, stability and economic growth. And on a more concrete level, the benefits of the Single Market have influenced citizens' lives by creating more jobs, better environmental protection, safer food, cheaper mobile phones, airline tickets, etc. The leader of the biggest opposition party, Helle Thorning-Schmidt from the Social Democrats, is also hesitant to label the situation as a crisis beyond historic precedence. Rejection of the Constitutional Treaty is not a rejection of the EU, she says. On the contrary, a large majority

²⁰⁹ See for instance: Fogh Rasmussen, Anders (2005), "EU i arbejdstøjet", Feature article, Politiken, September 27th. Møller, Per Stig, (2005), "Hvad nu, Europa?", Speech to a conference at the Confederation of Danish Industries, September 27th.

of the Danish population continues to be in favour of EU membership.²¹⁰

In opposition to this, the leader of the eurosceptic Danish People's Party, Pia Kjærsgaard, states that the EU is in a major crisis and that the double no's should be perceived as the population's rejection of the whole EU project.²¹¹

Reasons for failure of ratification

According to the Danish government and the Social Democrats, two of the main reasons behind the failure of ratification are lack of communication with citizens and too little focus on the concrete benefits of EU membership.

The Minister of Foreign Affairs argues that many people take the EU and its achievements for granted. The consequence is that the EU loses its *raison d'être* in the broader population. The reason for this development stems from the fact that, among the nation states of Europe, the story about the EU as a common project for peace is forgotten. Peace and security is not enough to justify the existence of the EU today. People are focused on the EU in their everyday lives, and on how they can benefit from it. The Foreign Minister describes this tendency towards a more utilitarian approach to the EU as "tomorrow's Europe of realism in contrast to yesterday's Europe of idealism".²¹²

The existence of a sense of insecurity in Europe due to terrorism, illegal immigration and globalisation represents another main argument of the Government and the pro-EU opposition parties. In order to solve these global challenges, citizens must perceive the EU as part of the solution and not as part of the problem, which is argued to be the case at present. Consequently, the parties have argued that a massive communication effort by the EU institutions in Brussels and the national governments should be put into force in order to explain the added value of EU membership in citizens' everyday life. Leader of the main

opposition party, Helle Thorning-Schmidt from the Social Democrats, argues that EU citizens want concrete answers to concrete problems, and that politicians should not waste their time on talks about abstract issues like symbols. She identifies globalisation as the biggest challenge facing the citizens of the EU's member states.²¹³

State of ratification

The Prime Minister, Anders Fogh Rasmussen, cancelled the Danish referendum during the EU Summit in June 2005. At present there are no signs that any political party will ask for a referendum on the Treaty in Denmark. The overall assessment is that the EU must be able to deliver clear results on the concerns of citizens before any responses on the institutional dimension will be brought up in Denmark.

Public opinion since spring 2005

Prior to May 2005, Danes shared a largely positive attitude towards the ratification of the Constitutional Treaty – at least, opposition was consistently rather low, around 24 per cent, since the announcement of the referendum in February and up until mid May.²¹⁴ However, in the days surrounding the French and Dutch referenda, after which the question about support for the Constitutional Treaty has no longer been posed, opposition took a sharp rise to around 38 per cent, which is outnumbering positive responses (rather consistently around 34 per cent)²¹⁵. While few national polls focusing on general Danish EU attitudes have been conducted over the summer, polls have consistently inquired about Danish attitudes towards Denmark's four opt-outs from EU cooperation. Throughout the last year, polls reveal a majority in favour of doing away with the opt-outs. A Greens poll from mid October in the Danish daily 'Børsen' suggests that a majority of Danes wishes to do away with the opt-outs on defence (52 per cent in favour; 30 per cent against); on the euro (51 per cent in favour; 42 per cent against) and on justice and home affairs (43 per cent in favour; 38 per cent against). The polls found a majority against giving up the Danish opt-out on EU citizenship (43 per cent versus 33 per cent –

²¹⁰ Thorning-Schmidt, Helle (2005), "Hvad med Europa? Oppositionens visioner", Speech to a conference at the Confederation of Danish Industries, September 27th.

²¹¹ Pia Kjærsgaards ugebrev (2005), "Tænkepausen", June, 20th.

²¹² Moeller, Per Stig (2005), Speech to the conference, "A Free Market Vision for Europe", arranged by the think tank CEPOS. See the whole speech online at <http://www.um.dk/da/menu/EU/DanmarkIEU/Taler/UdenrigsministerensTaleTilKonferencenAFreeMarketVisionForEurope.htm> (latest access: 28.11.2005).

²¹³ Thorning-Schmidt, Helle (2005), "Hvad med Europa? Oppositionens visioner", Speech to a conference at the Confederation of Danish Industries, September 27th.

²¹⁴ See Europabevægelsen, Bremerbank for a collection of polls from different polling institutes.

²¹⁵ See Europabevægelsen, Bremerbank for a collection of polls from different polling institutes.

these data are from the September poll). According to recent Eurobarometer polls, a large majority of Danes continue to be in favour of membership of the EU. Regarding future referenda on the opt-outs, the Prime Minister stated in November 2005 that he wishes Denmark to become a full member of the EU before 2015.²¹⁶

Ways out of the crisis

As written above, the Danish parliament has decided to spend 14 million Danish kroner during the EU's period of reflection, in order to hold debates and events on the future of Europe.

It has been decided that the Parliament's European Affairs Committee should coordinate Danish activities in the reflection period. Under the heading 'Citizens' Agenda' the European Affairs Committee and a number of NGO's – both neutral, yes and no movements – have agreed on a thematic, financial, and organisational framework for the debate. It has been decided to structure the reflection period around five broad questions:

- Which of the cross-border problems that Europe is faced with should be given special emphasis, and which role should the EU play in this respect?
- What are the most important problems related to EU cooperation and how can they be solved?
- How should the debate on the future of Europe and a possible new treaty be organised to ensure width, depth, and legitimacy?
- How can we strengthen citizens' participation in the EU?
- Where are the geographical boundaries of the EU?

The idea behind formulating five questions is to secure a structured reflection period and to avoid a debate that points in all directions with no overall focus. It is expected that a big 'kick off' event will take place in the beginning of 2006²¹⁷.

²¹⁶ Fogh Rasmussen, Anders (2005), "Søndagstale på Venstres landsmøde 2005". www.venstre.dk

²¹⁷ For further information see the "Interim report on the national debates during the reflection period on the future of Europe", (2005), Council of the European Union, POLGEN 46. INF 200.

It should be mentioned that the Danish European Movement and the Danish Youth Council in an unexpected move have declined to form part of the initiative. The Danish European Movement argues that it is illusory to expect to find common ground between the very diverse EU movements that exist in Denmark, while the Danish Youth Council in an open letter states that it is misleading to call the initiative a 'Citizens' Agenda' as it lacks participation from some of the big member organisations in Denmark.²¹⁸ Furthermore, the European Movement argues that the politicians also should form part of the debate instead of leaving the responsibility to the movements.

Given the decision to prioritize a period of reflection, politicians are hesitant to come up with a priori answers regarding questions on the future of Europe – such as the future of the Constitutional Treaty; whether or not to have a new convention or an IGC; and whether or not to save certain elements of the old treaty.²¹⁹ The period of reflection is supposed to be a bottom-up process, and in line with the Government and the Social Democrats, the leader of the Social Liberals, Marianne Jelved, has argued that the period of reflection should be used to reflect and hence it is too early to give any indication on the outcome.²²⁰ The eurosceptic Danish People's Party fears that the period of reflection is just another way to convince citizens that they must vote yes to the Constitutional Treaty, and thus not an unbiased time for honest discussion.

The Danish government has stressed, that just as Denmark was widely expected to take a special responsibility after the Danish no to the Maastricht Treaty in 1992, the French and Dutch governments ought to present some ideas on how they believe the EU can move on after the double no's. A decisive decision by the Danish government on the future of the Treaty can only be taken after a French and Dutch response to their referenda – as the Danish government does not want to be seen as the 'killer' of the Constitution. On September 27th – the date when the Danes should have voted on the Treaty – the Prime Minister did

²¹⁸ Larsen, Jesper (2005), "Borgfred om EU-debat brudt", Berlingske Tidende, October 27th. And "DUF takker nej til fælles EU-initiativ" (2005). www.duf.dk/web/data.nsf

²¹⁹ For the Government's position, see e.g.: Moeller, Per Stig (2005), Speech to the conference, "A Free Market Vision for Europe", arranged by the think tank CEPOS.

²²⁰ Svane, Anne Mette og Jette Elbæk Maressa (2005), "SF sår tvivl om national EU-aftale", Jyllands Posten, June 17th.

state, however, that in his opinion the Constitutional Treaty had been put on the shelf and that it is doubtful whether it will ever be removed from there again.²²¹

Both the Government and the pro-EU opposition parties, especially the Social Democrats and the Social Liberals, make an effort to reduce the focus on the Constitutional Treaty and institutional reforms. Instead they wish to concentrate on concrete policy initiatives in the EU. In connection with the cancellation of the Danish referendum during the EU Summit of June 2005, the Prime Minister stated "We must focus more on the concerns of the citizens". Recently, the leader of the Social Democrats, Helle Thorning-Schmidt, even more forcefully suggested that the EU debate should be turned upside down: instead of discussing paragraphs and treaties, focus should be on the problems that can only be solved in cooperation with other EU member states. A job-plan for Europe, democratic reforms, economic reforms and a strengthening of the EU's global role are some of the aspects that the Social Democrat leader wishes to emphasize in the future EU.²²²

Implementation of specific provisions of the Constitution

As written above, no definitive decisions are likely to be taken during the period of reflection. Since the cancellation of the Danish referendum, however, the Minister of Foreign Affairs states that the Government cannot accept 'cherry picking' or a situation where certain aspects from the Treaty are implemented by the back door.²²³ Positions of the various parties involved must thus be assumed to be largely coherent with their position at the European Convention and the recently completed Intergovernmental Conference.

²²¹ Fogh Rasmussen, Anders (2005), "EU i arbejdstøjet", Feature article, Politiken, September 27.

²²² Thorning-Schmidt, Helle (2005), "Traktaten er død – samarbejdet lever", feature article, Berlingske Tidende, June 23th.

²²³ Stated during questions/answers to a conference at the Confederation of Danish Industries, September 27th.

The constitutional crisis in academic debates

Academic reflections on the constitutional crisis have largely been reserved to shorter commentaries, such as feature articles in newspapers²²⁴. In general, coverage of the events has been highly prioritised by the Danish media, and many experts from academic circles have been interviewed frequently in the process.

Estonia

Nature of the current crisis

In wake of the constitutional crisis, the Estonian press has published a range of articles by Western European political leaders and commentators. Most of these portray the current situation as a deep crisis beyond historic precedence. In contrast, statements by Estonian political leaders and analysts have been much more restrained. Prime Minister Andrus Ansip has constantly tried to de-dramatize the issue and to calm and reassure the public. He claims that the negative referendum results in France and the Netherlands were indicative of a "natural, open and transparent process," and „respecting the voice of the people“ should be seen as reflecting the core values of Europe.²²⁵ The EU has had similar crises before; the Union is not „broken“and cooperation will continue. Ansip does not believe that the Treaty is dead²²⁶ and has repeatedly expressed hope that Estonia will ratify the treaty regardless of French and Dutch no-votes.²²⁷ His statements are in line with a common position adopted by Nordic and Baltic prime ministers meeting in Denmark in June: ratification should continue, and the text of the treaty should not be reopened for negotiations. Throughout the process, the Estonian government has expressed hopes

²²⁴ See for instance Dam Kristensen, Henrik og Peter Nedergaard (2005), "Hvad skal EU bestille?", feature article, Berlingske Tidende, October 24. And Friis, Lykke (2005), "Efterlysning. Hvor er det britiske EU-formandskab?", analysis, Politiken, October 26 and Martinsen, Dorte Sindberg og Marlene Wind (2005), "Tænkepause med tænder", Weekendavisen October 28 – November 3.

²²⁵ "ELi põhiseadusliku leppe ratifitseerimistähtaeg pikenes," Postimees, 18.06.2005.

²²⁶ „Ansip: eurollit on kriisis, aga mitte katki,“ Postimees, 21.06.2005.

²²⁷ „Ansip: Eesti jätkab ELi põhiseaduse ratifitseerimisega,“ Postimees, 17.06.2005.

that ratification would go smoothly in all member-states, and that once institutional questions are off the agenda, the Union could focus on its key tasks – adopting the new financial framework, and addressing the issue of competitiveness. Independent commentators have voiced similar opinions. Enn Soosaar, an influential columnist, claims that the economic and political unification of the nations of Europe had never been a unidirectional movement towards a bright future. Instead, it is an experiment in the making, and stalemates and backlashes are part of the process.²²⁸

The restrained tone and lack of alarmism characteristic to these statements can be attributed to a number of factors: (a) the relatively high levels of popular euroskepticism in Estonia and hence, governmental incentives to keep the genie of popular euroskepticism in the bottle; (b) a national euro-fatigue following lengthy accession-related debates and referendum campaigns – few people are interested in debating complicated issues related to the constitution; (c) broad satisfaction with national economic performance in the context of rapid economic growth (7.8 % in 2004 and 8.7 in the first half of 2005) (d) the perception that the ratification failures happened „somewhere else,“ are really not „our problem,“ and all we can do is wait and see.

Reasons for failure of ratification

Yet, there is also frustration directed towards the old member states that, being the ones causing the crisis, are unfairly blaming enlargement and Eastern Europeans for their economic and social problems. An editorial in Postimees (one of the main dailies) explicitly blamed the failure of the June European Council on rifts between old member states (the UK vs. France and Germany) and the tendency to place egoistic national issues above common European interests.²²⁹ This argument was taken further in an article by Toomas Hendrik Ilves, Estonia's representative in the European Parliament and one of the country's most influential EU-commentators. Ilves attributes the ratification failures to a range of fears related to enlargement:

- dissatisfaction with the 2004 enlargement – the accession of ten new members with a liberal economic outlook, preferring English to French, has reduced the role of old members, especially France, as the „honor, reason and conscience“ of Europe (a take on a Soviet-era slogan referring to the Communist Party);
- perception of the services directive as a threat to Western Europe protectionist social systems; old members have fears about the „competitive advantages“ of new members, such as lower taxes and less developed social systems;
- fears about future enlargement and promises issued to Turkey that enormously amplify the other two sets of fears.

Ilves castigates the political leaders of France and the Netherlands for going along with populism that blames new member states for a range of economic and social ills.²³⁰ In reality, Ilves claims, these problems are „not related to Estonians, Poles and Slovaks, but the rapidly changing world.“ The article compares the „Polish plumber“ to racial and ethnic stereotypes such as the „Jewish banker“ and argues that the construction of such enemy figures is indicative of Western European paranoia, xenophobia, and unwillingness to treat new members as equals.

State of ratification

The Estonian government decided not to have a referendum on the Constitution - a decision approved by a majority of the political parties. The official reason was that by the time the Estonian accession referendum was held, the result of the Convention and the prospect of an IGC were already known and voters could take this into account when voting on accession. The final decision on ratifying the treaty will be taken by the Estonian Parliament. None of the parliamentary parties has expressed any significant concerns about the Constitution. The government had approved the ratification bill on May 5, 2005 and presented the Constitution to Riigikogu, the Estonian Parliament, for ratification on May 10th, 2005. The Parliament's constitutional committee had formed a working group to analyse the

²²⁸ Enn Soosaar, „Euroopal on aeg aru pidada,“ Postimees, 15.06.2005.

²²⁹ „Juhtkiri: EL lõhkise küna ees“ Postimees, 20.06.2005.

²³⁰ Toomas Hendrik Ilves, „Après nous, le déluge“ Diplomaatia Nr 22/23, July/August 2005.

compatibility of the treaty with the Estonian constitution already in December 2004. The working group was asked to produce a legally justified position on whether the Estonian constitution and related acts allow the Parliament to ratify the constitutional treaty without amending the Estonian constitution.

Initially, the Parliament was expected to ratify the treaty before the summer recess. In June, however, the parliament postponed the ratification until autumn. Officials denied that the delay was influenced by the French and Dutch rejection of the text. Instead, they refer to the activities of the working group, arguing that it must be given sufficient time to analyse the text. Urmas Reinsalu, the head of the constitutional committee, denies that the speed of ratification was influenced by events in other countries. "There is a temptation by some politicians in Estonia and in other EU member states to grow hysterical over the two rejections," Reinsalu said. "But we should remember that 10 countries have approved the treaty, and more yes results are on the way."²³¹

A Parliament press release of October 28, 2005, confirms that the working group is still discussing the issue. A final report should be approved and made public in about three weeks.

Public opinion since spring 2005

In September 2005, according to a survey conducted by Emor, 64% of voting age inhabitants of Estonia had heard of the treaty. 6% said they were well informed about the contents of the treaty, 23% reported having some idea, while 35% were not familiar with the contents. 42% of respondents believed that the treaty is in Estonia's interests, while 21 % thought it would hurt Estonia's interests.²³² These percentages are virtually identical to the results of earlier surveys – e.g. a poll conducted in June 2005.²³³ The differences between two major ethnic groups (Estonians, Russian-speakers) are not significant, and the variations by age group are minor. However, support for the Constitutional treaty appears to be clearly correlated with income, with higher income groups more supportive than others. Support for the EU among Estonian citizens declined slightly throughout the summer

months: 71% in May, 66 per cent in June, and 64 % in July. Many analysts attributed this decline in public support to the impact of French and Dutch referendums and the stalled debates about the future of the EU. By September, support had increased to 68%.²³⁴

Ways out of the crisis

The Estonian government favors taking time off in order to let things "cool down."²³⁵ At the same time, PM Ansip argues, the reflection period should not be a time for passivity, but for active discussion with the people.²³⁶ Estonia has remained opposed to reopening the text, arguing that a new debate on institutional questions would only distract attention from crucial issues such as the financial framework, economic growth and competitiveness. There has been no discussion of a new IGC or a new convention.

Implementation of specific provisions of the Constitution

Since the Treaty is not officially regarded as dead, there has been very little discussion about what parts of the treaty could be separately implemented. Some politicians, however, have tried to provide guidelines of behavior in the current crisis. In a lengthy article, Toomas Hendrik Ilves calls on the new member-states to assume a pro-active role.²³⁷ They should promote consensual decision-making and should not go along with the trend of sabotaging common projects. New member states would be the first to suffer from such failures. Ilves argues that Estonia should direct more resources and energy towards other new member-states, especially Poland. The era of old member-state „sponsorship“ is over, old sponsors (e.g. Germany for Poland, Finland and Sweden for Estonia) are now defending their own interests (vis-à-vis the new members). Estonia, like other new members, needs allies to fight the prejudices of old member states. Taken together, the 8 post-socialist members have a population of 75 million people – this strength must be translated into political influence. Ambitions must reach beyond narrow national interests – this would set new members apart from the recent behavior of the old members.

²³¹ „Estonia postpones European treaty ratification,“ www.sharewatch.com, 3.06.2005.

²³² Emor, Euroopa Liidu seire, September 2005, www.riigikantselei.ee (uuritud).

²³³ „Eestimaalaste teadlikkus ELi põhiseadusleppes on tõusnud,“ in Postimees, 29.06.2005.

²³⁴ Emor, Euroopa Liidu seire, September 2005, www.riigikantselei.ee (uuritud).

²³⁵ Ansip: eurolliit on kriisis, aga mitte katki,“ Postimees, 21.06.2005.

²³⁶ Ibid.

²³⁷ Toomas Hendrik Ilves, „Après nous, le déluge“ Diplomaatia Nr 22/23, July/August 2005.

The constitutional crisis in academic debates

Coverage and treatment of the constitutional crisis in academic circles and publications has been limited. To my knowledge, no studies dedicated specifically to the constitutional crisis have been published. The constitutional crisis has been covered in *Diplomacy*, a supplement to the cultural-literary weekly "Sirp," read by the intelligentsia, the academic circles, and the policy-making elite. The article by Toomas-Hendrik Ilves, discussed above, was a lead story in a July/August issue dedicated to EU's current soul-searching and can be regarded as indicative of the thinking and the type of issues raised.

Finland²³⁸*Nature of the current crisis*

The constitutional crisis has been taken as a political setback rather than an existential crisis for the European Union. The Finnish Government's approach has not been uniform in this respect. Prime Minister Vanhanen has called for forbearance on Finland's behalf and advised against hasty conclusions. He is confident that the constitution has a future, but has stressed that Europe now needs to reflect on the crisis and find a way forward. Erkki Tuomioja, the Minister for Foreign Affairs, has been less protective of the constitution. Although supportive of the constitution, he believes that in some fields the Union can develop based on existing treaties. He thinks it is possible to develop the CFSP without all of the provisions of the proposed constitution, for example without the permanent structured cooperation.²³⁹

While both the media and the Finnish Government contend that the EU is in deep crisis, there is a sense that it is a crisis that can be managed, if the political leadership engages its electorate in the political process. Based on recent opinion polls, the public opinion seems to corroborate the lack of public ownership of EU politics.²⁴⁰

²³⁸ The main sources for this report include the following: Prime Minister's Office (www.vnk.fi), Helsingin Sanomat newspaper (www.helsinginsanomat.fi) The European Parliament (www.europarl.eu.int) Eurobarometer surveys (www.europa.eu.int/comm/public_opinion/index_en.htm)

²³⁹ Aamulehti 02.06.2005.

²⁴⁰ Aamulehti 05.07.2005.

Reasons for failure of ratification

The political elite views the constitutional crisis as a failure of the European leadership in listening and relating to the wider public. According to Prime Minister Vanhanen, the public remains unconvinced of the benefits of the constitution.²⁴¹ Minister for Foreign Affairs, Erkki Tuomioja, in turn, holds that the reasons for the crisis of the constitution lie in the constitution itself, as well as in social and economic aspects.²⁴² He blames the constitution for being too grandiose in its design. He reminds that people care more about issues closer to them, such as employment and other social issues.

The parliamentary opposition have been more outspoken.²⁴³ The True Finns, the smallest opposition group, see the proposed constitution as another attempt by the "Euro-elite" to impose its federalist vision on the European public. They applaud the results of the French and the Dutch referenda, and claim that this is a victory for democracy, inasmuch as it puts a check on the alleged "Euro-elite". The Greens and the Left Alliance have both advocated a referendum to be held in Finland, and see the current crisis of the constitution as a crisis for Europe's democracy. The Left Alliance has criticized the constitution for not putting enough emphasis on social and economic issues, but instead indoctrinating neoliberal ideology into the governance of the European Union. The Greens, in turn, see the failure of the constitution as part of the wider dysfunctional dynamics of the EU. They claim that the European people have not embraced EU-politics as politics of their own. According to the Greens, it is thus not the content of the constitutional draft per se that is the cause of the current impasse. The largest opposition party, the National Coalition Party, comes closer to the official government line than the other opposition parties. It adopts a favourable stance towards the constitution, and see the origins of the current crisis in the failure of the political leadership to convince the wider public of the benefits of the proposed constitution.

²⁴¹ Speech to Parliament 8 June 2005, available in Finnish at <http://www.valtionuuvosto.fi/vn/liston/base.jsp?r=94876&k=fi&old=40738> (latest access: 15.11.2005).

²⁴² Uutispäivä Demari (Social Democratic Party's daily) 22.6.2005.

²⁴³ Following statements are taken from the parliamentary debate concerning current EU issues on 8th of June 2005, available in Finnish at www.eduskunta.fi, code PTK 69/2005 vp.

State of ratification

When it comes to ratifying the constitution, Prime Minister Vanhanen has stated that the ratification will not commence in Finland before the spring 2006 European Council.²⁴⁴ Originally, the parliamentary process of ratification was set to take commence in the autumn of 2005, but in its stead the Finnish Government will prepare and present a parliamentary brief aiming at awakening the debate and discussion prior to the actual ratification process.

Public opinion since spring 2005

When comparing a poll that was made prior to the recent referenda with a poll that was conducted after it, it seems that the opposition to the constitution has increased as a result of the French and Dutch votes. A European-wide poll held prior to the French and Dutch referenda suggests that Finland has the highest percentage of people sceptical of the EU Constitution in the whole of the EU. 41% of the Finns said the EU should not have a constitution.²⁴⁵ After the negative results of the French and Dutch referenda, the number of people opposed to the constitution has increased. A poll conducted by the main daily Helsingin Sanomat (19.6.2005) indicates that nearly half of the Finnish public would reject the constitution if a referendum were held.

Ways out of the crisis

The official response to the crisis has been "wait and see". Prime Minister Vanhanen has pointed out on many occasions that Finland shall act in accordance with the legal provisions pertaining to the ratification of the draft. This implies that Finland will wait and see how the ratification continues in other member states and take further action when the final status is clear.

As to the future of the constitution, Prime Minister Vanhanen has rejected the calls for an à la carte approach to the present constitutional draft. Such calls have been presented by the Green League's presidential candidate Heidi Hautala, who has suggested that the constitution be trimmed down so that to incorporate only the first and the second

sections, while the third and the fourth section are passed to a new IGC.²⁴⁶ MP Kimmo Kiljunen, who represented Finland in the Convention, concurs. He claims that the first and the second sections would suffice to streamline the EU's decision-making process and make it more transparent to the citizens.²⁴⁷ Minister for Foreign Affairs Tuomioja, in turn, has stated that there exists momentum in the Second Pillar development of the Union that does not require new constitutional measures, but which can instead be taken further based on the Nice treaty provisions.²⁴⁸

Implementation of specific provisions of the Constitution

Although Prime Minister Vanhanen stresses that the constitution should not be taken apart, presidential candidate Sauli Niinistö (right-wing National Coalition Party) has argued that the provisions of the constitution that pertain to common defence issues need to be developed separately from the draft constitution.²⁴⁹ He sees this as the main area of consensus that can take the EU member states out of the current deadlock. However, Foreign Minister Tuomioja believes that Common Foreign and Security Policy is an area, which can be taken forward based on the existing treaties, and has been somewhat critical of some of the provision of the constitution, such as the permanent structured cooperation.

The constitutional crisis in academic debates

Academic circles have mostly commented on the crisis in the print media, without yet publishing on the subject.

France

Nature of the current crisis

On May 29th, 69,37% of French voters cast their ballot, and among them, 54,67% decided to say "no". This result did not come as a surprise: the "no" had been leading in the opinion polls since mid-march, with the exception of a short period at the end of April. Some had hoped for a last minute reversal of the situation. There were doubts that French

²⁴⁴ Hufvudstadsbladet (main swedish-language daily) 23.6.2005.

²⁴⁵ Helsingin Sanomat 19.07.2005.

²⁴⁶ *Tähdistö*-magazine 2/2005 available at http://www.heidihautala.net/kolumnit_kolumni.php?id=681 (latest access: 15.11.2005).

²⁴⁷ Helsingin Sanomat 2.6.2005.

²⁴⁸ Speech at the Finnish Parliament, 8.6.2005.

²⁴⁹ Turun Sanomat 6.9.2005.

voters would, in the end, “cross the Rubicon” and vote “against Europe”. In fact, the result of the “no” turned out to be slightly higher than predicted in the last polls.

Conflicting interpretations of the nature of the crisis emerged rapidly. They should be analyzed with caution. In many ways, a second round followed the referendum itself with a new stake: to win the interpretation of the referendum. There were, in fact, two types of attitudes. Some tried to carry on with the debate. Advocates of the “yes” vote continued to stress the “historic” error. Anger and frustration in front of the results produced knee-jerk reactions. In the days following the referendum, a number of intellectuals published articles in daily newspaper castigating the French “jacquerie”²⁵⁰. Those who had called for the rejection of the treaty were accused of deceit and of being responsible for the crisis of Europe. There were attempts to make the “no” voters feel guilty. On the other hand, those who had called for a “no” vote stressed the scope of the popular rejection of the text. They insisted that Europe could not continue on the same path, because of the loss of popular support that the results demonstrated. Laurent Fabius, a former socialist Prime Minister, who had campaigned for the “no”, explained that “it is the European crisis which is the cause of the French “no” and not the other way round. On the left, the “collectifs du non” – forums created during the campaign and bringing together many radical parties and organizations – are today willing to continue to exist. Their objective is to rally all the radical forces on the left.

For many others, particularly political leaders, it seemed more urgent to cool-down the debate. Europe had bitterly divided French society and political parties on both sides. There were no obvious and quick solutions to the situation. Furthermore, Europe had dominated the debate for months, and opinion makers feared popular weariness. Thus, there was no direct political interest to continue to speak about European issues. In his first statement on television after the referendum, Chirac adopted such an attitude. He was keen to minimise the impact of the French “no”, in part to reassure our partners. “With our partners, I will take all the opportunities to revive a great European ambition”. He added, “This vote does not

indicate a rejection of the European ideal, but a need for attention, action and results. Strong, multiple and sometimes contradictory expectations were expressed. They convey a feeling of dissatisfaction and fear in front of today’s world”. In the same speech, Jacques Chirac announced the appointment of Dominique de Villepin as Prime Minister. Domestic issues were clearly the focus of his speech.

State of ratification

Everybody accepted that a period of crisis in the EU would follow the French rejection of the treaty. But much depended on the interpretation of what had really happened. What was exactly the scope of the event? Was this only an “accident” caused by the contingent situation at the time of the referendum, or was it the result of a deeper crisis of legitimacy of European integration? To support the first interpretation, politicians, journalists and columnists mentioned the poor economic situation, high unemployment, concerns with stagnating buying power, and, of course, the very low rate of support of the government. Voting “no” was a way to express dissatisfaction with the Raffarin government and Jacques Chirac. Other issues discussed during the campaign, such as industrial relocation, gained a high saliency because of some well-publicized events. However, other aspects of the results suggested a different interpretation. First, the debate during the campaign proved to be a real debate on European issues. The text itself was scrutinized, and existing European policies discussed. Since the referendum on the Maastricht treaty, Europe had not been the object of so much interest. The debate might even have been more intense in 2005 than in 1992. People discussed European issues as domestic issues. A large number of books and essays on the treaty were published in the last six months before the referendum and they sold very well. Many people honestly tried to make their own opinion about the treaty.

Reasons for failure of ratification

The first analyses published all confirm that the “no” is the result of a deep dissatisfaction on the part of the French with the European Union as it is today²⁵¹. Unlike during the campaign of

²⁵⁰ Yves Mény, *Le Monde*, 1 June 2005. René Rémond, President of the « Fondation nationale des Sciences Politiques » declared : « We are really on the path of a prodigious step back » (*Le Figaro*, 11 June 2005).

²⁵¹ Annie Laurent & Nicolas Sauger (ed.), *Le référendum de ratification du Traité constitutionnel européen : comprendre le « non » français*, Les Cahiers du CEVIPOF,

the referendum on the Maastricht treaty, the issue of national sovereignty was not a major issue this time. The very idea of European integration seems to be widely accepted. However, the French are uneasy with what the EU does. They are unhappy with past and future enlargements and they are generally uneasy with free-market oriented European policies. "L'Europe libérale" was the major theme of the campaign. Overall, the causes of the "no" are both European and domestic.

Ways out of the crisis

Officially, the French government has no plan to solve the crisis. On June 16th, during the first European summit after the French referendum, Jacques Chirac declared that the ratification process should continue elsewhere. He insisted that the priority for the EU should be to develop policies directly responding to the concerns expressed by the French people. "I think in particular about concerns caused by globalisation and its consequences on employment, industrial relocation, illegal immigration, etc." However, Jacques Chirac did not propose anything in particular.

In France, the debate on the ways out of the crisis concentrated on the method. Hubert Vedrine, former socialist Foreign Minister under Lionel Jospin, underlined the need for a return to the "small steps" method. "Let's return to a Europe of projects: infrastructures, education, research, industry, social policies, culture, environment policies and diplomacy... Clearly defined projects, with a precise schedule."²⁵² This analysis became common language.

Implementation of specific provisions of the Constitution

Edouard Balladur, former Prime Minister, stressed that some of the changes contained in the Constitutional treaty could be implemented without amending the existing treaties²⁵³. He also revived an idea that he had himself put forward when he was Prime Minister: a multi-speed Europe. Thanks to the mechanism of strengthened cooperation,

countries willing to integrate more rapidly can do so within the institutional structure of the Union. Philippe Douste-Blazy, the current French Foreign Minister, also suggested the creation of a European "avant-garde" as a possible way-out of the crisis²⁵⁴. This "avant garde" would include areas such as defence, external affairs, scientific research, fiscal policy and economic policy. Jacques Chirac himself is in favour of the creation of "pioneer groups"²⁵⁵.

Public opinion since spring 2005

Recent opinion polls confirm that the French want more European integration in given policy areas, but have strong reservations about the current economic and social effects of EU policies. In September 2005, only 29% of those polled answered that they felt belonging to the EU made France more prosperous. 43% answered that it made France less prosperous. In Western Europe, this is the lowest figure. Even the British have a better opinion of the economic effect of European integration (42% thinks it makes Britain richer)²⁵⁶. But the French still favour more integration in the following areas: scientific research, higher education, foreign policy, environment policy, immigration policy... The French are also very supportive of a European army. 76% say they approve the idea, and only 18% oppose it. They are also convinced of the need for a European Foreign Minister (64% in favour, 28% against).

The constitutional crisis in academic debates

In academic circles, the results of the referendum and the effects on Europe were widely discussed. The pace of publications on Europe expectedly slowed down after the referendum. However, a number of essays and studies were published both to analyse the causes of the "no" and to propose ways out of the crisis²⁵⁷.

Paris, 2005. See also the post-referendum survey published by Eurobarometer, http://www.europa.eu.int/comm/public_opinion/flash/fl171_en.pdf (latest access: 28.11.2005).

²⁵² *Le Monde*, 9 juin 2005.

²⁵³ *Le Figaro*, 15 juin 2005.

²⁵⁴ Speech delivered at the Convention of the UMP (right-wing ruling party) on Europe, 23 september 2005.

²⁵⁵ See for instance the article he published in several major European newspaper on 26 october 2005, just before the European summit at Hampton Court.

²⁵⁶ TNS-Sofres poll « Europe as seen by the Europeans », September 2005.

²⁵⁷ Renaud Dehousse, *La fin de l'Europe*, Paris, Flammarion, 2005 ; *Le jour où la France a dit non, comprendre le référendum du 29 mai 2005*, collective work published by the Fondation Jean-Jaurès, Paris, 2005.

Germany

Nature of the current crisis

In order to give a “positive signal” to the French people in the forefront of the French referendum, the Bundestag and the Bundesrat already ratified the constitution on 12 and 27 May 2005 – earlier than originally planned. In addition, the Chancellor and his Foreign Minister as well as several other German politicians repeatedly travelled to the neighbour country as direct supporters for the French referendum campaign; accordingly disappointing for many political actors was the negative outcome of the French referendum. As a close ally of France, the rejection of the Constitutional Treaty affects Germany more than other European Union (EU) member states. The subsequent scientific debate in Germany consequently dealt with the initial point for the Franco-German relationship: For the first time in 50 years the Franco-German cooperation seems to lack a common foundation, a basis on which further projects for the EU could be initiated.

In his first statement after 29 May German Chancellor Gerhard Schröder highlighted that “the outcome of the referendum would be a set-back for the constitutional process, but not its end.”²⁵⁸ Much as Germany would regret the “no” of the French people, it would not mean the “end of the Franco-German partnership in and for Europe.”²⁵⁹ Together with Chirac, Schröder demanded a continuation of the constitutional process, so that all member states would get the opportunity to vote on the Constitutional Treaty.²⁶⁰ Indeed, the EU would be in a crisis, but this could be overcome by conjoint action – as long as a “regress towards national egoisms” could be prevented.²⁶¹

The Schröder government wanted to prevent new negotiations on the Constitutional Treaty and consequently its fragmentation. Whereas they tried to keep the constitutional process alive, the opposition of CDU/CSU presented proposals for re-negotiations.²⁶² The deputy chairman of the CDU Wolfgang Schäuble demanded a simplification of the Constitutional Treaty and another vote among all EU member states, since the EU could not proceed without France. As oppositional leader, Angela Merkel emphasised, that Europe would be at the crossroads with regard to its enlargement and consolidation.²⁶³ Members of her party pointed out that the crisis should be used for a commencement. Therefore, it needed to be clarified, “which Europe we want”.²⁶⁴

This topic has also influenced the academic and media debate. For instance, a “Competition of European Visions”²⁶⁵ and a “Europe-wide discussion”²⁶⁶ was launched; and annotators demanded last but not least less contrariness and more honesty of the political actors.²⁶⁷ The German philosopher Jürgen Habermas regretted, that “the Union is paralysed by the non-battled conflict between incompatible objectives”²⁶⁸ and ultimately suffered from its own success.²⁶⁹ But also in this current situation it can be noticed, that German debates about Europe are rarely conducted beyond the constitutional questions.²⁷⁰ Particularly with reference to the Parliamentary elections on 18 September media and political debates were influenced by the domestic political situation and the actor’s tactical calculation.

²⁵⁸ Cf. „Reaktionen: ‚Die Bundesregierung trägt Mitschuld‘“, in: faz.net, 30.05.2005, www.faz.net (accessed: 30.05.2005).

²⁵⁹ Cf. „Berlin bedauert das Nein der Franzosen“, in: Die Zeit, 22/2005.

²⁶⁰ Cf. „Bundeskanzler Schröder und Präsident Chirac: Der Verfassungsprozess muss weitergehen“, 05.05.2005, www.bundeskanzler.de (accessed: 05.07.2005). For the summit in June 2005 both governments agreed conjoint action: The European Union would have to move together in those difficult times and would have to take the worries and concern of the citizens more seriously.

²⁶¹ Cf. Deutscher Bundestag: Stenografischer Bericht, 15. Wahlperiode, 181. Sitzung, 16.06.2005, Berlin, S. 17073ff.

²⁶² Cf. „Reaktionen: ‚Die Bundesregierung trägt Mitschuld‘“, in: faz.net, 30.05.2005, www.faz.net (accessed: 30.05.2005).

²⁶³ Cf. Hartmut Hausmann and Annette Sach: Doppelkrise erzwingt Denkpause, in: Das Parlament, 20./27.06.2005, p. 1.

²⁶⁴ Cf. for example Karl Lamers: Die Fundamente tragen noch. Wie Europa seine Bürger wiedergewinnen kann, in: Internationale Politik, July 2005, p. 29.

²⁶⁵ Cf. Berthold Kohler: Das verordnete Europa ist tot, in: Frankfurter Allgemeine Zeitung, 23.06.2005, p. 1.

²⁶⁶ Cf. Ulrich Beck and Anthony Giddens: Ein blau-gelbes Wunder, in: Süddeutsche Zeitung, 06.06.2005.

²⁶⁷ Cf. Christian Wernicke: Referendum als Revolte, in: Süddeutsche Zeitung, 30.05.2005.

²⁶⁸ Cf. Jürgen Habermas: Über die Köpfe hinweg gerollt, in: Süddeutsche Zeitung, 06.06.2005.

²⁶⁹ Cf. Ulrich Beck and Anthony Giddens: Ein blau-gelbes Wunder, in: Süddeutsche Zeitung, 06.06.2005.

²⁷⁰ Cf. Josef Janning: Deutschland, in: Werner Weidenfeld and Wolfgang Wessels (eds.): Jahrbuch der Europäischen Integration 2003/2004, Baden-Baden, 2004, p. 317.

Reasons for failure of ratification

As usual during election campaigns the opposition tried to use the “constitutional crisis” and to blame the government for the failure of the Constitutional Treaty. As leader of the opposition Angela Merkel (CDU) accused Chancellor Schröder of not reacting appropriately to the European crisis.²⁷¹

The then chairman of the governing SPD faction, Franz Müntefering, advised not to overestimate the “difficulties” within the ratification process²⁷² while Foreign Minister Joschka Fischer demanded a deep analysis of the French and Dutch referenda regarding those motives for rejection of the Treaty which were directly linked to the new Treaty content. He also pointed out that fear of globalisation as well as economic and social questions had played an important role. Therefore, particularly the EU would have to be the answer to globalisation. His party *Bündnis 90 / Die Grünen* suggested another Europe-wide vote on the *Europe Day* in 2007.²⁷³

The oppositional party FDP demanded a “more narrow Constitutional Treaty”, in which the goals of the EU could be presented to the citizens in a simplified way. Various members of the oppositional party CDU under the leadership of Angela Merkel underlined the critical character of the current situation und particularly demanded a reflection about the enlargement policy of the EU. Thus, the perspective of Turkey’s accession to the EU would have contributed decisively to the rejection of the Constitutional Treaty in France and the Netherlands. Now the option of a ‘privileged partnership’ between the EU and Turkey should be reconsidered.²⁷⁴ Beyond that, there needed to be “clear priority” for the Lisbon Agenda and all Single Market directives would have to “be put to test”.²⁷⁵

In first instance, the majority of the German media contributions interpreted the „no“ of the French and the Dutch to the Constitutional Treaty as a protest vote on domestic affairs. Beyond that, the diffuse arguments of the opponents of the Constitutional Treaty were highlighted. In addition, it was unclear if the voters effectively rejected the EU in general or just voted against the Constitutional Treaty. Now it would be the main responsibility of the Dutch and the French government to regain the support of their citizens with regard to national and European politics.²⁷⁶ The criticism of the German media on Chirac’s policy was extensive, because he had not only harmed himself but Europe in particular.²⁷⁷ After this kind of punishment of the French voters, Chirac would “face difficulties to assert his position in EU negotiations”²⁷⁸ in the future. However, at the latest after the Dutch “nee”, the representatives of the media identified reasons for the failure of the referendum that were of Euro-political nature: Thus, some journalists assigned justified reluctance to the voters, because of the EU being too self-centered (“Selbstfixiertheit der EU”).²⁷⁹ A continuous “keep it up” without involving the citizens in the European integration process – concerning the increase of the number of member states and the intensification of community policies - could not be possible. This would be exactly what the voters revolted against.²⁸⁰

State of ratification

Even though the option of holding a referendum on the European constitutional treaty has also been discussed in Germany, provisions of the German Basic Law and a still prevailing, in history rooted scepticism among German parties concerning the use of plebiscite elements have decided this debate in favour of parliamentary ratification.²⁸¹

²⁷¹ Cf. Hartmut Hausmann and Annette Sach: Doppelkrise erzwingt Denkpause, in: Das Parlament, 20./27.06.2005, p.1.

²⁷² Cf. Deutscher Bundestag: Stenografischer Bericht, 15. Wahlperiode, 181. Sitzung, 16.06.2005, Berlin, S. 17083.

²⁷³ Cf. Interview with Krista Sager (Bündnis 90/Die Grünen): Europa ist mehr, in: EU-Nachrichten, 08.09.2005, p.7.

²⁷⁴ Cf. Hartmut Hausmann and Annette Sach: Doppelkrise erzwingt Denkpause, in: Das Parlament, 20./27.06.2005, p.1 and see note 1.

²⁷⁵ Cf. Deutscher Bundestag: Stenografischer Bericht, 15. Wahlperiode, 181. Sitzung, 16.06.2005, Berlin, S. 17081.

²⁷⁶ Cf. Gerd Kröncke: Chiracs Schwäche, in: Süddeutsche Zeitung, 01.06.2005.

²⁷⁷ Cf. Michael Mönninger: Es wird einsam im Elysée-Palast, in: Die Zeit, 23/2005.

²⁷⁸ Michaela Wiegel: Sanktionierte Selbstherrlichkeit, in: Frankfurter Allgemeine Zeitung, 31.05.2005.

²⁷⁹ Cf. Klaus-Dieter Frankenberger: Aufstand in Europa, in: Frankfurter Allgemeine Zeitung, 03.06.2005.

²⁸⁰ Cf. *ibid.*

²⁸¹ For elaboration on each party’s position, see: Katrin Pecker, Der Stand der Ratifizierungsprozesse zur EU Verfassung in den Mitgliedstaaten (IEP-Ratifizierungs-Survey; http://www.iep-berlin.de/forschung/gelebte_Verfassung/pdfs/Laenderueberblick.pdf).

Neither in the Bundestag nor in the Bundesrat was the required two-thirds majority threshold for ratification seriously in danger at any time of the discussions. Except from the PDS, all parties represented in the Bundestag broadly supported the constitutional treaty. Serious controversies arose merely in one point: The CDU/CSU demanded an expansion of competences for the Bundestag as a precondition for ratification. After reaching a compromise on this point, 569 MPs in the Bundestag voted in favour of the treaty, whereas 23 members voted against it. In the Bundesrat the result was even unanimously in favour of the treaty (with one abstention from the SPD-PDS government coalition in Mecklenburg-Western Pomerania). To complete the ratification process, the signature of the President is indispensable. President Köhler, however, has put his signature on hold, as Germany's constitutional court has yet to conclude its ruling on a legal complaint against the treaty, filed by CSU MP Gauweiler. In the public and academic debate the court's missing decision only plays a marginal role. On the one hand, because chances are slim that the filed complaint will be successful²⁸². On the other hand, coping with the Europe-wide crisis, prompted by the negative Dutch and French referenda, has become of greater urgency and quickly moved into the centre of attention and discussion.

Public opinion since spring 2005

The general opinion of the German people about the EU slightly deteriorated and is positioned below the EU average (42 per cent acceptance). However, the German EU membership is in principle evaluated positively (58 per cent of the interviewees, slightly above EU average).²⁸³

European Constitutional Treaty: Until the failed referenda in France and the Netherlands the German voters basically favoured a European Constitutional Treaty. Even though in spring 2005, the majority of them (66 per cent) stated that they did not feel informed appropriately, 59 per cent accepted the Treaty due to Eurobarometer. Only 11 per cent believed that they are very well informed, 24 per cent do not even know that such a European Constitutional Treaty exists.²⁸⁴

²⁸² Cf. <http://www.cap-lmu.de/themen/eu-reform/ratifikation/deutschland.php>

²⁸³ Cf. Eurobarometer 63.4: Public opinion in the European Union, National report Germany, Spring 2005.

²⁸⁴ Cf. *ibid.*

Since the two failed referenda the acceptance of the German population of the Constitutional Treaty has decreased continuously. In two surveys from May 2005, i.e. before the French and Dutch referenda, 59 per cent and 52 per cent respectively would have voted for the Constitutional Treaty, but two weeks after the referenda, on 16 June 2005, only 42 per cent continued to favour the Treaty.²⁸⁵ An even stronger development can be observed among the interviewees who would have voted against the Constitutional Treaty. Whereas on May 2005 only 15 per cent would have rejected the Treaty in a fictitious referendum, the number increased till 16 June to 44 per cent.²⁸⁶ Therewith, the opponents of the Constitutional Treaty made up a majority in Germany for the first time.

Enlargement of the European Union: Just as in other EU member states, the German population seems to be irritated by the future enlargement perspectives of the EU. For years, the people wished for a consolidation of the cooperation between the member states within the scope of the EU (76 per cent of the interviewees in 2003); the number of those who demand the aforementioned even increased (84 per cent in 2005).²⁸⁷ In contrast, only a small minority of 6 per cent favours a further enlargement of the EU; this magnitude has remained constantly the same for years now. The ongoing scepticism of German public opinion regarding continual EU enlargements is of fundamental nature. 40 per cent of the asked people argued against another enlargement of the EU (in spring 2005). In addition, the acceptance of enlargement rounds differs with regard to the candidate countries. The rejection of Turkey's accession remains the most significant data (66 per cent).²⁸⁸ However, first surveys after the beginning of the accession negotiations with

²⁸⁵ Cf. Infratest dimap: Umfrage zur Europäischen Verfassung im Auftrag des ARD-Magazins "Kontraste", June 2005, www.infratest-dimap.de (accessed: 13.10.2005).

²⁸⁶ Cf. Infratest dimap: Umfrage zur Europäischen Verfassung im Auftrag des ARD-Magazins "Kontraste", June 2005, www.infratest-dimap.de (accessed: 13.10.2005).

²⁸⁷ Cf. Institut für Demoskopie Allensbach: Allensbacher Berichte 2005, No. 10, Allensbach am Bodensee, June 2005.

²⁸⁸ Cf. Institut für Demoskopie Allensbach: Allensbacher Berichte 2005, No. 10, Allensbach am Bodensee, June 2005. According to the Eurobarometer, within the same survey period, even 74% (and according to the *Forschungsgruppe Wahlen* 62%) of the German interviewees oppose an EU-Membership of Turkey (see note 17 and 23).

Turkey on 3 October 2005 showed that the negative attitude towards Turkish EU membership decreased about 10 percentage points.²⁸⁹ Anyhow, the perspective of a Turkish EU membership would have been a reason to vote against the Constitutional Treaty in a referendum for 29 per cent of the voters.²⁹⁰

Beyond that, almost 70 per cent of interviewed Germans believed, that an accession of Romania and Bulgaria in 2007 would be too early.²⁹¹ 53 per cent even generally oppose a membership of Romania, 40 per cent object to a Bulgarian EU membership.²⁹² In conclusion, the German voters are sceptical to any enlargement of the EU: 40 per cent reject any further accession of new member states to the EU. Only 11 per cent favour new memberships, whereas 44 per cent would support the accession of single, selected countries.

Ways out of the crisis

Despite a certain amount of undeniable perplexity, the political debate in Germany has been largely characterized by repeatedly proclaimed commitments to the constitutional treaty and a broad consent among most German political parties. This has been explicitly reinforced by the coalition agreement of Germany's second grand coalition in history. The agreement expresses the Social Democrats' and the Christian Democrats' belief in the constitutional treaty as a significant step for improving the Union's "democratic legitimacy, ability to act, efficiency and transparency". Furthermore, these coalition agreements explicitly advocate the continuation of the ratification process during the first half of 2006 and envisage a profound impetus under the German EU presidency in the first half of 2007.²⁹³ To take it one step further, speculations already circulate how things are going to develop with the

appointment of Christoph Heusgen, a passionate European, as new Chancellor Merkel's foreign and security policy advisor, who is probably the most influential person on setting foreign policy priorities. Taking his background as director of the EU's Policy Planning Unit into account, it is not difficult to guess that Europe will be at the top of the list and "already, there are suggestions that Berlin will make a major effort to relaunch the constitution"²⁹⁴ in the framework of the EU presidency in 2007. Even though the official linguistic rule in Germany is emphasizing the commitment to the constitutional treaty, it can not be denied that the proposals and options for alternative solutions evolving in the academic debate are also seen, observed with interest and internally discussed among policymakers. There is, however, quite some hesitation on the political level to admit this publicly as it would weaken the proclaimed commitment to the constitutional treaty.

While on the surface there seems to be little flexibility concerning alternative options, but to hold on to the constitutional treaty in the discussion among policymakers, the academic debate seems to be more open in terms of different strategies for dealing with the current crisis. Three approaches can be distinguished in the German academic debate: A first group continues to hold on to a ratified treaty as the ultimate goal. The failed referenda are perceived as operational accidents that do not profoundly question the logic and reason of having a constitution. Under no circumstances the constitution is to be viewed as dead. Instead, all resources and efforts are to be invested in commitments to continue the ratification process. It is assumed, that after an appropriate time has passed to "calm the rage", the treaty could be presented once more to the citizens and could then even be successfully ratified in France and the Netherlands.²⁹⁵

²⁸⁹ Cf. Forschungsgruppe Wahlen: Politbarometer Oktober I, 2005, ZDF-Pressemitteilung, www.forschungsgruppe.de/ergebnisse/politbarometer/oktober_I (accessed: 25.10.05).

²⁹⁰ Cf. Eurobarometer 63.4: Public opinion in the European Union, National report Germany, Spring 2005.

²⁹¹ Cf. Institut für Demoskopie Allensbach: Allensbacher Berichte 2005, No. 10, Allensbach am Bodensee, June 05.

²⁹² Cf. Institut für Demoskopie Allensbach: Allensbacher Berichte 2005, No. 10, Allensbach am Bodensee, June 2005. According to the Eurobarometer (see note 17) the German population's refusal of the EU-accession of Bulgaria (59% rejection) and Romania (66% rejection) is even higher.

²⁹³ Gemeinsam für Deutschland – mit Mut und Menschlichkeit. Koalitionsvertrag zwischen CDU, CSU und SPD, 11. November 2005, p. 127.

²⁹⁴ Judy Dempsey, A staunch European guides Merkel policy, International Herald Tribune, 21 November 2005, http://www.iht.com/bin/print_ipub.php?file=/articles/2005/11/21/news/berlin.php; Deutsche Welle, Merkel's Foreign Policy Man is a Brussels Fan, DM-World.de, 19 November 2005, http://www.dw-world.de/dw/article/0,2144,1782904_00.html.

²⁹⁵ This expectation was voiced by Gisela Müller-Brandeck-Bocquet during a conference of the Institute for European Politics' scientific directorate on 22/23 September 2005.

A second line of academic argumentation sees the treaty in its current form as failed. Both France and the Netherlands are founders of the EU and key states of the European integration project. They have rejected the treaty so clearly and explicitly that neither a simply renewed referendum nor extensive opt-out provisions, that served as a solution in the case of Denmark in 1992, could provide adequate or even possible options.²⁹⁶ Holding on to the treaty in such a situation would not only cause a general lack of acceptance and thus imply the danger of a far-reaching crisis. Rather, focusing exclusively on the constitutional treaty, as it stands, is seen as obstructive in the search for different, creative solutions. Based on this, it is argued to “solemnly bury”²⁹⁷ the constitutional treaty as quickly as possible and to come up with a “new package for negotiation”²⁹⁸. Among policymakers there are only a few, individual voices who advocate this option and this mostly being the case behind closed doors rather than publicly. In general, there is considerable hesitation in the political debate to call the Constitutional Treaty failed.

Finally, the third line of argumentation aims at neglecting the question of final ratification. Instead, it advocates to pragmatically ask which areas contained in the treaty could be realized in the meantime.²⁹⁹ With regard to implementing parts of the treaty, different options are thinkable: Firstly, a number of treaty provisions could be introduced on the basis of the institutions’ principle of self-organisation, as well as through inter-institutional agreements.³⁰⁰ Secondly, the treaty will still alter the EU’s constitutional reality at least in some areas even if it will not be formally ratified. An example is the implementation of the requirement to take the European election’s outcome into account

when replacing the commission’s president, rooted as a provision in the constitutional treaty. This requirement was demanded in major discussions last year, and finally pushed through by the European Parliament.³⁰¹ Thirdly, in areas where the introduction of reforms necessitates an adaptation of the EU’s primary law (like the new voting weights in the Council), systematic treaty changes could be undertaken in the framework of limited IGCs.³⁰² Such a “small IGC” could be conducted, with fewer countries facing a renewed obligation to hold a referendum.

There is agreement among both, the academic community and political elites, in rejecting the idea of calling a new convention into existence. The Convention on the Future of Europe has accomplished optimum results in light of the complicated circumstances and walked a tightrope in trying to reconcile the different inputs and interests. A new convent could hardly achieve better results, especially as the arguments voiced by the treaty’s opponents provide no clear starting point for renewed, systematic negotiations.³⁰³ In fact, polls show that it is a deep crisis due to a lack of acceptance and communication that the EU is confronted with and which urgently needs to be tackled. To begin with, the existing problems of legitimacy vis-à-vis the EU could be met by improving the out-put legitimacy rather than the in-put legitimacy, like new conventions and forms of citizens’ participation, the latter having been the common practice in the past and also throughout the convention. Even if the extent to which such reforms can contribute to coping with the current crisis is assessed differently, politicians and scientists as well as representatives from civil society and business corporations generally acknowledge them as an important attempt to overcome the existing problems concerning a lack of acceptance.

Implementation of specific provisions of the Constitution

As mentioned above, one of the intensely discussed topics in the current German academic debate on the constitutional crisis are efforts to enact some of the constitutional treaty’s policy innovations through means that

²⁹⁶ About the differences between the current crisis situation and the failed referenda in Denmark (1992) and Ireland (2001), Cf.: Daniel Göler, Aus und vorbei? Die europäische Verfassung nach den gescheiterten Referenden, Eurojournal 6 (2005) No. 2-3, p. 89.

²⁹⁷ Udo Diedrichs /Wolfgang Wessels, Die Europäische Union in der Verfassungsfalle? Analysen, Entwicklungen, Optionen, integration 4/2005, p. 305.

²⁹⁸ Ibid, pp. 303-304.

²⁹⁹ Cf. Andreas Maurer (et al): Die Ratifizierungsverfahren zum EU-Verfassungsvertrag. Wege aus der Krise, SWP-Diskussionspapier, Berlin 2005 (http://www.swp-berlin.org/common/get_document.php?id=1135), pp. 83-91.

³⁰⁰ Cf. Daniel Thym, Weiche Konstitutionalisierung. Optionen der Umsetzung einzelner Reformschritte des Verfassungsvertrages ohne Vertragsänderung, integration 4/2005, pp. 307-315.

³⁰¹ Cf. Göler, Aus und vorbei?, p. 90.

³⁰² Cf. Maurer, Die Ratifizierungsverfahren zum EU-Verfassungsvertrag, p. 91.

³⁰³ Gesa-S. Kuhle, Schlussfolgerungen aus den gescheiterten Referenden zum Europäischen Verfassungsvertrag in Frankreich und den Niederlanden, IEP-Policy 2/2005.

do not require treaty change. This rather pragmatic approach to pave the way for at least some reforms until a practicable alternative to a ratified constitutional treaty emerges, has recently become known in the German academic discussion under the term “soft constitutionalization”³⁰⁴. Yet, this is only possible with policies that do not fundamentally change the balance of power between the institutions or imply shifts of sovereignty between the national and the EU level. Ultimately, this means that many significant and desirable reforms, such as the double majority voting (Art. I-25), qualified majority voting (QMV) as the rule in the Council (Art. I-23.3) and co-decision as the “normal procedure”, which are subjects to treaty change, are the most obvious casualties of the failed referenda. Innovations that are confronted with lower legal obstacles, in other words, that could be introduced through other means (self-organising right, IIA, secondary law etc.), include a permanent European Council president (Art. I-22), a reduction of the number of commissioners (Art. I-26.6), a citizens’ initiative (Art. I-47.4), public sessions when the Council acts as a legislator (Art. I-24.6), changes in the protocol on the role of national parliaments and the protocol on the principles of subsidiarity and proportionality, particularly the “early warning system” (Art. 6), an External Action Service (Art. III-296.3) and a Foreign Minister of the Union (Art. I-28).³⁰⁵ However, many of the above-mentioned provisions in the constitutional treaty would have to be fundamentally stripped of some of their initially foreseen competences and possibly even their names, in order to be legitimately introduced without treaty change. While it would be possible to have some kind of Foreign Minister and head of the European Council for example, it is certainly impossible to have *the* double-hatted Foreign Minister and *the* European Council President with the wide scope of competence originally envisaged by the treaty, without altering the existing power balance in the EU.³⁰⁶ Christoph Heusgen sceptically argues in this respect that the post of the Union Minister for Foreign Affairs

(UMFA) as the Constitutional Treaty foresees it cannot be introduced without treaty change. Yet, he points out possibilities to strengthen the role of the High Representative Solana, who has already been designated by the European Council as the first UMFA as well as possibilities for further cooperation between the High Representative and the Commission, particularly the 125 Commission delegations, without them becoming official EU-representations in the sense of an External Action Service yet.³⁰⁷

Furthermore, the fact that the above mentioned reforms could theoretically dispense with treaty change, and thus ratification, is far from automatically opening the door for their implementation. Rather, these low legal obstacles need to coincide with low political obstacles. As many of the elements in the constitutional treaty were highly contested and could only be agreed upon when tied into a complex and carefully balanced compromise, it is questionable if these measures will find consensus among member states when individually put forward for discussion, isolated from the rest of the constitutional package.³⁰⁸ In the political discussion there is considerable scepticism to secretly introduce some of these provisions, as this would be counter-productive to efforts of increasing citizens’ trust and interest in the EU and its future integration process, one of the major necessities identified by both, the political and the academic debate. However, the coalition agreement contains SPD’s and CDU/CSUs ambition, to strengthen the role of national parliaments and the stricter application of the subsidiarity principle, even without the ratification process being completed, by enacting the subsidiarity early-warning system for national parliaments, a provision in the constitutional treaty that does not require treaty change.³⁰⁹

The constitutional crisis in academic debates

Various initiatives and numerous projects from German think tanks such as the Institut für Europäische Politik (IEP),³¹⁰ the Deutsche

³⁰⁴ Cf. Mathias Jopp/Gesa-S. Kuhle, Wege aus der Verfassungskrise, integration 3/05, p.261; Daniel Thym, Weiche Konstitutionalisierung, pp. 187-195, Diedrichs/Wessels, pp. 299-300.

³⁰⁵ Cf. Andreas Maurer, Die Ratifizierungsverfahren zum EU-Verfassungsvertrag, pp. 87-89; Simon Duke, The Constitutional Debacle and External Relations, p. 15.

³⁰⁶ Cf. Daniel Thym, Weiche Konstitutionalisierung, p. 194; Simon Duke, The Constitutional Debacle and External Relations, Eipascopo 2005/2, pp. 15-18.

³⁰⁷ Cf. Christoph Heusgen, Nach den gescheiterten Referenden: Was wird aus dem Außenminister der Union und dem Europäischen Auswärtigen Dienst?, integration 4/2005, p. 337-338.

³⁰⁸ Cf. Diedrichs/Wessels, Die Europäische Union in der Verfassungskrise?, p. 304, Andreas Maurer, p. 91.

³⁰⁹ Gemeinsam für Deutschland – mit Mut und Menschlichkeit. Koalitionsvertrag zwischen CDU, CSU und SPD, 11. November 2005, p. 127.

³¹⁰ Cf. Institut für Europäische Politik, integration 4/05, October 2005.

Gesellschaft für Auswärtige Politik (DGAP)³¹¹, the Stiftung Wissenschaft und Politik (SWP)³¹² and the Centrum für angewandte Politikforschung (CAP) examine possible ways out of the constitutional crisis.

Scholars and commentators have repeatedly voiced concerns about the problems of “soft constitutionalization”. Such a “cherry-picking” approach could send negative signs to Europe’s citizens. In times when a lack of legitimacy, trust and support from its citizens is the main challenge that the EU faces, any attempt to fix the treaty behind closed doors could increase intransparency and negate the achievements of a comparatively transparent drafting process as well as efforts of open debate and reflection.³¹³ Most importantly however, the implementation of reforms through other means than treaty change could not be applied to many key innovations of the treaty, including the Union’s legal personality, the formal application of the charter of fundamental rights, the extension of competences, transfers of sovereignty and alterations of decision-making processes, due to conflicting already existing treaty provisions.³¹⁴ In conclusion, the “option of soft-constitutionalization” is restricted to saving only a fragment of the constitutional treaty. It neglects its package-deal character and the fact that after all, the treaty is more than the sum of its parts, with one change requiring many subsequent others. In short: The value-added of the constitution as a whole would certainly be lost.³¹⁵ Nevertheless, it is a pragmatic way to rescue some parts of the constitution and to proceed with integration where the status quo of the treaties offers some room for manoeuvre. In Germany, the citizens’ initiative, public sessions of the Council, the protocols on the role of national parliaments and on the principles of subsidiarity and proportionality and possibly a European Council president are handled as

probable candidates to survive a failed ratification.³¹⁶ While opinions on the realisation of a double-hatted Union Foreign Minister supported by an External Action Service through inter-institutional arrangements diverge,³¹⁷ further integration is likely to proceed with respect to provisions such as the EDA, Eurojust and the solidarity clause in case of a terrorist attack, which are already in place.³¹⁸ Without the constitution they will not be formally rooted in the EU’s primary law, but it is unlikely that failed ratification will stop or reverse these efforts.

Yet, to salvage many crucial parts of the constitutional treaty, an IGC and treaty change would be necessary. CAP’s 55 pages long draft “Treaty amending the Treaty of Nice”³¹⁹ is one of the major initiatives in this respect and a significant contribution to the current debate. It is geared towards preserving the central features of the constitutional treaty, which would “improve both the EU’s ability to take action and democratic legitimation”³²⁰, by incorporating them into the existing treaties. However, it would most likely face strong political objections, too, as it requires ratification in all the member states, in many cases with strict conditions.³²¹

Despite different assessments of the various options to handle the crisis, the academic and public debate seem to be unison in one point: What is needed in this period of reflection is the development of a profound strategy to better and consistently communicate Europe to its citizens and find ways of preventing the EU-25 from paralysis.³²² “United for Europe”, a letter, jointly written by several Heads of State and Government and also signed by President Köhler, calls for a wise use of the period of reflection and stresses that “the most important task is to increase trust in European policy. We have to make sure everyone can understand the benefits of integration. We have to tell the citizens in a way they understand how the EU works, what it has achieved, where it is going and why. (...) Without their consent and cooperation the EU cannot consolidate, never

³¹¹ Cf. European Policy Institutes Network (EPIN), A Citizens Compact: Reaching out to the Citizens of Europe, September 2005.

³¹² Cf. Andreas Maurer (et al), Die Ratifizierungsverfahren zum EU-Verfassungsvertrag. Wege aus der Krise, SWP-Diskussionspapier, Berlin 2005 (http://www.swp-berlin.org/common/get_document.php?id=1135).

³¹³ Cf. Ibid., p. 91; Daniel Thym, p. 187, Simon Suke, p. 16.

³¹⁴ Cf. Jörg Monar, Optionen für den Ernstfall: Auswege aus einer möglichen Ratifizierungskrise des Verfassungsvertrags, integration 1/2005, p. 22.

³¹⁵ For an overview of legal conditions in each member state, see: Sebastian Kurpas, What could be saved from the European Constitution if ratification fails? The problems with a ‘Plan B’, CEPS Policy Brief No. 70, May 2005, p. 3.

³¹⁶ Cf. Andreas Maurer, pp. 88-91.

³¹⁷ Cf. ibid., p. 89, Diedrichs/Wessels, p. 300; Thym, p. 195.

³¹⁸ Cf. Diedrichs/Wessels, p. 299; Maurer, p. 90.

³¹⁹ Treaty Amending the Treaty of Nice, http://www.cap.lmu.de/download/2005/2005_Treaty.pdf.

³²⁰ Ibid, p. 2.

³²¹ Cf. Sebastian Kurpas, What could be saved from the European Constitution if ratification fails?, p. 7.

³²² Cf. Mathias Jopp/Gesa-S. Kuhle, Wege aus der Verfassungskrise, pp. 260-261.

mind develop further".³²³ In the German debate the constitutional treaty has not been scrapped from the agenda yet.

Greece

Until recently EU-Policy-making fell almost exclusively under the purview of foreign policy formulation. Only recently, have events shaped a different, less foolhardy, federally wise, view of EU developments. There has been, since the very inception of the idea of Greek participation in the EU, back in the late 50s, a steady support amongst the political elites for quote unquote Europe. What Europe, as opposed to the EU, means in the current political climate, is another story altogether.

Nature of the current crisis

The crisis is not considered in Greek public debate as unique nor unprecedented, but it certainly is viewed as serious and profound. One cannot really speak of a wake-up call, because there is poor interest in the Greek public opinion concerning EU matters and especially institutional evolutions: only when specific events (e.g. summits, beginning of Turkish accession negotiations) come to the fore, only then does public opinion take notice. Academics and media analysts dwell on the clash of basic concepts of European integration, notably a victory of the intergovernmental against the federal model. There is also thought to be diminishing solidarity between member states and an isolation syndrome due to the fear reaction in the face of further enlargement (and possible Turkish accession).

Reasons for failure of ratification

In a referendum procedure, ratification might have been a problem even in Greece, where a "negative domino" effect is already visible. Just some days after the French referendum, 48% of respondents in a poll were voicing "positive" feelings about the French "No" vote, vs. 21% replying "negative" and 19% "neutral". At the

same time 70% were "little or not at all pleased with the functioning of the EU" vs. 25% who were "rather or very pleased". All this in a country where still 73% of respondent are "rather in favour of European unification" (with 15% "rather against" and 7% "depending on specific policies"), while 46% think that "Greece has benefited from EU policies" (32% think "rather not benefited", 12% feel ambivalent). It is to be noted that 40% of respondents think that the European Constitution "is closer to right-wing ideas" vs. 9% thinking it is "closer to left-wing ideas", 12% to neither, 2% to both.

Moreover, against the mainstream politics of the two big parties, 70% of the population express an opposition to Turkish accession: thus, the October 3rd, 2005 situation – where much pressure was felt by Greece (and Cyprus) not only from EU member states but also the US – can be expected to raise even more apprehension in Greek public opinion. There is also a general disappointment about the Euro, the cost-of-living associated with its introduction and about the economic and social policies of the EU. Unemployment (over 10%) is a main concern too, as is increasing delocalisation of businesses (with loss of employment) towards the northern neighbouring countries of Greece – which are accession candidates. There is no other strong relation with issues related to the EU in general. One might mention here the mistake to call the treaty a constitutional one – or even a Constitution. Also, a general feeling about the lack of leadership in European level. The Treaty has been demonised as an extremely liberal construction, which puts at risk employment, the social acquis etc.

National leadership is in constant discredit, but this factor is not considered a direct reason for being against the treaty. There is a quasi complete lack of communication with the wider public about European politics in general. When asked just after the "No" in F/NL referendum which would be the reasons for a positive vote in a Greek referendum over the Constitution, 50% cited financial benefits for Greece, 25% strengthening the EU against the U.S., a further 25% the good functioning of the EU, 24% the project of political unification of Europe (multiple replies were accepted). As to the reasons for a negative reply, 38% cited increasing inequalities, 33% the opportunity to negotiate "a better Constitution text", 30% to oppose the accession of Turkey to the EU, 23% a sense of powerlessness of citizens in

³²³ "United for Europe", Joint newspaper article by the Presidents of Austria, Heinz Fischer; Finland, Tarja Halonen; Germany, Horst Köhler; Italy, Carlo Azeglio Ciampi; Latvia, Vaira Vike-Freiberga; Poland, Aleksander Kwasniewski and Portugal, Jorge Fernando Branco de Sampaio, 15 July 2005, <http://www.germany-info.org/relaunchn/politics/speeches/071905.html?PHPSESSID=d0943c9cd32eec82cc2ab8bd0ad2e146> (17 November 2005).

EU decision-making, 14% the fear that the Constitution might prove a threat to Greek national identity.³²⁴

State of ratification

The simple parliamentary procedure has already been achieved in Greece without problems, except for the left-wing parties (about 9%). Little interest was shown about ratification, even within Parliament. A "consultative referendum" was demanded by the Opposition *after* the ratification. The Government denied it, fearing the shock wave that even a non-binding negative outcome would create: the motion was voted down in Parliament, 165/125.

The Constitutional Treaty was ratified by a clear parliamentary majority with both the governing Nea Demokratia and Pasok (165 and 117 seats respectively) playing the role, in this instance, of the loyal opposition voting in favor³²⁵. George Papandreou, the leader of Pasok even took to campaigning in France with the Socialist Party there, in favor of Oui. The unreformed Communist Party which has assumed onto itself the role of being a fly in the ointment of what it perceives as the ruling globalised anti working man elites, a voice of dissention and a issuer of minority reports, voted its 9 seats clearly against while the Synaspismos voted its 6 seats in the house against the Constitutional Treaty on the table, opting for a more socially minded Constitutional Treaty.

Public opinion since spring 2005

Greece, after the results of the French and Dutch referenda has joined the chorus of the second generation of europeanization, where there is a lot of criticism about decisions taken in Brussels. Up to now, the EU was considered as a quasi free source of financial assistance but events like the advent of the Euro and the

subsequent wave of price rises attributed to it, as well as the wave of businesses relocation to Bulgaria and or Rumania and the loss of jobs this entails have shook greek public opinion in a big way³²⁶.

As the impact of the French and Dutch "No" grew on public opinion, a sort of combativeness came to the surface on the part of the supporters of the Constitution from different sides of the political spectrum. This has grown after the failed June 2005 EU Summit, where the whole budgetary equilibrium of 2007-13 was also put in jeopardy, along with the CAP which had seemed safe until 2013. The feeling that both agricultural incomes and Structural Funds (Greece hoped for more than 20 bn Euros from 2007 to 2013) are entering in the risk zone was a rude awakening for Greece, where EU financial flows play a central role.

The main themes in the public dialogue are the tracks of the federal as opposed to the intergovernmental pattern and the effect this has on European Integration as well as the fear factor accentuated by a widely held perception that the integration process and solidarity among Member States are slowly grinding down and that Turkey's beginning of accession negotiations constitutes a fundamental injustice with regards to the presence of Turkey's occupation troops in Cyprus.

With regards to the positions of the major parliamentary parties, the governing conservative Nea Demokratia who enjoys a steady parliamentary majority has been pro european from day 1. The Socialist party Pasok who used to oppose in the late 70s the accession of Greece to the EEC has jumped on the bandwagon and steadily supports all aspects of Greece's participation in the EU. Under the premiership of Kostas Simitis, Pasok has become a mainstream pro european socialist party. A later addition to the europhile camp are the reformed communists of the Sinaspismos (Coalition) whose policy stance ranges from a Yes vote on the Maastricht Treaty when it was ratified by the Greek Parliament to a skeptical No on the Constitutional Treaty where they argued, under a different leadership, for a different, better, more socially minded, Constitution.

³²⁴ As to the opinion polls quoted, those referring to the F/NL referenda and the Constitution are V-PRC and Metron Analysis (published by Skai Radio and Imerissia daily newspaper in the weeks following the referenda), while those referring to Turkish accession are V-PRC (published by Kathimerini) some days after the October 9th negotiations start. The discrepancy between the data over Turkey in the first and second cases may be explained by the distance in time, but also by the difference in context (Turkey as part of the institutional package or as a stand-alone issue).

³²⁵ See data on the ratification in "Ratification of the Constitutional Treaty in EU-25" online article in <http://www.cosac.org/en/info/ratification> (latest access: 28.11.2005).

³²⁶ See A.D. Papagiannidis "Greece may slip back into 1980s-style euroscepticism" in Europe's World #1 Autumn 2005, p. 172.

Ways out of the crisis

In academic forums, there is a relative consensus about the alternatives:

- abandon the reference to “Constitution” or of “constitutional” and save almost the entire text;
- save some essential provisions such as the decision-making process, the composition of the institutions and the external relations framework;
- abandon the actual text and come back with only the first and second parts, leaving the remaining policy dispositions to simpler revision procedures.

Only in this third option a new Intergovernmental Conference with a new agenda is required; there is no clear preference in public debate for any of these options. The composition of the Convention has been accepted by Greek public opinion as good enough and it is thought it should remain the same. Implication of the Commissioners in collaboration and joint action with the national leaders. More implication of the European and national Parliaments. Massive communication effort of the Commission and the other institutions.

Implementation of specific provisions of the Constitution

- *Institutional aspects:* All four new institutions were viewed positively throughout the negotiations. More new institutions and procedures are considered positive, especially implicating the European civil society.
- *Decision-making process:* Double simple majority (50/50). Generalisation of the qualified majority voting (QMV). Introduction of the EU citizens’ initiative.
- *Charter of Fundamental Rights:* Unchanged.
- More attention to immigration problems in the direction of rapid integration of immigrants, in order to deal with the important demographic problem.
- *Other:* More implication in the negotiations of schools and universities.

The constitutional crisis in academic debates

In academic forums, there is a relative consensus about the alternatives: One option would be to abandon the reference to “Constitution” or “constitutional” and save

almost the entire text including parts A and B, or alternatively salvage some essential provisions such as the decision-making process, the composition of the institutions and the external relations framework, i.e. European foreign minister and external action service. The abandonment of the actual text and a retrogression to a ‘Nice+’ solution would be viewed as a lukewarm second best option and that on a temporary basis only³²⁷.

It should be noted that no real dialogue, informed or otherwise, takes place in the media or the experts community with reference to the particulars of the, now dead in the water, Constitutional Treaty. EU Policy issues rise to the forefront of the political agenda only due to EU Summits or cataclysmic events such as the arduous start of Turkey’s Accession negotiations.

Hungary³²⁸

Nature of the current crisis

According to the official position of Hungary the failure of the Constitution is not a “*deep going crisis beyond historic precedence*”. The EU can work well without the Constitution. The crisis is rather linked to the EU’s legitimacy deficit, namely, the question of the ordinary citizen “why do we need the EU?” is not answered clearly. Sixty years after World War II and sixteen years after the fall of the Berlin Wall, and given the ongoing peaceful unification of the continent, the need for and the mission of the EU must be re-formulated and shared with the public.

³²⁷ Far a cross political spectrum analysis on the Greek desiderata see indicatively http://www.athensnews.gr/athweb/nathens.pnt_article?e=C&f=13134&t=01&m=A10&aa=1 (latest access: 28.11.2005); compare with “The Priorities of the Greek Presidency”, online article at http://www.mfa.gr/english/foreign_policy/eu/the_presidency (latest access: 28.11.2005).

³²⁸ Information sources: Website of the Hungarian Ministry of Foreign Affairs: <http://www.kum.hu>, ebsite of regular EU-news: <http://www.bruxinfo.hu>, Interviews with: officials from the Hungarian Ministry of Foreign Affairs, officials from the European Affairs Office of the Hungarian Parliament, Report about the EP elections by the director of the Szonda Ipsos Market Research and Polling Institute at a conference in Budapest, Analytical articles of Europai Tukor (a Hungarian journal specialised in European issues) Szemler, Tamas (ed.) (2004): EU-koltsegvetes 2007-2013: Erdekek es Allaspontok. MTA Vilaggazdasagi Kutointezet, Budapest (“EU-budget 2007-2013: Interests and Positions”).

The two unsuccessful ratifications can be perceived as a kind of a *wake up call* and a general call to re-launch the public debate on Europe. One could even think of a provocative negative campaign whereby the main question would be: “what if there was no EU at all?”

The main problem nowadays is not the clashing of European integration concepts but rather the *lack of comprehensive vision(s) of the future*. While the EU is more successful in the enlargement project than expected, it seems to be unable to handle the major challenges it is faced with (aging populations, current unemployment but a shortage of labour in the foreseeable future, or growing competitive pressure in the framework of globalisation, just to name a few). The Constitutional Treaty neither gave answers to these problems nor did it provide for a new European concept. Nevertheless, it provided for an ideal framework (based on wide consensus) for a much more efficient and adequate development of European integration.

Reasons for failure of ratification

For sure, domestic politics and constellations did play a major role in the rejection of the Constitutional Treaty in both countries concerned. But this is also linked to the general phenomenon, namely that in the eyes of the citizens the EU is not always able to meet their expectations. This is the case with the acting governments on a national level and with the EU on a supranational level. Thus the rejections can be perceived as a general “mécontentement” with both levels of government.

As it is well known, one of the reasons why the French voters said ‘no’ was their fear of a too liberal EU and lack of social Europe. Even if the Constitutional Treaty stipulated “full employment” as one of the EU’s aims (actually, upon French proposal and insistence) the feeling of social uncertainty was stronger than ever. As regards social protection it must be recognised however that the EU actually lacks substantial competences in this field. Even if the EU might have new ideas aiming at helping to solve some of the most acute social or economic problems, it often clashes with the Member States’ opposition. This is why very often false hopes coupled with unfounded criticism are being fed vis-à-vis the EU under social policy – as also shown by the French ‘non’. In the case of the Netherlands a general

fear of shrinking Dutch sovereignty and influence was accompanied by the dissatisfaction with the government’s austerity measures. Thus, behind the two ‘no’ votes both social and economic concerns can be found as major but not exclusive reasons for rejection of the Constitutional Treaty.

As mentioned above, there seems to be a wide dissatisfaction with the EU which is very often seen as a huge bureaucracy not responding adequately to the current challenges. Such an interpretation of the failure of the Constitutional Treaty should actually push the EU to re-design its policies (and competences) so as to respond to the expectations of the citizens. If people could attribute to the EU things such as increased personal as well as social security, improved infrastructure and growing prosperity, this would necessarily improve the general perception of the EU, and the popular ratification of a document like the Constitutional Treaty would be much easier. Actually, the Constitutional Treaty did not introduce fundamental changes. It rather streamlined the EU’s functioning in many important respects. However, this was not widely known among the voters who got afraid of the nearly 200 pages document (without the annexes and protocols) which might centralise even more powers in Brussels and/or which might not address their personal concerns... Thus the rejection of the Constitutional Treaty does not seem to be directly related to the content and the very positive achievements of the document but rather to its length and its poor “marketing” towards the “end users”, the citizens.

In fact European integration is desperately missing political leadership and visions of the future. One can say that the highest ranking politicians of the Member States “betrayed” Europe, since they do not perceive the EU any more as an excellent historical opportunity to solve problems and face challenges in common, but rather as a battlefield of clashing national interests.

As mentioned above, the ‘no’ votes cannot be directly attributed to the content of the Constitutional Treaty since it was not properly communicated to the wider public. According to data of Eurobarometer this was especially the case in the Netherlands where, according to the post-referendum survey³²⁹, 56% of those

³²⁹ The European Constitution : post-referendum survey in the Netherlands, http://europa.eu.int/comm/public_opinion/index_en.htm (latest access: 12.12.2005).

questioned did not feel to have all the necessary information about the Constitutional Treaty, 67% thought the debate started too late, and 32% were convinced the reason for 'no' was linked to lack of information. In the case of France³³⁰ however, 66% felt to have the necessary information prior to voting and only 37% thought the debate started too late. As it was mentioned, the major reason for the French 'non' was essentially the potential negative effect of the Constitution on employment (31%) which is rather a misinterpretation of the Treaty's content.

State of ratification

Hungary has been the second country (after Lithuania) to ratify the Constitutional Treaty via parliamentary ratification. The adoption took place on 20 December 2004, and – reflecting the four parliamentary parties' consensus – the Treaty passed with an overwhelming majority of votes in favour³³¹. At the same time it has to be mentioned that no real public debate accompanied the ratification process – the Constitutional Treaty became an issue of 'elite' discourse only. Nevertheless, according to opinion polls, even if there was a referendum organised, the Treaty would have been accepted by the Hungarian voters³³² (although a low participation rate would have been likely).

Public opinion since spring 2005

Changes in the Hungarian public opinion concerning the EU are not so much linked with the adoption or rejection of the Constitutional Treaty but rather with Hungary's performance as a Member State. In this respect there seems to be a decrease in "EU-enthusiasm" one year after EU entry. In spring 2003 63% of those questioned supported Hungary's EU accession, while in the summer of 2005 only 42% were in favour of EU membership. The major reason behind this result is the perception by the majority of Hungarians that the EU failed to bring about increased political and economic stability in the country³³³.

³³⁰ The European Constitution: post-referendum survey in France, http://europa.eu.int/comm/public_opinion/index_en.htm (latest access: 12.12.2005).

³³¹ 133/2004 December 23. OGY. There were 323 votes in favour, 12 votes against, and 8 abstentions.

³³² According to polls, around 70% of Hungarians heard about the Constitutional Treaty, and Hungary ranked the first among the EU25 regarding acceptance of the document. Bruxinfo, 5 September 2005, <http://www.bruxinfo.hu/cgi-bin/bruxinfo/write.cgi?filename=/20050905/rovat15/napicikk21.html> (latest access: 12.12.2005).

³³³ Bruxinfo, 5 September 2005.

Ways out of the crisis

According to Hungary, the Constitutional Treaty should not necessarily be abandoned, because it is a valuable Treaty based on wide consensus. "Hibernation" of the document seems to be the adequate option, since it does not ignore the 'yes' votes of many countries but it also respects the rejection of the majority of French and Dutch citizens. Hungary does not exclude the saving of the text but not in the near future. In fact, the EU should make efforts to create the favourable context for the Treaty's popular acceptance. According to Hungary however, no "cherry picking" from the Constitutional Treaty is possible/desirable. It is possible neither in legal nor in diplomatic terms, and it is not desirable because the 25 Member States would have 25 approaches to pick and chose the elements important for them. This would devaluate the whole constitutional process and its achievements, therefore this option should be taken off the agenda.

In line with the above statement, no IGC should be scheduled in the near future according to Hungary. This would just launch a pseudo-debate on the competences or the voting procedures which do not seem to be relevant problems in the eyes of the wider public. A new IGC would harm more than it would help from the point of view of public acceptance of the EU. Similarly to the rejection of the idea about a new IGC, Hungary refuses to convene a new forum preparing a new constitutional document. This would again only devaluate the constitutional process otherwise very successful at the Convention's level. In fact, communication strategies about the EU at both Union and national levels must be re-considered and re-invented. The attitude of most of the politicians and the public opinion as a whole, attributing positive achievements to the national level and only obligations or lack of action to the EU level must be changed as soon as possible. The communication strategies must aim at informing correctly the citizens about all the possibilities the EU offers them as well as the concrete achievements they can already enjoy as EU citizens. The Union's competences must be made clear before the people in order both to avoid false expectations and to be able to appreciate (or criticise) the EU's actions.

<http://www.bruxinfo.hu/cgi-bin/bruxinfo/write.cgi?filename=/20050905/rovat15/napicikk21.html> (latest access: 12.12.2005).

Implementation of specific provisions of the Constitution

The problem with the would-be president of the European Council in the Hungarian opinion is that it only overburdens the institutional set up, moreover the position seems to lack substantial competences. The overlaps with the foreign minister's competences (representing the EU towards third partners) should have been eliminated. Hungary has been in favour of setting up the position of the foreign minister and the European External Service, but these steps do not solve the problem of reluctance of the Member States to consequently pursue a common foreign and security policy. As regards the involvement of national parliaments in EU decision-making, it is already the case. The Constitutional Treaty's clause on the control of subsidiarity and proportionality by the national parliaments is a very useful one, which could be implemented in the future even without Treaty change. There could be a kind of an inter-institutional agreement between COSAC (joint forum of national parliaments' EU committees) and the European Commission in this regard.

Compared to the Nice voting system the small and medium sized countries clearly lose voting weights under the double majority system. Nevertheless, Hungary accepted this innovation in order to have the system simplified and to ensure a soft landing of new Member States in the Council. In general, Hungary is in favour of extension of qualified majority voting with a view to smoothen the functioning of the ever enlarging EU. Consequently, during the IGC, Hungary had no objections vis-à-vis extending the application of this voting system. As regards the very positive innovation concerning the popular initiative by EU citizens, this seems to be again something that can be implemented without Treaty provisions. Namely, one cannot imagine the European Commission ignoring an initiative signed by one million EU citizens (from a considerable number of Member States) on an issue important for them.

The incorporation of the Charter of Fundamental Rights into the Constitutional Treaty was promoted and supported by the Hungarian members of the Convention as well as by the Hungarian government on the IGC. Therefore Hungary would be in favour of the Charter's "survival" even if it is protecting human rights only in a limited scope (while implementing obligations originating from EU membership).

According to the Hungarian position justice and home affairs is one of the main losers of non-ratification of the Constitutional Treaty. Hungary would be willing to deepen the cooperation under this policy, including fight against terrorism. This is one of the areas where the EU could and should deliver "goods" to the citizens, therefore Member States must make more efforts to strengthen mutual trust and show political and institutional willingness to develop the EU into a genuine area of freedom, security and justice.

One of the important innovations of the Constitutional Treaty was the inclusion into the Union's values (Art. 1-2) the protection of the rights of "persons belonging to minorities". This point was actually raised by Hungary and was finally supported by all other Member States. Hungary will go on emphasising the importance of minority rights (of both national and ethnic minorities) even if the Constitutional Treaty would not enter into force.

The constitutional crisis in academic debates

In June 2005 the Institute for Foreign Affairs (named after Laszlo Teleki) organised in Budapest a round-table conference analysing the failure of the Constitutional Treaty in the two founding Member States. They later published the discussion of the invited leading Hungarian experts and diplomats in the form of an electronic newsletter³³⁴. This publication is one of the best summaries about how many of the Hungarian political analysts, experts and practitioners perceive and interpret the present situation. The following "chain" of ideas merit a short mention here.

By 2005 the EU "consumed up" its historic mission and finds itself in an unprecedented conflict of internal and external adaptation. In other words: with the end of the East-West conflict the federalising drive of European integration has vanished. Moreover, the EU is struggling with several crises at the same time which should be solved as soon as possible in order to be able to enlarge further and to gain competitiveness – and not to become just a beautiful "cultural museum" in the globalised World. The speakers agreed that the main reason of the rejection of the Constitutional Treaty was not directly linked to its content, but rather to the perceived gap between the ordinary citizen and "Brussels". There are

³³⁴ Newsletter of the Foreign Affairs Institute, 2005/1, 1 July 2005, <http://www.telekiintezet.hu/kulpol/kiadvany/hirlevel/default.asp> (latest access: 12.12.2005).

actually two very important points to be highlighted in connection to the constitutional process. On the one hand a real break-through happened in the framework of both the Convention and the Intergovernmental Conference as regards consensus-building capacities among present and future Member States. This is to be preserved in the future too. On the other hand, the achievements of the fruitful debates have not been successfully communicated to the public, endangering the whole constitutional project. Both aspects must be kept in mind during the reflection period and in the future, when comprehensive Treaty reform(s) will necessarily re-emerge.

An extremely important concern for Hungary and presumably most new Member States is that the 'no' votes should not lead to a Europe of several speeds. The Union should continue to enlarge while remaining united. The values the EU can add to national and regional interests and prosperity must be emphasized and made clear to the wider public. Then the time could be ripe to re-launch and successfully complete the European constitutional process.

Ireland³³⁵

Nature of current crisis

Immediately after the referenda in France and Holland, the Irish Prime Minister, an Taoiseach, Bertie Ahern, claimed that up to 18 or 19 member states could have ratified the Constitutional Treaty by the summer of 2006. After the summit, Bertie Ahern said that he still believed the treaty could be saved and this remains the case. The Irish government are against the idea of cherry picking elements of the treaty. There have been many comments, such as those voiced during President's Barroso's visit to the National Forum on Europe in Dublin, in June 2005, suggesting that the rejection of the treaty in France and the Netherlands be treated as a wake up call to politicians across the EU, who should focus their efforts on informing their citizens better on the benefits of EU membership. The Irish Prime Minister, Bertie Ahern, has advocated keeping a sense of perspective in the face of the pessimism which followed the constitutional crisis. In his view, the very

essence of the EU has been built on consent and consensus and such an approach is inherently time-consuming and difficult, but building Europe step by step is the only approach in a world where even the largest state on its own will not be able to effectively meet the challenges of globalisation.

Reasons for failure of ratification

The Tanaiste (Deputy Prime Minister), Mary Harney, stated that the structural weaknesses of the EU must be addressed, particularly with regard to the labour market. Bertie Ahern stated that "the analysis so far shows up that they (the referenda) didn't fail because of issues to deal with the constitution", indicating that domestic politics played a large role in the rejection results. Mary Harney agreed, stating that, "domestic factors play a huge part, and citizens often use a referendum on Europe to say things about their own government."³³⁶ Speaking on the ratification process, Tanaiste Mary Harney stated that, "When countries are net recipients in terms of transfer payments from Europe, it's much easier to sell Europe to the citizens of that country, than when countries are net contributors".

Much of the Irish newspaper commentary reported the failed referenda as the result of protest votes by disgruntled citizens against their governments, particularly in France. Media coverage also highlighted the effects of social and economic problems in the two countries as reasons behind the strong no turnout. The small Socialist Party claims that people voted no as they were concerned about employers exploiting immigrant labour for their own profits rather than paying everyone a fair wage.

State of ratification

The Irish government did not have to officially postpone its own referendum, as it had not set a date for the referendum before the June Summit. The government published its White Paper on the Constitutional Treaty in mid-October, which is intended as its contribution to the debate. Irish Minister for Foreign Affairs, Dermot Ahern, confirmed what was widely suspected when he said that no date for an Irish referendum would be set until the position at European level was clarified. However,

³³⁵ All answers refer to the position/assessment of Ireland's government, opposition parties, civil society organisations, and the public opinion.

³³⁶ The Irish Times "Harney urges support for EU, despite shortcomings" Fri, Jun 10, 05.

when launching the White Paper, the Taoiseach said that “if we are to equip the Union to deal with the challenges facing it, we will inevitably return to the EU Constitution”³³⁷.

The Green party, which has six T.D.s (members of parliament), has criticised the period of reflection, stating that it is causing more confusion. They believe a more constructive approach would have been for the Summit to have agreed to introduce the less contentious elements of the treaty which could be ratified without a referendum.³³⁸

Public opinion since spring 2005

An opinion poll carried out by the Irish Times/TNS mrobi in June 2005, shortly after the referenda results found that a referendum on the Constitutional Treaty would fail if it was held at that moment in time. Only sixty per cent of those questioned were “vaguely aware” or had any understanding about the issues involved. In the survey, forty five per cent felt the referendum should take place, thirty four per cent thought that it should not, and twenty one per cent did not know. Thirty-five per cent of respondents said they would vote no, as opposed to thirty per cent who would vote yes. A majority of voters in the 18-24 and 25-34 age groups were in favour of the treaty, while older age groups were more opposed to it. The last statistic is interesting in comparison to the breakdown of votes on France, where the majority of people in the younger age categories voted no.

In the same survey, asked to choose between pro or anti-integration statements, forty five per cent said that “Ireland should do all it can to protect its independence from the EU”, while thirty-six per cent agreed with the statement that “Ireland should do all it can to unite fully with the EU.” Interestingly, farmers were those most likely to identify with the anti-integration statement. The opinion poll also broke down voters of the different parties’ preferences. Only Fianna Fail and PD voters are in favour of the ratification process, while forty-two per cent of pro-European Fine Gael voters indicated

they would reject the constitutional treaty, more than Green Party supporters, whose paper is officially against the Constitutional Treaty. Sinn Fein supporters were the most negative in responding to the treaty. Socialist Party TD Joe Higgins believes that the no results dealt a fatal blow to the Constitutional Treaty, stating that “the Dutch and French working classes have rejected the system whereby multinationals and the business elites dictate the policies of the EU.”

Media coverage, particularly in the Irish Times, reported on the Luxembourg result as a success for the Constitutional Treaty. Most commentators suggested that while the positive vote gave the treaty a glimmer of hope, the size of the country, in comparison to France and the Netherlands, meant that its impact may not be enough to reverse the tide of those suggesting that the Treaty is dead. A lively debate has taken place throughout 2005 over the merits of the Constitutional Treaty in the letters section of the Irish Times.

Ways out of the crisis

The Irish government suggested that the ‘period of reflection’, announced at the June summit, should be called a ‘period of engagement’.³³⁹ The government has often mentioned the benefits of engaging the public in the debate surrounding referenda, seeing it as a main reason for the successful passing for the second Nice referendum. There has been a lot of focus, both on a national and European level, on the National Forum on Europe as a means to link the EU to ordinary people.

Irish newspaper editorials have called for a long-term programme of education on the Constitution to be introduced to the Irish public. In a Eurobarometer survey, carried out in early Summer 2005, on the scale of knowledge of the provision of the Constitutional Treaty, Ireland ranked 24th. Research has suggested that the more aware the public are on elements of the debate, the more likely they are to support the treaty, as those who answered that they understood it, were more likely to then be in favour of it. Such research supports calls from both politicians and political commentators that an increase in awareness and better public understanding would serve as a way out of the current crisis.

³³⁷ Statement on Europe to the Seanad by the Taoiseach, Mr. Bertie Ahern, T.D. on Thursday, 13 October, 2005, <http://www.taoiseach.gov.ie/index.asp?locID=200&docID=2233> (latest access: 29.11.2005).

³³⁸ “Gov[ernment] must clearly state its intentions for EU referendum says Gormley following EU decision to postpone constitution ratification”, 17 June 2005, http://www.greenparty.ie/en/news/latest_news/govt_must_clearly_state_its_intentions_for_eu_referendum_says_gormley_following_eu_decision_to_postpone_constitution_ratification (29.11.05).

³³⁹ The Irish Times “EU leaders agree to abandon deadline on constitution” 17 June 2005.

There have been calls for governments to deal effectively with the perception of democratic deficit, which surrounds Brussels and the EU institutions in many of the public's minds. Better communication of issues, and a greater role by national parliaments are two of the suggestions that seem to have large public backing. Chairman of the National Forum on Europe, Senator Maurice Hayes, said that from the current crisis, "EU political leaders have recognised that they cannot go it alone and that engaging the citizen, and more importantly, listening to the citizen is at the heart of the matter."³⁴⁰

Implementation of specific provisions of the Constitution

The Irish government has been insistent that elements of the Constitutional Treaty should not be cherry-picked and introduced without a referendum. Opposition parties and public opinion also agree on this point, although the Green Party suggested that it would have been a more favourable result than the 'period of reflection', agreed upon at the June Summit. As Ireland requires a referendum to ratify international agreements, any move to bring in elements of the Constitution that do not require a treaty basis would have to be done with great sensitivity. Introducing institutional aspects of the Constitutional Treaty are considerably easier to do in Ireland than changing the decision-making procedures.

- *National Parliaments:* In light of the treaty's uncertainty, there have been wide calls for national parliaments to play a greater role, thus serving to deal with the issue of democratic deficit.
- *European Council President:* There is a view that the referendum requirement could be avoided in this case if an inter-institutional agreement was reached. The Irish government, while initially against the idea of a permanent President, eventually accepted the position when signing the treaty.
- *Commissioners:* According to the Nice Treaty, article 213 (1) the number of members of the Commission shall be set by the Council, acting unanimously. In other words, negotiations and decisions could be made without convening an IGC. A referendum would not be required

in Ireland on any reduction in the number of Commissioners as this is provided for in the Nice Treaty. During the Convention, the Irish government was opposed to the reduction of Commissioners in defence for the position of equality for smaller states. However, Ireland's eventual official position was to accept consensus, with commentators arguing that the text, which was eventually agreed, had been amended to meet Irish concerns.

- *External Action Service:* The Irish government did not have a strong view on the introduction of the external action service during treaty negotiations but was keen to ensure that the views of the member states were accorded equal weight as the views of the Commission and Council.

The constitution introduced a new system of double majority voting under which a qualified majority must consist of at least 55% of the member states comprising at least 65% of the population of the Union. With regard to Double-majority voting: Any change to the voting system would require ratification in Ireland as the text of the current treaties would have to be changed. The constitution further extended the use of qualified majority voting (QMV) in the Council decision making. Ireland would be required to hold a referendum on changing to qualified majority voting as a rule, as this Treaty change deals directly with national sovereignty. The enhancement of the European Parliament's role through the introduction of co-decision as 'normal procedure' would require a treaty change as it involves a power shift.

The constitutional crisis in academic debates

Academic commentators have stressed the lessons that need to be learned from the failed referenda. Citizens must understand the debate better and not feel like there is a great divide between Brussels and issues that concern them. Following on from this, enhancing the role of national parliaments has been highlighted on a number of occasions. The general mood in academic circles, including those in favour of the Constitutional Treaty, is that a greater involvement of citizens in the debate is needed. Focus should be on highlighting the benefits of EU membership and re-connecting the citizen with the debate at large, thus doing away with the perception that the EU is run by 'faceless bureaucrats.'

³⁴⁰ National Forum on Europe "Opening remarks by Senator Maurice Hayes, Forum Chairman" 30 June 2005 <http://www.forumoneurope.ie/index.asp?locID=113&docID=776> (laatest access: 29.11.2005).

Italy

Nature of the current crisis

In the days preceding the two referenda in France and the Netherlands, the former President of the European Commission, Romano Prodi, declared that a no vote in the two countries would mean the “fall of Europe”. Nevertheless, following the victory of the no camp in the two countries, the reactions of most Italian leaders were not so alarming. Media and politicians acknowledged that the outcome of the two votes caused an unprecedented crisis in the Union and demanded a serious reflection on its policies and institutions. For the first time, the process of European integration was not paralysed by disagreements between governments, but by the distance between the Union and its citizens.³⁴¹ In the opinion of former European Central Bank board member Tommaso Padoa Schioppa, the crisis did not relate to the “idea” of Europe, but to the way it was enacted.³⁴² As pointed out in many interventions, the process of European integration has always been marked by periodic crises and standstills. In can only be hoped, therefore, that as in the past, Europe will be able to overcome the current crisis and that the rejection of the Constitutional Treaty will not paralyse the integration process in the long term.

In an interview with the Italian newspaper *Il Giornale* (“France flunks the treaty, not Europe”) the Italian Foreign Minister Gianfranco Fini also acknowledged that “The meaning and consequences of the May 29 French vote are not to be underestimated. Nor must they be cause for self-chastising visions of catastrophe.” According to Fini, “The trauma of the Treaty’s defeat in France could become one more reason for reinforcing a loftier notion of Europe in the minds of its peoples, one not solely of common rules but of common values, with more policy and less administration”.³⁴³

³⁴¹ See the intervention of Emilio Colombo (Member of the Senate, non-attached) at the hearing of the Undersecretary for Foreign Affairs, Roberto Antonione, before the Joint Commissions for Foreign and European Affairs of the Senate (21/7/2005).

³⁴² Tommaso Padoa Schioppa, “Come ritrovare l’Unione smarrita”, *Corriere della Sera*, 19/6/2005.

³⁴³ Gianfranco Fini, “‘No’ becomes a veto”, *Corriere della Sera*, 31/5/2005 and “France flunks the treaty, not Europe”, *Il Giornale*, 1/6/2005, English version available at www.esteri.it.

Reasons for failure of ratification

The victory of the no in the French and Dutch referenda was attributed in Italy to a mixed set of reasons, relating both to European and domestic politics. Although many commentators admitted that the Constitutional Treaty was too long and complicated to be understood by the Union’s citizens, few linked the outcome of the referenda to the Treaty itself. The main causes of the crisis, in fact, were identified as the economic stagnation, the growing fears related to the recent enlargement, the lack of transparency of Union institutions, the return of the nation state and the growing anti-European rhetoric of some political leaders.

According to Foreign Minister Fini, “Acceleration of the dynamics of enlargement, the profound distress of several segments of the working classes faced with the prospect of competition from new member states, reluctance to accept liberal reforms in an extended phase of economic stagnation and its consequent social malaise, a sense of alienation from the Union’s decision-making mechanisms, growing fears caused by migratory pressures and a consequent perception of threatened national identities” are all factors that contributed to a negative result in the two referenda.³⁴⁴

Similar elements were highlighted by other political leaders. According to the President of the Italian Republic Carlo Azeglio Ciampi (in a joint letter with the presidents of six other EU countries) “The outcome of the referenda in France and the Netherlands showed that many citizens feel that European policy falls short of their expectations” and that “They feel excluded both from decisions of major importance for their future and from those which impact their own every day life”.³⁴⁵

The Speaker of the Italian Chamber of Deputies, Pierferdinando Casini, blamed the fall of the Constitutional Treaty on the lack of a clear European identity inspiring its provisions. A great responsibility for the crisis, moreover, was attributed to the behaviour of national governments. According to Pasqualina Napoletano, a member of the Socialist group in the European Parliament, governments were

³⁴⁴ *Ibid.*

³⁴⁵ “United for Europe”, joint article by the President of the Italian Republic and the President of the Federal Republic of Germany together with the Presidents of Austria, Finland, Latvia, Poland and Portugal.

unable to find an effective compromise at the European level for institutional reform of the Union. At the national level, moreover, they often used anti-European arguments and blamed the EU for their unpopular political measures. All these elements were decisive in influencing the outcome of the French and Dutch votes.³⁴⁶

The reasons for the crisis were also investigated by Tommaso Padosa Schioppa.³⁴⁷ In his opinion, the outcome of the French and Dutch referenda was influenced, above all, by the lack of transparency in the last phases of the constitutional reform. The Union, moreover, has proved incapable of providing its citizens with adequate guarantees against the new challenges posed by globalisation and the new international context that has emerged after the end of cold war. An important role, finally, was played by the anti-European rhetoric of many European leaders.

State of ratification

The Italian Parliament approved the European Constitutional Treaty in early 2005. The lower chamber (Chamber of Deputies) adopted the government's draft ratification law on January 25 2005, the Senate on April 6. Approval was almost unanimous. Only two relatively small political parties voted against the Treaty: the devolutionist Lega Nord (Northern League, 3.9 per cent of votes in the last general election), which is a part of the governing coalition, and the opposition radical left-wing Rifondazione Comunista (PRC – refounded communists, 5 per cent of votes). Both called for a referendum. The Northern League argued that voters ought to be given the right to express their views concerning the substantial further limitations on Italy's national sovereignty introduced by the Treaty. In October 2004, the ministers of the Northern League voted against the government's draft ratification law but were isolated within the cabinet since all other ministers voted in favour. The PRC, in turn, has criticised the Treaty for being inspired by a 'liberal philosophy' which does not give adequate guarantees on basic social rights. On the same day it approved the draft ratification law, the Italian Senate asked the government

to maintain its commitment to promote recognition of the Union's Christian roots and to safeguard the concept of family as described by the Italian Constitution.

Public opinion since spring 2005

Before the crisis provoked by the French and Dutch referenda, Italians were generally positive about the adoption of a European Constitution. The Eurobarometer survey³⁴⁸ showed that in Spring 2005 74% of Italians supported the idea of a European Constitution and 75% of them believed that the Constitution would help the EU to be more transparent. Almost 80% thought it would make the EU more efficient and democratic. According to these figures, since Autumn 2004, support for the Constitution in Italy had increased slightly (according to Eurobarometer 62, in Autumn 2004, supporters of the EU Constitution were 73%). However, the current level of support is significantly lower than in June-July 2004 (Flash Eurobarometer) when Italians reported one of the highest percentages of acceptance of the new Constitution in Europe: more than 90%. The survey, nevertheless, confirms Italians' traditional Europeanism as compared to the rest of Europe (in Spring 2005, the EU average for support for the Constitution was 61%).

Yet Italians know little about the Constitution. Only 15% of respondents assert that they are familiar with the contents of the Constitution; 22% do not know the Constitution at all and 65% have heard of the text but declare that they know little about its contents.

As the Eurobarometer interviews were carried out before the results of the French and Dutch referenda were known, they say nothing about the influence of the two votes on Italians' attitudes towards the Constitution. A small survey conducted after the French and Dutch referenda tends to confirm the increasing support for the text even after the two votes.³⁴⁹ The survey, nevertheless, was conducted on a limited sample of young internet users and may not be representative of the whole country.

³⁴⁶ See hearing of the Undersecretary for Foreign Affairs, Roberto Antonione, at the Commissions for foreign and European affairs of the two chambers of the Italian Parliament, 15/6/2005 and hearings of the Italian Members of the European Parliament before the Commission for European Affairs of the Chamber of Deputies, 19/7/2005.

³⁴⁷ Tommaso Padosa Schioppa, "Non mentire sul no francese", *Il Mulino*, No. 4/4005.

³⁴⁸ Eurobarometer 63 (Spring 2005) and Eurobarometer 63.4 National Report-Italy (Spring 2005).

³⁴⁹ Survey by Erminero & Co. on 800 young internet users on 11-12/6/2005, see "*I giovani italiani restano filo-europei*", article by Tito Boeri and Guido Tabellini, www.lavoce.info.

Ways out of the crisis

Ways out of the current crisis have not been widely discussed in Italy. Immediately after the French referendum, Italian Foreign Minister Fini stated that that “procedures for ratification of the Constitutional Treaty should proceed in the various Union Member States, in accordance with previously established procedures and calendars”.³⁵⁰ The continuation of the ratification process is necessary to respect the equal rights of all European people to express their opinion on the text worked out by their governments.

Following the decision of many European countries to suspend their national ratification procedures, Italy remained a strong supporter of the Treaty. The Italian government, in fact, favoured many institutional reforms proposed by the text and is still interested in putting them into force. Intervening before the joint Commissions for Foreign and European Affairs of the Chamber and the Senate, the Undersecretary for Foreign Affairs Roberto Antonione affirmed that the Italian government does not want the “pause for reflection” proclaimed at the June European Summit to prolong the situation of uncertainty caused by the two referenda. “Italy,” he suggested, “would like to agree at the European Council of December 2005 on new initiatives to be implemented by the first half of 2006.”³⁵¹ For the moment, nevertheless, no clear position has been taken as regards what initiatives should be undertaken to relaunch the constitutional reform.

In addition, the government is aware that time is needed before a new process can be launched. According to Foreign Minister Fini, “The European Council will be able to fully assess the situation only at the conclusion of the ratification process, at the end of 2006.” In this respect, “We must not have the illusion that we will be able to meet this crisis with the same remedies identified in the past for the referendums in Denmark and Ireland”. Asked if renegotiation of the current Treaty would be possible, Fini did not exclude it, and declared that “It certainly represents one solution”.³⁵²

³⁵⁰ *Statement by Minister Fini on the outcome of the French Referendum*, 30/5/2005, www.esteri.it.

³⁵¹ See hearing of Roberto Antonione before the joint Commissions on European and Foreign Affairs of the Italian Chamber and Senate (12/10/2005).

³⁵² Interview with G. Fini, “France flunks the treaty, not Europe”, *Il Giornale*, 1/6/2005 and Speech by Foreign Minister Fini at the 50th anniversary of the Messina Conference, 7/6/2005 (English version online at

Possible ways out of the crisis were also discussed by Italian Members of the European Parliament and the specific Commission of the Italian Parliament, but no consensual conclusion was reached. According to Francesco Speroni, member of the government party Northern League, the Constitutional Treaty is legally dead and a new process should be started on a new text. Other MPs, in turn, suggested reopening the debate on the Constitutional Treaty, giving more space to the national and European Parliaments.³⁵³

The attention of the media, finally, focused on the consequences of the failure of the Treaty on the European integration process. The constitutional crisis raised fears that the standstill provoked by the two “nos” could put an end to hopes for a political Union. Increasing attention was given to possible initiatives to create a “Europe at two speeds”.³⁵⁴

Implementation of specific provisions of the Constitution

The idea of implementing some of the innovations of the Constitutional Treaty before ratification is completed received the attention of academics and politicians for a while. It was first considered by former Vice President of the European Commission Giuliano Amato. According to Amato, without any change to the current treaties, it would be possible to implement some innovations such as the European Foreign Minister, the double majority vote, the early warning mechanism for subsidiarity, and simplification of the instruments and procedures of the Union’s institutions. Amato, nevertheless, warned that this solution would be impossible if the two referenda provoked a domino effect in the ratification process.³⁵⁵

This idea of early implementation of parts of the Constitutional Treaty was not dismissed by Italian political leaders. Foreign Minister Fini

www.esteri.it). In this regard, greater scepticism was expressed by the Undersecretary for Foreign Affairs Roberto Antonione. See his hearing before the joint Commissions for Foreign and European Affairs of the Senate (21/7/2005).

³⁵³ See hearings of the Italian Members of the European Parliament before the Commission for European Affairs of the Chamber of Deputies, 19/7/2005.

³⁵⁴ See, for example, Franco Venturini, “Ora due velocità”, *Corriere della Sera*, 2/6/2005.

³⁵⁵ Giuliano Amato, “Carta Ue, due opzioni e il coraggio delle riforme”, *Il Sole 24 Ore*, 5/6/2005 and Quentin Peel, “Parts of the constitution might be added to Treaty of Nice”, *Financial Times*, 1/6/2005.

did not exclude that parts of the Constitutional Treaty could be implemented before the text enters into force. Some representatives of the Italian Parliament, moreover, suggested anticipating the early warning mechanisms on subsidiarity foreseen in the Treaty.³⁵⁶

The debate also involved academic circles. As early as December 2004, Ettore Greco e Gianluigi Tosato from the Istituto Affari Internazionali published a paper considering the problems related to the ratification process of the Treaty.³⁵⁷ The two authors argued that early implementation of some of the provisions of the Constitutional Treaty could help Union institutions deal with their problems of functionality and credibility. This, in turn, could facilitate the process of ratification itself. Moreover, once the Treaty enters into force, its implementation would be easier if some of the innovations provided for were already applied and tested. Following the rejection of the Treaty by a majority of French and Dutch voters, however, and the suspension of the ratification process in many European countries, the idea seems to have lost ground.

The constitutional crisis in academic debates

The constitutional crisis received considerable attention from Italian academic circles. As already mentioned, in December 2004 two experts of the Istituto Affari Internazionali di Roma (E. Greco and G. Tosato) published a paper analysing the problems related to the ratification process of the Constitutional Treaty. They assessed possible early application of parts of the text before completion of ratification and the initiatives to be undertaken in the event that not all member states ratify.³⁵⁸

On the eve of the French referendum in May 2005, moreover, Greco and Tosato published a new paper arguing that, should France or other countries reject the Constitutional Treaty, the ratification process should continue in the rest of the Union as planned – an obligation foreseen in Declaration No. 30 annexed to the Treaty. Most importantly, suspending the ratification process would have a negative impact on the Union's image and democratic credibility. Rejection by a narrow margin would be even more dangerous than the risk of a snowball effect. According to the two experts, finally, in case of failure of the ratification process, the political responsibility for finding a way forward rests first and foremost with the leaders of the countries that reject the Treaty.³⁵⁹ A few weeks later, after the French referendum, the reasons for the no vote were analysed by Tommaso Padoa Schioppa (see above).³⁶⁰

The possible ways out of the crisis were also analysed by Umberto Allegretti, from the Centro per la Riforma dello Stato. According to Allegretti, any effective relaunching of the European Union must be associated with a renegotiation of the constitutional reform. Moreover, he suggested that the best option for relaunching the process is a renegotiation of the Constitutional Treaty by governments. To achieve a more effective and convincing Treaty, provisions of a constitutional nature (the first, second and fourth parts) will have to be separated from those concerning policies.³⁶¹

Several experts, finally, intervened in the debate analysing the legal aspects of the crisis and its consequences on the “federalist” idea of the Union. In their interventions, much attention was given to initiatives for a “two speed Europe”.³⁶²

³⁵⁶ Intervention by Francesco Speroni at the hearings of the Italian Members of the European Parliament before the Commission for European Affairs of the Chamber of Deputies, 19/7/2005.

³⁵⁷ Ettore Greco, Gianluigi Tosato, “The EU Constitutional Treaty: How to Deal with the Ratification Bottleneck”, *The International Spectator*, Vol. XXXIX, No. 4 October-December 2004

³⁵⁸ Ettore Greco, Gianluigi Tosato, “The EU Constitutional Treaty: How to Deal with the Ratification Bottleneck”, *The International Spectator*, Vol. XXXIX, No. 4 October-December 2004. See comments in the section on innovations that could be implemented.

³⁵⁹ Ettore Greco and Gianluigi Tosato, “How to proceed if France and the Netherlands vote no”, IAI Working Paper 503.

³⁶⁰ “Non mentire sul no francese”, *Il Mulino* No. 4, 2005, see the section dedicated to the reasons for the no.

³⁶¹ Umberto Allegretti, “Una proposta per l'Europa”, Centro per la riforma dello Stato. Forthcoming in “Democrazia e diritto” No. 3, 2005.

³⁶² See, for example: Raimondo Cagiano de Azevedo and Mauro Vaccaio, “L'Europa tra il sì e il no”, *Comuni d'Europa*, September 2005; Massimo Condinanzi and Bruno Nascimbene, “Europa senza Costituzione”, *Corriere Giuridico* No. 8, 2005; Andrea Cagiati, “Le eventuali alternative alla Costituzione europea”, *Affari Esteri*, No. 147, Summer 2005.

Latvia

State of ratification

The Latvian parliament, the Saeima, endorsed the EU Constitutional Treaty on 2 June 2005: 71 deputies voted in favour of the treaty, 5 voted against, and the remainder either abstained or were not present. Thus, Latvia became the tenth country to ratify the treaty. The Latvian lawmakers and the public were well aware of the heated discussions in Western Europe over the negative assessment of the Treaty by the French electorate on May 29 and the Dutch electorate on June 1; apparently these did not have any bearing on the voting in Latvia, either in a positive or a negative sense. Likewise, these events do not appear to have had a direct influence on Latvian public opinion about the EU.

Nature of the current crisis

Latvians have reacted to all three events in a rather detached manner. Firmly believing that each EU member state must exercise its democratic rights and vote as it wishes, Latvians tended to see the results of the two referenda as part and parcel of the democratic process and, therefore, as a challenge to master, rather than a profound crisis to be afraid of. Thus, after the referenda in France and the Netherlands there were neither shouts of joy nor predictions of doomsday for the European Union. If anything, these events were seen as a kind of 'wake-up call' concerning the communications and credibility gap that exists throughout the EU between the people and the authorities, whether in Brussels or in the national capitals. Knowing that unresolved domestic problems and inadequate communication between the national government and the people played a principal role in the voting in France and the Netherlands, Latvians did not conclude that the referenda meant that the French and the Dutch had turned their backs on the EU in general.

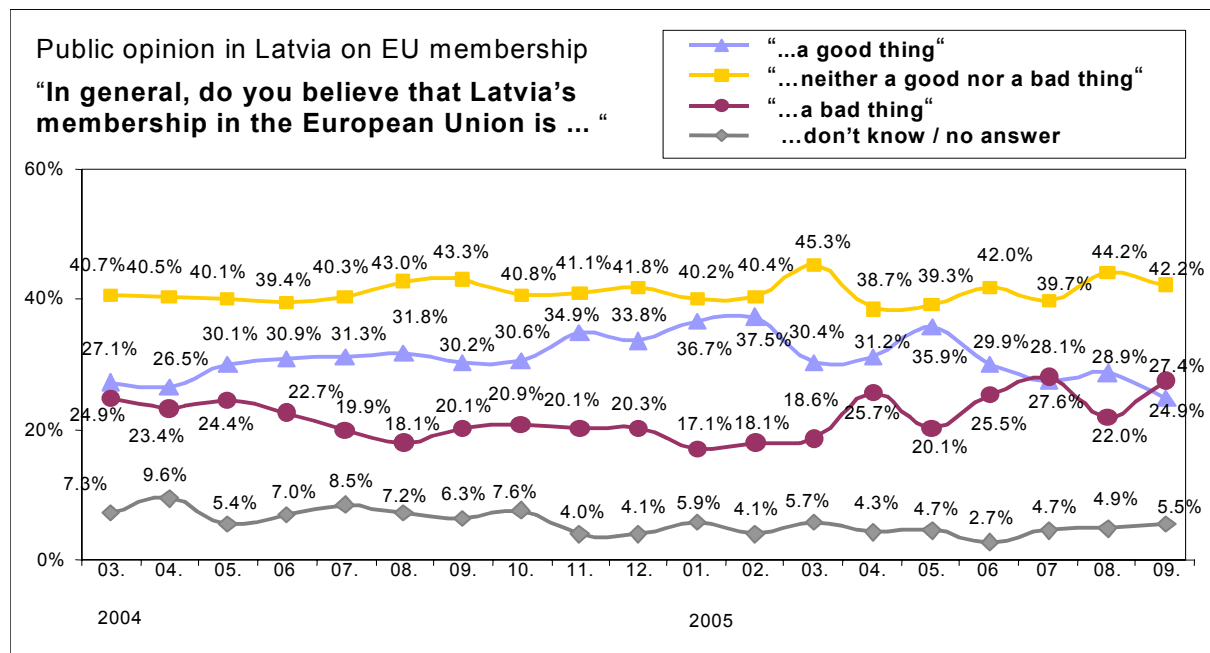
The Saeima's endorsement of the Constitutional Treaty was also perceived matter-of-factly, all the more so because such decisions are generally decided by the parliament. The idea of holding a referendum was never seriously discussed in Latvia. Despite the French and Dutch rejections of the Constitutional Treaty and the suggestions by some local politicians to postpone the voting indefinitely, the Saeima held the vote as planned. Though considering the document

imperfect, most deputies believed Latvia would gain more by endorsing rather than rejecting it. They also felt honour-bound to act in harmony with Latvia's pro-EU foreign policy goals. The Saeima's endorsement of the Treaty was received with equanimity, despite the fact that a very large segment of the Latvian population tends to look with mistrust at signs that the EU might be becoming a superstate and the ratification of the Treaty might be interpreted as a step in the direction of an EU superstate. Even the Euroskeptics saw no cause for alarm. The people in Latvia understood that however the Saeima would have voted, the implementation of the EU Constitutional Treaty had, in effect, been postponed indefinitely by the French and Dutch referenda. Subsequently, the future of the Constitutional Treaty has become a non-issue for the populace, although it remains on the agenda of the politicians, government officials, and academics concerned with EU affairs.³⁶³

Public opinion since spring 2005

Public opinion in Latvia about the EU continues to be tepid. Though 67% of the electorate voted in September 2003 for Latvia's joining the EU, the public opinion ratings of the EU prior to and following that referendum have tended to be lower. Opinion polls in 2004 and 2005 show – despite periodic fluctuations – a remarkable consistency: over 40% of the population believes that Latvia's membership of the Union is neither good nor bad, while under 30% (the range is from a low of 24.9% in September 2005 to a high of 37.5% in February 2005) feels that Latvia's membership is a good thing. Over 20% of the populace states that Latvia's membership of the EU is a bad thing, and about 4% gives no answer or does not know. Since the respondents were not questioned about their attitude toward the EU in light of the referenda in France and the Netherlands, no general correlations can be drawn. However, what is interesting is that since May 2005, when 35.9 of the respondents said that they thought Latvia's membership of the EU was a good thing, that figure has subsequently declined to 24.9%.

³⁶³ See, for example, the website *Latvija Eiropa* (<http://www.esia.gov.lv/lv/informacija/>, latest access: 8.12.2005) the home page of the Ministry of Foreign Affairs (<http://www.mfa.gov.lv/lv/eu>, latest access: 8.12.2005). The European Affairs Committee of the Saeima (<http://www.saeima.lv/Elkom/>, latest access: 8.12.2005), the Saeima Information Center about the EU (<http://www.eiroinfo.lv/pages/ESIC/>, latest access: 8.12.2005), and the website of Latvia's political scientists: <http://www.politika.lv/index.php?id=103834&lang=lv>.



The graph shows the percentage of respondents choosing a particular reply; the date of the poll is shown at the bottom. See Attieksme pret Latvijas dalību Eiropas Savienībā: Latvijas iedzīvotāju aptauja, 2005 gada septembris (Attitude toward Latvia's membership of the European Union: Opinion Poll of Latvia's Residents. September 2005), Riga: SKDS, 2005. For the full text, see <http://www.esia.gov.lv/doc/sabdom/200509.doc>, latest access: 8.12.2005).

Lithuania

Nature of the current crisis

After the rejection of the Treaty establishing a Constitution for Europe (further – the Constitution) in France it was widely agreed that the situation should not be dramatized (different officials mentioned, that this is neither a tragedy nor a catastrophe). As the President of Lithuania V. Adamkus noticed the results of French referendum is a sad day for Europe, but this not a tragedy³⁶⁴. The Minister of Foreign Affairs A. Valionis also observed "I would not dramatize, would not declare the apocalypse, nevertheless the situation is very serious and it requires to think and to talk about the future"³⁶⁵. The opposition politicians also supported this view. As one opposition Liberal and centre party member said, "The rejection of Constitution in France is not a destruction of the EU as we do not live on the basis of Constitution"³⁶⁶.

Some of Lithuanian politicians (both in government and opposition) even suggested that the EU itself might benefit from the current situation. As Valionis told that all 25 member states will be made to talk seriously about the future of the EU and this may lead to new brave ideas and brave politicians who could lead the EU to the future³⁶⁷. As the opposition leader A. Kubilius shared his views, "maybe such a shock is necessary that the leaders of the EU would understand that people are looking for something additional, for the EU orientation to values. [...] Maybe this shock will stir the thinking about the additional things which should not be forgotten"³⁶⁸. For the Deputy Chairman of the Parliament G. Steponavičius the rejection of Constitution in France seemed a good occasion for Lithuania, which was the first to ratify the Constitution without any wider discussions on the issue to come back to the discussions about this document³⁶⁹.

³⁶⁴ Press release of the President office "Prezidentas V. Adamkus: „Referendumo Prancūzijoje rezultatai – liūdna diena Europai“ [The results of the French referendum is a sad day for Europe], May 30, 2005, www.president.lt.

³⁶⁵ A. Valionis: Toks krestelėjimas ES reikalingas [Such a jolt is necessary for the EU], ELTA, May 30, 2005, www.elta.lt.

³⁶⁶ ES Konstitucijos atmetimas Prancūzijoje nereiškia Europos krizės, mano V. Stankevičius [V. Stankevičius assumes that the rejection of EU Constitution in France

does not mean a European crisis], ELTA, May 30, 2005, www.elta.lt.

³⁶⁷ ES nebeturi kelio atgal, įspėja A. Valionis [A. Valionis warns that the EU does not have a way back], ELTA, May 30, 2005, www.elta.lt.

³⁶⁸ Prancūzų "Ne" gali užkirsti kelią Turkijos stojimui į ES, teigia A. Kubilius [A. Kubilius sais that the French "no" can block the way for Turkey's membership in the EU], ELTA, May 30, 2005, www.elta.lt.

³⁶⁹ Po prancūzų "Ne" atsirado puiki proga grįžti prie diskusijų apie ES Konstituciją, mano liberalcentristai,

After the rejection of the Constitution in Netherlands the opinions of the high-level officials got divided with some of the high-level politicians remaining optimistic and some starting to declare that the EU is in a crisis. As the Chairman of the Parliament A. Paulauskas declared in a plenary session of the Parliament starting a discussion on the most important EU agenda questions, "Although usually it is avoided to speak about this and this is concealed, but it is obvious to everybody that the EU is experiencing a crisis - a political crisis, a communication crisis, a solidarity crisis"³⁷⁰. The President of the Republic of Lithuania V. Adamkus speaking in the Parliament stated that "European Union is experiencing a crisis, maybe it is even in a deadlock. The narrow interests of a single state or a single group are made more important than the interests of the whole EU"³⁷¹.

On the other hand the Deputy Chairman of the Parliament Č. Juršėnas claimed that this does not mean the fall of the EU or the tragedy for its existence³⁷². The Parliament member and the former Euro negotiator P. Auštrevičius speaking in the plenary session of the Parliament said "I am convinced that this is not a crisis of European Union politics and its values, but the crisis of their implementation"³⁷³. During the same plenary session the Minister of Foreign Affairs A. Valionis explained "The current situation is called a crisis by some. [...] However in the history of the European integration there have already been such turns and the EU has always managed to deal with the crisis successfully"³⁷⁴. He was not the only one to point to the previous crisis in the EU and to emphasize that there was always a solution found. The Head of the Political and

Institutional Cooperation Division of the European Union department of the Ministry of Foreign Affairs N. Tankevičius stated „a solution followed each crisis in the EU which pushed the EU in a progressive direction"³⁷⁵. The Deputy Director of the European Law Department next to the Ministry of Justice I. Jarukaitis claimed that even if the Constitution is not ratified, the EU existence would not end, but that would make the decisions harder to adopt for the EU member states³⁷⁶.

The ratification of Constitution in Luxembourg gave new optimism for the Lithuanian officials. As former euro negotiator P. Auštrevičius emphasised „The result is 13:2 for the integration. I think we cannot overlook that"³⁷⁷.

Priority reasons for the problems and failures of ratification

The highest-level Lithuanian officials widely agree that the Constitution was rejected in France and Netherlands not because of the provisions of the Constitution itself. As the Minister of Foreign Affairs minister A. Valionis noticed, „If you put all the reasons for the rejection of Constitution into a list you would not understand what should be changed in the Constitution, because these reasons are not about the Constitution"³⁷⁸. As the Chairman of the Parliament regretted „the electorate at the minimum voted for or against the Constitution"³⁷⁹. The most widely recognized reasons for the rejection of the Constitution among Lithuanian politicians and officials are the opposition to the ruling government and the opposition to the further enlargement of the EU (especially towards the Turkey's membership in the EU) as well as to the immigration, which is said to be related with the further enlargement.

[Liberalcentrists assume that there is a perfect opportunity to come back to the discussions on the EU Constitution after French "no"], ELTA, May 30, 2005, www.elta.lt.

³⁷⁰ The speech by the Chairman of the Parliament A.

Paulauskas delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

³⁷¹ The speech by the President of Lithuania V. Adamkus delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

³⁷² Č. Juršėnas nemato grėsmės Europos Sąjungos gyvavimui [Č. Juršėnas does not see a threat to the existence of the European Union], ELTA, June 2, 2005, www.elta.lt.

³⁷³ The speech by the Parliament member, former Euro negotiator P. Auštrevičius delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

³⁷⁴ The speech by the Minister of Foreign Affairs A. Valionis delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

³⁷⁵ ES neratifikavus Europos Konstitucijos, gyvenimas nesibaigtų, teigia specialistai [If the European Constitution were not ratified, the life would not end], ELTA, October 29, 2005, www.elta.lt.

³⁷⁶ ES neratifikavus Europos Konstitucijos, gyvenimas nesibaigtų, teigia specialistai [If the European Constitution were not ratified, the life would not end], ELTA, October 29, 2005, www.elta.lt.

³⁷⁷ P. Auštrevičius: Liuksemburgo balsavimas dėl Konstitucijos rodo - traukiny s juda [P. Auštrevičius; the voting in Luxembourg on the Constitution shows – the train is moving], ELTA, July 11, 2005, www.elta.lt.

³⁷⁸ Žodis "konstitucija" prancūzams ir olandams sumaišė protus, mano A. Valionis [A. Valionis assumes that a word "constitution" confused the minds of French and Dutch], ELTA, June 3, 2005, www.elta.lt.

³⁷⁹ Po nepritarimo ES Konstitucijai blokas turės keistis, sako A. Paulauskas [A. Paulauskas said that after the rejection of EU Constitution the block will have to change], ELTA, June 3, 2005, www.elta.lt.

The opposition parties in Lithuania shared this view towards the non-ratification of constitution in France and Netherlands. As the leader of opposition A. Kubilius explained, "not only the view of the electorate towards the government was the crucial factor in determining the results of referendum in France and Netherlands but also the fear of immigration"³⁸⁰.

State of ratification in Lithuania

By ratifying the Constitution on November 11, 2004 Lithuania was the first EU member state to ratify the Constitution a few weeks after the Constitution was signed in Rome. The constitution was approved by the vote in the parliament with 84 parliament members voting for, 4 against and 3 abstaining. Such a speed of the ratification of the Constitution was explained as a wish of the previous cadency of the Parliament, which contributed a lot for Lithuania's membership in the EU, to finish its work³⁸¹. On the other hand, the lack of public discussions on the Constitution, the lack of the discussions about this issue in the Parliament and the ratification of the Constitution by a parliamentary vote were widely criticized.

Attitude of public opinion since spring 2005

The last opinion poll indicating the Lithuanians' support for the Constitution was the Spring 2005 Eurobarometer, which was conducted in Lithuania from May 12 to June 6. Therefore the results of this survey only partly demonstrate the impact of French and Netherlandish "no" on the support for the Constitution in Lithuania. Following the data of the Eurobarometer survey 64 per cent of Lithuanians favour the Constitution.

As the earlier Eurobarometer surveys indicate, the support for the Constitution during the last year fluctuated quite much. Starting from 52 per cent of those supporting the Constitution in Lithuania in Spring 2004, the support for the Constitution rapidly grew and reached 73 per cent in Autumn 2004. Therefore the last survey

demonstrates a decline in support for the Constitution in Lithuania by 9 per cent³⁸².

Ways out of the crisis

The ways out of a crisis are not widely discussed in Lithuania, but the most popular solution pointed out by Lithuanian politicians and officials is the implementation of the separate constitutional provisions or the parts of the Constitution if the whole document is not adopted. According to the Lithuanian Minister of Foreign Affairs A. Valionis, one of the possible ways out of the current situation is to implement the most important provisions of the Constitution to the European Union treaty or to accept new documents, which would increase the effectiveness of decision making in the EU. On the other hand, as the Minister said, it is possible to hold a new intergovernmental conference³⁸³, which would look for a long-term solution after having analyzed the proposals of the member states³⁸⁴.

Implementation of specific provisions of the Constitution

The discussion on which constitutional provisions could be implemented if the whole treaty is not saved does not attract a lot of attention and the government has not clearly defined its position on this question. As the Lithuanian Minister of Foreign Affairs A. Valionis and other important officials keep on repeating, the provisions, which would enable EU to be more effective compared to the Nice treaty should be implemented. He says, "the EU members will have to search for a way to fix a more effective decision making than the one foreseen in 2000"³⁸⁵. The former Euro negotiator P. Auštrevičius supposes, that it will not be hard to find a solution on the more effective decision making process and the new positions which are laid down in the text of the Constitution³⁸⁶.

³⁸² Eurobarometras 63.4, 2005 m. pavasaris, šalies ataskaita: Lietuva [Eurobarometer 63.4, Spring 2005, A country report: Lithuania] www.europa.eu.in/comm/public_opinion (latest access: 23.11.2005).

³⁸³ The details of this intergovernmental conference were not provided by the Minister A. Valionis.

³⁸⁴ ES nebeturi kelio atgal, įspėja A. Valionis [A. Valionis warns that the EU does not have a way back], ELTA, May 30, 2005, www.elta.lt.

³⁸⁵ ES nebeturi kelio atgal, įspėja A. Valionis [A. Valionis warns that the EU does not have a way back], ELTA, May 30, 2005, www.elta.lt.

³⁸⁶ P. Auštrevičius "pirmojo greičio Europą" mato rytinėje ES dalyje [P. Auštrevičius sees "the first speed Europe" in the eastern part of the EU], ELTA, June 2, 2005, www.elta.lt.

³⁸⁰ Prancūzų "Ne" gali užkirsti kelią Turkijos stojimui | ES, teigia A. Kubilius [A. Kubilius says that the French "no" can block the way for Turkey's membership in the EU], ELTA, May 30, 2005, www.elta.lt.

³⁸¹ Neskubėdamas ratifikuoti ES Konstitucijos Seimas būtų atrodęs santūriau, pripažįsta V. Gedvilas [V. Gedvilas recognizes, that without a rush to ratify the EU Constitution the Seimas would have appeared more reserved], ELTA, May 30, 2005, www.elta.lt.

The constitutional crisis in academic debates

The discussion about the situation in the EU after the rejection of the Constitution in France and the Netherlands has not been very intensive among academics and there have not been articles about the constitutional crisis in recognized academic publications yet. Generally, the academics tend not to make the statements about the fall of the EU or to dramatize the current situation, although they use the term “crisis” to describe it. As the director of the Institute of International Relations and Political Sciences of Vilnius University R. Lopata stated “The results of referendums in France and the Netherlands as well as the non agreement over the EU budget is just a tactical problem”³⁸⁷. The Head of European Studies department of the same Institute J. Čičinskas explained “This crisis is more a crisis in the political elite, but the whole powerful mechanism – the budget, the integrated internal market, everything is working and moving forward”³⁸⁸. J. Daniliauskas from the same institution recognized, that the current crisis makes a negative influence on the other EU issues, including the agreement on the new EU budget. Nevertheless he reminded that there have been more crises in the history of the EU and the EU has always been capable of finding the successful solutions. As he stated, „even if the EU Constitution is not ratified, EU will continue to exist. The European Union has always been a „Union of compromises“³⁸⁹.

Luxembourg*Nature of the current crisis*

The referendum campaign in Luxembourg showed that a “deep going crisis beyond historic precedence” shook the European Union after the negative results of the referenda in France and the Netherlands. This conviction was shared by both the supporters of the “yes” and the “no”.

³⁸⁷ R. Lopata: reikia rengtis gyventi ES be valstybių [R. Lopata: it's time to prepare to live in the EU without the states], ELTA, June 21, 2005, www.elta.lt.

³⁸⁸ Lietuva pradeda ruoštis pirmininkavimui ES [Lithuania starts to prepare for the EU presidency], ELTA, June 28, 2005, www.elta.lt.

³⁸⁹ Jonas Daniliauskas. Ar tikrai sugrius Europos Sąjunga? [Jonas Daniliauskas: Will the European Union really fall down?] ELTA, July 19, 2005, www.elta.lt.

The followers of the “yes” vote suggested that a Luxembourg “yes” could be seen as a kind of “wake up call” addressed to the rest of the Union. The events or better the non-events that occurred later showed the Luxembourg public that the “wake up call “ hope was in vain.

The debate on the referendum in Luxembourg showed indeed a deep gap between different basic concepts of European integration: the “Anglo Saxon” concept, preferring a “free-market only” oriented union with a minimum of institutional integration, and the continental point of view of a union, heading towards a European integration introducing social minimum standards and maintaining an unchanged CAP.

Reasons for failure of ratification

In the referendum campaign unlike in France or in the Netherlands the “domestic politics and constellations” did not intervene in the debate. Unlike what happened in France the Prime Minister Jean-Claude Juncker's authority is uncontested. His personal fight in favour of the yes did convince many Luxembourg voters to overcome their scepticism after the French and Dutch no and vote yes. The issue of the referendum raised the interest of social and economic relevant groups. The particular situation of the Luxembourg economy, meaning a total dependence on foreign trade relations, assured the absolute support of businessmen and representatives of Luxembourg industries and services companies to a ‘yes’ vote. The Chamber of Commerce president was one of the leading figures of the ‘yes’ campaign. Labour representatives of the major trade unions socialist and christian democratic suggested a ‘yes’ vote too.

Social and economic reasons may explain the discontent of many voters with the treaty. As in France or the Netherlands the ‘no’ vote can be explained by this discontent. In the referendum voters did not always follow the advice of their preferred political parties and lobbies. Is it really astonishing that the towns with a majority of ‘no’ votes are those with the highest unemployment rate? A fear of social down falls as a consequence of economic deregulation appeared.

Euro barometer opinion polls have suggested for years the generally very positive attitude of Luxembourg people towards the idea of

European unification in general. For a long time Luxembourgers had no sympathy for euro-scepticism simply because their country draws a lot of economic advantages from the membership in the European communities. Their personal wealth was indebted to the development of European integration. With the implementation of the integration process and the disappearance of several protecting measures a certain resignation and scepticism appeared. The enlargement issue as well as a felt inflation since the introduction of the Euro increased the sentiment.

Many young people don't believe the politicians pro-European appeals anymore. For them a sentence like "Europe means peace" sounds like an empty shell since they didn't have a personal experience of a European war. Ever repeating First and Second World War commemoration ceremonies seem to lose their appeal on the post baby-boom generations.

Although not directly related to the referendum's question the asylum seekers issue was a concern of Luxembourg citizens in some parts of the country. Especially in the towns where there are provisional homes for asylum seekers and where their concentration is particularly high. The question whether Luxembourg should accept more or less political or economic refugees was really related to the debate over the European constitutional treaty but some voters saw it that way. Hence there was a "no" victory in the towns where the refugees concentration is highest.

The contradictory debate over the contents of the treaty fascinated the Luxembourg people in the approach of the referendum. Political observers as well as the promoters and the detractors of the treaty agreed on one point: they had never seen such a fertile most interesting political debate in this country. The discussion focused almost exclusively on the content of the treaty and its possible consequences for Luxembourg and did not deviate to a government bashing manoeuvre.

In Luxembourg the current crisis is in no way due to a lack of political leadership. The re-election and with a very high personal score of Prime Minister J.C. Juncker in the 2004 election leaves no doubts. It seems to be a fact his personal intervention in the referendum campaign gave the 'yes' vote a boost. This situation could not be compared to Mr Chirac's

position in France. The discontent with the French political leadership was seen by some observers as a negative element contributing to the final 'no' vote. In Luxembourg opinion polls suggest that it was the other way round.

The Luxembourg parliament organized a great number of public hearings to stimulate the communication with the wider public. Not to speak of the internet, radio, TV and print media information campaign. The attendance to these hearings was exceptionally high, much higher than for regular electoral meetings. This demonstrated again the public's interest in the issue. Nevertheless the information campaign sponsored by the government to inform the people on the content of the constitution treaty and the appeal to go to the polling stations was seen by the "committee for the 'no'" as a political manipulation and an illegal propaganda for a "yes" vote.

State of ratification

The *Chambre des députés* – the Luxembourg parliament – organized in May and June 2005 a number of public hearings where promoters and detractors of the constitution project could argue in order to inform the Luxembourg people on the crucial issues of the national referendum. Representatives of the civil society were invited as well as interested individuals to present their point of view in a contradictory debate. After these hearings the official referendum campaign started and ended with a public debate in the Parliament, the *Chambre des députés*. All parties represented in parliament (Christian Democrats – CSV, Socialists – LSAP, Liberals – DP, Greens) except one (Populists – ADR) voted on June 28th 2005 in favour of the constitution treaty. After this first positive vote in parliament the first lecture the referendum on the constitution treaty project took place in the Grand-Duchy on July 10th, 2005. Due to the Luxembourg constitution stipulations that a popular consultation has only a consultative character and is not legally binding in Luxembourg, the parliament could have ratified the constitution in a second vote even in the case of a 'no' victory. But in terms of good political style it was decided beforehand that in the case of a 'no' victory there would be no second vote and hence no Luxembourg ratification of the treaty. The negative issue of the French and Dutch referenda in May and June raised the question of postponement of the referendum until autumn 2005 or even *ad calendas grecas*. The parliament finally

resolved to adhere to the decided schedule against all odds. After the positive outcome of July 10th referendum the Luxembourg parliament finally ratified the treaty in a second lecture on October 25th, 2005. The result, a 57:1 vote in favour of the constitution, does not reflect the mood of the members of parliament. Even the majority of the populist party (ADR) voted in favour arguing that they respect the will of the majority of the Luxembourg people. The parliamentary debate was frustrating, some parliamentarians (left wing socialists and greens) told they voted 'yes' but without their personal conviction since they believed the treaty was dead and buried since the French and Dutch referendums.

Public opinion since spring 2005

The referendum campaign, the first in Luxembourg since 1937 (!), was a highlight in democratic debate. Public opinion support for the treaty vanished from overwhelming 80% in 2004 to a slim majority of 56.5%. The most intense debate around the European constitution before the referendum stopped almost totally the day after the results were known. Domestic economic and social issues took again the lead in the medias' and the public's interest.

Ways out of the crisis

The Luxembourg government gave the impression that it still believes in the final adoption of the entire constitution after the ratification 13 member states. In no way the Luxembourg government would accept the total abandon of the constitution, a trimming and a selection of some provisions seems to be acceptable specially if this solution would pave the way to bring France, the Netherlands and maybe the United Kingdom back on the "right track".

The argument of the supporters of the 'yes' vote told the Luxembourg people that even in case the treaty was renegotiated a Luxembourg 'yes' vote would give the Grand-Duchy a better negotiating position in case of a possible renegotiation of the treaty. Since the results of the French and Dutch referendums have been known, the 'no' camp argued that this constitution was dead anyway so it should be abandoned. The 'yes' camp suggested that a positive Luxembourg vote could save the Constitution. But this signal was not sufficient.

A new Intergovernmental Conference is acceptable as a possible way out of the crisis to the Luxembourg government but no precise agenda whatsoever has been agreed upon. The idea of a new convention is not mentioned in the political discussion in Luxembourg

Implementation of specific provisions of the Constitution

As the Luxembourg government has called for the adoption of the constitutional treaty by its fellow citizens and as it has been ratified there is no further change in the government's attitude towards the institutional aspects.

For the Luxembourg government the European Council is, and remains the place where common decisions are made and where it is taken into account that the EU is a union of 25 countries that collaborate very closely and pursue common goals.

The European foreign Minister has in Luxembourg government's eyes a double role, one as a commissioner in charge of foreign relations and one as a Council member who presides over meetings of foreign ministers and executes their decisions. Therefore the Luxembourg government sees a possibility of combining the two elements of common European foreign policy, the Commission and the Council under one umbrella and of guaranteeing the greatest possible coherence and efficiency in the common European front to the outside world. In other words the European Foreign minister has at his disposal all the instruments necessary to represent the common European positions efficiently and coherently on the outside and to the outside world.

The Luxembourg government has been in favour of the principle for a double majority as it has been written down in the constitutional treaty. The Government wants Europe to find its way towards a simple system so it can take decisions in a transparent and comprehensible, but most of all democratic manner – a manner that also reflects the double nature of the union that comprises nations as well as citizens. In the view of the Luxembourg government the constitutional treaty aims to reduce the possibility of blocking decisions through the double majority principle. The first element in this system is that the majority of nations underlines the equality of all

member states. Here every member of the union has one vote. The second element, the majority of the union's citizens, is a reflection of that basic principle of any democracy, namely that every citizen counts. The combination of these two elements represents the union's true character as a union of member states and also a union of European citizens

The Charter of fundamental rights has been solemnly proclaimed in the Nice treaty and has since been then integrated in the constitutional treaty signed in Rome in October 2004. For Luxembourg's Justice minister Luc Frieden a "yes" vote to the constitution meant also "yes" to the fundamental rights charter. The Luxembourg presidency of the European Union gave great importance to this charter. Furthermore the Luxembourg government is convinced that the defence of the fundamental rights goes in parallel with the deepening of European integration. All asylum matters as well as emigration and border control affairs have been put into EU competence. The member states have conceived the Union to be an area of liberty, security and justice hence fundamental rights are an important element of this. For Luxembourg's Justice minister Frieden the parallelism could be discovered in the judicial cooperation in penal matters which is to be reinforced by the Constitution. In the same time the constitution gives the fundamental rights an obligatory function. The Council of Justice ministers supports the creation of Fundamental rights agency. Luxembourg's Justice minister admits that discussions are still needed to determine the precise competences of this agency. In the view of Luxembourg's Justice minister the agency should not be a copy of the Council of Europe's existing institutions in Human rights protection matter. It seems to be clear that "normative" control of EU legislation should not be attribute to this Agency since it's in good hands with European court of Justice in Luxembourg. Luxembourg rather sees the Agency invested of a mission to express recommendations on the basis of examination of national legislations and legal habits – in fundamental rights matter in order to improve the realisations of the treaties objective namely the realization of the domestic market, the area of liberty security and justice.

The constitutional crisis in academic debates

The University of Luxembourg organized several hearings and conferences to discuss the constitution treaty and to inform interested

citizens. Generally speaking – an opinion poll realised by the Luxembourg institute ILRES confirms this information – academic circles were the best informed about the contents of the constitution treaty and the acceptance of the treaty was greatest among this social group. But after the French "no" a growing number of left wing intellectuals, students and young people in general especially sympathisers of the anti globalization movement "ATTAC", criticized the treaty. Their main focus was the dangers of liberalization included in the treaty. The media impact of this group was important as these people were invited to most discussion forums and hearings. On the other hand a "group of 50" Luxembourg intellectuals, politicians, businessmen, artists, etc. made an urgent appeal to their fellow citizens to vote "yes". Especially historians and economists were in the front line to fight for a Luxembourg "yes" vote.

Most authors of articles, columns and commentaries think that the constitutional crisis in Europe hasn't been solved by the positive result of the Luxembourg referendum. This way to put it is generally spread in academic circles, too. But a "no" vote of Luxembourg would have been very bad for the positive European image Luxembourg carried for a long time.

Malta

State of ratification

The Maltese parliament ratified the constitution in a unanimous vote on July 6th 2005. All three political parties in the country voted in favour of ratification. The traditionally Eurosceptic Malta Labour Party which has forty eight per cent of the seats in parliament, took a decision to back the constitution in May 2005.

The governmental and civil societal debate on the constitution that took place in Malta focused largely on whether it implied a clash with traditional Maltese Christian values, and on a possible infringement to Maltese sovereignty. As citizens from the smallest state in the EU, Maltese are constantly debating the extent to which their sovereignty is being undermined as a result of decisions being taken in Brussels. The overall view was that the constitution would not introduce any major new mechanisms that would further erode Malta's autonomy in international relations,

thus the consensus that was arrived at a political level, a rare phenomenon in Maltese politics.

Public opinion since spring 2005

As happened in the run up to the public referendum on EU Accession in March 2003, a large sector of the population argued that they were not adequately informed of what the constitution consisted of and more importantly, what impact it would have on their daily lives. Suffice to say that no draft constitution document in Maltese was made available so that the public at large could examine it in thorough detail. (While English is also the official language in Malta, the Maltese language is the main communicative language used by more than half the population on a regular basis).

The negative outcome of the referenda in France and the Netherlands has largely resulted in the issue of the constitution being demoted as a priority at a civil societal level. Public opinion is divided between the issue being relegated to a limbo status and thus off the agenda and those that consider the issue a closed chapter that will have to be completely renegotiated. In contrast, the Government continues to advocate the importance of the EU Constitution coming into force as soon as possible as this is the only way the EU will become a more viable and credible actor in international relations, including relations in the Mediterranean (the Euro-Mediterranean Partnership and the Neighbourhood Policy).

Ways out of the crisis

The Government believes that the most logical way to reverse the negative outcome of the referenda in France and the Netherlands is to re-launch the entire information campaign in a much simpler and more focused manner than was previously the case. A more user-friendly communication strategy that addressed the Union citizen's concerns would be enough to persuade the majority to vote in favour of it in future.

Implementation of specific provisions of the Constitution

There is a general consensus at a governmental level that institutional aspects of the Treaty can be implemented, especially when it comes to the creation of an EU External Action Service and the idea of a

Foreign Minister of the EU. An often voiced argument put forward by the Government of Malta is that the strengthening of the EU's institutional dimension and its decision making procedures will boost the EU's credibility at an international level and thus be a positive development in the evolution of the EU with 25 plus member states. The alternative scenario of a lethargic EU bogged down in a continuous state of paralysis serves no one's interest within the EU or its neighbourhood.

The constitutional crisis in academic debates

Coverage of the EU Constitutional crisis in academic circles and publications has been sporadic. A few academic publications have been published and at least one international conference convened on the topic in 2005 to raise awareness of the state of play in the EU. There has however been quite limited coverage of the constitutional crisis during the second half of 2005 at an academic level and in the media with the main feeling being that this is an issue for the future that does not deserve coverage immediately after what happened in both France and the Netherlands. The so-called reflection period has thus turned into a limited debate situation where other issues (illegal immigration and the EU budget debate have dominated the academic conference and media headlines).

Netherlands

Nature of the current crisis

In the referendum on the 1st of June the Dutch voters rejected the European Constitution with 62% of the votes in a turnout of about 63 percent.³⁹⁰ The negative outcome of the referendum was and is perceived as a crisis both on the national and European level. The gap between policymakers and citizens and between politicians and voters could not have been shown clearer than in the outcome of this referendum when taking into consideration that the government, a vast majority of parliament and many intellectuals supported the European Constitution. The session in parliament the day after the referendum reflected some of the confusion and desperation among politicians and a strong feeling that something needs to be done to bridge this gap between the politicians and voters. When Harry van Bommel of the Socialist Party (SP) put forward

³⁹⁰ 'Referendum on European Constitution' at <http://www.government.nl>.

a motion to launch a broad public debate on Europe it immediately was approved by a majority of parliament. And soon it became a joint initiative of government and parliament to launch such a broad public debate to regain the trust of the voters and to continue the debate with citizens on Europe.³⁹¹

Reasons for failure of ratification

An important reason for the negative outcome of the referendum was the timely and smoothly running no-campaign versus the late and badly organised yes-campaign by the government and members of parliament. Although the yes-camp reflected a majority in parliament of 85% and consisted of both governing and opposition parties they were unable to create a broad support in society.³⁹² The no-campaign started early with strong one-liners creating an image of Super State Europe absorbing the Netherlands and at first without any response from the yes-camp. Most prominent reasons figuring in the no-camp³⁹³ are fears of a Super State Europe with a diminishing influence for The Netherlands, protest against the neo-liberalist direction of European integration, fears of migration and the future accession of Turkey, protest against the 'expensive' Euro and net contributor position and protest against leaving out the reference to the Christian heritage of Europe. When the yes-camp finally responded it was in a rather unorganised way and certainly not with one single voice. On the contrary ministers started to make the wildest comments and some of them even insulted the voters by stating that the government would not follow the outcome of the (nonbinding) referendum; that the European Constitution is too difficult to understand and that cynical voters better could stay home than vote against. With hindsight one can say that the government was looking for the parliament to take the lead, because they had made possible this referendum by adopting a special bill and parliamentarians were looking to the Ministers to promote Europe.³⁹⁴ The last two weeks of intensive campaigning by both ministers and

parliamentarians could no repair what had failed before and was even met with distrust among many people. Other reasons apart from the bad campaign mentioned by former Dutch European Commissioner Hans van den Broek are calling the new treaty a Constitution instead of just the Second Treaty of Rome; a general distrust in Europe after the open disagreement among member states on the war in Iraq and the non compliance of France and Germany with the Stability and Growth Pact and the unfamiliarity and inexperience with the instrument of a referendum in The Netherlands.³⁹⁵ When looking for major reasons for the negative outcome one thing is clear: It is certainly not the euro scepticism of Dutch citizens. As a Eurobarometer poll shows 77% of the Dutch citizens approve EU membership.³⁹⁶ Also during the campaign there was a high citizens participation and Europe was for a short period the issue of the day. The naked truth is that the information gap on European Affairs simply could not be bridged with one referendum campaign for European integration.

State of ratification

On basis of the outcome of the referendum on the EU Constitutional Treaty the Dutch government decided to suspend the ratification process. It withdrew the bill for approval of the treaty. As the European Council is expected to define its position in June 2006 the government decided to postpone the whole issue.³⁹⁷ More over parliament strongly recommended the government to do so in the lively debate in parliament the day after the negative outcome of the referendum.³⁹⁸

Ways out of the crisis

Three months after the French and Dutch no to the European Constitution the Minister for European Affairs Atzo Nicolaï addressed an audience of European diplomats and Dutch businessmen as prelude to the broad public debate on Europe in The Netherlands in the coming months. Nicolaï stated that: 'Voters rejected the advice of the government, the vast majority of politicians and a large section of civil society.' and that 'we must not play down

³⁹¹ 'Nationale Europa Discussie is van de baan', Nieuws at <http://www.grondweteuropa.nl>.

³⁹² The yes-camp: governing parties: Christian democrats (CDA), liberals (VVD), liberal-democrats (D'66) and opposition parties: social democrats (labour party: PvdA) and the greens (GroenLinks).

³⁹³ The no-camp: the socialist party (SP), the small Christian parties (ChristenUnie, SGP), the List Pim Fortuyn (LPF) and independent MP Geert Wilders, formerly member of the liberal faction in parliament. For information on the referendum campaign see: <http://www.grondwethoezo.nl>.

³⁹⁴ 'De rampcampagne vande drie O's', Trouw, 1/06/2005.

³⁹⁵ 'Met nee schieten we in onze eigen voet. Hans van den Broek over de eurosceptis', NRC, 28/05/2005.

³⁹⁶ Eurobarometer 63.4. Executive Summary National Report The Netherlands (Spring 2005).

³⁹⁷ 'Staat van de Europese Unie 2005-2006', Kamerstuk 2005-2006, 30303, nr.1, p. 26.

³⁹⁸ 'Politici oefenen zich in deemoed', Volkskrant 3/06/2005.

the significance of their verdict.’ In his opinion the rapid creation of the internal market with a single currency and a single area of freedom, security and justice and the enlargement of the EU have met both approval and resistance in society. He therefore welcomes the decision of the June European Council to embark upon a year of reflection and debate. The conclusion of the outcome of the referendum is not that The Netherlands is anti-European, but rather the opposite. Surveys have proven that there is a broad support in society for European integration, but that the problems lies in the fact that Dutch citizens do not feel involved in the making of European policy and legislation.

In order to address this problem the Dutch government and parliament have decided to launch a broad public debate. Nicolaï raised three issues that should be part of the debate: subsidiarity and proportionality; the scope/frontiers of European integration and the future Dutch approach to integration in Europe. On the latter he stated that “The Netherlands will continue to contribute to Europe’s development.” and “(...) will continue to push for the further strengthening of European cooperation and deepening of European integration. The Netherlands will be constructive but critical. Never losing sight of people’s expectations of Europe.” In his opinion it is of utmost importance to reconnect the EU with its citizens, because “A Union without the people is no Union at all.”³⁹⁹ In a joint editorial in the Financial Times with his British counterpart Douglas Alexander he further elaborated on the public opinion on Europe and the importance to involve European citizens by stating that “It is not the idea of Europe (...), which is being questioned but the way the EU works. People fear an anonymous European bureaucracy getting involved in too many aspects of our lives at the expense of our cultural identity, national sovereignty and individual freedom. They want a Europe which is a heavyweight in defending our common interests and values, but light on needless regulation. Our aim must be to make Europe work better.” Both see the “period of reflection” as an opportunity to debate exactly these issues in a frank and open manner with European citizens and to look for ways for the EU to bring real benefits to its citizens. And although the ratification process of the constitutional treaty has been postponed and

³⁹⁹ Speech by the Minister for European Affairs Mr. Atzo Nicolaï, ‘A Union without the people is no Union at all. The Netherlands and the EU after the Dutch ‘No’’, European Ambassadors lunch, Amersfoort, 1/09/2005.

irrespective of what happens to the treaty it should be clear that the focus still is on what the treaty wanted to achieve, especially on what Europe should do and what should remain the preserve of national politics.⁴⁰⁰ The Dutch Minister of Foreign Affairs Bernard Bot even stated that “we must consider whether certain policy areas now regulated at the European level should be “re-nationalised”.”⁴⁰¹

Ironically four months after the referendum the chosen instrument to involve Dutch citizens in European policy making, the broad public debate on Europe, was cancelled even before its start in November 2005. Disagreement among political parties and between the government and parliament – it was a joint initiative – finally led to the cancellation of the whole project. From the start the Liberals (VVD) in parliament stated that they are not interested in participating, because in their opinion the public debate already had taken place in the referendum-campaign. An MP of the social democrats on behalf of the parliament and the Minister for European Affairs on behalf of the government were chosen to chair the project. The latter was chosen despite there had been some doubt whether the Minister of European Affairs was the right person since he had been the leader of the yes-campaign. When by the end of September the leader of the Social Democrats (PvdA) Wouter Bos stated that the government should not be allowed to be a co-organiser of the broad public debate because the government cannot be considered neutral the whole project collapsed. What will happen now is still unclear, but the prime minister already stated that the government intends to examine the opinion of Dutch citizens on Europe anyway and will be looking for other instruments to do so.⁴⁰² After his withdrawal from the project in reaction to the statement of not being neutral the Minister of European Affairs suggested to organise two separate debates one by the government and one by parliament.⁴⁰³ What might have sparked the collapse of the broad public debate as well is the outcome of a poll among Dutch citizens on how this debate should be organised. This poll organised by Prof. Hans Anker once involved

⁴⁰⁰ Atzo Nicolaï and Douglas Alexander, ‘Europe must be heavy on values, light on red tape.’, Financial Times 17/11/2005.

⁴⁰¹ Bernard Bot, ‘Liever hoop dan angst in Europa’, Volkskrant, 25/10/2005.

⁴⁰² ‘Nationale Europa Discussie is van de baan’, Nieuws at <http://www.grondweteuropa.nl>.

⁴⁰³ ‘Europa-debat dreigt nu al te verzanden’, NRC, 30/09/2005.

in the election campaign of Bill Clinton showed that citizens had the feeling that the government would (miss)use the broad public campaign to ratify the European Constitution anyway regardless the negative outcome of the referendum. The major conclusion for the Minister of European Affairs on basis of this poll is that politicians should stop their 'Europe promotion' and start talking about real European Affairs.⁴⁰⁴

Implementation of specific provisions of the constitution

At the moment there is no real debate on the constitution itself after the suspension of the ratification process by the government, but the debate focuses much more on the underlying reasons for the rejection of the European constitution by the Dutch citizens. The day before the referendum the opposition parties that were against the constitutional treaty for very different reasons all agreed that a no would create the time needed to really debate Europe and that in the meantime the Treaty of Nice will suffice.⁴⁰⁵ In an article the end of October by the Dutch Minister of Foreign Affairs Bernard Bot, he stated that the period of reflection should not be used to revive the already rejected treaty and that the Dutch government certainly will not ask the parliament once again to approve the current Constitutional Treaty.⁴⁰⁶

The constitutional crisis in academic debates

The major conclusion of the negative out-come of the referendum in The Netherlands in the opinion of Mendeltje van Keulen, fellow at the Clingendael European Studies Programm is that a new generation of politicians will be needed to create a vision on Europe and to communicate with the citizens. In short she states that the lack of knowledge and vision on Europe and European Affairs among Dutch politicians has already been painfully reflected in non-committed campaigns as 'Europe quite important'⁴⁰⁷ is one of the main reasons for no-vote. This is reflected as well in the complaint of one out of three no-voters that they are not well informed on the European Constitution

and European cooperation.⁴⁰⁸ Jaap de Zwaan, Director of Clingendael, also agrees that the most important lesson learned in the aftermath of the referendum is that although the Dutch voters in majority are in favour of EU membership they have a dramatic lack of knowledge on the European Union and its affairs. He welcomes the broad public debate as a mean to remedy a part of this information gap among citizens, but insists that a more structural approach will be needed for example through education and more visibility of European Institutions like parliament and commission.⁴⁰⁹

Looking at the aftermath of the negative outcome of the referenda in France and The Netherlands and the current crisis in the European Union Prof. Jan Rood and Peter van Grinsven ask themselves what will be the consequences for future European integration. What Europe will we need: a 'Europe lite' or a 'Europe puissance' or in caricature a Free Trade Zone versus a Political Union. They highlight three views on the current crisis in the European Union: the view that its about an existential crisis leading to the fragmentation of the Union; the view that this crisis like previous ones will create a new dynamism towards further integration and the view that this crisis is caused by the great expansion of European policies and will ask for partly re-nationalisation of policies rather than further integration. When analysing the crisis they argue that this crisis differs from previous ones, because it constitutes a sum of several crises. In the first place: a crisis of legitimacy, a clash of interests between governments and citizens instead of between member states. In the second place: a crisis of the success of European integration. A crisis caused by the expansion of European policy based on an a-political decision-making process. And thirdly: a crisis of leadership within EU-25. A crisis caused by less influence of the Franco-German axis and more frequently changing coalitions. And finally a crisis of the European welfare state. A crisis between the social Europe and the Europe of a free market. In their opinion these crises will not lead to the end of the European Union and will not like previous crises automatically lead to further integration. In their opinion this crisis might lead to a new orientation on European

⁴⁰⁴ 'Weg met de Europapromotie', Volkskrant, 27/09/2005.

⁴⁰⁵ 'Verdrag van Nice voldoet nog uitstekend', Volkskrant, 31/05/2005.

⁴⁰⁶ Bernard Bot, 'Liever hoop dan angst in Europa', Volkskrant, 25/10/05.

⁴⁰⁷ 'Europa Best Belangrijk'(Europe quite important) governmental information campaign for the Dutch Presidency of the European Union in 2004.

⁴⁰⁸ Mendeltje van Keulen, 'Andere Europakoers vergt generatie wisseling', Internationale Spectator, Jaargang 59, nr. 9 (September 2005) 441-442.

⁴⁰⁹ Jaap. W. de Zwaan, 'Europese Unie moet beter op de kaart', Internationale Spectator, Jaargang 59, nr. 9 (September 2005) 448-451.

integration, towards a 'Europe lite' approach. This approach will surely be supported by the UK Presidency, but the authors are doubtful whether on the short term there will be any clarity on the finalité of the European integration given the fact that this British model of 'Europe lite' is lacking a German and French mandate. In their opinion the future faith of the European Union lies nowadays in the hands of national politicians and their capability to convince their citizens of the use and necessity of the EU.⁴¹⁰

Poland

The nature of the current crisis

Commentators and political forces in Poland tend to agree that the current constitutional crisis, although alarming, should not be blown out of proportions. Such opinion is also shared by the public – only 22% of the respondents see the current crisis as grave, 62% claim that results merely from a temporary communication brake-down.⁴¹¹ Both parties which have won the recent elections, the conservative Law and Justice⁴¹² and the liberal Civic Platform, are of the opinion that the EU can function on the basis of the current treaties. The opposition social-democrats, although they claim that most reforms introduced by the constitutional treaty are necessary, do not see them as absolutely indispensable either.

Reasons for failure of ratification

The commentators and the political elite at large agree that the reasons for the rejection of the Constitutional Treaty in France and in the Netherlands were very different but that in general they had very little to do with the Treaty itself. Most importantly, both Law and Justice and Civic Platform see the result of the referendums as an ultimate proof that constitutional reform is not very high on the agenda of most of the EU citizens and that the

⁴¹⁰ Jan Rood en Peter van Grinsven, 'Europe lite of Europe puissance: welk Europa na het nee tegen de grondwet?', *Internationale Spectator*, Jaargang 59, nr. 9 (September 2005) 465-470.

⁴¹¹ See

http://www.cbos.com.pl/SPISKOM.POL/2005/K_155_05.PDF (latest access: 6.12.2005).

⁴¹² Law and Justice won the elections (27%) Civic Platform came second (24%). Both parties were to create a coalition government but the talks failed and Law and Justice formed a minority government, therefore the opinions voiced by its leaders will be highlighted in the report.

member states governments overplayed their hand when they employed constitutional rhetoric.

State of ratification

After the decision of the European Council about the reflection period the ratification process of the Constitutional Treaty has been stopped. The prospects of its ratification in the new Parliament would be very slim, the majority (both Law and Justice, as well as the populist Peasant Party – Samoobrona and the ultra-conservative League of Polish Families) is against the Constitutional Treaty. Most political parties do agree, however, that a referendum on the matter should be held if the issue necessitated resolution. It should be stressed, however, that many politicians claim that the treaty is dead and that the referendum will not be necessary anyhow.

Public opinion since spring 2005

Last available opinion polls (June 2005) show that if the referendum were to take place 43% of the respondents would vote yes, 24 % would vote no and 33% were undecided. The support for the constitutional treaty is dwindling, in September 2004 it was 68%, in February 2005 – 64% and in May 2005 – 60%. There is also a sharp rise of the undecided voters up to 33% from 21% in September 2004.⁴¹³

Ways out of the crisis

The leader of the ruling Law and Justice party Jaroslaw Kaczynski claims that the whole idea of 'the reflection period' unnecessarily prolongs the crisis. "We should accept that the constitutional treaty was rejected, the Nice Treaty is in force and if we were to discuss a long term solution of the institutional problems we should start from the scratch".⁴¹⁴ Both Law and Justice and Civic Platform tend to agree that if member states agreed that something has to be done with the EU constitutional set-up the debate should be started anew (neither of the parties is precise enough as to state its preference either for a new Convention or for a new Intergovernmental Conference)⁴¹⁵. One of the most prominent politicians of Civic Platform – the Vice President of the European

⁴¹³ See http://www.cbos.com.pl/SPISKOM.POL/2005/K_105_05.PDF (latest access: 6.12.2005).

⁴¹⁴ See <http://euro.pap.com.pl> (latest access: 6.12.2005), 17.06.2005.

⁴¹⁵ One should expect, however, that they would prefer an IGC formula, especially Law and Justice which is wary when it comes to any supranational procedures.

Parliament Jacek Saryusz-Wolski is of the opinion that according to the EU citizens the plans for a radical constitutional overhaul were too ambitious. One should start thinking about a better, more concise formula, which would be devoid of all the unnecessary and controversial elements.⁴¹⁶ Most Polish political parties agree that there is no need to rush and that the whole problem should be left aside for some time to come.

Implementation of specific provisions of the Constitution

Law and Justice does not support deepening of integration and is uncomfortable with increased supranationalism. It advocates strengthening of the intergovernmental mode of decision-making and thus all the steps aimed at raising the profile of the European Council. Consequently, Law and Justice is of the opinion that the foreign minister of the EU should be responsible solely before the Council.⁴¹⁷ The future government will also probably be lukewarm when it comes to the idea of European External Service (EES). Civic Platform and the opposition Social-democrats are much more positive about strengthening CFSP, they also have nothing against the double-hatted formula. All the Polish political parties are for strengthening of the role of the national parliaments, even the Radical League of the Polish Families which is generally against all the innovations put forward by the treaty.

All of the Polish political parties oppose the double majority formula, they all support the status quo and point to the fact that contrary to initial fears there is no paralysis in decision-making after enlargement. The Civic Platform points out that if changes were to be introduced they would have to go into the direction of the so-called square root formula, not double majority. The rationale behind the introduction of double majority is seen in Poland as purely political (strengthening of the Franco-German axis) rather than procedural (facilitating decision-making). Law and Justice is in principle against wider recourse to qualified majority voting. Civic Platform, on the other hand, would support the reforms introduced by the Treaty in that respect (it is satisfied with all the in-built safeguards).

⁴¹⁶ See <http://euro.pap.com.pl> (latest access: 6.12.2005), 01.06.2005.

⁴¹⁷ See http://www.pis.org.pl/dokumenty/europa_solidarny_ch_narodow.pdf (latest access: 6.12.2005).

Law and Justice in general is lukewarm when it comes to the charter, as it is worried that it could be used as a pretext for the EU to intrude into grounds reserved purely for national governments.

The constitutional crisis in academic debates

The constitutional crisis was covered by academic circles. Debates, roundtables and brainstorming sessions were organized by the Ministry of Foreign Affairs and various think-tanks. Numerous reports and analysis were published in Poland. For example the European Center Natolin prepared an analysis concerning different scenarios after the crisis and the periodical 'Nowa Europa' featured a text on the same theme by Bruno de Witte.⁴¹⁸

Portugal

Since the previous report, the Portuguese political landscape has witnessed some important changes. Following the dissolution of Parliament in November 2004 and the holding of parliamentary elections in February 2005, the Portuguese government has changed from the Social Democratic Party (PSD)-led centre-right coalition to the Socialist Party (PS), which won the aforementioned elections with an absolute majority. The outcome of the elections provided the country with the prospect of political stability, absent since José Manuel Durão Barroso gave up the Premiership to accept the post of President of the European Commission.

The change of government did not by any means trigger major changes in the country's European policy. In fact, the two mainstream parties – PS and PSD – account for almost two-thirds of the electorate and have traditionally held very similar positions on broad foreign policy and European integration issues. The two parties are clear supporters of both the progressive framing of a European foreign policy and of the European Constitution. This does not mean, however, that euroscepticism in Portugal is confined to the extreme left parties and die-hard nationalists from the far right. In fact, the unequivocal pro-European stance of both Socialists and Social Democrats does not stop some of their high-profile members from taking

⁴¹⁸ See <http://www.natolin.edu.pl> (latest access: 6.12.2005).

euro-sceptic positions on issues such as the Constitutional Treaty. On the particular issue of the Constitution, they were joined by various independent opinion makers, mainly experts on Constitutional law, who fear the definitive supremacy of European over national laws.

Nature of the current crisis

The political crisis triggered by the rejection of the European Constitution in the French and Dutch referenda has caught by surprise the government only a few weeks after it came into office. There had been a wide consensus reached in the previous legislature on the holding of a referendum, the first one on European affairs. In its programme, the government made public its decision to hold the referendum simultaneously with the local elections already scheduled for the Autumn of 2005. The referendum was described by government and opposition parties alike as an excellent opportunity for a wide and open discussion on European integration, thus contributing to the reinforcement of democratic legitimacy of the whole project.

The first governmental reactions to the French and then the Dutch referenda was to assure both Portuguese public opinion and EU partners that Portugal would go along with its plans to submit the Constitutional Treaty to a popular vote. The day after the French referendum, the Minister for Foreign Affairs Diogo Freitas do Amaral announced that Portugal would press ahead with its original plan, expect if “extreme extraordinary circumstances” would force it to change its route. The main rationale was that the Portuguese people should not be left outside this European-wide debate and that the best way to express their views would be through the referendum. Cancelling or postponing the latter would mean denying the people their right to put forward their opinion on those issues which have dominated the debate in the countries that already had their referenda. The same view was shared by the main opposition party PSD and the President of the Republic Jorge Sampaio. A couple of weeks before the French referendum, Sampaio stated that Portugal “should follow its own path”, regardless of the choices made in other EU Member States. Not holding the referendum would in practice result in aligning with those that do not want the Constitution or simply those who are against deepening of the European integration process.

Ways out of the crisis

It was only in the eve of the European Council in Brussels on 16 June, after the Dutch referendum and the decision by other Member States, notably Britain, to postpone their own public consultations that the government admitted that it could put the referendum on hold, depending on the reigning mood and the decisions to be taken in Brussels. A final decision on the ratification process should, in any case, be taken by all 25 Heads of State and Government and not in a unilateral manner. The “period of reflection” approach gradually gained ground in the government and even the President of the Republic, earlier the staunchest supporter of the continuation of the referendum process admitted, days before the European Council, that Europe had entered a serious crisis and the timing of the Portuguese referendum was not the best one.

The decision to postpone the Portuguese referendum was, therefore, announced in the multilateral context of the European Council together with similar decisions taken by the governments of Denmark, Ireland and the Czech Republic. At the same occasion, Prime Minister Sócrates declared that, in the future, national referenda on the European Constitution should take place in the same day to avoid a “domino effect”. Since the European Council, the ‘Constitutional crisis debate’ has virtually eclipsed from the political agenda. The government will likely bring back the issue to the agenda only when the momentum is regained at the European level. Till then, a pro-active attitude is not to be expected.

Public discussion on the future of the European Constitution has also waned significantly after the negative referenda in France and the Netherlands. There is a wide consensus on the fact that Europe is undergoing a serious crisis for which there is no immediate solution. There is also agreement on the need for a quick solution for the current stalemate. However, interpretations of the motives for the crisis as well as recommendations for a way out vary considerably.

Reasons for failure of ratification

Opponents of the legal text have seized the opportunity to declare the death of the Constitution and the need for the EU to be more modest about its ambitions. For them,

the referenda have shown that the European public rejects the federalist drive that the Constitution represented and hence European leaders should seek solutions of a more intergovernmental nature, making good use of the provisions included in the existing treaties. Other opponents (mainly from the extreme left-wing parties) have always seen European integration and the Constitution in particular as a neo-liberal, militaristic endeavour, without the support of the European publics. The rejection in referenda is the decisive proof that European integration needs to be re-thought and re-built on new grounds.

The constitutional crisis in academic debates

Political commentators and academics who favoured the Constitution are quite pessimistic about the possible outcomes for the current crisis. Some believe that Dutch and especially French voters have rejected the Constitutional Treaty for what they consider to be essentially domestic reasons and a conjunction of fears. The scapegoat of those different motivations was the European Constitution. The fault, they argue, was on political leaders who were unable to steer the debate by focusing exclusively on what was at stake: the actual changes brought about by the new Treaty that made it possible for the Union to function with 25 Member states. The fact that the Constitution was essentially a pretext for social protest is not a reassuring one. French and Dutch voters seem to believe that the solution for their social and economic problems requires not more integration but rather more protectionism. In doing so, they have rejected the very foundations of European integration and put the whole process into question.

For others, the double rejection represents a deep dissatisfaction with the orientation of European policies, which do not seem to provide satisfactory answers to the challenges of globalisation. In this sense, a significant share of those who voted 'no' in France did not reject the deepening of European integration, but rather the content of existing policies. A future ratification strategy should therefore separate between the Constitutional provisions (which basically corresponds to parts I and II of the text) and the Union's policies in part III. The former could in the near future be submitted to a new referendum or ratified by national parliaments without any modifications.

In any case, most Portuguese commentators agree that the positive aspect of the crisis is that it may have created the conditions for a real debate on the future of the EU, not just on institutional and legitimacy issues, but mainly on the content of existing policies.

Public Opinion since spring 2005

According to the opinion polls published by national newspapers, the French and Dutch referenda had an enormous impact on Portuguese views on the European Constitution. A poll conducted right before the French referendum and published by *Diário de Notícias* indicated that, in case of a referendum, 55.5% would vote in favour, with only 7.3% against. Those undecided accounted for over 1/3 of all enquired (38.2%). About a month later, on 29 June, the percentage of those in favour had dropped almost 20% (36.6%), while the "no" vote had risen to 22.8%. The number of undecided also rose to 40.6%.

Another opinion poll published by the weekly *Expresso* and conducted only a few days after the Dutch referendum signalled a drastic rise of those against the Constitution – 49%. Support for the Constitution had then a lead of only two points.

Despite the decision by the government to put the referendum on hold, public opinion is still very much in favour of a popular vote on the Constitution. According to *Diário de Notícias*, 47.3% of those enquired would still like to express their opinion on the legal text, while 32.5% think that after the French and Dutch rejections, it no longer makes sense to organise a referendum.

Implementation of specific provisions of the Constitution

The Secretary of State for European Affairs has recently declared that the government would not support a "cherry-picking" solution for solving the current crisis (i.e. applying provisionally only some sections of the Constitution), as it would probably break the Constitution into pieces and alienate the electorate even more. However, the possibility of some Member states (notably the larger ones) stepping outside the EU framework to implement specific parts of the Constitution is

also considered in political and diplomatic circles as a very dangerous scenario. Faced with the two possibilities, the government would likely opt for the first one.

On the other hand, there were certain innovations of the Constitution the government opposed during the negotiation phase but which were part of the final deal. Chiefly among these were the creation of the President of the European Council and the changes to the rotating presidencies. From the government's point of view, abandoning or postponing such innovations is not a cause for concern.

Nevertheless, there are certain areas where Portugal would favour the introduction of certain provisions that may not require treaty changes, such as the creation of the European external service or the re-branding of EC delegations as "EU embassies".

EU experts and political observers have also expressed their views on which parts of the Constitution should, if legally possible, come into force even if the Constitution itself is not adopted. Most agree that in order for the Union to function with 25 Member states (soon 27) decision making procedures must be changed, as the Nice provisions will certainly lead to a deadlock. New provisions on foreign and security policy could also have an important impact on the Union's role as an international actor, even if some believe that much can be done (at it has been done in the past) outside the Treaties' provisions. The Preamble and Part I represent for some observers the "heart" of the Constitution, as they lay out the basic principles of European integration and in that sense clarified the *finalité politique* of the whole process. To a large extent, the same applies to the Charter of Fundamental Rights. It would, however, be virtually impossible to put these provisions into force without a new ratification process.

Romania

Nature of the current crisis

The players have variously commented the extent and nature of the constitutional crisis on the national political stage, the business community or the Romanian media. The officials confined to succinct, moderate statements, while expressing their support for the completion of the ratification process. The

opposition leaders stressed to a greater extent the idea of an unprecedented "major crisis" of the European project, generated by the lack of information, by the social and economic circumstances in the two European countries, and highlighting that citizens distrust their governing political class (in particular in France). Most of the media adopted the rather dramatic stylistic note of the Western media comments – in particular after the conclusion of the June summit in Brussels. The reports took to the front page the notion of a "historic crisis", a blockage likely to affect for a long time the solidity of the European political project. Just after the French and Dutch negative votes, the media started to treat with an increased scepticism the future of the enlargement process and even the accession of Romania to the European Union, considering the European political background brought forth by the failure of the two constitutional referenda.

One should note the fact that most opinions – be they political, academic, or in the media – took into account one key issue: the impact of the new circumstances created by the constitutional deadlock on Romania's accession to the European Union. Analysing the impact of the new context on our plans to accede on 1 January 2007 has been a priority for Romania.

In an interview published in the German newspaper *Frankfurter Allgemeine Zeitung*, President Basescu describes in rather moderate terms his opinion on the nature of the crisis determined by the failure of the two referenda: "I think it is an accident on a very long road. I am not one of those politicians dramatizing so much"⁴¹⁹. The Romanian official notes however the importance of that document, considering that "a Europe without a Constitution remains a free trade area only, whereas a political union needs a Constitution, and a political union is needed in order to keep peace"⁴²⁰. The official position of the Romanian President on the French referendum notes the predictable character of that negative note and, as regards the consequences of that phenomenon, the press release of the Presidential Administration states that "the negative vote creates a political problem at the European Union level and delays its

⁴¹⁹ „A political union needs a Constitution“, interview with President Traian Basescu, *Frankfurter Allgemeine Zeitung*, quoted by the *Rompres Bulletin*.

⁴²⁰ *Ibid.*

institutional evolution⁴²¹. The same document analyses the connection between the French No and Romania's accession to the European Union, insisting that the negative vote on the Constitution would influence neither the date of accession, nor the application, by both parties – Romania and the Member States – of the Accession Treaty signed on 25 April 2005. Not much later, following the European Council in June, in the context of the second No, the divergences and, thereafter, the dissatisfying outcome of the Brussels summit, the Romanian Presidency salutes in a new press release⁴²² the decision to “freeze” the ratification process, considering that a “reflection period” would “block the domino effect” that might be generated by the two rejections. In the same context, Basescu stated that a new negative note might foreshadow a “major crisis” in the Union.

At its turn, the Romanian Government states in a press release that, after the French referendum, “the European project faces a challenge”. However it is confident that a solution would be found, also repeating its support for the ratification of the European Constitution, of which depends the future of a “strong Union with effective institutional mechanisms, able to support an enlarged Europe⁴²³”.

Anticipating the concerns of the public opinion, the Romanian Government highlights that there is no legal connection between the Constitution vote and the enlargement of the Union with Romania and Bulgaria, as these are two distinct dossiers and processes. The Romanian Prime-Minister Calin Popescu Tariceanu and the Foreign Minister Mihai-Razvan Ungureanu share the same vision on the impact of the constitutional crisis on Romania's accession, noting the possibility that, given a more demanding political environment, “Romania would be more strictly monitored as regards the fulfilment of its commitments, such as to prove the fact that its accession is part of the solution to larger

issues, as perceived by a certain segment of European citizens⁴²⁴”.

Inside the Romanian political opposition, the opinions concerning the nature and extent of the constitutional crisis hesitated between the clear-cut and dramatic vision of the Social-Democratic leader Mircea Geoana and the more subtle one of Adrian Severin, former Romanian Foreign Minister, former representative in the European Convention, and one of the Romanian opinion leaders as regards the European Constitution, currently an observer within the European Parliament. The former states that “the negative vote on the Constitutional Treaty in France and in the Netherlands is the expression of a profound crisis of the European project, possibly the most severe it has ever witnessed. (...) The result is affecting the whole European architecture⁴²⁵”. Geoana considers that the situation generated by the two negative votes might question the enlargement process, and the progresses registered by Romania and Bulgaria would be much more carefully assessed. On a common line, Adrian Severin also notes the risk that an increased strictness of the European Union in assessing the degree in which Romania has fulfilled its commitments might lead to the activation of the safeguard clauses. Indirectly referring to statements of government officials on the lack of legal connection between the ratification of the European Constitution and the already signed Accession Treaty of Romania, Severin highlights the fact that “that truth is partial, as the treaty needs to be ratified and no country is required to ratify it until January 1, 2007. The instrument of ratification might lead to a de facto and de jure postponement of Romania's accession to the EU⁴²⁶”. The Romanian public opinion was less interested in identifying and analysing the “nature of the constitutional crisis”, as it was concerned by its impact on the accession calendar and by the mid-year tensions on the domestic political stage: the debates on the early elections, the much talked about resignation of the Romanian Prime Minister, etc.

⁴²¹ The official position of the President of Romania, Traian Băsescu, concerning the result of the referendum in France on the European Constitution – Press Release, The Department for Public Communication, May 30 2005.

⁴²² All Member States of the European Union guaranteed the support for Romania and Bulgaria in the integration process – Press release, The Department for Public Communication, 17 June 2005.

⁴²³ The result of the French referendum on the European Constitution expresses the sovereign option of the French nation. – Romanian Government, press release May 30 2005.

⁴²⁴ Mihai Răzvan-Ungureanu, Revista 22, no. 796, June 7-13, 2005, Dosar: bătălia pentru Europa (Dossier: The Battle for Europe).

⁴²⁵ The accession between constraints and opportunities – speech delivered by Mircea Geoană at the 5th Anniversary Conference of the European Institute of Romania „New and Future Member States. How to act in EU 27”, 8-10 June 2005.

⁴²⁶ Adrian Severin, Revista 22, no. 796, June 7-13, 2005, Dosar: bătălia pentru Europa.

The debates, conferences or roundtables dedicated exclusively to constitutional issues disappeared both from within NGOs and the agenda of research institutes. This was tangentially touched in the context of the debates regarding the accession of Romania, the forecasts in the progress report and, after its publication, its key conclusions. The public debates, more or less specialized, regarding the European Constitution lacked the frequency or the publicity in the previous years or even in the first half of 2005.

Reasons for failure of ratification

The opinions on the origins of the crisis that marked the evolution of the European Constitution ratification process concentrated on the same type of causes, the most frequent being the lack of communication with the European citizens and, consequently, their lack of information regarding the role and importance of the European Constitution. Both the Romanian governmental leaders and the opposition leaders noted the lack of information of the French and Dutch citizens as a primary reason of the negative outcome.

The origins of the constitutional crisis have been analysed by politicians and the media, referring to a mix of causes related to the disinformation issue: domestic policy, economic and political situation, lack of political coordination, domino effect, general reluctance towards enlargement (in particular the accession of Turkey), and the reservations regarding the actual costs of enlargement. On the background of that lack of information, the opinion according to which the French citizens amended the domestic political performances of the Raffarin government has been circulated both within the Romanian political circles and in the media or political analysts' comments. There were no highly publicised viewpoints identifying the cause of the failure in some actual issues within the Treaty. In the case of the Netherlands, the explanations brought to front the domino effect, the negative impact of rejecting the Constitution in France only three days before the Dutch vote, together with the lack of information on the part of the Dutch citizens.

Identifying these as the causes of the failed referenda, the press release stating the official position of the Romanian President concludes as follows: "building the European Union without involving and raising people's awareness on the individual and global

perspectives about its future evolution is doomed to failure. The citizens of Europe need to be informed and need to receive a clarification over the political projects in order for the latter to be supported by the European people"⁴²⁷. In a different context, President Basescu states that the rejection of the Constitution in France and the Netherlands was determined firstly by the fears of the public in both countries to continue to financially contribute to the enlargement of Europe⁴²⁸. That opinion is somehow strengthened by the firm position of the Dutch government on the decrease of its contribution to the Union's budget, as expressed during the negotiations on the financial perspectives for 2007-2013, at the European Council in Brussels.

Also, the press release of the Romanian Government states that "the negative vote does not represent a No towards Europe, but the expression of inadequate communication with the citizens over such a complex project as the Constitutional Treaty, and the results of domestic political difficulties"⁴²⁹.

Leonard Orban too, the former chief negotiator with the European Union, considers that the vote is "just another expression of the need to communicate substantially better in order to improve the public perception of the European Union"⁴³⁰. Ene Dinga, the former Minister of Integration, stated shortly after the rejection of the Constitution in France and the Netherlands that one of the deep causes of the outcome is - more than the expression of an isolated incident due to ineffective communication - the "divorce" between the Eurocrats and the civil society, between the promises of the political leaders and the public expectations, a crisis regarding the promotion of values⁴³¹.

⁴²⁷ The official position of the President of Romania, Traian Basescu, concerning the result of the referendum in France on the European Constitution – Press Release, The Department for Public Communication, May 30 2005.

⁴²⁸ Interview of President Traian Basescu to DELTA RFI radio station, 20 June 2005.

⁴²⁹ The result of the French referendum on the European Constitution expresses the sovereign option of the French nation, Romanian Government, press release, 30.05.2005.

⁴³⁰ Leonard Orban on the outcome of the Dutch referendum on the Constitutional Treaty – Press Release, Ministry of European Integration, June 2, 2005.

⁴³¹ The European Construction – Recent Challenges, speech delivered by former minister Ene Dinga at the 5th Anniversary Conference of the European Institute of Romania „New and Future Member States. How to act in EU 27”, 8-10 June 2005.

With a political standing different from the above mentioned officials, the former Foreign Minister Petre Roman analyses the causes of the rejection of the Constitution starting from social and economic assumptions related to the difficulties of the European social model and concentrates on the idea that the European project, facing an extended recession and deep social problems, generated a very human, almost xenophobic reaction – the fear of tomorrow and of enlargement. Thus, Petre Roman considers that the impossibility to further support the European social model, in the context of a fragile economic situation, is the actual cause of the negative reaction in the two European countries⁴³².

The Social-Democratic leader Mircea Geoana considers that the negative vote is the expression of the popular dissatisfaction towards the social and economic context and distrust in the governing political class⁴³³. Commenting the two rejections, the Social-Democratic leader Adrian Nastase draws the attention to the ratification procedure as an a priori cause of the outcome. According to the opinions expressed as a member of the European Convention, Severin reaffirms the idea of the need and legitimacy of a single European referendum, mobilising the citizens to pronounce a European Yes or No to the Constitution, instead of the national referenda (ratifications) actually used⁴³⁴.

Public opinion since spring 2005

The Romanian public opinion lost almost completely its interest in the Constitutional Treaty issues after the negative votes in France and the Netherlands, in particular under the influence of the ideas promoted by a substantial part of the mass media, speculating over an unofficial scenario of the “death” of the European Constitution. Although theoretically supporters of the Constitution (and probably most of them voting it, in case of a referendum), the Romanians focused almost exclusively on other issues occupying the domestic political stage from the second half of

the year: the comments related to the resignation of the Prime Minister – announced and then withdrawn –, the conflicts between the Prime Minister and the President, the debates on the early elections, the various procedural subtleties related to the change of the two Social-Democratic Presidents of the Houses of the Parliament etc. More than a domestic policy phenomenon, the attention of the public opinion was directed to the humanitarian campaigns after the floods in some regions of the country, and the way those crises have been managed by the government.

The foreign (European) policy elements have been eclipsed almost completely by the domestic factor. The positive outcome of the Luxembourg referendum on the Constitution was very poorly publicised, although welcomed by the Romanian officials.

Ways out of the crisis

Despite the political inertia following the announcement – at European level – of a “pause of reflection” in the ratification process, and some comments on the scenario of dropping the Constitution – published mainly in the European media – neither the government, nor the opposition in Romania have officially withdrawn their support to the alternative of completing the ratification. The idea of saving the whole document has been mentioned in passing in various contexts and political statements, with no detailed proposals on the actual ways to resume the ratification process.

Identifying the lack of information and communication as a major cause of rejecting the Treaty, the suggestions of the Romanian officials focused on fighting the symptoms, emphasizing the restart, more firmly and dynamically, of the Constitution information and popularisation campaigns. Interviewed by the *Frankfurter Allgemeine Zeitung*⁴³⁵, President Basescu states that the Treaty has not failed yet, but the political class in the two countries (France and the Netherlands) must explain again their citizens the need for a Constitution and the disadvantages in rejecting it. Also the Secretary of State Leonard Orban, former Chief Negotiator with the European Union, emphasises the importance of completing the ratification process, as each

⁴³² Petre Roman, *Revista 22*, no. 796, 7-13 June, 2005, Dosar: *bătălia pentru Europa*.

⁴³³ The accession between constraints and opportunities – speech delivered by Mircea Geoană at the 5th Anniversary Conference of the European Institute of Romania „New and Future Member States. How to act in EU 27”, 8-10 June 2005.

⁴³⁴ Opinions expressed by Adrian Severin during the debate “The European Constitution and Romania’s role in the new institutional design”.

⁴³⁵ „A political union needs a Constitution“, interview with President Traian Băsescu, *Frankfurter Allgemeine Zeitung*, quoted by the *Rompres* bulletin.

Member State has the right to express its opinion on the European Constitution through the voice of its citizens⁴³⁶.

Implementation of specific provisions of the constitution

Officially, no opinions analysing in detail the various actual ways to implement some of the priority innovations of the Constitutional Treaty have been expressed. There is no governmental position dedicated to the assessment of other options of gradual implementation of certain constitutional provisions. As long as the Romanian officials still support the completion of the ratification process and, consequently, the alternative of fully saving the document signed in Rome, the pool of scenarios submitted and comparatively analysed in the academic circles and think-tanks remains the focus of specialized groups. While waiting for a "plan B" prepared by the European leaders, if the decision to suspend the ratification process of the European Constitution had been taken, probably more attention would be given to the "Nice-plus" scenario, based on the application – under the "cherry-picking" principle – of those provisions necessary for the effective operation of Union's institutions and decision-making.

The constitutional crisis in academic debates

The subject of the "constitutional crisis" has not been extensively debated inside the academic circles or more or less specialized publications. Before the French and Dutch negative outcomes, the European Constitution was however the subject of several debates and workshops organized by institutions such as the European Institute of Romania, the Romanian European Community Studies Association (ECSA), the Ministry of Foreign Affairs or the Ministry of European Integration. However, it was not a priority area before or after the two negative votes on the Constitution.

The Romanian ECSA published in March 2005 a volume including the papers presented at an international conference organized together with the EIR: Constitution-building in the enlarged EU, consolidation of democracy and nation-building in the South-Eastern Europe: how compatible?

⁴³⁶ Leonard Orban on the outcome of the Dutch referendum on the Constitutional Treaty – Press Release, Ministry of European Integration, June 2, 2005.

During the second half of this year, the issue of the ratification process deadlock has been approached by a working paper published by EIR⁴³⁷, and also, among the publications belonging to the opinion and political analysis media, by the dossier made by Revista 22 – titled "The Battle for Europe" – including opinions of many personalities in the political, academic and cultural fields over the impact of the French and Dutch Nos on the European project, the enlargement and, in particular, the accession of Romania to the European Union.

In 2005, the priority areas of public debate or specialized analysis related to European issues were more or less imposed by the approaching accession date of Romania: the realism of target date of 1 January 2007, the pace and the results of the domestic reform process, the last obstacles to the accession, the reports of the Commission, the European-level lobby etc.

Slovakia

Nature of the current crisis

The immediate reactions of various Slovak political actors to the constitutional crisis largely reflected their respective views on the EU Constitution and on the future of the Union more broadly.⁴³⁸ The Prime Minister Mikulas Dzurinda (the Slovak Christian Democratic Union – SDKU) expressed disappointment about the results of the French referendum given that "France, for decades one of the main motors of European cooperation, became the first country to reject the constitutional treaty." Simultaneously, Slovakia's Prime Minister also expressed the opinion that European integration would not end since also in the past "the EU demonstrated that political will to cooperate is stronger than challenges facing the Union." In the aftermath of the referendum in France Dzurinda underlined that the ratification process should continue and go through in every EU member state, citing Slovakia's parliamentary approval of the constitution as a clear signal of political will to carry on the European project. In more general terms, the political supporters of the EU Constitution who comprised the majority of

⁴³⁷ Dificultățile ratificării Constituției Europene. Un impas pentru proiectul politic european?, August 2005, Working-papers series, no.12, European Institute of Romania.

⁴³⁸ The following is a summary of opinions taken from the article "Niektori lutuju, ini vitaju" published on www.euractiv.sk, 31 May 2005.

parliamentary parties communicated some degree of regret about the failed referenda. Yet, at the same time different political representatives tried to avoid talking about a deep crisis, playing down potentially negative consequences. For instance Commissioner Jan Figel stated that the rejection of the EU Constitution would not threaten further enlargement and the Union's ability to function since the Treaty of Nice accounts not only for as many as 27 member states but it also "anticipates future reevaluation of some of its principles after the EU reaches the number of 27 countries." Deputy Prime Minister for European integration Pal Csaky (the Party of Hungarian Coalition – SMK) called upon the European Commission to analyze the situation and offer to the Council a proposal for future action.

Priority reasons for the problems and failures of ratification

On the other hand, representatives of the two parliamentary parties opposed to the EU Constitution were both more favorable and understanding to the failed referenda. The chairman of Slovakia's parliament Pavol Hrusovsky (head of the Christian Democratic Movement – KDH) said that the French voters rejected a document that "did not arise from the needs and from the will of millions of Europeans but from the will of some European politicians". Hrusovsky also saw a deeper meaning of the constitutional failure in that it undermined the stereotypes about eurooptimists and eurosceptics. According to the KDH chairman, whereas the first ones "talk of an EU crisis and draw black scenarios", the Christian Democrats view "the future optimistically" as "they support calm and thoughtful development of the European idea" as well as "a further deepening of integration but only in those areas that bring benefit to the solution of concrete problems." Vladimir Dado, an MP for the Communist Party of Slovakia (KSS) that also voted against the approval of the EU Constitution, saw the constitutional failure as a sign of insufficient preparedness of the new treaty. Dado mentioned that there "should have been more discussion", adding that his party shares "some of the reservations presented in France". Overall, however, there was not an in-depth public debate about the underlying reasons for the failed referenda in France and the Netherlands. Like in a number of other member states Slovakia's politicians and media confined themselves to references of broad causes, such as constellation of

domestic politics in France (unpopularity of Jacques Chirac) combined thus with weak political leadership as well as irrational fears stemming from EU enlargement and immigration present both in France and in the Netherlands.

State of ratification

Slovakia's leaders were in a comparatively solid position to call for the continuation of the ratification process since the country's parliament approved the EU Constitution with a decisive majority of 116 out of the total of 150 MPs on 11 May 2005, just days before the failed referenda in France and the Netherlands. The public sentiment echoed in Slovakia was thus that the Union's enlargement to post-communist Europe did not bring in countries with questionable commitments to political integration. Rather, it is some of the original EU member states that seem to face the acute problem of integration fatigue. Still, despite the parliamentary approval of the EU Constitution, Slovakia's ratification process is still pending. President Ivan Gasparovic has not ratified the EU Constitution with his signature since in July 2005 Slovakia's Constitutional Court accepted a complaint by 13 citizens who argue that parliamentary approval of the EU Constitution infringed their right to participate in the political life of the country through referendum.⁴³⁹ Until the Constitutional Court rules on the matter and the President signs the ratification documents, the ratification process remains open.

Public opinion since spring 2005

Prior to the failed referenda in France and the Netherlands, the citizens of Slovakia expressed a general support for the EU Constitution. As the Eurobarometer showed, when answering the question "According to what you know would you say that you are in favor or opposed to the European Constitution?" 57 percent of Slovak citizens answered that they are in favor and 19 percent

⁴³⁹ Even prior to the parliamentary approval of the EU Constitution in Slovakia the biggest domestic debate about this document focused on one article of the Slovak Constitution that prescribes a mandatory referendum whenever the country decides to enter or leave a union of states. Many of the opponents of the EU Constitution argued that the document outlined a state-like entity and therefore Slovakia should hold a referendum on the adoption of the Constitutional treaty.

against.⁴⁴⁰ In a more recent survey of the transatlantic trends conducted in June 2005 and covering also Slovakia, the results showed that the majority of Slovaks (like a number of other European nationals) perceive the European Union positively despite the failed referenda in France and the Netherlands.⁴⁴¹

Ways out of the crisis

After the initial calls for the continuation of the ratification process Slovakia's political leaders accepted that the ratification period would extend well beyond the initially envisioned time span of two years.⁴⁴² Since the Slovak parliament has politically approved the EU Constitution there has not been any real debate on alternatives to the constitutional treaty or a way out of the crisis. Rather, Slovakia's politicians have been waiting for some impulses from the European Commission and from the British Presidency. Hence, there has been largely silence on the future fate of the EU Constitution since the aftermath of the failed referenda in France and the Netherlands. The politicians have been keen to focus on other issues such as enlargement and the EU budget. The predominant silence also applies to the media and academic circles. These were quick in reacting to the constitutional failure but have since largely put the issue aside.

Slovenia⁴⁴³

Nature of the current crisis

A couple of weeks before the French referendum, the Slovenian Foreign Minister, Dr. Dimitrij Rupel, expressed his optimism in the "oui" vote. Furthermore he assessed that the referendum on the constitution was also the referendum on the French government. The most interesting of his observations was that the French Foreign Minister was most worried upon a certain belief in the French public opinion that had gotten spread, namely, that in the case of "non" the 'exam' could be taken again and even that the Constitutional

Treaty can (easily) be rewritten. The Slovenian Foreign Minister also stressed that, despite his optimism, the developments in France are nevertheless of vital importance for the entire European project, France is the central EU member state and a lot depends on it (and its vote on the ratification).⁴⁴⁴

An immediate response of the Slovenian political elite to a French and Dutch rejection on the referenda share two common characteristics: first, the ratification process across the EU member states must continue,⁴⁴⁵ and second, though a "non" and "nee" caused a crisis, we can not talk about a catastrophe. Quite the opposite, a widely shared optimism on the capacity of the EU to make the best out of the crisis and come out even stronger can be noted, though this optimism does not necessarily include the Constitution into this scenario of a stronger Europe, either in the present or in any other form.⁴⁴⁶

In this sense the Prime Minister Janez Janša stressed that this crisis is not without precedence and that the European integration always came out stronger in cases of previous crises. He warned, however, that the constitutional crisis should not lead to abandoning of other priorities the EU has set to itself in the recent past: the Lisbon goals and the adoption of the financial perspective. The foreign and security challenges should also not suffer. The Foreign Minister in his first response in connection to the French "non" also touched on the issue of enlargement.⁴⁴⁷

⁴⁴⁰ See the executive summary on Slovakia of Eurobarometer 63.4, Spring 2005.

⁴⁴¹ See www.transatlantictrends.org.

⁴⁴² Already on 8 June 2005 Prime Minister Dzurinda and the Czech Prime Minister Paroubek agreed in a bilateral meeting that they would be willing to support the possible extension of the two year period set for the ratification process. See more on www.euractiv.sk.

⁴⁴³ The authors wish to thank Zlatko Šabič and Sabina Kajnc for their helpful comments.

⁴⁴⁴ Pogovor s slovenskim zunanjim ministrom dr. Dimitrijem Ruplom [A conversation with Slovenian Foreign Minister Dr. Dimitrij Rupel] (MAG, 11 May 2005), available at http://www.gov.si/mzz/novinarsko_sred/szj/05051102.html (13 August 2005).

⁴⁴⁵ Radiotelevision Slovenia - RTV Slovenija/Slovenian Press Agency - STA (30 May 2005) Odziv slovenskega političnega vrha [Reactions of the Slovenian political elite], available at http://www.rtvlo.si/modload.php?&c_mod=news&op=sections&func=read&c_menu=1&c_id=77822 (10 August 2005). Though the Slovenian president, Dr. Janez Drnovšek said that continuing with ratification only makes sense if there is a possibility of a second French vote (STA, 30 May 2005) Drnovšek: Francozi "zadržali priložnost za velik korak naprej"[Drnovšek: The French held back a chance for a big step forward]). Thereon, Radiotelevision Slovenia - RTV Slovenija as RTV Slovenija and Slovenian Press Agency – STA as STA.

⁴⁴⁶ Foreign Minister Dr. Dimitrij Rupel, in RTV Slovenija /STA (30 May 2005) Odziv slovenskega političnega vrha [Reactions of the Slovenian political elite], available at http://www.rtvlo.si/modload.php?&c_mod=news&op=sections&func=read&c_menu=1&c_id=77822 (10.08.2005).

⁴⁴⁷ RTV Slovenija/STA (30 May 2005) Odziv slovenskega političnega vrha [Reactions of the Slovenian political elite], available at [http://www.rtvlo.si/modload.php?&c_mod="](http://www.rtvlo.si/modload.php?&c_mod=)

The pessimistic view on further enlargement can be traced in interviews and press releases among the Slovenian liberal and left-to-centre politicians.⁴⁴⁸ The president of the biggest Slovenian oppositional party, Tone Rop, added that the more and more distant European perspective for the Balkans may also have negative consequences for security, cooperation and development (of the countries of the Western Balkans).⁴⁴⁹ Whereas the defence minister and president of the Democratic Party of Pensioners (*Demokratska stranka upokojenecv Slovenije – DeSUS*), Karl Erjavec, expressed his fear of a stall in the development of the CFSP and ESDP.⁴⁵⁰

The first direct implications of the French (and Dutch) referenda observed are the slowing down of the enlargement process in general and new conditions of the Slovenian Presidency in the first half of the 2008.⁴⁵¹ In case of non-adoption of the Constitution, Slovenia will preside the EU alone and not together with two other member states (according to the plan made in line with the Constitution, Slovenia would preside over the EU together with Germany and Portugal in the first half of 2008).

mnews&op=sections&func=read&c_menu=1&c_id=77822 (10 August 2005).

⁴⁴⁸ STA (29 May 2005) Kacin in Drčar Murko: Francoze čaka težak popravni izpit [Kacin and Drčar Murko: the French awaits a tough re-examination]. Also the foreign minister Dr. Dimitrij Rupel repeated on several occasions that besides a halt or slower progress in deepening the Union (RTV Slovenija (2005) Odzivi v Sloveniji, Druga jutranja kronika [Reactions in Slovenia, Second morning chronicle], 30 May 2005, available at <http://ava.rtvlo.si/ava/media?action=play&mediald=2114500> [10 August 2005]), further enlargement is at stake. In this view he stressed that Slovenia will continue its support for »the European perspective« for the South Eastern Europe (RTV Slovenija (2005) Izjava Dimitrija Rupla, TV Porocila [Statement of Dimitrij Rupel, TV News], 30 May 2005, available at <http://ava.rtvlo.si/ava/media?action=play&mediald=2114900> (10 August 2005). The commentator Saša Vidmajer went further and claimed that "Balkan is the victim of the crisis" (Saša Vidmajer (2005) Kriza, ne [Crisis, no], Delo – Saturday supplement, p. 1, 4 June 2005).

⁴⁴⁹ STA (30 May 2005) Rop: Francoska zavrnitev ustave bo upočasnila proces širitve EU [Rop: The French rejection of the Constitution will slow down the enlargement process in the EU].

⁴⁵⁰ STA (30 May 2005) Erjavec: S francoskim "ne" EU izgublja na dinamiki [With the French "no" the EU is loosing its momentum].

⁴⁵¹ Kocijančič, Maja (STA, 30 May 2005) Kriza z ustavo EU bo za Slovenijo imela tudi praktične posledice (ozadje) [The Constitution crisis in the EU will have practical consequences for Slovenia].

On a more optimistic note, the commentator Boris Jež claimed that the EU is not in crisis, exactly the opposite. It got a new élan. Using the famous Serbian expression '*dogodio se narod*',⁴⁵² he makes an argument that Europe is not about Brussels' bureaucracy (a theme repeated often in the press), Europe is still composed of nation states and though there is no doubt in the common European fate, its design will need a major re-thinking.⁴⁵³

Reasons for failure of ratification

There is more variety in the Slovenian political elite opinion concerning the priority reasons for failures. The immediate responses differ between the wider and deeper problems concerning the question of values and goals of the European integration (though mentioning the cultural and spiritual dimensions of the crisis was rather rare),⁴⁵⁴ to a narrower conclusion that especially in the bigger countries there is a strong feeling of a big loss following enlargement in 2004.⁴⁵⁵ In line with the almost unanimous support the Slovenian political elites showed for the Constitution (best seen in the vote on the ratification in the National Assembly), the reactions and opinions on the origins of the crisis or the reasons behind the French and the Dutch rejections, according to Slovenian politicians, have very little to do with the Constitutional Treaty. Among the priority reasons one can read about the internal affairs of France, primary reasons being unemployment and a bad economic situation,⁴⁵⁶ also a protest against the governments in France and the Netherlands and so depicts the current state of political affairs and the necessity of changes in the two states.⁴⁵⁷ Nevertheless, the Foreign Minister Rupel also mentioned that possible reasons for

⁴⁵² 'The nation has happened' is a literal translation from Serbian '*dogodio se narod*' and means in original that the people have gone out in the streets and protested against the existing authority.

⁴⁵³ Boris Jež (2005) Desant na Bruselj [Drop on Brussels], Delo – Saturday supplement, p. 7, 4 June 2005.

⁴⁵⁴ Minister of Justice, Dr. Lovro Šturm said in a speech presented at the Crans Montana Forum in Monaco that the present crisis does not only reflect the political, economic and social crisis, but also a cultural and spiritual crisis. RTV Slovenija/STA (25 June 2005) Unija lahko preseže krizo [The Union can overcome the crisis], available at http://www.rtvlo.si/modload.php?&c_mod=mews&op=section&func=read&c_menu=16&c_id=80527 (10 August 2005).

⁴⁵⁵ Jožef Jerovšek, chair of the Foreign Policy Committee of the National Assembly, STA (30 May 2005) Jerovšek: "Francoska šola" izziv za boljši pristop h graditvi EU.

⁴⁵⁶ STA (30 May 2005) Ljudmila Novak: 'Ne' ustavi še ne pomeni tudi 'ne' EU [Ljudmila Novak: "No" to the Constitution does not mean "no" to the EU].

⁴⁵⁷ STA (2 June 2005) Kacin: Nizozemski "ne" pričakovan [Kacin: The Dutch "no" expected].

rejecting the Constitutional Treaty might also lie in the “overdose of Europeaness.”⁴⁵⁸ He also added that after a long period of positive development of European integration, the enthusiasm for further co-operation and solidarity is beginning to fade.⁴⁵⁹ Prime Minister Janša metaphorically depicted the reasons for the crisis as being anchored in the big steps, which have been taken recently by the EU and have thrown it out of balance.⁴⁶⁰

Consistent with its attitude towards the constitution was the Slovenian National Party (*Slovenska nacionalna stranka* – SNS). In their response to the results of the French referendum they stressed that the result is a response to a big (and growing) democratic deficit within the EU.⁴⁶¹ Along the similar lines, the liberal democrats (*Liberalna demokracija Slovenije* – LDS) see the negative votes as a serious warning for the European political elites; the results of the referendum show that people do not trust the alienated politics and that it is necessary to find more persuading answers to real as well as fictional fears growing among the citizens of Europe.⁴⁶²

More eloquent was the President of the Republic, Dr. Janez Drnovšek, in an interview at the end of June.⁴⁶³ He listed numerous reasons for the failure to ratify the Constitutional Treaty in France and the Netherlands:

- *Economic reasons*: the referendum came in time when the unsatisfied people had an opportunity to speak out their fears about the competition of the new member states, and the competition coming from Asia; since a sentiment of an economic crisis is in formation for several years, people do not trust their leaders (politicians) any longer.
- *Nature of referenda as a decision-making instrument*: in connection with referenda

decision-making, there is always a lot of space for populisms, left and right. The centre politics, which usually proposes rational decisions (and the Constitutional Treaty is rational) often turns out to be incapable to deal with populisms. The question is, whether the moderate politics, which still holds the power, is capable of encountering this kind of challenges.⁴⁶⁴

- *Lack of cohesion*: the sensation that up to now drove the EU forward – the memory of the both World Wars and the peace – got lost. The question is whether the Franco-German engine still works, and the answer is: obviously significantly less than it used to.
- *Lost feeling of importance*: the French had been unsatisfied with their new position in the EU since May 2004, when the enlargement gave them a sensation of starting to lose their weight in Europe.
- *Lack of distinctive political authorities* (like Jacques Delors), whom people would trust and follow.

The commentators also included a wide spectrum of views on »why« it had come to a negative vote. Among those not listed by President Drnovšek are the fear of future enlargements (more precisely, fear of accession of Turkey), (the strengthening of) Brussels bureaucracy-type of governance, resentfulness towards the growing neo-liberalism.⁴⁶⁵ One commentator pointed out the growing multiculturalism (especially in the Netherlands) that had gone out of hand. The situation in which 60 % of the first generation immigrants from Turkey and Morocco are unemployed, and the second generation being split between the world of their parents and the society they live in, is particularly tense in the countryside.⁴⁶⁶

⁴⁵⁸ STA (2 June 2005) Rupel: Zavrnitev ustavne pogodbe ovira in alarm za ves sistem EU [Rupel: Rejection of the Constitutional Treaty a barrier and an alarm for the entire system].

⁴⁵⁹ STA (18 June 2005) Janša: Slovenija v pogajanja o delitvi na statistične regije (daljše) [Janša: Slovenia in negotiations on partition into statistical regions].

⁴⁶⁰ Ibid.

⁴⁶¹ STA (30 May 2005) SNS: Francoski "ne" za Slovenijo dober nauk [The French "no" is a good lecture for Slovenia].

⁴⁶² STA (2 June 2005) LDS: "Ne" ustavi resno opozorilo političnim elitam ["No" to the Constitution as a serious warning for the elites].

⁴⁶³ Janez Drnovšek (2005) - the interviewed, Saša Vidmajer - the interviewer; EU in LDS sta v krizi: Ne vemo, koliko bo trajalo [EU and LDS are in crisis: We do not know, how long it will last], Delo – Saturday supplement, p. 4-6, 24 June 2005.

⁴⁶⁴ More critical towards the Centre was a prominent playwright and publicist Drago Jančar. He concluded that while the right succeeded in creating an atmosphere of fear from the loss of independence and immigration; and the left managed to persuade people “that freedom and free market are good only for the sharks,” the Centre remained empty, a complete vacuum (of political ideas; in words of Daniel Cohn-Bendit) (Drago Jančar (2005) Samo suženj reče da [Only a slave says yes], Delo – Saturday supplement, p. 32, 4 June 2005.

⁴⁶⁵ Alenka Kuhelj (2005) Veliki demokratični eksperiment ni spodletel [The big democratic experiment did not fail], Delo – Saturday supplement, p. 10-11, 24 June 2005; Boštjan M. Turk (2005) Užaljena veličina [Offended grandiosity], Delo - Saturday supplement, p. 11, 4 June 2005.

⁴⁶⁶ Manca Juvan (2005) Izstavljeni računi za državljane sveta [Accounts made out for the citizens of the world], Delo - Saturday supplement, p. 8-10, 4 June 2005.

State of ratification

Slovenia was the third member state of the EU to ratify the Constitution. After the Government submitted a proposal to ratify the Constitution to the national Assembly in January 2005, it was ratified by a vote in the National Assembly on the 1st February 2005 (79 in favour, 4 against – all members of the SNS, and 7 abstentions).

Public opinion since spring 2005

In January 2005, after the acceptance of the EU Constitution in the European Parliament, the Slovenian public survey "Politbarometer" included a question on the acquaintance of the public with the Constitutional Treaty. Only 3 per cent claimed to be 'well acquainted' with it, 21 per cent of the interviewed said they were 'partly' acquainted with it and 43 per cent claimed they were 'only a little' acquainted with it. 30 per cent of the interviewed answered, they were 'not at all acquainted' with the EU Constitutional Treaty. Although the familiarity with the text was rather poor, the Slovenian public still supported the ratification of the document in the Slovenian Parliament (54 per cent), whereby the more acquainted supported the ratification more than the ones who were less familiar with the text of the document. Therefore the highest support for the ratification came from the higher educated and those between 45 and 60 years old.⁴⁶⁷

After the constitutional crisis the public opinion polls showed that the majority (50 per cent) of the interviewed considered the crisis to be 'of a temporal nature'. 31 per cent thought this was 'a deep crisis' and only a few (8 per cent) that 'it is not a problem for the EU at all'. 11 per cent of the interviewed were 'not acquainted' with the *problematique*. The fact that this is a deep crisis was more than on average pointed out by the pensioners (37 per cent), sympathisers of DeSUS (65 per cent), SNS (44 per cent) and SLS (*Slovenska ljudska stranka* – Slovenian People's party, 39 per cent). In the connection to the feeling of crisis the research has noted a drop of confidence in Euro and the EU.⁴⁶⁸

⁴⁶⁷ Politbarometer 1/2005 (January 2005) (Javnomnenske raziskave o odnosu javnosti do aktualnih razmer in dogajanj v Sloveniji [Public opinion surveys on the attitude of the public towards current affairs and developments in Slovenia]), p. 18, available at <http://www.uvi.si/slo/javnomnjenje/pdf/januar-2005.pdf> (17 August 2005).

⁴⁶⁸ Politbarometer 6/2005 (June 2005) (Javnomnenske raziskave o odnosu javnosti do aktualnih razmer in dogajanj v Sloveniji [Public opinion surveys on the attitude

Ways out of the crisis

Commonly held attitudes among the Slovenian political elite on the way out of the crisis is that there is a need to continue with the process of ratification⁴⁶⁹ and that it is of utmost necessity to seek a solution out of the crisis together, as a common European endeavour.⁴⁷⁰

In the immediate responses to the both rejections, Foreign Minister Rupel mentioned that the future developments probably lie in the hands of the European Council, maybe a new Intergovernmental Conference.⁴⁷¹ The Prime Minister, however, stressed that the re-opening of negotiations on the content of the Constitutional Treaty is unacceptable for those member states who have already ratified the treaty, including Slovenia. He also stresses that any further talks shall only follow after at least twenty member states will have ratified the Constitutional Treaty and one or two states will be or have been facing difficulties ratifying it.⁴⁷²

of the public towards current affairs and developments in Slovenia]), p. 24, available at <http://www.uvi.si/slo/javnomnjenje/pdf/junij-2005.pdf> (17 August 2005).

⁴⁶⁹ This idea appears already immediately after the French vote (e.g. stressed by the State Secretary for European Affairs on 30 May 2005): STA (30 May 2005) Koprol: Bistveno je, da se proces ratifikacije nadaljuje. [Koprol: It is crucial that the process of ratification continues]. Prime Minister Janša adopted the idea with more determination after the positive Luxembourg vote (STA [8 June 2005] Janša za nadaljevanje procesa ratifikacije ustave EU [Janša for the continuation of the ratification process of the EU constitution]).

⁴⁷⁰ We found only one comment, immediately after the French referendum, in which the two Slovenian MEPs, members of the ALDE/LDS group, said that France awaits a serious reflection over its "non" and POPRAVNI IZPIT (STA [29 May 2005] Kacin in Drčar Murko: Francoze čaka težak popravni izpit [Kacin and Drčar Murko: the French awaits a tough re-examination]). On the other hand, the MEP Borut Pahor (PES/SD) clearly opposed the proposal of the German Chancellor Schröder on the special meeting of the founding six member states. Close cooperation and solidarity of all twenty five members is of vital importance, according to Pahor (RTV Slovenija (3 June 2005) Pahor: EU mora nastopati enotno [Pahor: EU must stand in one voice], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sect ions&func=read&c_menu=16&c_id=78330 (10 August 2005).

⁴⁷¹ STA (2 June 2005) Rupel: Zavrnitev ustavne pogodbe ovira in je alarm za ves sistem EU [Rupel: Rejection of the Treaty imposes hurdles and is presents an alarm to the entire EU system].

⁴⁷² RTV Slovenija, Odmevi (8 June 2005) Pogovor z Janezom Janšo [Conversation with Janez Janša], available at <http://ava.rtvlo.si/ava/media?action=play&mediaId=2141601> (10 August 2005).

The President of Social Democrats and MEP (PES/SD), Borut Pahor, warned that the halt will lead to the multi-tier Europe and that the choice of the speed will be crucial for Slovenia.⁴⁷³

The constitutional crisis in academic debates

The most prominent publication with expert opinions from the academia, politicians and journalists is the Saturday supplement of the daily *Delo*. The analysis of the contributions published in this supplement in the period from mid-April to mid-August shows that the authors have on the one hand tried to identify the (economic, socio-cultural, internal/external/EU policy) reasons for non-ratifications, and on the other hand they tried also to foresee different scenarios of internal and EU-level possibilities of further action. The most sober, detailed and forward-looking contribution seems to be the article by Gašper Dovžan, a counsellor on European Affairs to the Prime Minister. He listed five possible scenarios for the future of the integration following the French (and Dutch) rejection of the treaty:

- Joint persistence on the current or slightly modified Constitutional Treaty:
 - adoption of corresponding protocols to the Treaty,
 - agreement of the EU member states on enforcement of the Treaty in all member states, despite cases of non-ratification (this could be done by an all-European referendum or by ratification of the Treaty by the European Parliament, which would be pointing into direction of EU statehood);
- Persistence on putting into force of the Constitutional Treaty only in those member states, which have ratified it (although existence of two different Unions with a different membership would not function in practice);
- Enforcement of only the most valuable achievements of the Constitutional Treaty, which relate to good solutions for the future; in connection to this EU could pursue three goals: better democratic governance, improvement of the efficiency and consolidation of the EU's role globally;
- Continuation of the development within the framework of the Nice Treaty, which in contrast to widespread fears offers a

⁴⁷³ STA (30 May 2005) Pahor: Nedelja žalosten dan za vse, ki verjamejo v idejo Evrope [Pahor: Sunday was a sad day for all who believe in the idea of Europe].

few possibilities: flexible development (article 308 of the Treaty on establishing the European Communities), inter-institutional agreements, possibility of deeper cooperation;

- A possibility of intergovernmental co-operation outside the framework of the treaties currently in force.

The Saturday supplement also published a translation of an article written by a Slovenian philosopher, ideologically closely connected to the liberal democrats of Slovenia, however, philosophically left-to-centre, Slavoj Žižek, which was published in *Le Monde*. He claimed in that article that the French vote is “a rejection of new age political elites’ extortion, which gave the people only a chance to confirm their expert opinion or express their irrational immaturity.” Therefore Žižek sees this development as positive since it opens up a political debate on what kind of Europe do we really want.⁴⁷⁴

Spain

Nature of the current crisis

The Spanish Government has asked for the ratification period to continue so as to give other citizens and member states the opportunity to express their views, it has warned about a premature burial of the Constitution and it has emphasised the fact that a majority of EU citizens and member states have already ratified the Constitution. The Government is confident that the Constitution will end up being ratified after the presidential elections in France, once the economic crisis recedes and following a satisfactory reflection period.

Reasons for failure of ratification

Rather than “crisis”, the Prime Minister has preferred to use the expression “difficult situation”. In contrast, the leader of the opposition (Mariano Rajoy, People's Party) has openly spoken of a “complete crisis” and has criticised the Government for having ratified the Constitution prematurely.⁴⁷⁵

⁴⁷⁴ Žižek, Slavoj (4 June 2005) Trenutki odločitve [Moments of decision]. *Delo* – Saturday supplement, p. 2.

⁴⁷⁵ Diario de Sesiones del Congreso de los Diputados (DSCP), 2005. Plenary meeting n° 99, 22/VI/2005, p. 4965-5003, <http://www.congreso.es>.

In wider media and academic circles, the current crisis is mostly interpreted in terms of the domestic internal political and, overall, economic situation in France and the Netherlands. Attention is also given to the European level, especially with respect to the poor image of European institutions and policies among the public. The Union is widely being perceived as unable to implement its decisions (e.g., the Lisbon Agenda), honour its rules (the reform of the Stability Pact), efficiently communicate with the wider public or truly address citizens' real preoccupations (employment, crime and terrorism, immigration etc). There is also a widespread perception of the crisis being a clash between a dynamic Europe, made up of new and old members from the periphery that are growing and therefore confident in the future, and old members from the core that are in the grip of economic crises and political anxieties about the future.

State of ratification

On 20 February 2005, Spain held a (non-binding) consultative referendum on the Treaty establishing a Constitution for Europe (TCE). Turnout was quite low: only 42.32%, but 76.73% of the voters approved the Constitution (17.24% rejected it and 6.03% were blank votes).⁴⁷⁶ On 28 April 2005, in accordance with Article 93 of the Spanish Constitution (1978), the Spanish Parliament ratified the Treaty establishing a Constitution for Europe (TCE) by 337 votes in favour, 19 against and no abstentions. The main national parties (Socialist, PSOE, and People's, PP) voted in favour, along with the centre-right Basque, Catalan and Canary Island nationalists (PNV, CIU and CC, respectively). The left-wing nationalist parties in Catalonia (ERC), Galicia (BNG), the Basque Country (EA, NA-BAI) and the nation-wide left-wing coalition (IU-ICV) voted against. After successful ratification in the Senate (225 in favour, 6 against and 1 abstention), the Treaty was ratified on 20 May as Ley Orgánica 1/2005.⁴⁷⁷

⁴⁷⁶ See 'Spanish Ratification Monitor', by Alicia Sorroza and José I. Torreblanca, <http://www.realinstitutoelcano.org/documentos/171.asp>; 'The Three Points of Disensus on the European Constitution', by José I. Torreblanca, <http://www.realinstitutoelcano.org/analisis/689.asp> (latest access: 12.12.2005); 'Spain's Referendum: A Double Disappointment', by José I. Torreblanca, <http://www.realinstitutoelcano.org/analisis/701.asp>; 'Who abstained and Why?', by Eva Anduiza, <http://www.realinstitutoelcano.org/analisis/717.asp> (latest access: 12.12.2005).

⁴⁷⁷ See <http://www.congreso.es>.

Public opinion since spring 2005

The French and Dutch referenda have led Spaniards to give more credibility to the arguments of the "No" camp. According to the Elcano Barometer of June 2005, the number of people who believed that the Constitution was too liberal and insufficiently social doubled from December 2004 to June 2005. Similarly, the number of people who believed that Spain would lose influence in Europe because of the Constitution rose significantly. However, increased sympathies with the "No" camp have not necessarily led to a radical change in the evaluation of the European Constitution. Whereas in December 2004, 77% considered the Constitution a "step forward in the construction of Europe", the percentage was still at 67% in June 2005. Were the referendum to be held again, it can be inferred from the polls that the "No" to the Constitution would only rise from 6% to 13%. Therefore, Spain's public opinion is still among the most supportive of the EU in the whole Union.⁴⁷⁸

Ways out of the crisis

Concerning the alternatives to the Constitutional Treaty, the official position is that the period of reflection should be used to rebuild the consensus on the necessary ratification of this text, not on preparing any alternatives. The Constitution, the Government emphasised, represents a delicate balance and a point of consensus which cannot be replicated easily. Therefore, the Government's first option is to save the Constitution and to reject any partial revision, implementation or re-drafting. Initiatives to trim down the Constitution, implement it in parts or aim at a Nice 2 Treaty are considered with preoccupation and would be opposed unless the Constitution is officially declared dead and a new consensus emerges. Therefore, at least at this stage, the Government is unwilling to consider a new Intergovernmental Conference or treaty-making process, no matter the format, unless its clear-cut goal is to help this Constitutional Treaty to entry into force.⁴⁷⁹

⁴⁷⁸ Eurobarometer 63, July 2005.

⁴⁷⁹ See "Informe del Gobierno al Congreso de los Diputados: Reflexiones sobre el Futuro de la Unión Europea". Secretaría de Estado para la UE, Madrid 30 de noviembre de 2005.

Implementation of specific provisions of the Constitution

The Government could accept some innovations and provisions included in the Constitution to be implemented in advance, but only if there is a wide-ranging consensus, they require no Treaty modification and do not upset the institutional balance of power. Preferred areas in which the Government could accept this would relate to: democratic life of the Union (transparency, early warning mechanism, popular initiative); the area of Common Foreign and Security Policy, including ESDP; and the Area of Freedom, Security and Justice (especially on immigration, crime and terrorism issues). Any reform in the size of the Commission and the weighting of votes in the Council is considered unacceptable at this stage.

Sweden⁴⁸⁰

Introduction

By way of a short introduction, a few words on the current political situation in Sweden. The Social Democratic Party forms a minority government, and has to rely on other parties to get its bills through the Riksdag, the Swedish parliament. It currently cooperates predominantly with the Green Party and the Left Party, while the Liberal Party, the Moderate Party, the Centre Party (Agrarian) and the Christian Democratic Party are all in opposition to the government. In EU matters, however, the Social Democrats conduct a pro-European/EU policy which is shared in all basic regards with the four opposition parties, whereas the Greens and the Left (and a substantial number of Social Democratic voters) are highly critical of the EU and Sweden's participation therein (the Greens consistently arguing for Sweden to leave the EU altogether).

⁴⁸⁰ Sources: www.riksdagen.se (parliament), www.regeringen.se (government), www.centern.se (Centre Party [agrarian], opposition), www.folkpartiet.se (Liberal Party, opposition), www.junilistan.se (June List, only in EP), www.kd.se (Christian Democrats, opposition), www.moderaterna.se (Moderate party, opposition), www.mp.se (Green Party, opposition), www.sap.se (Social Democratic Party, government), www.vansterpartiet.se (Left party, opposition), www.europa.eu.int/comm/public_opinion (Eurobarometer surveys), www.temo.se (opinion polls), www.dn.se (Dagens Nyheter, daily newspaper), www.svd.se (Svenska Dagbladet, daily newspaper).

Constitutional crisis

In December 2004 the five parties in favour of the constitutional treaty (the Social Democrats and the four opposition parties) agreed on a timetable for the Swedish ratification of the treaty. The main contours of the agreement was that ratification was to take place through the parliamentary process (not in a referendum) approximately a year later, that is, well in advance of the Swedish general election in September 2006. Until the parliamentary ratification, the proponents argued, there needs to be a general debate referring not only to the treaty but the future of the EU in general.⁴⁸¹ Such a debate has not materialised in any fundamental way, however.⁴⁸²

In the spring of 2005, as the ratification process started in some other countries, the EU-sceptical parties in the Parliament (the Green Party and the Left Party), together with EU-sceptical parts of the Social Democratic Party argued for a Swedish referendum, and collected many thousand signatures for this cause, but the government held on to its position.⁴⁸³ In essence, the conflict concerns the character of the treaty as such – those parties in favour of the constitution argue that it brings a number of formal improvements to the EU while not implying very much of Swedish decision competence being transferred to the EU level, whereas the critical forces argue that a referendum is necessary precisely because the transfer of competence is significant, implying fundamental changes to the Swedish constitution. The legal authorities responsible for scrutinizing all government bills passed to the Riksdag have maintained a rather ambivalent posture, thus being used for arguments by both sides. The issue of legal interpretation coincides with more general (and well-known) conflicts over what the EU is and should be, and thus whether the constitution holds promises in terms of efficiency and subsidiarity, for instance, or whether it brings further erosion of national sovereignty, not least through a creeping militarization of the EU in opposition to Swedish non-alignment, and with adverse effects to the outside world.

⁴⁸¹ Dagens Nyheter 2004-12-08, www.dn.se.

⁴⁸² For arguments from the Left Party on this matter, see www.vansterpartiet.se/PUB_EuEmu/217,29205.cs; the Green party at www.miljopartiet.se/templates/template_78.asp.

⁴⁸³ www.vansterpartiet.se/PUB_EuEmu/217,22235.cs.

Prime Minister Göran Persson openly regretted the French “no” in May, but also declared that the Swedish ratification process was to continue.⁴⁸⁴ After the referenda in France and the Netherlands, however, the Prime Minister decided together with the other party leaders in mid-June to postpone Swedish ratification indefinitely. The EU-sceptical parties (and the critical fraction of the Social Democratic party) welcomed the decision and ended their call for a Swedish referendum, as the treaty was deemed “dead” by its opponents.⁴⁸⁵ Other party leaders, in favour of the treaty along with the Social Democratic government, criticized Persson for delivering this decision as his own, arguing that treaty ratification as an issue belongs to the parliament rather than the government.⁴⁸⁶

The Prime Minister argued for a period of reflection for at least a year⁴⁸⁷, and this is in effect what also materialized at the European level.⁴⁸⁸ He obviously holds no prospects for getting an agreement for the future process at the European Council in June 2006, probably the fall of 2007 is more likely; in a speech to the European Affairs committee in the Swedish parliament in October 2005, this was much regretted by the Prime Minister.⁴⁸⁹ The government’s official position is to not move forward with a parliamentary bill for Swedish ratification in the current circumstances.⁴⁹⁰

It may be of interest that when asked in surveys, people in Sweden generally favour a Swedish referendum rather than parliamentary decision, but not by a very large margin in all polls. In one survey (by the Swedish Gallup institute) 48 % of those answering wanted a referendum while 43 % preferred the parliamentary way (7 % undecided), in another survey (by Sifo) 58 % wanted a referendum while 32 % asked for a parliamentary decision (11 % undecided).⁴⁹¹

⁴⁸⁴ Svenska Dagbladet 2005-05-30, www.svd.se.

⁴⁸⁵ Svenska Dagbladet 2005-06-17, www.svd.se.

⁴⁸⁶ Svenska Dagbladet 2005-06-16, www.svd.se.

⁴⁸⁷ The Prime Minister’s consultation with the European Affairs committee before the June 2005 European Council meeting, 2005-06-14, www.regeringen.se/sb/d/1122/a/46406.

⁴⁸⁸ Svenska Dagbladet 2005-06-24, www.svd.se.

⁴⁸⁹ Prime Minister’s information to the European Affairs committee, 2005-10-26, www.regeringen.se/sb/d/1122/a/52165.

⁴⁹⁰ The government’s work program for the fall of 2005, at www.regeringen.se (“Regeringens EU-arbetsprogram för hösten 2005”).

⁴⁹¹ www.gallup.se; www.sifo.se.

Turkey

Nature of the current crisis

The constitutional crisis is not much debated in Turkey even among the well-informed observers of the EU. The main reason is that Turkish public opinion in general is used for a long time to conceive the EU process within the context of Turkey-EU relations rather than within the European debates or within the dynamics of European integration. This is primarily due to a long and rather problematic relationship between Turkey and the EU.

The nature of debates in Europe, primarily in France during the constitutional referenda, have also contributed to the appropriation of the EU’s constitutional crisis in the Turkish public opinion within the context of Turkey-EU relationship. In particular, it led to the general feeling that the constitutional crisis would be used to exclude Turkey from the EU. Those who are against a Turkish membership of the EU thought the constitutional crisis as a “deep crisis of the EU going beyond historic precedence”. It was thought as a reflection of the deep problems of the EU that the EU is unable to solve. It was believed that the EU was disintegrating and the constitutional crisis was a reflection of the beginning of this disintegration. Those who are not much “anti”, but “sceptical” of Turkish membership, those who think that the EU is putting more conditionality on Turkish membership also believed that this was an important crisis of the EU. It would be difficult for the EU to overcome this crisis. Turkey should think twice to be a member of an EU which is unable to overcome its crisis. It should think “twice” to accept all the conditions of the EU to be member of the EU. It increased the feeling of scepticism to the EU process and Turkey-EU relationship in Turkey. Among the sceptics, it also resulted to focus more on “alternatives” to the EU membership.

The constitutional crisis in academic debates

However, among the well-informed observers in Turkey the debate focused on three visions of Europe: firstly, Intergovernmentalism gained a major battle and Europe might be a union of loose integration; secondly, the future of Europe is in danger, therefore Turkey might slide back in reform process; and thirdly, Turkey might contribute in a positive way to this current crisis of the EU through opening new opportunities in the EU neighbourhood. Those who are supporters of the Turkish

membership of the EU did not conceive the “constitutional crisis” as a historical “crisis” and but an important “wake-up” call. They thought that EU has seen many crises before and it was able to overcome these crises, therefore the EU has the capacity to overcome the constitutional crisis as well. However, this crisis was a reflection of some of the perennial and increasing problems with the EU member states. It was a reflection of social problems, which had remained unresolved and increased with the pressures of globalization. The EU was also seriously suffering from a “democratic deficit” which is a result of its attempt to create a more political project and incorporate the participation of masses, without creating the context for this kind transformation.

Reasons for failure of ratification

In terms of the reasons for constitutional crisis, when we look at the “limited” discussion in Turkey, the predominant reasons revolve around social and economic reasons. The public in general and also the more informed circles thought that the EU member states were facing important social and economic problems such as aging of population, high rates of unemployment etc. It was thought in Turkey that those people who were marginalized or even excluded socially and economically voted against the Constitution. In addition to this main reason, another reason linked to this one was the lack of communication with wide public. The public was not well informed about the integration process and the EU project remained mainly an “elitist” project. In this context the reaction of public was negative towards this project when their opinion was asked.

In addition to these two predominant reasons, it was also thought that the public in the Netherlands and especially in France were not voting on the Constitution of the EU, but about domestic politics. They showed their resentment to the governing political parties or leaders. Due to the intermingling of debates on Constitution and the future membership of Turkey, the support for the EU in the Turkish public opinion seemed to have declined relatively. But more importantly, there is a decline of “trust” on the integration process in general and the possibility of the inclusion of Turkey in particular.

In addition one should underline the qualitative difference between the level of “trust” and the

level of “support” to the EU. According to recent public opinion surveys, the level of support for EU membership has ostensibly declined from 75% to 60%, however, the level of “trust” seems lower than 60%. That is particularly because of the debates in France, reaching to the questioning of the possible Turkish membership in the future in an essential way. The commitments of the EU towards Turkey as a result of the Treaty of Ankara in 1963 and the Helsinki Summit of 1999 are simply disregarded in the French debate on Turkey. Instead the Turkish candidacy for EU membership is brought to the agenda with respect to and in terms of French domestic political priorities such as cultural and geographical boundaries of Europe, Muslim immigrants, levels of unemployment etc.

Public opinion since spring 2005

In this context, as we can see in the limited discussion in Turkey, “issues related to the EU in general” or “issues related to the Constitutional Treaty” were not thought as the main reasons for the failure of the ratification of the Constitutional Treaty. It should, however, be mentioned that as stated above, the more radical anti-EU positions started to assert that EU was in the process of disintegration and the failure of ratification reflected the problematic nature of the EU.

United Kingdom

Nature of the current crisis

On 6 June 2005, UK Foreign Minister Jack Straw announced that the government would postpone indefinitely the parliamentary process of the European Union Bill, which would have paved the way for a referendum to be held in 2006. In explaining this move in the House of Commons, Mr. Straw declared: “We reserve the right to bring back for consideration the Bill providing for a UK referendum should the circumstances change. But we see no point in doing so at the moment.”⁴⁹²

Dr. Liam Fox, the Conservative shadow foreign secretary, former doctor and well-known Eurosceptic, probably captured the general mood in his response to Straw's

⁴⁹² Jack Straw, speech to House of Commons, 6 June 2005, accessible at: <http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029391629&a=KArticle&aid=1115144244649> (latest access: 29.11.2005).

announcement in the House: "I may no longer practice medicine but I can tell a corpse when I see one – and this is a case for the morgue if ever there was one. This is a dead constitution."⁴⁹³

Among the UK political class, there is probably no one who seriously believes that the Constitution can be revived. Instead, the demise of the document as a result of the French and Dutch referendums is generally presented as evidence for a broader political malaise in the European Union. While on 6 June, Jack Straw merely – and diplomatically – said that the EU faces a "period of difficulty"⁴⁹⁴, the interpretation by the media has been that the Union is now in an unprecedented situation of crisis. For example, Will Hutton writes in *The Observer* of 23 October: "The EU is in an existential crisis over what it is for, where it is headed, how it is to be governed and how to win popular Europe-wide consent. Despite the appearance of normality, the crisis is beginning to paralyse the entire operation."⁴⁹⁵ For most British commentators indeed, the problems currently faced by the EU are frequently considered in the wider context of the differences between 'liberal' and 'social' Europe. It is this contrast, rather than the necessity of institutional reforms or the EU's 'democratic deficit', that are dominating political, journalistic and think-tank commentary on the state of the EU.⁴⁹⁶

Reasons for failure of ratification

In his well-received speech to the European Parliament on 22 June, UK Prime Minister Tony Blair gave his interpretation of the reasons for the problems with ratification: "There are two possible explanations. One is that people studied the Constitution and disagreed with its precise articles. I doubt that was the basis of the majority 'no'. This was not an issue of bad drafting or specific textual disagreement. The other explanation is that the

Constitution became merely the vehicle for the people to register a wider and deeper discontent with the state of affairs in Europe. I believe this to be the correct analysis."⁴⁹⁷

As a consequence, he argued, the crisis should be seen as one of political leadership in general: neither at the national nor the European level have politicians been providing the answers that the people are demanding as a response to economic and social change. This interpretation of the failed referendums reflects well the broader British debate on the votes in France and the Netherlands.

In the UK, the French vote in particular is thus often presented as the result of two competing visions, 'liberal' and 'social' Europe. The result, then, 'proves' that French voters are reluctant to come to terms with globalisation and Anglo-Saxon liberal economics. Moreover, this attitude is contrasted with supposed British economic openness and flexibility. The Dutch vote, on the other hand, is seen as a result of a crisis created by failed multiculturalism in the Netherlands, with economic problems playing only a minor role. Pointing the finger at economic problems in France and cultural concerns in the Netherlands downplays discontent with the EU itself and emphasises the role of national issues broadly linked the effects of globalisation.

Blame is also apportioned in the British discussion to the negative influence of national elites. Among the British political elite, French President Jacques Chirac was already unpopular before the referendum, so it came as little surprise that French voters would vote 'no' just to punish their leader. Similarly, it is noted that the Dutch political establishment has become very unpopular over the last years. Mr. Blair's speech thus accurately reflected the combination of failing political leadership and economic malaise that is often presented in the United Kingdom as the root cause of the EU's problems.

However, much commentary in the UK blamed the EU and its Constitution rather more than Mr. Blair decided to do in the EP. The Constitution was regularly described as an unnecessarily long and incomprehensible document that did not respond to the concerns of European citizens. The EU itself was presented as inefficient and bureaucratic. The

⁴⁹³ Dr. Liam Fox, speech to House of Commons, 6 June 2005, accessible at http://www.drliamfox.com/pdfs/EU_Constitution_Statement_response.pdf (latest access: 29.11.2005).

⁴⁹⁴ Jack Straw, speech to House of Commons, 6 June 2005.

⁴⁹⁵ Will Hutton, *Observer*, 23 October, <http://politics.guardian.co.uk/eu/comment/0,9236,1598839,00.html> (latest access: 29.11.2005).

⁴⁹⁶ See the Federal Trust European Newsletter, November 2005 (www.fedtrust.co.uk); Douglas Alexander MP (2005) "Europe in the Global Age", Foreign Policy Centre (www.fpc.org.uk); and Katinka Barysch (2005) "Liberal and Social Europe", CER Bulletin, Issue 43, Centre for European Reform (www.cer.org.uk).

⁴⁹⁷ Tony Blair, speech to European Parliament, 22 June 2005, accessible at <http://www.number-10.gov.uk/output/Page7714.asp> (latest access: 29.11.2005).

European leadership was thus seen as too distant from the people, with little to offer in response to the obvious economic and social challenges facing the EU. Here, it is genuine discontent with the EU that is given as the cause of the 'no' votes.

It would be wrong to argue that the debate in the UK centred only on domestic explanations for failed ratification, as the Union – usually under the name of 'Brussels' – received its share of the blame as well. Clearly, explanations also overlap and do not necessarily contradict each other. Many commentators thus realise that discontent with both national and European politics were behind the negative outcome of the referendums in France and the Netherlands.

Ways out of the crisis

In the eyes of the public, the Constitution has thus been dead since early June. There has been little debate on whether parts of it should be rescued. Instead, the consensus seems to be that it is probably best if the entire episode is forgotten. It is clear to the government that any referendum on the Constitution would

have almost no chance of succeeding, in particular as it has been rejected so publicly in France and the Netherlands. Putting the document to the British public unchanged is thus out of the question.

In the eyes of the government, the way forward should be to concentrate on what Europe can do well rather than trying to attempt renewed institutional change in the near future. Thus, a new IGC or Convention would not be welcomed. The UK Presidency has been eager to keep the Constitution out of current debate. In the year-long 'pause for reflection' agreed at the European Council in June, silence has perhaps been the dominant theme on the part of the UK.

There is also little chance that smaller-scale change could be introduced by Mr. Blair's government without a Constitution. The Labour government does not want to open itself up to the charge, often made by the Conservatives, that the Constitution is being introduced 'by the back door'. It thus seems unlikely that the UK would welcome or encourage any such proposals, as they could lead to considerable domestic difficulty.

2

On the future of EU Enlargement:

- ***Impact of the constitutional crisis on further enlargement as seen in your country:***
 - *Cases of Turkey, Croatia, Bulgaria, Romania*
 - *Limits of enlargement*
 - *Alternatives to enlargement (e.g. neighbourhood policy / “privileged partnership”)*
 - *Development of public opinion*

- ***First experiences with implementation of transition periods (e.g. free movement of labour) and other aspects of the accession in 2004***

Austria

Impact of the constitutional crisis on further enlargement

Austria's political intervention at the eve of the start of the official enlargement talks with Turkey, beginning in October 2005, was viewed as very controversial. Chancellor Wolfgang Schuessel resumes that the outcome of the intervention has to be seen with regards to three achievements: Firstly, the incorporation of Croatia in the enlargements talks, secondly, the inclusion of the issue of enlargement capacity of the EU as a criterion for enlargement and thirdly, the question of sharing the enlargement costs fairly between EU member states. In that context, Chancellor Schuessel stresses that it is vital for the Turkey membership talks to ensure a straightforward and fair approach, enabling a privileged and fair partnership.⁴⁹⁸ The government welcomes the start of negotiations with Croatia and hopes that it will catch up with the timeframe set for the accession of Bulgaria and Romania.⁴⁹⁹

Prof. Hubert Isak notes that the amended article 49, concerning enlargement, will be clearer than the previous text, but, does not constitute a significant change. After the Austrian intervention, Article 49 will now incorporate the Copenhagen criteria, including the issue of the absorption capacity of the EU.⁵⁰⁰

Joerg Haider, head of the Alliance of Austrian Future⁵⁰¹, the junior coalition partner in the federal government, criticised the intervention of the coalition partner as a last-minute stunt which has to be seen in the light of the Austrian citizens' negative view of further enlargement – a Eurobarometer poll concluded that only 10% of the Austrian population are in favour of Turkey joining the EU⁵⁰² – as well as of (at that time) upcoming regional elections in Styria. Haider argues that the proposed changes are obsolete, since membership criteria were already agreed upon and in place.⁵⁰³

⁴⁹⁸ 4.10.2005, www.bka.gv.at.

⁴⁹⁹ Ibid.

⁵⁰⁰ 5.10.2005 *Der Standard*, Professor and Head of the European Law Institute at the Karl-Franzens University in Graz.

⁵⁰¹ Buendnis Zukunft Oesterreich (BZOe).

⁵⁰² Eurobarometer 63.4, *National Report, Executive Summary – Austria*, Spring 2005 p.4.

⁵⁰³ 5.10.2005, *Der Standard*.

Alfred Gusenbauer, leader of the Social Democratic Party⁵⁰⁴, agrees with the People's Party that a referendum on Turkey's EU membership will be necessary. However, he criticises that such a referendum will only be held at the end of the membership talks, but points out that if they would be held now, the outcome would not be positive. With regards to the enlargement talks with Turkey there are different views within the Social Democratic Party on the issue. Alfred Gusenbauer and the party leadership are in favour of a privileged partnership as an alternative to a full membership, arguing that this would be the most honest approach towards the Turks, also in case of a negative vote in the referendum⁵⁰⁵, in contrast to the Viennese Social Democratic Party and also the MEP Hannes Swoboda, who argues that the privileged partnership is an interim solution which enables the examination of a full membership.⁵⁰⁶ The Green Party stresses that the EU must create the foundations for a peaceful existence in the Western Balkans and that EU enlargement must go hand in hand with the robust construction of a European environmental and social union.⁵⁰⁷ Hannes Swoboda, MEP of the Social Democratic Party and Croatia Rapporteur⁵⁰⁸ welcomes the start of enlargement talks with Croatia.

The Austrian Society for European Politics notes that there has been no negative impact of the constitutional crisis upon the enlargement projects 2007/8 and further privileged cooperation with other non-EU states in Europe.⁵⁰⁹ This is confirmed by the EU Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner, who makes it very clear that the memberships of Bulgaria and Romania are already decided on and the necessary commitments are to be given, though leaves open whether the countries will join on the 1.1.2007 or 1.1.2008.⁵¹⁰

⁵⁰⁴ 12.10.2005, *Der Standard*, Sozialdemokratische Partei Oesterreichs (SPOe).

⁵⁰⁵ Hannes Swoboda also stated in an Interview on 14.10.2005 with *Der Standard*, that he views such a referendum as critical and points out that it is of vital importance to have a public debate on the issue as well as improve the relationship to Turkey first. He also points out that the overall scepticism of the nation will be reinforced if politicians do not show a clear direction.

⁵⁰⁶ 28.07.2005, <http://www.hannes-swoboda.at>.

⁵⁰⁷ Interview with Die Gruenen, September 2005.

⁵⁰⁸ 3.10.2005, www.spoe.at.

⁵⁰⁹ Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005.

⁵¹⁰ 11.08.2005, www.europa.gv.at, Interview with Benita Ferrero-Waldner by NEWS.

As already stated last in the EU Watch 2004, the Federation of Austrian Industry⁵¹¹ supported the start of EU membership negotiations with Croatia and hopes for a rapid and positive outcome. Croatia is an important market for Austrian companies and EU membership would reinforce economic cooperation, particularly also regarding legal certainty for Austrian companies. This is also true for the Southeast European Region. At the Conference on the Stability of Southeast Europe in Salzburg, Austria in 2005⁵¹², the importance of a European perspective for this region particularly regarding security aspects was stressed.⁵¹³ Extended neighbourhood instruments with other European countries like the Ukraine, Belarus and Moldova are being foreseen.

Discussions on future perspective memberships with Serbia and Montenegro, Bosnia-Herzegovina, Macedonia and Albania have been initiated. Austria's commitment of cooperation with these countries is clear. The People's Party points out that more than any other EU country, Austria has benefited from the accession of the 10 new states in the EU. Austrian foreign trade rates in the new member states have increased by approximately 14% in 2004 in comparison to 2003 and illegal immigration has dropped significantly.⁵¹⁴

Nevertheless, EU Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner remarks that so far it has been a taboo to talk about the limits of EU enlargement and in the light of the general and recent EU scepticism of the people – 31% of Austrians support a further EU enlargement, 21% support the EU accession of Bulgaria, 17% the accession of Romania,⁵¹⁵ and 45% support the accession of Croatia – it will be necessary to discuss enlargement issues and its limits.⁵¹⁶

⁵¹¹ 04.10.2005, Industriellen Vereinigung (IV), www.iv-net.at.

⁵¹² The conference was held at the initiative of Austrian Chancellor Wolfgang Schuessel and the Stability Pact for South Eastern Europe.

⁵¹³ 3.08.2005, www.bka.gv.at.

⁵¹⁴ 2005, *Zehn Jahre EU-Mitgliedschaft - eine Bilanz*, www.bka.gv.at.

⁵¹⁵ 11.08.2005, According to these figures Austrians show the weakest support within the EU towards the accession of the three candidate countries. Eurobarometer 63.4, *National Report, Executive Summary – Austria*, Spring 2005 p.4.

⁵¹⁶ 11.08.2005, www.europa.gv.at, Interview with Benita Ferrero-Waldner by NEWS.

First experiences with implementation of transition periods

The governing People's Party stresses the importance of a flexible duration of these periods, which allows national individual adjustment.⁵¹⁷ Chancellor Schuessel states that the seven-year transition period on the labour market has been necessary for Austria, since it is necessary to take the current pressure on the Austrian labour market into consideration.⁵¹⁸ However, the Chamber of Labour stresses the problems of social dumping and black labour⁵¹⁹ and favours, like the Austrian Federation of Trade Unions, indefinite transition periods.⁵²⁰

The Green Party notes that it cannot accept an EU with first- and second-class member states. Hence, the transition periods should be kept as short as possible and the EU must develop better instruments with sufficient funds to raise the environmental and social standards of the new member states.⁵²¹

Belgium

Impact of the constitutional crisis on further enlargement as seen in your country

According to the Minister of Foreign Affairs it would be hard to imagine that Turkey is hoping that an accession could take place without including the recognition of Cyprus. This, however, does not mean that the recognition of Cyprus is a prerequisite to open the negotiations with Turkey. He thinks the real problem with the accession of Turkey will be that a number of member states will make the link with Croatia, and argue that one can hardly start negotiating with Turkey without doing so equally with Croatia.⁵²² Belgium does not think there is such a link between the two.⁵²³ In this the attitude of Croatia towards cooperation with the International Criminal Tribunal for the Former Yugoslavia (ICTFY) will be of big importance.⁵²⁴

⁵¹⁷ A reduction can be agreed on a bilateral basis as long as the concerned country meets the economic and legal criteria defined in the respective agreement.

⁵¹⁸ 14.07.2005, www.bka.gv.at.

⁵¹⁹ Interview with Arbeiterkammer (AK), October 2005

⁵²⁰ 13.07.2004, *Funke*, http://www.derfunke.at/hpneu/

⁵²¹ Interview with Die Gruenen, September 2005.

⁵²² "Un nouveau référendum en France", *La Libre Belgique*, 1/9/2005.

⁵²³ "Minister van Buitenlandse Zaken De Gucht vreest koppeling Kroatië", *De Standaard*, 1/9/2005.

⁵²⁴ "Un nouveau référendum en France", *La Libre Belgique*, 1/9/2005.

The Flemish Christian democrat party (CD&V) believes negotiations with Turkey should be blocked off because of the disapproval of the constitutional treaty. According to the Group's leader in the chamber of representatives, there are borders to Europe and Turkey lies outside of these borders. Privileged partnership agreements should be a solution. It is argued that Islam is not the reason, but rather the fact that its accession would weaken the European Union and the fact that Turkey still occupies the northern part of Cyprus. Croatia should be given a date of accession, even if it does not collaborate fully with the ICTFY, since this question weights much less than the problems surrounding Turkey.⁵²⁵ If the negotiations with Turkey would be successful, the Belgian Minister of Foreign Affairs Karel De Gucht suggests that the Belgian population would be consulted by referendum.⁵²⁶

First experiences with implementation of transition periods

Belgium has made use of the possibility for a transition period until 1 May 2006 (with the possibility of a motivated renewal for maximum 5 years) that includes, for example, the imposition on employers to pay a minimum salary for labour originating from the new member states as well as to provide shelter and nutrition. After this transitional period Belgium will have to make a choice, either to renew it or to fully open its labour market. Employers from the construction and agricultural sector would like to see the liberalisation take place as soon as possible since, as they argue, it would allow filling openings for which there is no Belgian workforce available. The labour unions are somewhat critical since they argue that employers in the construction and agricultural sector are exaggerating the shortage of labour force in order to obtain a less stringent economic migration. They realise that opening the labour market is inevitable and maybe even beneficial, but only if the labour inspection functions well both nationally and internationally.⁵²⁷

Some limited experiences were quite negative. For example, during the month of October a Dutch owned company near the city of

Antwerp, after having laid off Belgian workers, contracted Polish workers through a Dutch interim-office at conditions that were argued to be lower than those of the Belgian workforce. There was a lot of media attention. The Belgian social inspection services have initiated inspections against this and other undertakings that make use of similar methods.⁵²⁸ Some argued however that those Polish workers were contracted because they are willing to do work Belgian workers are no longer prepared to.⁵²⁹ In general about 95% of the workforce originating from new member states do not respect basic rules on salary and work duration.⁵³⁰

Bulgaria

Determination to achieve Bulgaria's entry in the EU within the agreed timeframe (1 January 2007) – shared by all major political parties – is translated into a double track strategy. First, that is to step up domestic reforms with a particular emphasis on specific issues where the Commission's monitoring report has identified backlog. Second, that is to enhance efforts to obtain timely ratification of the Accession Treaty by the current 25 member states. On both tracks, Bulgaria understands the need to cooperate with Romania and has undertaken joint initiatives at highest and at ministerial level.

As regards prospects for further enlargement, the Western Balkans are Bulgaria's major preoccupation. Security, stability, economic development and the modernisation of the region cannot be achieved without fostering the perspective of EU membership for these countries.⁵³¹ This includes such hot issues as the future of Kosovo and Bosnia-Herzegovina. Any attempts on the part of the EU to proceed along a path that would be different from accession and to ignore domestic political processes, while dealing with its own internal problems, would have a negative "domino effect" and return old controversies and hatreds in the area. In this line of thoughts, Bulgaria supports the opening of accession

⁵²⁸ "Rel over Poolse arbeiders", *De Standaard*, 21/10/2005.

⁵²⁹ "Standpunt door Marc Balduyck: Schijnheiligheid", *Gazet van Antwerpen*, 21/10/2005.

⁵³⁰ "Les travailleurs des pays de l'Est, pas en règle dans 95% des cas", *L'Echo*, 14/10/2005.

⁵³¹ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

⁵²⁵ "België moet onderhandelingen met Turkije afblokken", *De Standaard*, 21/9/2005.

⁵²⁶ "Karel De Gucht : 'Referendum over toetreding Turkije moet kunnen'", *De Morgen*, 8/10/2005.

⁵²⁷ "Analyse – Belgische arbeidsmarkt staat voor een tweesprong", *De Morgen*, 24/10/2005.

negotiations with Croatia on 3 October 2005 and hopes that Macedonia will also start such negotiations in the future.⁵³²

The question of Bulgarian attitudes to the eventual accession of Turkey to the EU is more complex. By coincidence, the decision to open entry negotiations with Bulgaria (together with the other five candidate countries of the second group) was taken at the same European Council meeting (in December 1999 in Helsinki) as the decision to grant Turkey a candidate status. At the time, the need to establish a well-functioning machinery for conducting accession negotiations seems to have exhausted the political and administrative resources and motivation for elaborating an informed opinion on this issue. Later, both during the 2001-2005 parliamentary term and since the June 2005 election, the presence of the DPS (party of the Turkish minority) in different government coalitions has prevented the unfolding of a public debate. The current government has also been prudent in explicitly stating a firm position. It is indicative, for example, that Prime Minister Stanishev, when expressing his support for accession negotiations with Croatia and Macedonia in his foreign policy lecture, avoids to mention Turkey. Discussions among expert circles suggest that, if the political debate on Turkey's EU bid (ever) happens, it could be expected to develop along the lines of the debate in some current EU members (e.g. Germany). In such a (hypothetical) setting, right wing views would be much more critical of Turkish accession fearing the transformation of Bulgaria's economy into a hinterland of Istanbul.

While recognizing all the limitations of its current status, Bulgaria faces the difficult task of promoting two just causes in parallel. The first is its own entry in the EU by way of successfully finalizing all ratification procedures without risking a postponement of the date of accession. At the same time, it is important to promote bilateral relations with countries of the Union's neighbourhood aspiring for membership. On one hand, it is understandable that many people in Europe ask themselves questions about the speed, conditions and direction of future enlargement, whether the process is well managed, whether the accession criteria are indeed fulfilled,

⁵³² Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

whether or not there should be a pause to consolidate what has been achieved before making new important steps.⁵³³ As a future EU member, Bulgaria realises the concerns of other member states and their citizens. On the other hand, in its relationship with the EU Bulgaria has more than once felt the danger of being punished with exclusion for reasons going beyond its command. Therefore, the avoidance of exclusion in managing the EU's relations with its current neighbours – especially those in Eastern Europe and in the Black Sea region – is also a priority in the conduct of Bulgarian foreign policy. On many occasions, Bulgarian top politicians have expressed support for the ambition of countries in that area to strive for EU accession.⁵³⁴

Croatia

Impact of the constitutional crisis on further enlargement

The reaction after the negative outcomes of the referenda was that the institutional and financial crisis of the Union has thrown new light to the process of enlargement, which seemed to be less in favour of future widening the EU. However, in every crisis there is an opportunity: in this case the opportunity being offered to the EU was that of demonstrating that it has the political will to adhere to an enlargement strategy that holds the key to political, democratic, economic and other reforms in the neighbouring (SAP) region. Sticking to its enlargement strategy is also the only way of building a greater and stronger European Union, and maintaining its credibility.⁵³⁵ The first concrete step was a decision to open the negotiations with Turkey and Croatia.

Possible implications of the Constitution rejection on *Croatia's accession* to the EU were debated in particular. There was a certain fear that the negative outcome of referenda might have negative implications on the speed

⁵³³ Interviews with high level Bulgarian civil servants from EU integration units in the central administration, held in October-November 2005.

⁵³⁴ See, for example, a recent statement of minister Kalfin vis-à-vis Ukraine, Press-release about the visit of Mr. Ivailo Kalfin (Vice Prime Minister and Minister of European Affairs/Bulgarian Socialist Party) to the Ukraine on 30 November 2005, available at the "Evroportal" website: www.evroportal.bg.

⁵³⁵ Visnja Samardzija. Commentary "Croatia's model for Balkan's countries EU membership, in: Europe's World, Brussels, Autumn 2005, p. 115 (<http://europesworld.link.be>).

of Croatia's accession, although Croatia was not particularly mentioned, either in France or in Netherlands. Secondly, the question was raised on what kind of Union Croatia is going to access, since the negotiations on membership will have to be conducted under the conditions set by the Treaty of Nice in which there was no reference to the accession of Croatia. Therefore, in order to allow for a continuation of the enlargement process in the EU, changes to the Treaty of Nice will be necessary. Taking into consideration complicate procedure that such Treaty changes require, the accession for all candidate countries that have not been calculated with already in 2000 might be prolonged⁵³⁶. Thirdly, growing euroscepticism in Croatia was additionally strengthened by the unclear situation the EU has found itself in after the rejection of Constitution. According to the Eurobarometer survey⁵³⁷, up to 84% of respondents in Croatia support the continuation of enlargement process, while half of them think that all countries wishing to accede the EU should be able to do so. Croatian government strongly supported the start of negotiations and the *accession of Turkey* to the EU and welcomed the adoption of the Negotiation Framework on October 3rd, stressing the importance of conducting the negotiations not in the same time, but consecutively⁵³⁸. Among experts, there is also a belief that it is important to treat these two processes separately, without linking the EU bids for each particular country, having in mind the specific situation and differences between those countries regarding the accession (Turkey having 70 million inhabitants compared with Croatia with 4.5 million). The common issue is the fact that the two countries started negotiations on the same day, which is the reason that the process of negotiations will go parallel. However, negotiations are resulting from completely different process and therefore the accession of these two countries is seen as two separate cases. There are many differences between the two countries, which are a further argument for individual treatment of the countries. Namely, Turkey started negotiations after a long history of relations with the EU, being the associate member of the EU since 1963 and official candidate since 1999. Negotiations were opened 42 years after a first agreement with

EU was signed. On the other hand, Croatia started preparations for the EU integration as a part of the *Stabilisation and Association Process*. Negotiation frameworks follow the same pattern, but have significant differences. This applies to the fulfilment of criteria for accession, having in mind the fact that apart from the Copenhagen criteria the countries must focus on different issues (Croatia has a particular obligation of continuing full cooperation with ICTFY, the International Criminal Tribunal for the Former Yugoslavia, while Turkey has the obligation to settle the Cyprus problem). Naturally, the progress in accession will be evaluated by the European Commission on the own merits principle, having in mind individual achievements of the countries. Therefore the accession of the two countries is not seen in Croatia as one, but a process which opens the ground for mutual cooperation in many spheres of EU integration.⁵³⁹ When speaking about public opinion support, a high degree of Croatian citizens (57% of Croatian respondents, as compared with 35% in the EU) is in favour of the Turkish accession to the EU⁵⁴⁰.

Croatia is the first candidate for the EU accession among the *Stabilisation and Association Process* (SAP) countries. The start of negotiations on EU membership was postponed since March 17, 2005 (due to the remaining unfulfilled last precondition of full cooperation with ICTFY), and the final decision to open negotiations was brought on October 3rd⁵⁴¹, based upon positive report of main prosecutor and the *ad-hoc* Task Force. The internal goal of the Government is to become ready for integration by the end of 2007 and to obtain full membership in 2009. At the moment, the key issue is to undergo successfully the screening process, conduct negotiations and prepare the country for the EU membership, as well as to examine in advance what might be the main economic impact of future membership, attempting to avoid (or minimise) negative consequences. Another priority of the Government is to support the other SAP countries' integration into the EU through all kinds of regional cooperation. The Croatian Government believes that according to the economic development and the overall achieved level of preparations for the EU integration, Croatia is

⁵³⁶ Prof Sinisa Rodin, at the IMO Round Table.

⁵³⁷ Eurobarometer 63.4.

⁵³⁸ Kolinda Grabar Kitarovic, Minister of foreign affairs and European integration, on the occasion of opening negotiations, Brussels, October 2005.

⁵³⁹ Visnja Samardzija at the IMO round table «Negotiating EU Accession with Turkey»; Zagreb, October 17, 2005.

⁵⁴⁰ Eurobarometer 63.4.

⁵⁴¹ Council decision, IP/05/1222.

above the average of the SAP countries⁵⁴² and has good chances to become a *forerunner* from the region or a *model* of the EU integration. As the only confirmed candidate for membership, Croatia could be understood as a model, *showcase* for the other SAP countries and a proof that fulfilment of criteria and credible reforms are the only way to come closer to the EU accession. The speed of integration will depend on how Croatia will prove its efficiency in answering to the political criteria, implementing internal reforms, accepting the European standards in practice and finally the institutional ability and quality of their implementation. Finally, the factor of political willingness of the EU to integrate additional new members should not be underestimated. However, it is often stressed that the accession process itself is much more important than joining the EU, meaning that the efficient preparations are crucial at this moment⁵⁴³.

Secondly, there is a firm belief that the start of negotiations was important not only for Croatia, but also for the *other countries of the region*. The start of negotiations, together with the candidate status, confirmed the progress achieved in meeting the goals set by the Stabilisation and Association Agreement (SAA) and defined in Copenhagen criteria. It will enable the country to continue more effectively the internal reforms, particularly through the EU's pre-accession support. Since the EU integration is a convincing motive for changes and the strongest cohesion factor in the countries of Southeastern Europe (SEE), Croatia's negotiations have enormous importance for the region – it could motivate the other countries to follow the example and build stable democratic structures, capable of meeting the European Union membership criteria. In terms of preparations for integration, in the period after signing the SAA Croatia made significant progress in the development and harmonisation of legislative framework in accordance with the *acquis*, while harmonisation of secondary legislation and implementation remains a priority for the coming period. Most institutions regulating free movement of goods have already been established, although in most areas their

strengthening, enforcement and even reorganisation is needed. Furthermore, coordinated work on continuation of the accelerated implementation of the SAA obligations and structural reforms leading to functioning market economy is needed. Speeding up internal reforms (particularly in judiciary, privatisation, public administration, fiscal consolidation, and in some other areas), continuing SAA implementation and law enforcement are the key preconditions for success in the next wave of enlargement. Croatia made preparations for negotiations before they were formally opened: the main negotiating structures were established in 2004 and 2005; the Chief Negotiator and the Head of National Delegation have been nominated⁵⁴⁴. Negotiators for particular chapters were appointed and the negotiating groups were set up to deal with all 35 chapters, together with the necessary infrastructures. Based upon the Resolution of the Croatian Parliament on Croatia's accession to the EU⁵⁴⁵, the Parliament adopted the new Resolution on strategic guidelines of negotiations of Republic Croatia with the European Union. The Resolution is expected to be a strategic document in the negotiations⁵⁴⁶.

Implementation of the accession process will be facilitated in Croatia by the Alliance for Europe, established through a consensus of all parliamentary parties to support the EU membership as a strategic objective of the country. The National Committee for Following the Accession Negotiations has been established encompassing representatives of all parliamentary parties, social parties, trade unions, the employer's union and academia. Its aim is to make the preconditions to supervise the negotiations process and keep it transparent, but without the influence of the daily political debates. The National Forum on Accession to the EU was established with the aim to inform citizens on the advantages and drawbacks of the EU integration. The opinion of Prime Minister Ivo Sanader expressed is that Croatia was ready for the start of screening, an in-depth analysis of the level of adjustment of Croatia's legislation to that of Europe, on the occasion of opening the first chapter on October 20, 2005. According to the

⁵⁴² The SAP countries are at different level of democratic transformation and their GDP p/c presently ranges from less than 2000 to above 7000 euro.

⁵⁴³ Neven Mimica, President of the Parliamentary Committee for European Integration and former Minister of European Integration on the occasion of opening of negotiations (Radio Zagreb, I Programme broadcast, October 4th 2005).

⁵⁴⁴ Head of National Delegation is Kolinda Grabar Kitarovic, minister of foreign affairs and European integration. Chief negotiator Vladimir Drobnyak, former head of Croatian Delegation to the EU and experienced diplomat.

⁵⁴⁵ December 18, 2002.

⁵⁴⁶ Official Gazette, no. 122/2005, 18th October 2005.

opinion of Olli Rehn, member of the European Commission responsible for enlargement⁵⁴⁷, Croatia looks well prepared as seen from the organisational point of view. However, the most important part of the job remains to be done.

After signing the Accession Treaty with *Bulgaria and Romania*, there was a belief among Croatian experts that the integration fatigue was overcome to a certain extent. Croatian Government strongly supports the accession of Bulgaria and Romania to the EU. There is a constant exchange of experiences between the Croatian government and the governments of Bulgaria and Romania on the accession to the EU, the institutional set-up for coordination of the process in the country, legal harmonisation, impact assessment, information dissemination, education etc. Croatia is not competing with those two candidates, but is trying to learn from their experience in order to catch-up as soon as possible. The Croatian Government is trying to use the best of institutional memory achieved in those countries and combine it with their own potentials in order to speed up the process and achieve the internal readiness for the integration.

The Croatian government supports the continuation of enlargement, which does not only include the present candidates into the EU (Bulgaria, Romania, Turkey, Croatia and most recently Macedonia), but also the transformation of the Stabilisation and Association Process into the accession one. In spite of the institutional and financial crisis, the EU should act with real political will as a catalyst for political, democratic, economic and other reforms in its own nearest neighbourhood. It would be the only way of building a greater and stronger Union and keeping the credibility in international politics.

When speaking about *limits of enlargement*, Croatian government is often reminding that the EU has already undertaken serious commitments that opened the door for a next phase of enlargement. This was the Stabilisation and Association Process. Therefore slowing down the process of enlargement would be a wrong message for the SAP countries, and would also put into question the credibility of the Stabilisation and Association Process, especially the credibility of the Thessaloniki agenda which opened the

European perspective of the five SAP countries, based upon the "own merits" principle and the possibility of "catching up" with the present candidate countries. This commitment was reaffirmed by the Council on 16-17 June 2005. The government is convinced that the EU accession framework is the only working policy that Europe can apply on South-eastern Europe. The prospect of EU membership has proven to be the best catalyst for the countries of SEE to implement political, economic and institutional reforms, the EU integration being the only common goal for all the countries after so many years. It could act as an external anchor for stabilising the whole region, and the EU has a particular responsibility in it. Without such a prospect, the overall developments could be directed into different way, from raising euro scepticism to slowing down the process of democratisation and reforms, widening the development gap, instability or even emerging new conflicts. In order to become part of the EU, the region needs to undergo deep changes. It means fulfilment of the Copenhagen criteria, together with the Stabilisation and Association Process conditionality, according which each country's progress towards EU integration should be evaluated on individual basis. The Croatian Government has signed bilateral protocols on exchange of experiences with all the SAP countries, which include practical cooperation in all the areas of preparation for integration. The public support for the accession of the SAP countries is much higher among Croatian citizens than in the EU. Namely, according to Eurobarometer survey⁵⁴⁸, 68% of Croatian respondents are in favour of the EU accession of Bosnia and Herzegovina (42% among EU respondents), 65% Republic of Macedonia (43% in EU), 59% Albania (36% in EU), and 48% Serbia and Montenegro.

Croatian official politics does not support the idea of *Privileged Partnership* as a substitute for the full membership in the EU. In the particular case of Turkey, Croatian Government strongly supported full membership, although the negotiations with this country might be long and difficult. Namely, privileged partnership encompasses only the free movement of goods, services and capital, market liberalisation and further opening of agricultural trade. Bilateral cooperation in military and foreign policy spheres was also envisaged with Turkey, but this was not seen in Croatia as a real

⁵⁴⁷ Croatia & EU, Privredni vjesnik, (business weekly), special issue. July 2005.

⁵⁴⁸ Eurobarometer 63.4.

substitute for the full membership. Although the phrase privileged partnership was widely used in political and media circles in the EU, it remained vague and to a great extent unexplained. The privileged partnership includes serious obligations but does not open the door for real integration, which is the strongest motive for change and reform processes. Having in mind the long period of preparations for the accession with Turkey, the clear choice was therefore not between approving or rejecting Turkish accession, rather than a choice between accession and privileged partnership.⁵⁴⁹

Regarding the integration into the EU, Croatia recorded a period of strong initial Euro-optimism (early 2000), followed with a period of decline in support for the EU (2004/05), due to different reasons and, finally, strong growth of support after the negotiation with the EU started. Namely, most of the *public opinion* surveys carried out since 2000 on a six month basis showed that the support for membership ranged from 72-79%, with only 8-20% of the population declaring itself against it⁵⁵⁰. In June 2004, support suddenly dropped to 51%, and declared opposition rose to 39%, and the situation has not changed significantly until the start of negotiations with the EU. The results of the opinion pool by the independent polling firm Puls in mid 2005 show that 53% of the population did not support Croatia's membership, with only 36% positive. There were many reasons for the swing in public opinion, including not only the issue of cooperation with the ICTY, but also due to the fact that the proclaimed government decision on an exclusive economic zone was postponed; as well as the reasons such as the perceived "trading off" of national interests in return for a positive opinion on Croatia's application for the EU membership; the belief that the outcome of negotiations on the Protocol on Enlargement to the Stabilisation and Association Agreement might be harmful to Croatian farmers; the strong anti-EU campaign by one of the political parties; the French and Dutch "no" in European

Constitution, etc⁵⁵¹. There was also belief in the country that further postponement of negotiations might have strong negative repercussions on Croatia's internal politics. It could lead towards further decline in support to EU integration process, strengthening the gap between the approach between different parties on political and economic priorities of the country and potentially growth of nationalism. Several surveys that were carried out in Croatia after the negotiations started to indicate growing support for the EU integration process and general change in perception. The survey carried out by Novi list, independent daily newspaper, showed that 54% of citizens supported integration into the EU while 25% were against it. However, their attitude regarding negotiations with the EU is still divided: the slight majority of surveyed citizens responded negatively on the question whether Croatia will be able to defend the interests of its citizens in negotiations (36%) while 34% believed it would be possible⁵⁵². Therefore communication with the public is one of the most important issues to be dealt with in Croatia at the moment. It is necessary to provide a well developed and targeted communication strategy; information campaigns, strengthened education activities, particularly those focused on media.

First experiences with implementation of transition periods

Some of the Croatian experts and analysts⁵⁵³ are of the opinion that the fifth, eastern enlargement did not produce major negative effects, which was understood as a good signal for the continuation of the process, although a replication of the "success story" could not be guaranteed. The dynamism and new views of the ten new member states with growth rates of 4% and more enriched the "old" Union with average growth rates below 2%, but the old "mental map" still existed. This *new dynamism* was understood as a positive factor for potential future enlargements.

⁵⁴⁹ The IMO Round Table «Negotiating EU Accession with Turkey», Report on the discussion highlights, Zagreb, October 17, 2005, Press Club. www.imo.hr. See also Euroscope, IMO, Zagreb, vol 14 no.79, October 2005.

⁵⁵⁰ Since 2000, the Ministry for European Integration (now Ministry of Foreign Affairs and EU Integration) carries out regular public opinion surveys to examine the level of support, expectations and knowledge on EU integration issues. Ten public opinion surveys have been carried out so far. www.mei.hr.

⁵⁵¹ Ana Brncic, senior adviser at Croatia's Ministry of Foreign Affairs and European Integration. Commentary: "Not only the war crimes row is turning Croatian opinion off the EU", *Europe's World*, Autumn 2005 (<http://europes.world.link.be>).

⁵⁵² Novi list, October 6th, 2005.

⁵⁵³ See for instance: Visnja Samardzija (2005), *Economic Impacts of EU Integration- Regional and National View* at the Conference "South East Europe: The EU's Next Enlargement", at the Oxford St Anthony's College, 29 April 2005. Also see the papers and summaries of the discussions of the 35th UACES (University Association for Contemporary European Studies) annual conference in Zagreb, 5-7 September 2005 (www.uaces.org).

On the other hand, enlargement increased the wealth gap within the EU, while further enlargement on Bulgaria and Romania will deepen the wealth gap even more. This was seen as a potential reason for additional time the EU might need to “digest” 10 (+ 2) new members and a source of uncertainty for new enlargements that were expected to follow soon.

Cyprus

Impact of the constitutional crisis on further enlargement

Whereas the Republic of Cyprus has ratified the Constitution through Parliament, some Cypriot political figures have noted that the “big-bang” enlargement has caused serious uneasiness among the populations of some Member States. Particularly, they see a latent problem in the case of Turkey’s bid for accession.

Cyprus supports *Bulgaria’s and Romania’s accession* to the EU. Recently, the Cypriot Parliament ratified their Accession Treaty. The Cypriot Government also supports *Croatia’s* bid for accession. In the case of *Turkey*, there is general consensus among the political elite that that country’s accession trajectory would potentially benefit Cyprus’ national interests, by forcing Turkey to adopt progressively the Union’s principles and norms. However, both the Government and public opinion share the notion that Turkey moves towards accession without meeting its obligations towards Cyprus and the EU. One of the primary concerns is the implementation of the additional Protocol to the Ankara Treaty and the normalization of Cyprus-Turkey relations, in line with the latter’s Negotiating Framework as agreed by the Council on 3 October 2005⁵⁵⁴. The Cyprus Government, public opinion and most opinion-makers maintain that if Turkey wishes to continue smoothly its accession negotiations with the EU, it has to fulfil its conventional obligations towards the EU and its Member States. The Cyprus Government maintains that, according to the EU Council’s decisions, these obligations include (1) the implementation of the Additional Protocol without discrimination, (2) the normalization of Turkey’s relations with all EU Member States, (3) the recognition of the Republic of Cyprus, and (4) the positive contribution towards the

settlement of the Cyprus Issue according to the UN Security Council Resolutions and the EU’s *acquis* and its founding principles.

Being preoccupied with the issues covered by the previous paragraph, the limits of enlargement in general is an issue aired occasionally in Cyprus. Cypriot politicians and diplomats we have interviewed felt that this issue is being addressed by the larger EU Member States. According to them, Cyprus’ interests lie in a strong and coherent Union. If the EU needs to set limits of enlargement in order to preserve its coherence and vitality, the Republic of Cyprus is ready to consider this option. For the moment, however, this remains a theoretical question. In any case, Cypriot political elites and analysts emphasise the need for more deepening which would enhance EU functionality and the capacity to absorb new members – after Bulgaria and Romania – before any further enlargement.

Cypriot politicians and diplomats told us that they expect the EU to consider some alternative options to enlargement; however, they did not elaborate on the nature of these alternatives. The Cyprus Government supports the European Neighbourhood Policy. For it considers it a most fruitful means of enhancing relationships and partnerships with a number of countries that need to strengthen their processes of democratisation and economic development so that a “Ring of Friends” can be created around the Union. As regards the EPP’s –and especially the German Christian Democrats’– proposal for a “privileged partnership” for Turkey, there are opinion-makers and analysts in Cyprus who predict that this is the most likely course that Turkish candidacy will ultimately take.

Except for Turkey, Cypriot public opinion is generally in favour of EU enlargement. The Eurobarometer shows that Cypriots strongly support EU enlargement. The further enlargement of the EU “to include new Member States is supported by six out of ten Greek Cypriots”⁵⁵⁵.

First experiences with implementation of transition periods

Of the ten new Member States, the Republic of Cyprus and Malta did not have to face any transition periods with regard to free movement of labour.

⁵⁵⁴ European Commission, “Negotiating Framework for Turkey”, 3 October 2005.

⁵⁵⁵ See Eurobarometer 62, National Report-Cyprus, Autumn 2004.

Czech Republic

Impact of the constitutional crisis on further enlargement

The Czech Republic supports the accession of *Bulgaria and Romania* on January 1, 2007 and Czech diplomats expect both of these countries to be able to complete their preparations in time. The country also supports *Croatia's* EU membership as being greatly important to Czechs both due the traditionally strong ties between the two countries, and because Croatia might possibly conclude its accession negotiations under the Czech Republic's presidency of the EU in the first half of 2009. As for *Turkey*, the Czech Republic supported the start of the accession negotiations with Ankara along the lines of standard membership, even though the end result of Turkey's negotiations cannot be guaranteed beforehand. Nevertheless, the Czech Republic expects that Turkey will eliminate its transport embargo against the ships and aircraft of Cyprus by the end of 2006 at the latest. In spite of official optimism, the support for Turkish membership is substantially different from the attitude to the memberships of the above-mentioned Balkan countries.

Similarly, although the official Czech position is rather in favour of further enlargement beyond Bulgaria, Romania, Croatia and Turkey, both the electorate and politicians are not very enthusiastic about such prospects. This is evidenced by the speeches of politicians such as the Foreign Minister, who calls for a deeper integration instead of on-going enlargement.⁵⁵⁶ President Klaus, on the other hand, would welcome a substantial enlargement of the Union, including even countries such as Kazakhstan. Mr. Klaus's reasons for such bold declarations lie, however, mainly in his desire to dilute the Union and transform it into an intergovernmental organisation.

According to a Eurobarometer survey from spring 2005, two-thirds of the Czechs favour further enlargement. Croatia's accession has the support of 78 percent of Czechs, while 66 percent are in favour of Bulgaria joining the EU. Forty-eight percent are in favour of Romania becoming an EU member and even nine out of ten Czechs would welcome Norway and Switzerland, which are not currently seeking membership. Fifty-one percent of Czechs are against Turkey becoming part of

the EU while only 37 percent of Czechs are in favour of Turkish membership.⁵⁵⁷ According to Eurobarometer, most Czechs think Turkey will have to systematically respect human rights and significantly improve the state of its economy before it should join the EU in about ten years' time. Half of the Czech population believes that Turkey does not belong to Europe historically or culturally, and that this is a major obstacle to Turkey's accession.⁵⁵⁸

First experiences with implementation of transition periods

According to a CVVM survey from 27 June to 4 July 2005, more than one third of Czech citizens (36 percent) are satisfied with EU membership. Dissatisfaction was expressed by one fifth of respondents. Thirty-seven percent of Czechs are neither satisfied nor dissatisfied with the country's membership in the Union. Seven percent of respondents were unable to answer this question.⁵⁵⁹ While restrictions on the free movement of labour from new members to the oldest members rankled Czech politicians, the Czechs are among those least liable to move to richer EU countries to increase their earnings. There are at present three older EU members (the United Kingdom, Ireland and Sweden) where citizens of the new member countries, including the Czech Republic, can work freely.

Among the 175,000 people from new member countries who found a job in the United Kingdom during the first year after accession there were roughly 98,000 Poles and only 12,000 Czechs. Among the 85,000 guest workers from new member countries in Ireland in the same period there were 40,000 Poles, 18,000 Lithuanians and only about 5,000 Czechs in the same period.⁵⁶⁰ This shows that

⁵⁵⁷ Eurobarometr 63.4. Veřejné mínění v zemích EU (Public opinion in the EU member states), Národní zpráva ČR (National Report Czech Republic), Spring 2005, <http://www.evropska-unie.cz/download.asp?id=967> (latest access: 12.12.2005).

⁵⁵⁸ Eurobarometr 63.4.

⁵⁵⁹ Yet poll results vary considerably – cf. Postoje českých občanů k Evropské unii (The Attitudes of Czech citizens towards the European Union), CVVM, 17 June 2005, <http://www.cvvm.cas.cz/index.php?disp=zpravy&lang=0&r=1&s=1&offset=&shw=100495> (latest access: 12.12.2005); Výhody a nevýhody členství České republiky v Evropské unii (The advantages and disadvantages of the Czech Republic's membership of the European Union), CVVM, 15 June 2005, <http://www.cvvm.cas.cz/index.php?disp=zpravy&lang=0&r=1&s=1&offset=&shw=100495> (latest access: 12.12.2005).

⁵⁶⁰ Šafaříková, K., Čechy práce v EU neláká (The Czechs are not allured by work in the EU), Lidové noviny, 19 September 2005.

⁵⁵⁶ Svoboda, C., Integraci Unie, ne rozšiřování (Yes to the Union's integration, no to enlargement), <http://www.mzv.cz>.

the Czech dissatisfaction with those countries applying a transitional period for the free movement of workers is not so much a practical problem, but rather a question of having equal treatment among the EU member states.

Denmark

Impact of the constitutional crisis on further enlargement

The issue of opening negotiations with Croatia as well as Bulgarian and Romanian accession has not filled headlines in the Danish debate. It is moreover rarely mentioned in high-level political speeches on the EU's contemporary challenges. However, failure to ratify the Constitutional Treaty in France and the Netherlands has seemingly inspired a new focus in the Danish government's position on Turkish accession. In a much debated feature article in the Danish daily Politiken⁵⁶¹, Prime Minister Anders Fogh Rasmussen (Liberal Party) launched the idea that enlargement depends not only on Turkish compliance with the Copenhagen Criteria, but also on the EU's capacity to take Turkey onboard. He cites widespread insecurity among EU citizens towards Turkish accession as something that all EU leaders must relate to and discuss openly, while encouraging the EU to slow down and consolidate before engaging in potentially incalculable endeavours.

The issue of Turkish membership leads on to debates in Denmark about the limits of the EU, in which a wide variety of actors participate. Director of the Confederation of Danish Industries, Hans Skov Christensen, argues for an association of the issue of limits with the EU's period for reflection. His view is to consider what the EU is able to get out of accession in relation to individual candidates, instead of attempting once and for all to determine a set border for the EU. He thus argues for a pragmatic approach to Turkish membership.⁵⁶² In general, representatives from the Danish business and corporate sector insist on the positive economic aspects from Turkish membership (e.g. HTS, Danish Chamber of Commerce).

Not surprisingly, the Danish government does not seem intent on providing any clear answer that determines the EU's final borders. However, Foreign Minister Per Stig Møller, has argued that he cannot imagine an EU that borders China,⁵⁶³ while Prime Minister Anders Fogh Rasmussen does state that "we must concede that there are limits for how big the EU can become (...) if the EU is to maintain its cohesion".⁵⁶⁴

The Danish People's Party is strongly against Turkish membership of the EU and argues for alternatives. The Government and the main opposition parties broadly agree that, in principle, the EU is open to full Turkish accession if Turkey fulfils the criteria. Details about other forms of association between the EU and Turkey or other potential candidates have not been dominant in the debate.

Compared to the populations in most of the fifteen 'old' member states of the EU, the Danish public has been among the most fervent supporters of the EU's Eastern Enlargement. Most likely, the 2004 Enlargement would have figured as a prominent argument for a 'yes' to the Constitutional Treaty, were the Danes to have voted on the issue. Previous widespread support for enlargement, however, has not engendered broad positive attitudes towards the issue of further enlargements, hereunder Turkish accession. According to a Catinét poll conducted for Ritzau in September 2005, 52 per cent of the respondents expressed opposition to opening negotiations with Turkey on October 3rd. 33 per cent were in favour. Opposition was mainly found among voters supporting the Danish People's Party, the Liberals, the Conservatives and the Social Democrats, while voters supporting the Social Liberals, the Socialist People's Party and the Red-Green Alliance tended to favour the opening of negotiations. Other polls differentiate the picture by showing a majority of 67 per cent in favour of accepting a reformed Turkey as an EU member.⁵⁶⁵ However, at present a majority of Danes consistently appear to disapprove of Turkish membership.

⁵⁶¹ Fogh Rasmussen, Anders (2005), "EU i arbejdstøjet", Feature article, Politiken, September 27th.

⁵⁶² Skov Christensen, Hans (2005), Welcome note at the conference at the Confederation of Danish Industries: "Europe, What Now?", September 27th.

⁵⁶³ Møller, Per Stig (2004), "The role of values in a reunited Europe", Conference speech, October 25th.

⁵⁶⁴ Fogh Rasmussen, Anders (2005), "EU i arbejdstøjet", Feature article, Politiken, September 27th.

⁵⁶⁵ Politiken (2005), October 2nd.

First experiences with the implementation of transition periods

Prime Minister Anders Fogh Rasmussen recently labelled Eastern Enlargement a great success; something exceeding all expectations.⁵⁶⁶ His evaluation is likely to reflect on the one hand the generally positive public attitudes towards the newcomers in Denmark, and, on the other hand, research reports that the Danish labour market and social system has not been overburdened by large-scale labour migration. After long and heated debates prior to Enlargement, Denmark had chosen to introduce transition periods on the free movement of labour.⁵⁶⁷ The then estimates that Denmark would receive around 2000 workers a year from the new members seem to hold.⁵⁶⁸ Yet, reports about problems of non-compliance with Danish labour market regulations continue to occasionally inspire heated media debates, and a number of cases have been taken to Danish courts.

Estonia

Impact of the constitutional crisis on further enlargement

The constitutional crisis is regarded as having a negative effect on further enlargement, with Turkey, Ukraine and the Balkan countries as the main losers. However, Estonia's supportive stance towards further enlargement remains unchanged: the government declares that „the enlargement process should continue in accordance with the aims and criteria set by the European Council. Estonia supports starting accession negotiations with Croatia and Turkey as well as continuing assistance to Western Balkan states to help them to fulfill accession criteria.“⁵⁶⁹ Estonia has not ruled out future membership of any country but emphasises strict conditionality and

⁵⁶⁶ Fogh Rasmussen, Anders (2005), "EU i arbejdstøjet", Feature article, Politiken, September 27th.

⁵⁶⁷ Vestergaard, Anne Mette og Catharina Sørensen (2005): "Øststudvidelsen og arbejdskraften: myter og realiteter", DIIS, Series about Europe after the Enlargement.

⁵⁶⁸ Nordisk Ministerråd (2005), "Arbejds- og tjenestemobilitet efter EU-udvidelsen. Nordiske forskjeller og fellestrekk", Copenhagen http://www.fafo.no/Oestforum/Kunnskapsbase/Publikasjoner/FoU/dolvik_eldring05.pdf (latest access: 28.11.2005); Arbejdsmarkedsstyrelsen (2005): "Statusnotat om meddelte og aktive opholds- og arbejdstilladelser" Møde i forligskredsen den 24. august 2005, Bilag.

⁵⁶⁹ Aims of the Estonian government during the UK Presidency, approved by the government July 14, 2005, www.riigikantslei.ee.

commitment to reforms and European values.⁵⁷⁰ There is no strong societal interest or opposition to further enlargement. The question of Turkey is regularly brought up in the media, but the attitude of political elites towards Turkey's membership is generally positive, and popular mobilisation on the issue is highly unlikely.

Estonia's interest in the Neighbourhood policy remains keen. The following paragraph from a government's position paper summarises the position succinctly: "The democratic and economic development of the neighbourhood policy countries, especially Ukraine, Belarus and Georgia, should be further supported. The ENP action plans with Ukraine and Moldova should be implemented and action plans should be elaborated with Georgia, Armenia and Azerbaijan. Estonia continues development cooperation and technical assistance projects with those countries. It is in the Estonian interests to continue support to the civil society in Belarus and to assist in solving the disputes in Transnistria, Abkhazia and South Ossetia. Sufficient resources for conducting an effective neighbourhood policy should be allocated under the next financial perspective."⁵⁷¹

First experiences with implementation of transition periods

Estonian government calls for the abolition of restrictions and transition periods as soon as possible. It has, from the beginning, regarded restriction on the free movement of labor as unfair, unjustified and in conflict with the objective of making the European economy more competitive. The Foreign Ministry is trying to convince old member-states not to extend the transition period beyond May 2006. The restrictions have not been effective anyway, as businesses in the old member states have found loopholes such as "renting" labor from the new member-states. This issue has become a hot topic in Estonian-Finnish relations.

Another major problem related to the 2004 accession is the prospect of a multi-million euro sugar fine. According to the present calculations, Estonia has to pay approximately one billion kroons for the surplus reserve (64

⁵⁷⁰ Ansip: eurolliit on kriisis, aga mitte katki, Postimees, 21.06.2005.

⁵⁷¹ Aims of the Estonian government during the UK Presidency, approved by the government July 14, 2005, www.riigikantslei.ee.

million EUR), including over 700 million kroons (44 million EUR) for excess sugar import that went up by more than 90,000 tons in a year before accession.⁵⁷² Estonian government pursued characteristically liberal economic policies and failed to take measures in order to limit the stockpiling of sugar by enterprises and consumers. The Estonian Parliament and the State Audit Office launched an investigation into what should have been done to avoid the sugar surplus and the expenditure proceeding from it. The report points to government's inactivity and problems of interministerial coordination. The issue is a source of domestic political controversy that has evolved into a multi-level conflict between political parties, government and business, and government and the European Commission. (Not surprisingly, Estonia supports a far-reaching reform of Common Market Organisation for sugar. Estonia would like to see reforms going well beyond those suggested in the recent Commission proposal.⁵⁷³)

Finland

Impact of the constitutional crisis on further enlargement

The public mood in Finland is somewhat critical to the future enlargement. While the previous round of enlargement was of importance to Finland due to many of its neighbours joining the Union, current candidates are considered more distant and "foreign" from Finland's perspective. The number of people opposed to the enlargement of the EU is higher than ever before. According to a recent survey, 31% of the Finnish population believe that the Union should not enlarge any further, while 48% see that some of the applicant countries should join. Only 18% of the Finns would like to see all the applicant countries join the EU.⁵⁷⁴

Out of the current applicant countries, Turkey awakens most opposition with 66% of the Finnish population being against it joining. While 70% believe that Turkey belongs to

Europe geographically, 79% are worried that the Turkish membership would result in an inflow of immigrants to the more developed member states, while 60% hold that the cultural differences between Turkey and the EU member states are too significant for it to ever join.⁵⁷⁵ However, a poll conducted a few months later came up with an opposite result. It indicated that only 16% of the Finnish population would oppose Turkish membership, were it to fulfil the accession criteria.⁵⁷⁶ The Finnish Government takes a positive stance towards Turkey's membership, and has supported the Commission's proposals for the negotiating framework. It holds that Turkey has fulfilled the required criteria for negotiations to commence and that no additional criteria, such as the recognition of Cyprus, should be set. The Parliamentary Foreign Affairs Committee adopts a similar position, but reminds that Turkey has much to do in terms of human rights, and the development of its legal system.⁵⁷⁷

When it comes to the other applicants, Finland's position is in line with that of the Commission.⁵⁷⁸ All applicant countries are eligible to join the Union given that they have fulfilled the set criteria. Overall, Finland remains somewhat indifferent towards these countries; even to the extent that a motion was recently presented to the parliament that further discussion should take place. Due to lack of support, this motion was declined. The media coverage has concentrated on the most part on the wide-spread poverty of these candidates, as opposed to the ideological dividing lines in Turkey's case, thus reflecting the concerns that Finland has over increases in its net payments to the Union.⁵⁷⁹ In the Finnish Government's view, all applicant countries need to be treated equally, and their prospective membership assessed according to common standards.⁵⁸⁰

Politically, the dividing lines have been more or less traditional. The nationalist right (the Constitutionalists) has opposed Turkey's membership as well as further enlargement, whereas the more liberal and business-oriented National Coalition Party has applauded the widening of the European

⁵⁷² Results of an audit by the State Audit Office: „Eesti riigiasutuste tegevus Euroopa Liiduga liitumise ajaks üleliigsete suhkruvarude tekkimise vältimiseks,“ 01.06.2005, www.riigikontroll.ee.

⁵⁷³ Aims of the Estonian government during the UK Presidency, approved by the government July 14, 2005, www.riigikantselei.ee.

⁵⁷⁴ Eurobarometer 63.4, (http://europa.eu.int/comm/public_opinion/archives/eb/eb63/eb63_nat_fi.pdf, latest access: 15.11.2005).

⁵⁷⁵ Ibid.

⁵⁷⁶ Aamulehti 11.10.05.

⁵⁷⁷ Foreign Affairs Committee Report 9/2005 vp.

⁵⁷⁸ Bulletin 235/2004 of the Ministry of Foreign Affairs.

⁵⁷⁹ See for example: Turun Sanomat 15.4.2005 and Helsingin Sanomat 4.6.2005.

⁵⁸⁰ Ministry of Foreign Affairs, parliamentary brief E 68/2005 vp.

family, although its former chairman and a current MEP Ville Itälä has been among the fiercest opponents of especially Turkey's membership.⁵⁸¹ On the left (the Greens and the Left-Alliance), emphasis has been on human rights and minority issues.⁵⁸² The three parties in the government (The Centre Party, the Social Democrats and the Swedish People's Party), in turn, are in line with the European Commission.

Finland has conventionally been engaged in EU's relations with its eastern neighbours, in particular Russia. The main priority for Finland in this area has been the Northern Dimension initiative. This initiative has been a visible regional element in EU-Russia relations, although its concrete achievements are debatable. While the locus of the Northern Dimension has been Russia, the Baltic States and Poland have been partner countries too. Now that the Baltic States and Poland have joined the Union, relations with Russia are likely to receive increased emphasis. The ENP, in turn, has been subject to relatively little political and public attention, and has been mostly approached within the Northern Dimension framework, not as a policy initiative in its own terms. However, recent changes in the eastern neighbourhood, the Orange Revolution in the Ukraine in particular, have led to increasing interest in the area. The main daily Helsingin Sanomat, for one, has paid increasing attention to EU's new eastern neighbours: Ukraine and also Moldova and Belarus. Officially Finland has not aligned itself with the new member states that demand a stronger EU involvement in these countries, although it is cautiously in favour of supporting the European orientation of countries such as Ukraine and Moldova. However, a clear emphasis in EU's relations with its eastern neighbours is still on EU-Russia relations instead of the ENP. When it comes to Finland's policy priorities, clarification is needed with reference to the dynamics of the European Neighborhood Policy (ENP) and the Northern Dimension.

First experiences with implementation of transition periods

With the transitional period in place the much-dreaded inflows of workers from the new member states never materialised. Instead of this, the work-related implications of the

⁵⁸¹ Turun Sanomat 4.10.2005.

⁵⁸² See for example Vihreä Lanka 7.10.2005 (the Greens' official paper).

accession have entered the Finnish politics and the public discussion through the means of hired labour. Some sections of the general public as well the labour unions have expressed discontent over the way in which hired labour, mostly from Estonia, manages to circumvent Finnish labour regulation standards. Minister of Labour Tarja Filatov has admitted that the implementation of a transitional period can partly have resulted in this proliferation of hired labour.⁵⁸³ This has led to the Government proposal of reforming the legislation concerning hired labour.⁵⁸⁴

In reference to the transitional periods, Finland is currently in the process of reviewing whether or not to extend the transitional period, and is set to reach a decision during the spring 2006 session of the Parliament. The Central Organisation of Finnish Trade Unions (SAK) is yet to strike a firm stance on whether it would like to extend the transition period. This decision is likely to have a considerable impact on the Finnish decision, given the organisation's role in influencing Finnish politics. The main daily Helsingin Sanomat has estimated (2.10.05) that the Government will terminate the transition period as planned in the spring of 2006, although in the early part of 2005 the Government indicated that it would extend the transition.⁵⁸⁵

The accession of 2004 has had another bearing on the Finnish public debate. The joining of Estonia forced the Finnish Government to lower its alcohol taxes in order for the domestic production to be able compete with the Estonian suppliers (who sold hard liquor for fifth of the cost in Finland), in what was now a free market. This radical tax cut has resulted in a considerable increase in the Finnish alcohol consumption thus calling into question the Government's decision to introduce such drastic measures as a reaction to Estonia's accession.⁵⁸⁶

France

Enlargements are not popular in France. Jacques Chirac, however, is a long-time supporter of all enlargements. François Mitterrand, his predecessor, had expressed

⁵⁸³ Speech to the Finnish Parliament 27.9.2005.

⁵⁸⁴ Government Proposal HE 142/2005.

⁵⁸⁵ Turun Sanomat 24.2.2005.

⁵⁸⁶ Esa Österberg, 'The growth in alcohol consumption in Finland in 2004' in Yearbook of Finnish Alcohol and Drug Research, pp. 7-17.

strong doubts about the rapid accession of countries from Central and Eastern Europe before he left office in 1995. He is remembered for having put forward the idea of a “European confederation” which would have been a first step before full membership.

In May 2004, French public opinion support for European integration reached its historic lowest point according to Eurobarometer, around 40%. This is no coincidence that this was recorded the very month of the great enlargement. The French feared the economic effects of the 2004 enlargement, and the weakening of Europe. “Dilution of Europe” is a theme often under discussion.

Impact of the constitutional crisis on further enlargement

There is no real debate in France on the accession of Bulgaria and Croatia. The French government supports the schedule for accession agreed by the European Council in December 2004. The decision to open negotiations with Croatia was greeted as inevitable.

The case of Turkey, however, is much more contentious. Before the referendum, Chirac, who knew that the accession of Turkey was unpopular in France, modified the French Constitution, so as to make it compulsory to hold a referendum in France on future enlargements. This will not concern Romania and Bulgaria. Afterwards, all enlargements will have to be approved by the French people.

Political parties are divided about Turkey. Chirac is in favour, so is the Prime Minister and the Foreign Minister. But Nicolas Sarkozy, Chairman of the UMP, the main right-wing party, and Interior Minister, is against. Valéry Giscard d'Estaing, former French President, former Chairman of the Convention on the future of Europe, is also opposed to Turkish accession on the ground that it would mean the death of a Federal Europe. On the left, the Socialist party is officially in favour of the accession of Turkey. Laurent Fabius, however, disagrees and is against it. Robert Badinter, a former Justice Minister, also expressed his opposition to Turkish accession. It would make Europe weaker. It would mark, according to him, the “end of a great hope”, the European hope⁵⁸⁷.

⁵⁸⁷ *Le Monde*, 14 October 2005.

All parties stress that the Copenhagen criteria will have to be strictly respected. Indeed, Philippe Douste-Blazy tried to reassure the French public and declared that, given the current state of Turkey, accession was unlikely to happen in a foreseeable future. A year ago, almost 70% of the French people were against Turkish accession. The figure is now lower, around 60%.

First experiences with implementation of transition periods

Fears about post-enlargement labour flows were very vivid. During the debates on the ratification of the constitutional Treaty, this became a central issue. “The notion of the “Polish plumber” was used to depict the competitive and cheap eastern workforce, the presence of which would result in massive unemployment of French service providers”⁵⁸⁸. As a result, France maintains a restrictive immigration regime in which workers from the new Member States are treated in the same way as non-EEA citizens. The French government intends to maintain these ‘transitional arrangements’ for five years after enlargement. However, the procedures are expected to be flexible depending on the sector or region concerned. The restrictions apply to wage-earners only, while students, researchers, self-employed persons and service providers are exempted.

Germany

Impact of the constitutional crisis on further enlargement

The crisis over the ratification of the European Constitution (TCE) does not have an immediate negative impact on Germany’s enlargement policy. However, the pace and the limits of further enlargement, the political and geographic finalité of the EU as well as alternatives to enlargement are discussed more lively in the political class and academia after the shock of the referenda in France and the Netherlands.

As far as the two current acceding countries, Bulgaria and Romania, and also the candidates, Turkey and Croatia, are concerned the grand coalition of CDU/CSU and SPD which came into power on 22 November 2005

⁵⁸⁸ European Citizen Action Service (ECAS), *Report on the Free Movement of Workers in EU-25: who’s afraid of EU enlargement?*, Brussels, September 2005.

pursues a policy of *pacta sunt servanda*. In the cases of Bulgaria and Romania the Merkel government wants to decide upon the date of effective membership (either 1.1.2007 or 2008) in the light of the Commission's evaluation of their readiness to join the EU, i.e. in April 2006.⁵⁸⁹ It is noteworthy, that the process of ratifying the accession treaties has not yet started in Germany. On average ratification takes at least eight months because the act has to pass both chambers. Hence, to be completed in time, the ratification process should start in March 2006 at the latest. Moreover, some politicians across parties in the Bundestag indicated doubts, whether Bulgaria and Romania are really prepared to take on the obligations of membership. Compared to the new members of 2004 these two countries are generally perceived as being weaker both in economic terms and as far as democratic consolidation (see for example the level of corruption) is concerned.⁵⁹⁰ However, many members of parliament think that the real value of the option to postpone the entry into force of membership for one year is threatening the Romanian government to make use of this option, rather than actually using it.⁵⁹¹ Interestingly, in April and May 2005, in connection with incidents of illegal practices in the meat industry, parts of CDU and CSU, then opposition parties, criticised the Schröder government for having too loosely negotiated the terms of free movement of labour and services for Romania and Bulgaria. They questioned whether the transition periods were restrictive enough to protect German enterprises and work force.⁵⁹²

On Turkey the grand coalition established a formula which mitigates the originally diverging positions of CDU/CSU and SPD. Chancellor Schröder had been the driving force behind his government's strong support for opening negotiations with Turkey as early as 3 October

2005, ignoring that parts of his party had a more differentiated view⁵⁹³. He even visited Prime Minister Erdogan while only acting Chancellor on 12 October 2005 to demonstrate that the position of his government will continue to be the position also of the Merkel government in the future.⁵⁹⁴

One should recall that his Foreign minister Fischer and the Green Party backed this pro-Turkey course because of the geopolitical importance of Turkey and its function as a bridge towards the Islam world and because it would signal open-mindedness vis-à-vis Turkish community and Islam. In contrast to the red-green government, the CDU/CSU has long been promoting a „privileged partnership“ between the EU and Turkey as an alternative to membership.⁵⁹⁵ This concept, however, has remained quite diffuse and seems out of time considering the stage that EU-Turkey relations have already acquired. Thus, the CDU was rather isolated even within the European People's Party. It met like-minded governments only in Austria which however avoided the term privileged partnership, and in France with opinions of Minister Sarkozy who does, however, not represent the official position of the French government. While acknowledging the fact that negotiations are underway with Turkey and that one cannot turn back the clock⁵⁹⁶, the CDU/CSU insisted on a fall back formula to be written into the coalition agreement: "If the EU lacks the capacity to absorb new members or if Turkey is not able to fully comply with all obligations deriving from EU-membership Turkey has to be tied as closely as possible to the EU-structures, in a way that enables further development of their privileged relations."⁵⁹⁷ Moreover, the grand coalition quotes the formula of the European Council and the negotiation framework with

⁵⁸⁹ Koalitionsvertrag zwischen der CDU, CSU und SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (last access: 18.12.05), p.151.

⁵⁹⁰ Frankfurter Allgemeine Zeitung: Die EU nimmt Bulgarien und Rumänien auf, 25.04.05; Die Zeit: Vorbild Habsburg, Nr. 12, 17.03.05.

⁵⁹¹ Cf. the discussion of the different options in Anneli Ute Gabanyi: Rumänien vor dem EU-Beitritt, SWP-Studie S 31, Oktober 2005, Berlin.

⁵⁹² FAZ.NET: Union: „Regierung hat schlampig verhandelt“, 03.05.05, <http://www.faz.net/s/Rub28FC768942F34C5B8297CC6E16FFC8B4/Doc~EE50CC2E6C9144DD2A12118F66A83C9C9~ATpl~Ecommon~Scontent.html#top>, (last access: 18.12.05); Bayerische Staatskanzlei: Stoiber fordert Einschränkung der Dienstleistungsfreiheit vor EU-Beitritt von Rumänien und Bulgarien, Press Release, 19.04.05.

⁵⁹³ Cf. EU-25 Watch No. 1, Berlin, 2004, p. 108, <http://www.iep-berlin.de/publik/EU25-Watch/index.htm> (last access: 18.12.05).

⁵⁹⁴ Frankfurter Allgemeine Zeitung: Schröder: Türkei muss in die EU, 13.10.2005.

⁵⁹⁵ CDU/CSU: Privilegierte Partnerschaft. Die europäische Perspektive für die Türkei, Beschluss der Präsidien der CDU und CSU, 07.03.2004, <http://www.cdu.de/doc/pdf/080304-beschluss-tuerkei.pdf> (last access: 18.12.05).

⁵⁹⁶ Merkel was elected Chancellor on 22. November 2005, 9 weeks after the general elections, while the decision on opening negotiations with Turkey was taken on 3. October, when the Schröder government was formally still acting. However, the CDU/CSU did not intervene or ask for a revision of Germany's vote in the Council in favour of opening negotiations with Turkey.

⁵⁹⁷ Koalitionsvertrag zwischen der CDU, CSU und SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (last access: 18.12.05), p.151.

Turkey that the objective of negotiations is membership and that these negotiations are an open ended process, the outcome of which cannot be guaranteed beforehand. It is added in the coalition agreement, that “no automatism”⁵⁹⁸ shall apply, a claim often voiced by Christian democrats in the German debate over Turkey. Moreover, the importance of fulfilling the Copenhagen criteria, in particular the rule of law and human rights is emphasised in this document. Among the guarantee of civil rights and liberties special note is made of the freedom of religion.⁵⁹⁹ A compromise between the parties of the CDU/CSU/SPD government became more feasible, after the decision on opening negotiations had been taken by the Council. Moreover, no one expects that throughout the lifetime of the grand coalition any real nor the ultimate decision on Turkish membership will be due. Also some social democrats see an avenue for a more restrictive and “circumspect”⁶⁰⁰ approach towards enlargement in general and in the Turkish case in particular. Meanwhile, the Turkish question has lost some of its ideological fervour. This allows political and other actors, like the two major Christian churches in Germany, to put forward critical questions about the compatibility between Turkey and the EU as a political and supranational community.⁶⁰¹ Overall, Turkish EU membership was not a prominent issue in the German election campaigns. However, public opinion remains sceptic and relatively negative towards Turkish membership.⁶⁰² Mostly people fear labour market competition and migration rather than “cultural and religious” clashes.⁶⁰³

⁵⁹⁸ Koalitionsvertrag zwischen der CDU, CSU und SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (last access: 18.12.05), p.151.

⁵⁹⁹ Ibid.

⁶⁰⁰ Ibid., p.150; See also NETZEITUNG.DE: SPD-Politiker sehen Türkei-Beitritt skeptisch, 02.10.05, <http://www.netzeitung.de/spezial/europa/360814.html>, (last access: 18.12.05).

⁶⁰¹ Frankfurter Allgemeine Zeitung: „Mehr Rechte für Christen in Türkei“, 25.09.04; Tagesspiegel: „Die Türkei ist kein Baustein für Europa“, Interview with Bishop Wolfgang Huber, 16.01.2005.

⁶⁰² According to TNS Infratest 75% of the Germans prefer the development of good relations with Turkey, whereas only 22% favour a formal membership. TNS Infratest Trendletter: Ein Jahr EU-Osterweiterung, April 2005, p.3, http://www.tns-infratest.com/pdf/Trendletters/TNS_Infratest_Trendletter_April_2005.pdf (last access: 18.12.05).

⁶⁰³ 37% of the Germans worry about potential job losses and 33% about increasing economic competition due to EU-enlargement. TNS Infratest Trendletter: Ein Jahr EU-Osterweiterung, April 2005, p.2, <http://www.tns-infra>

The Grand coalition supports the opening of negotiations with Croatia and commits itself to a European perspective for the countries of the Western Balkan as established in the declaration of Thessaloniki.⁶⁰⁴ There is considerable attention given to developments on the Western Balkans as is also shown by the appointment of the German Schwarz-Schilling as UN High Representative for Bosnia in December 2005.⁶⁰⁵

At present neither the German government nor the opposition enters into any commitments for further enlargement. There is a new debate on alternatives to enlargement for reasons of overstretch. The capacity of the Union to take in more members is considered to be of high salience.⁶⁰⁶ The grand coalition calls for an “ambitious and differentiated neighbourhood policy”⁶⁰⁷ and looks for supporters inside the EU. In this regard Germany looks more to the East than the Mediterranean and confirms the Europeanness of countries like the Ukraine and Moldova. At working level German diplomacy seeks a closer understanding and common approach with Poland as a key country in developing meaningful relations with post-Soviet countries in the neighbourhood.

The course of enlargement as outlined above is generally backed by all democratic parties, the business community and labour unions.⁶⁰⁸

German citizens are among the least enthusiastic about enlargement in the EU. Only

[test.com/pdf/Trendletters/TNS_Infratest_Trendletter_April_2005.pdf](http://www.tns-infratest.com/pdf/Trendletters/TNS_Infratest_Trendletter_April_2005.pdf) (last access: 18.12.05). Similarly important and closely linked to the scepticism about the socio-economic consequences of EU-enlargement are fears about migration. Martin Kroh: Die Sorgen der Bevölkerung über die Folgen der EU-Erweiterung, DIW Wochenbericht, Vol. 72, No. 11, 16.03.05.

⁶⁰⁴ Koalitionsvertrag zwischen der CDU, CSU und SPD, p. 151.

⁶⁰⁵ Deutsche Welle: Schwarz-Schilling kehrt als Hoher Repräsentant nach Bosnien zurück, 14.12.2005, <http://www.dw-world.de/dw/article/0,2144,1820603,00.html> (last access: 18.12.05).

⁶⁰⁶ Cf. the parliamentary speeches of Andreas Schockenhoff and Jürgen Trittin in: Deutscher Bundestag: debate on the policy statement of Federal Chancellor Dr. Angela Merkel, Plenarprotokoll 16/4, 30.11.05.

⁶⁰⁷ Koalitionsvertrag zwischen der CDU, CSU und SPD, p.150.

⁶⁰⁸ Deutscher Bundestag: debate on the policy statement of Federal Chancellor Dr. Angela Merkel, Plenarprotokoll 16/4, 30.11.05; Deutscher Gewerkschaftsbund: EU-Erweiterung, http://www.dgb.de/themen/europa/eu_erweiterun_g/eu_erweiterung.htm (last access: 18.12.05); Bundesvereinigung der deutschen Arbeitgeberverbände: Fortschrittsberichte zu Bulgarien, Rumänien, Türkei und Kroatien, EURO-INFO No.7, pp.8-10, [http://www.bda-online.de/www/bdaonline.nsf/id/F9D061987FD39DF2C1256F71003F81A3/\\$file/Euro-Info%20Nr.%207.pdf](http://www.bda-online.de/www/bdaonline.nsf/id/F9D061987FD39DF2C1256F71003F81A3/$file/Euro-Info%20Nr.%207.pdf) (last access: 18.12.05).

11% of the Germans express general support for further EU-enlargement, while 40% oppose any further enlargement.⁶⁰⁹ Being asked whether deeper integration in contrast to further enlargement is preferred even 84% express a preference for deeper integration (10% undecided; 6% support further enlargement).⁶¹⁰ On the level of individual countries, Turkey (12% support) ranges significantly behind countries like Romania (19% support) or Bulgaria (24% support), which confirms the generally low level of support.⁶¹¹

In general, little public attention is given to the effects of enlargement and the first experiences with the implementation of various transition periods. Mostly negative examples of misuse of freedom of services and establishment as well as illegal migration attract media and also inspire the political debate. In answering parliamentary questions put forward by the CDU/CSU opposition, the Schröder government responded to three key issues: “250 days of EU-eastern enlargement”, “freedom of service after EU-eastern enlargement” and “social dumping through East European citizens”.⁶¹²

On the economic effects of enlargement the government underlined that capital intensive sectors with a high degree of technological input tend to benefit from enlargement while labour intensive sectors are getting under increased pressure.⁶¹³

First experiences with implementation of transition periods

Germany makes use of the restrictions for free movement of labour. The grand coalition intends to continue with this policy, stating already that it seeks to use the maximum transition period of seven years fully.⁶¹⁴ The Schröder government found that this transition period works well and is effective.⁶¹⁵ Modifications were not deemed necessary, although an extension of the delegation directive to other branches (namely to commercial cleaning) is under discussion. Job competition – as widely reported on in German media⁶¹⁶ – between German citizens and citizens from the new member states is mostly result of illegal behaviour of individuals and/or in connection with organised crime. Particularly sensitive sectors are the building and construction trade (that was the case also before enlargement) and the meat processing industry as well as butchers and slaughterhouses. The replacement of German workers by citizens from new member states occur preferably in sectors like farming, metal processing, shipyard industry or transport.⁶¹⁷ There are frequent cases of doubtful self-employment in sectors like horticulture and landscape gardening, construction, transport, nursing, commercial cleaning, metal processing and skilled manual work/trade.⁶¹⁸

⁶⁰⁹ Europäische Kommission: Eurobarometer 63.4: Nationaler Bericht Deutschland, Brussels, Spring 2005, p.22.

⁶¹⁰ Institut für Demoskopie Allensbach: EU – NICHT ERWEITERN, Allensbacher Berichte 2005, Nr.10, http://www.ifd-allensbach.de/news/prd_0510.html, (last access: 18.12.05), p.1.

⁶¹¹ Institut für Demoskopie Allensbach: EU – NICHT ERWEITERN, Allensbacher Berichte 2005, Nr.10, http://www.ifd-allensbach.de/news/prd_0510.html, (last access: 18.12.05), p.3.

⁶¹² Deutscher Bundestag: Antwort der Bundesregierung auf die Kleine Anfrage der Abgeordneten Jürgen Klimke u.a.: 250 Tage EU-Osterweiterung, Drucksache 15/4989, 02.03.05; Deutscher Bundestag: Antwort der Bundesregierung auf die Kleine Anfrage der Abgeordneten Albert Rupprecht u.a.: Dienstleistungsfreiheit nach der EU-Osterweiterung, Drucksache 15/5546, 27.05.05; Deutscher Bundestag: Antwort der Bundesregierung auf die Große Anfrage der Abgeordneten Karl-Josef Laumann u.a., Sozialdumping durch osteuropäische Billigarbeiter, Drucksache 15/5813, 22.06.05.

⁶¹³ Deutscher Bundestag: Antwort der Bundesregierung auf die Kleine Anfrage der Abgeordneten Jürgen Klimke u.a.: 250 Tage EU-Osterweiterung, Drucksache 15/4989, 02.03.05, p.4.

⁶¹⁴ Koalitionsvertrag zwischen der CDU, CSU and SPD, p.151.

⁶¹⁵ This view is generally shared by employers' organisations. However, the Bundesverband der Deutschen Industrie (BDI) and the Bundesvereinigung der Deutschen Arbeitgeberverbände (BDA) propose a step-wise “positive integration process” based on German interests, in order to prepare smoothly for unrestricted free movement of labour (which will occur in 2011 at the latest). For that reason, a „scoring system“ for steering labour migration is advocated by them. Qualified personnel should be attracted for economic sectors for which the German labour market does not provide adequate supply. BDA, BDI: Die Arbeitnehmerfreizügigkeit für Sataatsangehörige aus den neuen EU-Mitgliedstaaten gestalten, Gemeinsame Stellungnahme, December 2005, [http://www.bda-online.de/www/bdaonline.nsf/id/43F1574B17C4B0CA C12570D900386F5D/\\$file/Stellungnahme%20Arbeitnehmererfreizügigkeit.pdf](http://www.bda-online.de/www/bdaonline.nsf/id/43F1574B17C4B0CA C12570D900386F5D/$file/Stellungnahme%20Arbeitnehmererfreizügigkeit.pdf), (last access: 18.12.05), pp.3-4.

⁶¹⁶ Der Spiegel: Wie Billiglöhner aus Polen deutsche Arbeiter verdrängen, No.8, 21.02.05; Südwestdeutscher Rundfunk: Tatort Schlachthaus: Warum Tausende deutsche Arbeiter gefeuert wurden, Report Mainz, 28.02.05; Stern.de: Briefkastenfirma mit Handynummer, 28.04.05, <http://www.stern.de/wirtschaft/unternehmen/539699.html?eid=539362>, (last access: 18.12.05).

⁶¹⁷ Deutscher Bundestag: Antwort der Bundesregierung auf die Große Anfrage der Abgeordneten Karl-Josef Laumann u.a., Sozialdumping durch osteuropäische Billigarbeiter, Drucksache 15/5813, 22.06.05, p.12.

⁶¹⁸ Ibid.

Generally the influx of workers from the new member states was below expectations and prognosis, due to the transition periods. In general the number of people stemming from the new member states in Germany was shrinking from 614.000 in 2003 to 533.000 at the end of 2004.⁶¹⁹ Even the bilaterally agreed quota for workers from these countries were not fully used (only 61%; and only 48 in construction sites).⁶²⁰

The grand coalition will seek a level playing field and avoid unfair competition over wages (social dumping) and aims at reducing illegal employment. In Germany there does not exist a functioning low wage sector. Thus illicit work, namely in the service sector, is widespread and also done by foreign workers including those from the new member states with or without work permit or permit of residence. On these issues and with an eye on a sensitive, even sometimes hysteric public opinion the grand coalition follows a restrictive or protective line. Combined with geographic proximity this leads to a relatively high rate of illegal migration to Germany. However, Germany benefits from the brain drain from new member states (e.g. in the health and nursery sector). One can generally say that while big enterprises actively seek workers from the new member states and therefore claim a more liberal approach, small business wants effective protection from new competitors.⁶²¹

Another sensitive sector is transport. Germany was in favour of a transition period for national road haulage services. There have been few cases of illegal cabotage so far. However, haulage contractors from neighbouring Poland and the Czech Republic have cost advantages up to 30% compared to German suppliers. Their widening market share is at the cost of German firms. However, the German government does not support stricter and more

⁶¹⁹ The diminishing number is however due to statistical effects. Herbert Brücker: EU-Osterweiterung: Übergangsfristen führen zur Umlenkung der Migration nach Großbritannien und Irland, DIW Wochenbericht, Vol. 72, No. 22, 01.06.05.

⁶²⁰ Deutscher Bundestag: Antwort der Bundesregierung auf die Kleine Anfrage der Abgeordneten Albert Rupprecht u.a.: Dienstleistungsfreiheit nach der EU-Osterweiterung, Drucksache 15/5546, 27.05.05, p.11.

⁶²¹ DIHK: Ein Jahr EU-Erweiterung – eine Bilanz deutscher Unternehmen, Ergebnisse einer DIHK-Umfrage, Frühjahr 2005, <http://www.dihk.de/inhalt/download/erweiterungsumfrage.pdf>, (last access: 18.12.05); Kreditanstalt für Wiederaufbau: Mittelstandsmonitor 2005, short version, March 2005, http://www.kfw.de/DE_Home/Research/Mittelstan58/Dt_KurzfassgMIMO_TITEL2004_D-KurzA4.pdf, (last access: 18.12.05).

protective measures as this would only encourage more illegal transport. Another problem and risk for all road users is the extremely high percentage of unroadworthy vehicles (“time bombs on wheels”) from Eastern Europe on roads in Europe. In the course of traffic checks every third vehicle⁶²² from eastern Europe (which includes also non EU-states) was withdrawn and shut down.

Interestingly, issues arising from transition periods in other political sectors, like the Common Agricultural Policy, consumer protection or environmental policies are largely absent in political debates as well as in the public discussion.

By and large the integration of the new member states into the internal market functioned well and smoothly.

Greece

Impact of the constitutional crisis on further enlargement

There are concerns ever since the failure of the Constitution over the implications on the future enlargement, but this aspect is not considered to be of major importance. It should be noted that Greek attitudes towards a further enlargement should be seen through the prism of the fact that all remaining candidate countries belong to its immediate neighborhood. As far as Russia is concerned, its accession to the EU is at present an academic exercise for what's called the foreseeable future, but this shouldn't be construed to mean that we shouldn't all keep an open mind to this prospect and devise common approaches to it.

As far as Greek priorities are concerned, it has been made abundantly clear that Greece favours the inclusion of all Balkan countries in the EU, at different paces, mind you, which would have the effect of fostering what the Greek Government has dubbed a European Neighborhood in the Balkans⁶²³. For Greece, a higher priority is to be given to western Balkans. The overall positive climate towards the accession of Bulgaria and Romania

⁶²² Der Spiegel: Fahrende Zeitbomben, No.47, 21.11.05.

⁶²³ See the comments made by the Greek Prime minister in official visits in Balkan countries, online article available at http://www.mfa.gr/english/foreign_policy/europe_south_eastern/balkans/Karamanlis_W_Balkans.html#1 (latest access: 28.11.2005).

(keeping the 2007 deadline) shows some first signs of vacillation, due to the increasing instances of businesses delocalisations in Northern Greece. A further front of uncertainty has been opened, concerning the accession perspectives of the FYROM, due to a flare-up in the dispute concerning this country's name.

There is a 'yes' to Turkey, but only if fulfils European standards in all areas, especially in aspects of the treatment of minorities and religious freedom. The pressures put on Greece (and Cyprus) during the October 9th, 2005 inaugural session of EU-Turkey accession negotiations have created negative feelings in public opinion. Notwithstanding the fact that both Government and the Opposition have been supportive of Turkish accession negotiations, mid-October polls show that 50% of respondents are "rather negative" towards Turkish accession, vs. 32% rather positive. Moreover, 58% oppose eventual accession, vs. 29% who favour such an outcome. Europe must include, at the ultimate end, the Russian Federation also. The perspectives for the Ukraine are not viewed positively, because of fears this would deflect priorities from the Balkans. A neighborhood policy or a privileged partnership could be a transitional solution. Full membership is officially the aim, at least for Turkey.

The 2004 enlargement is considered generally a positive evolution, but second thoughts have started to come to the surface due (a) to the Turkish accession uncertainties and (b) to the discussions over the negative implications of enlargement in Western Europe.

Hungary

Impact of the constitutional crisis on further enlargement

In the Hungarian perception, despite of the crisis or stagnation within the Union (present in the refusal of the Constitutional Treaty, the slowing down of the Lisbon process, the weakening of the Stability and Growth Pact, or struggles around the next financial perspective), there is one area where the EU shows dynamism – this is the ongoing process of enlargement. In the Hungarian view the stagnation of the constitutional process will not (and should not) block further enlargements of the EU.

Hungary finds the opening of accession negotiations with *Turkey and Croatia* a "brave and successful step"⁶²⁴. Hungary welcomed Ankara's application for EU membership, but Turkey can only become a member if and when it fulfils the requirements and complies with the entire acquis. Hungary has always been supporting the other three candidate countries too, under the same condition of fulfilling the political, economic and legal obligations required by the EU. Accepting and implementing EU law by the candidate countries is especially important for Budapest because Hungary might be among the first Member States to suffer from the potential negative consequences (externalities) of non-compliance. For instance, if in the neighbouring Romania a serious environmental pollution happens; or if a massive migration of some parts of the population should start, the immediate impact will be first felt in Hungary. Hungary supports further enlargement of the EU, but as mentioned above, under the condition of the candidate countries' fulfilling their obligations and complying with the entire acquis. According to Hungary, the most important issue concerning enlargement is not the definition of the Eastern borders of the EU, but rather the candidate countries' full acceptance and "internalisation" of the acquis.

Hungary welcomes further enlargements of the EU, by putting emphasis on the new Member States' preparedness for full membership. This means that instead of elaborating alternatives to membership, Hungary would be in favour of supporting and assisting the potential new Member States' preparations for accession. At the same time, Hungary has been playing an active role in the Union's neighbourhood policy and is willing to do so in the future. Moreover, Hungary would like to see the financial commitments for neighbourhood policy anchored in the next financial perspective.

According to opinion polls⁶²⁵ Hungarians are 16 percentage points above the EU average concerning future enlargement of the European Union and only 38% would be against. Four fifth of those questioned would favour the accession of Switzerland, Norway and Iceland in the first place, while from among

⁶²⁴ Position of the Ministry of Foreign Affairs of the Hungarian Republic concerning the accession process of Turkey and Croatia http://www.kulugyminiszterium.hu/kum/hu/bal/Aktualis/A_Kulugyminiszterium_allasponcija/051005_eu_torok_horvat.htm (latest access: 12.12.2005).

⁶²⁵ Bruxinfo, 5.09.2005, <http://www.bruxinfo.hu/cgi-bin/bruxinfo/write.cgi?filename=/20050905/rovat15/napicikk21.html>.

the actual accession countries Croatia is the top favourite (73%) followed by Bulgaria and Romania. Support by Hungarians of Turkish accession is 51% – well above EU average (35%). Hungarians would least support the entry of Macedonia, Serbia-Montenegro and Albania at the moment.

First experiences with implementation of transition periods

The general experience of the 2004 enlargement is that the Internal Market and the EU institutions are operating well with 25 countries. As regards transition periods, Hungary is looking forward to having them all abolished and enjoying the status of a full member. Hungary has rather contradictory experiences with the transition period in the field of free movement of labour, even if it is executed according to the mutual agreement of the parties. Hungary would raise criticism in two aspects. On the one hand the EU in general is in need of qualified labour force and those countries which opened up their labour markets have already benefited from Eastern European workforce (from Hungary mainly doctors and experts of information technologies have been welcome to Sweden, Ireland and the United Kingdom). It seems that Hungary has to fear more from brain-drain than the old Member States feared from a potential massive labour influx from the region (which in the case of the United Kingdom made up only 1,5% of the whole labour market by June 2005⁶²⁶). On the other hand, it is not clear for Hungary why some old Member States are opening up their labour markets in favour of third country nationals prior to letting in citizens from the new Member States. This is perceived by Hungary as a discriminatory measure.

⁶²⁶ Interview with Vladimir Spidla, Commissioner for social and employment affairs. Bruxinfo, 4 July 2005, <http://www.bruxinfo.hu/cgi-bin/bruxinfo/write.cgi?filename=/bruxinfo/ujsag/20050704/rovat16/cikk549.html>.

Ireland

Impact of non-ratification of the Constitutional Treaty

Government support for further enlargement, subject to fulfilment of the accepted criteria, remains firm and opposition parties have not dissented. Questions about the future expansion of the Union raised in other member States have, however, made an impact and it is likely that these will carry weight in any future debate. Already a few commentators and academics have entered the discussion, providing a reasonably balanced, if limited, public debate covering, on the one hand, the supposed mistake in admitting 10 new member States at once and, on the other, the dangers to political progress in the Balkans (and further east) if doubts are cast on the process of integration with the Union. It is likely that the European correspondent of the Irish Times captured the mood in advance of the decision on Turkey, when he said: "In the current anxious climate politicians will be reluctant to embrace any new policy that could upset voters, including decisions to advance the process of enlarging the EU. Bulgaria and Romania will probably join the EU in 2007 as planned, and Croatia has enough allies within the Union to secure its membership if it co-operates fully with the international war crimes tribunal in The Hague. Other Balkan states may be less fortunate, however, as public opinion in Western Europe turns against further expansion. The EU is due to decide this year if Turkey should begin membership talks, but even if negotiations begin Turkish membership remains a remote prospect."⁶²⁷

In the cases of Bulgaria, Romania, Croatia and Turkey, the Taoiseach, Bertie Ahern, has in the recent past strongly supported adherence to commitments entered into. The failure to ratify the Constitutional Treaty has not given rise to any less positive attitudes on the part of the Government or opposition parties; these positions are as before subject to compliance by the applicant and accession countries with the well-known EU pre-conditions. The progress made by these countries has been noted by Government spokespersons and commentators. Concerns have, however, been expressed by farming organisations and the main opposition party regarding perceived threats to the agricultural sector if the EU

⁶²⁷ The Irish Times "Europe could face a period of political drift", 18 June 2005.

budget does not adequately take account of the cost of integrating Bulgaria and Romania.

There has been some discussion in the media regarding the limits of enlargement with particular reference to Turkey's geographical position and culture. The arguments for and against Turkey's membership were fully discussed in a report of the Parliaments' Committee on European Affairs, which supported the opening of negotiations. Occasional articles by well-informed commentators and academics support this line. Overall, the debate has not been such as to put pressure on the government's policy of support for the mainstream EU approach. Bertie Ahern has argued that it is important to ensure that a wider union does not mean a looser union and that the European Constitution would ensure that enlargement to twenty five and beyond would take place in a legal framework which guarantees the Union's political character. He added that rigorous standards must be met before accession takes place.

There has been no significant public discussion of alternatives to enlargement in the sense of, e.g., privileged partnerships though the position of the CDU leader has been widely reported. An alternative which has been advocated by a respected commentator is a pause in enlargement for at least a decade to allow for EU consolidation, but, as noted above, this is not government or opposition policy. We are not aware of any scientific data on the development of public opinion on enlargement. The public is, however, very aware of enlargement because of the large numbers of immigrants from accession countries in the past two years, possibly as many as 130,000. This influx, in a country with virtual full employment and with strong growth is generally seen as positive. These new recruits to the labour force are particularly important in the construction and "hospitality" industries. The concerns which have been expressed relate mostly to the welfare of these workers – their eligibility for social welfare payments, accommodation problems and the dangers of exploitation they might face.

However, there is also a degree of concern about competition for foreign direct investment (FDI) from the new member States, who are keen to follow the successful example of Ireland in this area. This concern is from time to time increased by factory closures and relocations but is mitigated by the continued

high level of employment and new job creation and by a growing understanding of the opportunities as well as the problems thrown up by enlargement and, more generally, by globalisation.

First experiences with implementation of transition periods

Ireland has only recently begun to understand what it is to be a receiving country for immigrants. In the last fifteen years, Ireland has gone from being a country of net emigration to being a country experiencing a substantial net inflow of population. During that last 15 years, economic growth and improved social provision have made Ireland a more apparently attractive destination for refugees and asylum-seekers. The latest data published by the CSO⁶²⁸ show that the inflow to Ireland from countries other than the other EU Member States and the USA has been declining, at least from 2002 (21,700) to 2005 (9,000) (years ending in April). The majority are from the new member states of the EU due to the fact that Ireland chose to fully open its labour markets to workers from the new member states in contrast to the majority of other EU member states which choose to apply more restrictive policies. In the year ended last April, 26,400 people are recorded as having entered Ireland from the new EU Member States alone. (Proportionately, this is the equivalent of about 350,000 people entering the UK, France or Germany). A further 13,100 people entered from the other EU Member States, including the UK (proportionately equivalent to about 175,000 people entering the UK, France or Germany). Curiously, the number of people from the new EU Member States issued with PPS numbers in the same year was 84,000. Perhaps large numbers were already in Ireland before they became entitled to PPS numbers.

Italy

Impact of the constitutional crisis on further enlargement

In Italy, the outcome of the French and Dutch referenda raised concerns that the constitutional crisis could endanger the further enlargement of the Union. Some media pointed out that the constitutional crisis created unfavourable conditions for the opening of

⁶²⁸ Central Statistics Office <http://www.cso.ie/> (latest access: 29.11.2005).

accession talks with Turkey and that the Union should solve its internal problems of functionality and credibility before taking on the responsibility of such a big country.

Suspending further enlargements was nevertheless rejected by most commentators and political leaders.⁶²⁹ In a joint article with the presidents of six other EU countries, Italian President Ciampi stated that "The principle 'pacta servanda sunt' must apply" and "The process of enlargement must proceed as agreed". This stance was supported by the cabinet (Italian Prime Minister Berlusconi and Foreign Minister Fini are strong supporters of enlargement and Turkish EU-membership).⁶³⁰

The government's pro-Turkish stances are not however shared by all parties in power. The divisions emerged, for example, on the occasion of the European Parliament vote on the resolution backing the opening of accession talks with Turkey. While most Italian MEPs backed the resolution, the Northern League and some members of the Christian Democrats (UDC) opposed it, while members of Fini's Alleanza Nazionale abstained. Paradoxically, the cabinet's stance is supported by the main centre left opposition parties even if, on the occasion of the EP vote, the Greens abstained.⁶³¹

While arousing some debate among experts and politicians, the case of Turkey did not spark broad debate in Italy as it did in other European countries (France and Germany). As regards Croatia, although some concern over Croatian collaboration with the International Criminal Court of The Hague was expressed, the Italian government supported the opening of accession talks. Italian foreign policy as regards Croatia maintains two top priorities. In the words of Foreign Minister Fini, "The start of negotiations for the adhesion of Croatia to the European Union in no way changes our determination to advance bilateral talks on some delicate issues, especially the question of the assets of exiled Italians, and of access to the property market and related issues."⁶³²

⁶²⁹ See for example Giuliano Amato, "La Turchia in ritardo ma non si può isolare", *Il Sole 24 Ore*, 25/9/2005 and Franco Venturini, "Turchia? Il problema è l'Europa", *Il Corriere della Sera*, 30/9/2005.

⁶³⁰ See interview with Gianfranco Fini, Tony Barber and Brian Groom, "No to Europe need not mean No to Turkey", *Financial Times*, 9/5/2005.

⁶³¹ See "Turchia in Europa? Il polo si spacca in tre", *Corriere della Sera*, 30/9/2005.

⁶³² Interview with Minister Fini, *Il Piccolo*, 15/10/2005 (online at www.esteri.it).

In October 2005, both questions were raised by President Ciampi during his visit to Zagreb.

The media reserved little space for the debate on alternatives to enlargement and the new European Neighbourhood Policy, while the subject received greater attention from academic circles (ISPI of Milan, in particular, launched a programme monitoring the developments of this policy and the countries involved). For a while, on the occasion of the presentation in Rome of the final report of the International Commission for the region, public attention was drawn to the question of the stabilisation process in the Western Balkans. The report highlighted the risks of maintaining the status quo in the Balkans and the idea that, in the long term, this could lead to a new period of instability. As a result, the report invited the European countries to renew their commitments to full integration of the Balkans in the European Union. The proposal was assessed positively by the Italian government and Foreign Minister Fini reaffirmed that the stabilisation of the Balkans remains a top priority for Italy.⁶³³

As for public opinion, Eurobarometer 63.4 of Spring 2005 (interviews conducted before the French and Dutch votes) showed that Italians are slightly more favourable towards the Union's further enlargement than the rest of Europe. 59% of Italians are in favour of new enlargements: a score that has fallen by 2 points since Autumn 2004, but remains higher than the Union average (50%). Only 24% of Italians, moreover, are contrary to new enlargements (against 38% of Europeans) while 17% are indifferent (12% of Europeans). As for the limits of enlargement, the question has not received much attention in Italy, and has been debated only by experts. The Eurobarometer survey (Spring 2005) showed that 31% of Italians believe that the Union should be enlarged including all the countries wishing to join (against 23% of Europeans); only 15% believe the Union should not be enlarged to any additional countries (25% of Europeans).

Surprisingly, when asked what countries the Union should include, Italians proved less willing than other Europeans to see the

⁶³³ Gianfranco Fini, "The future of Kosovo: the European Road to the Balkans", *Corriere della Sera*, 30/4/2005 and Speech by Foreign Minister Fini during the conference on the Balkans in Europe's Future, 29/4/2005 (www.esteri.it) and Giuliano Amato, "Il coraggio di un Kosovo indipendente", *Il Corriere della Sera*, 29/4/2005.

Balkans in the Union. Only 49% of Italians are in favour of the membership of Croatia (against 52% of Europeans); 37% back the entrance of Bosnia-Herzegovina (42% of Europeans), 36% of Serbia and Montenegro (40% of Europeans), 31% of Albania (36% of Europeans). Unfortunately, no survey is available on the impact on Italians' attitudes on this after the outcome of the French and Dutch referenda.

First experiences with implementation of transition periods

The effects of the Union's enlargement to ten new members in 2004 were absorbed quite smoothly in Italy. Italy is among those countries that introduced two-year 'transitional restrictions' on the movement of the labour force from the new member states (from 2004 to 2006). Although no special restrictions have been introduced since the signing of accession treaties in 2003, Italy asked for a derogation from the EU provisions to apply the national work permit system to the new member states. Italian law currently foresees a restrictive immigration regime but with a quota for workers from new member states.

Fears of negative consequences of immigration are, in fact, widespread throughout the whole country. Moreover, the dangers of unrestricted immigration flows and illegal immigration were repeatedly emphasised by the ministers of the Northern League. A sense of insecurity related to the high level of unemployment is the most serious concern for the future of Italians (36% of Italians, according to the last Eurobarometer). Immigration is the third cause for concern, preceded only by the uncertain economic situation. Although it is difficult to evaluate the actual impact of the transitional restrictions on the Italian labour market, the decision to maintain these measures reflects public opinion's serious concern. Due to the prolonged economic stagnation, fears are related to the increasing foreign competition. During the current year, however, these fears focused on the low-cost production in the Far East, China and India. The "Polish plumber syndrome", therefore, has affected public opinion in Italy less than in other European countries.

Latvia

Impact of the constitutional crisis on further enlargement

The prevalent view in Latvia is that the so-called EU constitutional crisis on the one hand and the process of and the existing commitments to enlarging the Union's membership on the other hand are distinct issues that are not necessarily interdependent. Latvia has always supported a prudent approach to enlargement. There is also a firm belief that only those European countries that fully meet the Copenhagen criteria can aspire to join the Union. The standards for new members and the procedures to be followed must be clear from the start. For the prospective EU members, the Union should be a firmly anchored beacon, rather than a moving target. In principle, Latvia feels that Romania, Bulgaria, Croatia, and Turkey should be able to join the EU when they fully meet the membership criteria.

Concerning *Turkey*, Latvia opened its embassy in Ankara on 19 April 2005. The Latvian government believes that the EU should honour its commitments, and supported the start of accession negotiations with Turkey on 3 October 2005. Some politicians, however, argue that a privileged partnership with the EU would be more appropriate for Turkey, rather than full-fledged membership; they base their opinions on cultural differences between Turkey and Europe, rather than the fear that Turkish labourers would overrun Europe. In this context, the idea of a transition period before allowing free movement of labour from new EU member states is not being actively discussed.

As for the European Neighbourhood Policy, Latvia does not feel that the possibility of membership should be completely excluded, because membership is the most powerful incentive for reform in the countries bordering the current EU. At the same time, the European Union is and should remain European, rather than global. Latvia would, therefore, not want to deny at the outset the eventual possibility of membership to Ukraine, Moldova, and Belarus when they have proved that they can fully comply with the membership requirements and when the EU believes that the time has come for further enlargement.

Lithuania

Impact of the constitutional crisis on further enlargement

Turkey's accession to the EU is most widely discussed in Lithuania while Croatia's, Bulgaria's and Romania's accession to the EU do not attract so much attention. Nevertheless the EU integration goals of these states are supported by Lithuania.

What concerns the Turkey membership in the EU, speaking in a round table discussion in the end of September the Chairman of the Parliament A. Paulauskas stated, „Lithuania supports Turkey's European integration goals. We assume that Turkey has implemented its obligations before starting the negotiations and they have to be started”⁶³⁴. He claimed that the Lithuanian position on the start of accession negotiations with Turkey was discussed in the parliamentary committees and this position was supported by the leaders of Lithuania – the President, the Prime Minister, the Minister of Foreign Affairs and the Lithuanian ambassadors abroad⁶³⁵. After the discussion on Turkey's membership in the EU in the Committee on Foreign Affairs of the Lithuanian Parliament the Chairman of the Committee J. Karosas also supported the position that the accession negotiations with Turkey should be started on time as foreseen⁶³⁶.

The Head of the EU Sector Policies Coordination Division of the EU Department of the Ministry of Foreign Affairs V. Purlys recognised that Lithuania supports the Turkey's wish to become a EU member “We assume that the EU is an open organization. Stability and welfare has to be applied to its neighbours which will find will and strength to implement the necessary reforms”. On the other hand he also added that “Turkey will have to implement many reforms, nevertheless this will not mean that long negotiations between Ankara and Brussels will necessarily

end by Turkey's accession to the EU”⁶³⁷. After the speech of the Chairman of the Parliament A. Paulauskas at the round table discussion the opposition Liberal and centre union political group in the Lithuanian Parliament declared that not the whole Parliament supports Turkey's accession to the EU and the start of accession negotiations in the beginning of October⁶³⁸. Their argument was that there have been no consultations in case to declare that the whole Parliament supports the issue. The Chairman of the Parliament has also been criticised by the European Parliament member from Lithuania R. Pavilionis, who claimed that „almost all European Parliament members elected in Lithuania assumed that even the negotiations cannot be started while Turkey does not recognise the sovereignty of one of the EU countries, Cyprus”⁶³⁹. He claimed that European Parliament members from Lithuania declared an opposing position in the European Parliament.

There is one special aspect in Lithuania's support for Turkey's membership in the EU. As the Deputy Chairman of the Parliament Č. Juršėnas claimed, “There should be place for Turkey in the EU”⁶⁴⁰. He added that the Turkey's support for Lithuania's acceptance to NATO was important and should not be forgotten. Therefore Lithuania owes Turkey. The official of the Ministry of Foreign Affairs V. Purlys also reminded that Turkey supported the Lithuania's wish to access to NATO and therefore it is now our turn to demonstrate our solidarity⁶⁴¹.

The President of Lithuania V. Adamkus defined the decision to start the accession negotiations

⁶³⁴ ES turi vykdyti savo įsipareigojimus dėl Turkijos narystės derybų, teigia B. Arinčas [B. Arinč states that the EU has to fulfill its obligations on the start of the negotiations with Turkey], ELTA, September 20, 2005, www.elta.lt.

⁶³⁵ R. Pavilionis pasigedo vieningos Lietuvos pozicijos dėl Turkijos stojimo į ES [R. Pavilionis missed the united Lithuanian position on the Turkey's accession to the EU], ELTA, September 21, 2005, www.elta.lt.

⁶³⁶ Briuselio derybos su Turkija turi prasidėti nustatytu laiku, teigia J. Karosas [J. Karosas states that the Brussels negotiations with Turkey has to be started on time], ELTA, September 14, 2005, www.elta.lt.

⁶³⁷ Turkijos derybos su ES priklausys nuo jos pačios pastangų ir nebūtinai baigsis naryste, teigia URM atstovas [Turkey's negotiations with the EU will depend on its struggle and will not necessarily end in the membership], ELTA, July, 27, 2005, www.elta.lt.

⁶³⁸ Press release of Liberal and center union “Liberalcentristai: Seimo pirmininkas viršijo įgaliojimus teigdamas, kad Seimas pritaria Turkijos narystei ES” [Liberalcentrists: the Chairman of Seimas has exceeded his authority by stating that the Seimas supports the EU membership], September 20, 1995, www.lics.lt.

⁶³⁹ R. Pavilionis pasigedo vieningos Lietuvos pozicijos dėl Turkijos stojimo į ES [R. Pavilionis missed the united Lithuanian position on the Turkey's accession to the EU], ELTA, September 21, 2005, www.elta.lt.

⁶⁴⁰ ES besiprašanti Turkija turi atitikti keliamus reikalavimus, teigia Seimo vicepirmininkas [The Deputy Chairman of Seimas states that Turkey has to meet the set requirements], ELTA, July 27, 2005, www.elta.lt.

⁶⁴¹ Turkijos derybos su ES priklausys nuo jos pačios pastangų ir nebūtinai baigsis naryste, teigia URM atstovas [Turkey's negotiations with the EU will depend on its struggle and will not necessarily end in membership], ELTA, July, 27, 2005, www.elta.lt.

with Turkey and Croatia as a new epoch in seeking a new political dynamics in the EU. He said “ I personally believe that these decisions can open the door for the integration of the whole Europe, the definite vision of which is a New Europe, united by common values, free trade, common market, and coordinated political actions”⁶⁴². Speaking about the decision to start the accession negotiations with Turkey the Chairman of the Parliament A. Paulauskas claimed that considering the current situation in the EU the start of the accession negotiations with Turkey has a very special meaning because it has demonstrated that despite the different opinions Europe is able to reach an agreement even on the most complex and most controversial issues. He also expressed a hope that the agreement on Turkey’s question will allow to find a consensus on other controversial issues in the EU such as the EU Constitution and the new financial perspective⁶⁴³.

The President of Lithuania V. Adamkus often emphasises that the EU should be an open organisation for the countries meeting the membership criteria and the enlargement should not stop by accepting the current candidate countries to the EU. However, Lithuanian officials and politicians do not indicate the limits of the enlargement. As he said during the plenary session on the most important EU issues in the Lithuanian Parliament „Lithuania is already in the club of the European Union member states [...]”. Therefore we cannot prohibit the other states which would implement the necessary reforms and would reach the set goals such a right to join the EU⁶⁴⁴.

On the other hand Lithuanian high-level officials most often talk about the perspectives of Ukraine’s and Moldova’s membership in the EU and indicate their support. As the President of Lithuania recently declared speaking in a Marshall foundation conference in Berlin “I am an optimist and I believe [...] that in case the Black Sea region countries could enter the NATO and the EU only time is needed”⁶⁴⁵.

⁶⁴² The speech by the President of Lithuania V. Adamkus delivered in Marshall foundation conference in Germany, Berlin, October 26, 2005, www.president.lt.

⁶⁴³ The speech by the Chairman of Parliament A. Paulauskas delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

⁶⁴⁴ The speech by the President of Lithuania V. Adamkus delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

⁶⁴⁵ The speech by the President of Lithuania V. Adamkus delivered in Marshall foundation conference in Germany, Berlin, October 26, 2005, www.president.lt.

Speaking on the other occasion he declared “I am convinced that even a very distant EU enlargement, even speaking about Ukraine or Moldova would be a great possibility for the EU itself. This would add more dynamics and would enhance the competition”⁶⁴⁶.

The public opinion in Lithuania is more favourable towards the admission of only a part of the countries applying for the EU membership. Following the data of the last Eurobarometer survey there are 27 per cent of those stating, that EU should accept all the countries, which have expressed a wish to become the EU members. While 52 per cent favour that EU should accept only a part of the countries wishing to join the EU. On the other hand, there are only 8 per cent (compared with the EU average of 23 per cent) of Lithuanians who do not support the further enlargement of the EU⁶⁴⁷.

Lithuanians are more favourably-minded towards the accession of highly developed countries such as Switzerland, Norway and Island (respectively 80, 79 and 76 per cent). A little bit less the membership of current candidate countries (except for Turkey) and Ukraine is supported (Bulgaria’s and Ukraine’s membership is supported by 70 per cent of Lithuanians, Romania’s by 60 per cent and Croatia’s by 59 per cent).

The membership of Turkey is the least supported (only by 42 per cent of Lithuanians). More than half of Lithuanians hold that Turkey belongs to Europe geographically but primarily emphasises, that it should systematically respect the human rights and improve its economical condition.

Lithuanian high-level officials and politicians indicate their support for the further enlargement of the EU and therefore do not discuss the alternatives to the enlargement.

The Eurobarometer survey conducted in spring 2005⁶⁴⁸ indicates a much larger support for the

⁶⁴⁶ Press release of the President office „Prezidentas dalyvaus Lisabonos strategijos įgyvendinimo programos projekto diskusijoje“ [The President will participate in a discussion on the project of the Lisbon strategy implementation programme], September 23, 2005, www.president.lt.

⁶⁴⁷ Eurobarometras 63.4, 2005 m. pavasaris, šalies ataskaita: Lietuva [Eurobarometer 63.4, Spring 2005, A country report: Lithuania] www.europa.eu.in/comm/public_opinion (latest access: 23.11.2005).

⁶⁴⁸ As already mentioned, this spring 2005 Eurobarometer survey was the last opinion poll on the EU affairs made in Lithuania but as far as it has been conducted in Lithuania

enlargement in Lithuania than the average of the EU (69 per cent compared with 50 per cent). However, there is an obvious decline in the support for the enlargement of the EU in Lithuania compared with autumn 2004. As the autumn 2004 Eurobarometer indicates, the support for the future enlargement in Lithuania was as high as 76 per cent.

First experiences with implementation of transition periods

As the Minister of Foreign Affairs A. Valionis speaking about the first year of Lithuania's membership in the EU states, "Lithuania is successfully implementing the membership obligations and even helps to build a wider – European transatlantic politics of security and welfare."⁶⁴⁹ It is worth noting that Lithuania was the leader among 25 member states in transposition of the EU directives into national law with 99,45% of the directives being transported⁶⁵⁰.

What concerns the public opinion Lithuanians assume that the EU makes a positive impact in most fields but are afraid of a negative influence of the membership on inflation and taxes in Lithuania as the last Eurobarometer survey reveals⁶⁵¹. On the other hand it can be stated that the membership has reduced the optimism of Lithuanians because the percent of those who have indicated the positive EU influence on different matters has fallen by more than 10 per cent compared with the opinion polls made before the accession.

What concerns the free movement of people there has not been research done on the changes in Lithuanians' emigration due to the free movement of people. But the latest statistics of the Lithuanians' emigration in general show that in 2004 more than one fifth of all the Lithuanian emigrants migrated to the United States (23,2 per cent), to Great Britain (22,4 per cent) and to Germany (19,7 per cent). 11,4 per cent of Lithuanians emigrated to Russia, 8,1 per cent to Ireland and 6,7 per

cent to Spain⁶⁵². Therefore the emigration to Great Britain is considerably more intensive than to other EU countries, which do not apply the transition period for the free movement of people from Lithuania.

Luxembourg

The impact of the constitutional crisis on further enlargement

The recent Euro-barometer opinion poles show a growing scepticism on future enlargements of the Union. The 2004 enlargement on central and East European states seems to cause a feeling of overstretching the Union. Only one third of the population approves future enlargements. Improbable enlargements e.g. to Switzerland, Norway or Iceland are highly approved (79% to 84%). But the already decided admission of Bulgaria and Romania are approved only by 48 % and 49%, for Croatia the positive opinion shrinks to 43 %, and for Bosnia Herzegovina 40 %. The admission of Turkey even if it is only foreseeable in 10 or maybe 15 years is largely condemned. This attitude of the Luxembourg people does not coincide with the official position of the Luxembourg government which strongly approves the admission of Romania and Bulgaria. The treaties fixing the final dates of admission were signed in Luxembourg under the Grand-Duchy's presidency. Although the Luxembourg government has signed the paper allowing the start of the admission negotiations J. C. Juncker, expressing his personal view in a recent press conference, foresees that Turkey will never be admitted into the European Union. There is nevertheless a debate especially among intellectuals, human rights activists, and feminists whether Turkey should be admitted. A strong feeling is expressed by the supporters of a possible Turkish membership arguing that human rights, especially minority rights might be better protected by a Turkish government inside than outside the Union. The role of Turkey as a link between the Islamic countries in the Middle-East and Christian or laic Europe is underscored, especially as Turkey could be an example of a laic but predominantly Muslim state. The right wing supporters of the "no" in the referendum campaign used the possible

from May 15 to June 6 it only partly displays an impact of rejection of Constitution in France and the Netherlands on Lithuanian public opinion on EU Constitution, further enlargement and other important issues.

⁶⁴⁹ The speech of the Minister of Foreign Affairs minister A. Valionis for the heads of Lithuanian diplomatic missions, May 9, 2005, www.urm.lt.

⁶⁵⁰ Ibid.

⁶⁵¹ Eurobarometras 63.4, 2005 m. pavasaris, šalies ataskaita: Lietuva [Eurobarometer 63.4, Spring 2005, A country report: Lithuania] www.europa.eu.in/comm/public_opinion (latest access: 23.11.2005).

⁶⁵² The presentation by the Secretary of Ministry of Economy L. Domarkienė at the seminar-discussion "The European Commission Green paper on the management of economic migration" in the Parliament of Lithuania, October 14, 2005, www.eic.lrs.lt.

Turkish membership as an argument to increase the voters' anxiety of a growing Muslim influence in Europe limits of enlargement.

The unclear limits of future enlargements were crucial in the referendum campaign. If Turkey, why not the Ukraine. What about Serbia-Montenegro or Albania? Politicians arguing in favour of a 'yes' vote were uneasy in this matter. They were unable to give the people clear answers and thus increased their disarray. Even the fiercest opponents of a full Turkish membership have recognised that membership has been promised to Turkey some 40 years ago. On the other hand Turkey has been a valuable NATO partner and has never failed its alliance obligations. Furthermore the Turkish market could be very promising for Luxembourg's exports. There is a general agreement on the point that Turkey has to be linked in one way or another to the European Union whether you call it "privileged partnership" or something else. The German and Austrian Christian Democrats who favoured privileged partnership encountered a firm "no way" of the Turkish government.

The attitude towards the free circulation of labour is very mixed in Luxembourg. Indeed Luxembourg's labour market is very atypical. Luxembourg's economy creates every year more jobs than the national labour market can produce. But Luxembourg unemployment rates have reached a peak this year. Luxembourg nationals prefer the security of public jobs to free enterprise. The present immigrant population (about 40% of the total population) would be the first victim of this rise on the new labour offer. Luxembourg neighbouring regions, Lorraine (France), Wallonia (Belgium) or Moselle and Saar districts from Germany, provide a qualified work force to Luxembourg employers, giving often the second price to Luxembourg resident immigrant contenders.

In former enlargements negotiations (e.g. Portugal and Spain 1986), Luxembourg asked for longer transition periods before allowing free circulation of labour force. These transition periods were always shortened in the aftermath as the Luxembourg employers asked the government to provide the needed supplementary work force.

Malta

Both the Government of Malta and the opposition believe that EU enlargement should remain on the cards and are in favour of proceeding with accession negotiations with Turkey. Public opinion is rather more skeptical questioning the logic of proceeding so quickly with future enlargements before the EU of 25 is able to put its own house in order.

The outcome of these divergent opinions is that there is now a greater interest at both a governmental and civil societal level in learning more about and contributing to the development of the EU's neighbourhood policy in general, and what relevance it has to the Mediterranean countries that are Malta's immediate neighbours in particular.

Workshops, conferences and a select number of academic papers have emerged that are focusing on the Neighbourhood Action Plans that have been negotiated with Mediterranean states such as Tunisia and Morocco.

The first experiences of implementing agreed upon transition periods has to date proceeded smoothly with no major setbacks have taken place.

Netherlands

Impact of the constitutional crisis on further enlargement

The Netherlands is still supporting further enlargement, although in a much more cautious manner. This is for example illustrated by a speech of Atzo Nicolaï in which he states that "The possibility of Turkish membership does not mean that the EU should not set any limits to enlargement. Romania, Bulgaria and Croatia will accede to the EU within the foreseeable future, provided they honour the relevant agreements. And the countries of the western Balkans will of course retain the prospect of accession. But we will have to stop there for the time being. The EU's relationship with the countries on its eastern frontier should be shaped by the European Neighbourhood Policy. Countries in Africa and the Middle East will not be eligible for membership. The frontiers of the EU should not be pushed back any further. *Existing* commitments should be met, both by the EU and by potential future member states, but the EU must not enter into

any *new* commitments.”⁶⁵³ The Advisory Council on International Affairs is advocating a less strict approach in its advice to the government on the European Neighbourhood Policy. They state that although talks on EU membership are currently out of place considering the EU’s period of reflection the Dutch government should still pursue a long-term EU-strategy for both the Ukraine and Moldova. In this respect they advised in general to intensify and accelerate the policy in reaction to future political developments in neighbouring countries, as was done in the case of the Ukraine.⁶⁵⁴ When it comes to Turkey the Minister of European Affairs rather prefers to stress the opportunities and not the risks of Turkish accession; one reason he mentions is that Turkish membership could show how the diversity of culture and religion is compatible with the unity of purpose. In his opinion this is a clear answer to the often proclaimed clash of civilisations.

On the other hand he plays down the importance of starting the negotiations with Turkey by pointing at the expected lengthy process of at least ten years of which the outcome is not automatically full membership. All in all he is calling on the EU to take a much more positive stance on Turkish accession: “So why is the EU still dragging its feet? Turkey is a geopolitical prize. Seize the opportunity!”⁶⁵⁵ However, this governments position is not reflecting the opinion of a majority in society. And a number of opposition parties like the rightwing List of Pim Fortuyn are even strongly against the accession of Turkey claiming that the foreseen migration will destabilise Europe and affects its welfare and security.⁶⁵⁶

First experiences with implementation of transition periods

In an article two experts of EUNITE⁶⁵⁷ state that the transitional period on the free

⁶⁵³ Atzo Nicolai, ‘A Union without the people is no Union at all. The Netherlands and the EU after the Dutch ‘No’’, speech at European Ambassadors lunch, Amersfoort, 1/09/2005.

⁶⁵⁴ The European Union’s Eastern Neighbours AIV Report 44 (2005) at <http://www.aiv-advies.nl>.

⁶⁵⁵ Atzo Nicolai, ‘1+1 is more than 2. The future of Europe and Transatlantic Relations’, Johns Hopkins University, Washington DC (5 October 2005).

⁶⁵⁶ Speech by Mat Herben MP of List Pim Fortuyn, ‘Pleidooi voor een Europa van de Menselijke maat’ (April 2005) at <http://www.tegendegrondwet.net>.

⁶⁵⁷ EUNITE till early 2005 called International Trade Promotion Services is an umbrella organisation of the

movement of labour and the restrictions the Netherlands imposed on the free movement of services even without a transitional period should be lifted as soon as possible, because these measures are not in the Dutch interest.⁶⁵⁸ In their opinion the Dutch open economy would benefit most from fully opening the borders for foreign workers and services and this could even remedy labour shortage for qualified and motivated personnel in the agricultural and construction sector.

With reference to ‘Who is afraid of EU enlargement? Report on free movement of workers in EU-25’⁶⁵⁹, a study by the Brussels based think-tank under supervision of former European Commissioner Monti, they point out that the expected high influx of foreign workers pushing out local workers has not happened in countries with free movement of labour and on the contrary it often has helped in sectors with shortage in labour force. In this respect they criticise the fact that companies from the ten new member states providing a service should obtain a work permit for their personnel.

Although the government after criticism by the European Commission has adjusted the measure to just registration of their personnel the authors claim that it often is not applied correctly in practise. They also pointed out that the quota of 22.000 working permits for workers from new member states in 2004 was just exceeded a bit and that the fear of a high influx was not confirmed by these figure. They conclude that it would be best based on these experiences that the government would lift all restrictions by 2006.⁶⁶⁰

Poland

Impact of the constitutional crisis on further enlargement

It is clear that the constitutional crisis has a negative impact on enlargement. It is sufficient to analyse the conditions under which accession negotiations with Turkey and Croatia will be conducted (an open ended

bilateral chambers of commerce between The Netherlands and Central and Eastern European countries. For further information see their website at <http://www.eunite.nl>.

⁶⁵⁸ ‘Open de grenzen, nu voorgoed’, Financieel Dagblad, 14/10/2005.

⁶⁵⁹ Juliana Traser, Who’s afraid of EU enlargement? Report on the free movement of workers in EU-25. ECAS (Brussels September 2005) at <http://www.ecas.org>.

⁶⁶⁰ Maarten van Dam en Tidde Goldhoorn, ‘Open de grenzen, nu voorgoed’, Financieel Dagblad, 14/10/2005.

formula which does not necessarily lead to enlargement). Since most political parties do support further enlargement such development is not seen in positive light. Although the constitutional crisis and further enlargement are not always necessarily linked in public discourse and politicians statements, they do appear together – mostly in the context of comments on failed constitutional referenda in France and the Netherlands. It is stressed that the unsuccessful referenda should not result in a short-sighted policy of ‘closing doors’ to Europe and that fear after recent terrorist trauma should be overcome for the sake of extending the stability zone in Europe⁶⁶¹. Leaving the doors opened and providing a perspective for future enlargements may contribute to positive developments and major progress on the side of candidates and (future) applicants and can be seen in long-time perspective as beneficial for Europe’s future, despite the voices stating that current crisis of the EU is the result of too speedy and consequently too costly enlargements⁶⁶².

With the generally positive attitude of major political forces towards accepting new members, the understanding of the lengthy integration process facing new enlargements and necessity of profound reforms both on the candidates/applicants and the EU sides can be observed in government representatives’ statements as well as those formulated by most of the leaders of main political parties. In public opinion surveys at the end of 2004 future enlargements are welcomed by 72% of respondents, although only 20% would see all applicants in, while 52% only some of them with most favoured nations being Croatians, Ukrainians, citizens of Serbia and Montenegro as well as Turkey⁶⁶³. By the latest Eurobarometer published in September, the Poles are the runners-up among the EU-25 citizens in support of future enlargements with 76% of those who favour future accession of new member states (after Slovenia with 79%). As for the number of opponents of further enlargements the number of those in Poland is

12% against 35% in the Union⁶⁶⁴. With the new President of the Republic elected and the new government in place, awaiting for parliamentary vote of confidence, the stance of the new authorities towards new enlargements is still expected.

The question of *Turkey’s accession* is the most widely discussed among other candidates/applicants alongside the Ukrainian question. On numerous occasions both President Aleksander Kwasniewski and the government representatives stressed the openness of Poland towards Turkey’s membership although on condition that Turkey meets the criteria of entry and the rules governing the Union⁶⁶⁵. The former Minister of Foreign Affairs and the Sejm Speaker Włodzimierz Cimoszewicz stressed that scepticism against Turkey’s membership is not the Polish case and pointed out to 8-10 years time perspective for Turkey’s entry⁶⁶⁶. His heir in the seat of Foreign Affairs Minister Adam Rotfeld commenting on the Union’s decision stressed the importance of the decision and the success of compromise seeking philosophy. He stressed also the exceptional nature of new negotiations with a Muslim country and a chance for further reforms in Turkey and for the Union itself paved by historic decision on opening negotiations⁶⁶⁷. The position of the Polish Government towards Turkey and opening of negotiations at the agreed time was also confirmed on 3 October by the Polish Minister for European Affairs speaking with Europap⁶⁶⁸. On the other hand the stance of major political parties in Poland differs to some extent from the steadily positive position of the (former) Polish government. Among the proponents of future enlargements in the European Parliament one should mention the Left Democratic Alliance (SLD), the Social Democratic Party of Poland (SDPL), the Civic Platform (PO), Self-Defence and parts of the Democratic Party (PD). Even the parties that generally support further enlarging of the EU stress that opening of negotiations is only a step forward and does not guarantee membership, while the questions of Turkey’s membership is often linked in Poland with membership perspective for Ukraine and the

⁶⁶¹ President Aleksander Kwasniewski on numerous occasions, e.g. speaking in Darmstadt (25th Anniversary of the Polish Culture Institute, Polish Press Agency Europap Service on 22 June 2005), Article in Bild on 25 June 2005, cited after Europap Service, in Berlin at the World Congress of Deutsche Gesellschaft für Osteuropakunde, on 25 July 2005, cited after Europap. Bronisław Komorowski (one of the leaders of Civic Platform) for Europap on 8 June 2005.

⁶⁶² Minister Rotfeld for Europap in Podgorica (Montenegro) on 7 July 2005.

⁶⁶³ CBOS poll cited after Europap on 6 December 2004.

⁶⁶⁴ Eurobarometer 63, September 2005.

⁶⁶⁵ President Aleksander Kwasniewski at a New York Press Conference on 19 September 2005, after Europap.

⁶⁶⁶ Włodzimierz Cimoszewicz after the meeting with Head of Turkish Parliament on 16 March 2005, after Europap.

⁶⁶⁷ Minister A. Rotfeld for Europap Service in Luxembourg on 3 October 2005.

⁶⁶⁸ Minister J. Pietras for Europap Service in Luxembourg on 3 October 2005.

question of Europe preparedness for these two large and specific enlargements at the same time⁶⁶⁹. Among the main opponents of Turkey's membership or those granting conditional support one should quote in the first place representatives of the right-wing Law and Justice (PiS) and the Polish Families League (LPR). The arguments vary from avoiding of conflicts by accepting a Muslim country to the EU, via fears of dissolving the EU's identity with a Muslim country being potentially among the largest member states, to financial losses for the price of Turkey's accession (Polish Peasants Party PSL), especially in the light of budgetary perspective crisis. Instead they would welcome the privileged partnership with Turkey⁶⁷⁰. As for the public support for Turkey's entry to the EU the latest Eurobarometer poll suggests that Turks are the least welcomed among all potential newcomers. However it is worth stressing that as compared with an EU average of 52% the opponents of Turkey's membership in Poland are only 31% (lowest in the EU), while support is declared by 54%.

Poland as a major supporter of orange revolution is also a strong advocate of *Ukrainian membership* in the EU with the two candidatures (Turkey and Ukraine) being often quoted together by both governmental and political parties' officials⁶⁷¹. There are also voices that would welcome precedence for Ukraine before Turkey on the way to EU membership and those who see no argument for Turkey's accession and Ukraine staying outside the EU, and declaring careful observance of EU Turkey's negotiations impact on integration perspectives for Ukraine. Opening of negotiations with Ukraine is perceived as a strong instigator for furthering of the reform process by the Kiev authorities⁶⁷². In general, the accession of

Ukraine would be seen as beneficial for Europe especially from the point of view of stabilisation on the continent and to this end Poland's official declare support in accelerated transformation process. In public opinion views Ukraine's membership enjoys 76% support among Polish respondents⁶⁷³ (much better result than the EU, 'old members' and 'new members' average with respectively (45%, 41% and 66%).

Membership of Croatia is often seen in the more general context of opening the possibilities of membership for the Balkan states, however the Minister for Foreign Affairs pointed out the explicitly favourable attitude towards Croatian membership, however with stress on condition of proper co-operation with the Hague Tribunal⁶⁷⁴. President Kwasniewski also stressed Poland's satisfaction with the opening of negotiations with Croatia and Turkey as "a great European chance" and declared Poland's support for Croatia in the accession process⁶⁷⁵. Croatian membership in the EU is supported by 63% of the Poles, with 21% against (compared with 48% for EU-15 and 72% among 10 new Member States)⁶⁷⁶.

Especially after signing the Accession Treaty *Romania and Bulgaria* do not enjoy much coverage. Despite better performance of Bulgaria than that Romania, for political reasons accession of the two candidates at the same time is seen as preferable, after the necessary progress is made. Still, according to the Foreign Affairs Minister, by signing the Accession Treaty the EU agreed that the zone of poor member states will extend greatly with all member states undertaking to share responsibilities resulting from this enlargement⁶⁷⁷. Among the Poles general public Romania enjoys 61% support, while Bulgaria 75% (with EU-15 average of 43% and 46% respectively and new Member States average of 58% and 70%). With the generally favourable attitude towards enlargement and the 'open doors policy' advocated by Poland, Poland would like to see the Balkans "europeanised" in order to secure better

⁶⁶⁹ Kazimierz Michał Ujazdowski (Law and Justice), for Europap A long way facing Turkey, Europap, 3 October 2005, Kazimierz Michał Ujazdowski, Ukraine should have precedence before Turkey, Europap, 17 December 2005.

⁶⁷⁰ Jan Rokita (Civic Platform) for Europap on 17 December 2004. Donald Tusk, leader of the Civic Platform and the runner-up in presidential elections in the lecture at the Stefan Batory Foundation in Warsaw, quoted after Europap. Polish Deputies Split vis-à-vis negotiations with Turkey, Europap, 15 December 2004.

⁶⁷¹ Jacek Saryusz-Wolski (Civic Platform, EPP/ED) for Europap, 4 October 2005, Kazimierz Michał Ujazdowski, Ukraine should have precedence before Turkey, Europap 17 December 2005, Jan Rokita (Civic Platform) for Europap on 17 Dec 2005.

⁶⁷² Vice-Minister of Foreign Affairs for Europap, 16 June 2005, President Kwasniewski for Reuters, on 1 April 2005, source official website of the President's Office: www.prezydent.pl.

⁶⁷³ Source: Eurobarometer 63. Poland – Country report.

⁶⁷⁴ Minister A. Rotfeld for Europap in Newport, 2 September 2005 and in Luxembourg, 2 October 2005.

⁶⁷⁵ President Kwasniewski for Europap in Zagreb on 14 October 2005.

⁶⁷⁶ Source: Eurobarometer 63. Poland – Country report.

⁶⁷⁷ Minister A. Rotfeld for Europap on 25 April 2005.

prospects for a future perspective of membership⁶⁷⁸.

First experiences with implementation of transition periods

Before the accession the increase of possibilities for undertaking employment in the EU Member States was one of the most often quoted expectations of Poles. Today these possibilities are seen among most significant benefits of the first year of membership. Most of those undertaking employment in other EU countries work in Germany, UK, Ireland, Spain and France, Italy and the Netherlands (although many working abroad before accession of them simply 'legalised' their status).

The interest in undertaking employment abroad is not as high as in 2004. In February 2004 the percentage of those declaring interest in looking for a job in a EU member states was 10% while in March 2005 only 6%. The number of those declaring possibility of job seeking in the EU remained at 8% level, while the number of those interested in employment if received a proposal (without actively looking for a job) has fallen from 14 to 6%. The main barrier and a likely reason for (at least temporary) falling interest in working abroad is obviously the transition period formula adopted by most of the old member states, yet still about 15% of population have a family member working abroad, one who worked or at least was seeking job in the EU. Most of the people declaring wish to undertake employment abroad would choose Germany, UK, Ireland and the Netherlands. Among those groups declaring higher than average interest in undertaking job in the EU one should mention in particular youths (45% of those under 24 years of age), unemployed and qualified workers.⁶⁷⁹

In general, it seems that opening of labour markets by the UK, Ireland and Sweden did not result in mass migration and flooding of western labour markets with Polish workers and the pre-accession prognoses have not been confirmed by post-accession statistics. The migrations seem to remain on the level to which EU members had been accustomed

previously and that dynamics of the EU market can accommodate⁶⁸⁰. Contrary to the pre-accession forecasts and as a result of employing citizens of the new member states and filling the vacancies in specialist positions in white collar jobs and technical professions, the three host-countries enjoyed additional profits⁶⁸¹. Alongside one of the highest levels of support for further enlargements the Poles demonstrate the most open attitude towards migrants from other countries, at least among Višegrad Group states. According to the results of the survey organised jointly with Hungarian, Czech and Slovak organisations and published by CBOS in March 2005, 62% of Poles (Czechs 26%, Hungarians 23%, Slovaks 34%) support the principle of frontiers open for migrants although the benefits from their permanent stay are not that obvious for the respondents. Consequently, taking into account the labour market situation and mobility issues, the first year of Poland's membership can be judged as successful both in terms of benefits to citizens as well as of developing open-minded and sensible attitudes towards working abroad and accepting migrants in Poland.

Portugal

Impact of the constitutional crisis on further enlargement

Most European analysts in Portugal sensed that the constitutional crisis would have a direct negative effect on the EU's enlargement process and that those countries waiting to start accession negotiations would be the first victims of the negative referenda. The recent decision to launch negotiation talks with Turkey and Croatia may have proven such predictions wrong for the time being, but the issue of further enlargement beyond current candidates (such as towards Ukraine or the Caucasus) will certainly prove to be controversial.

In Portugal there is a vast consensus across the political spectrum in favour of continuing

⁶⁷⁸ Minister Rotfeld for Europap, on 6 and 7 July 2005 (Belgrade and Podgorica), President Kwasniewski for Europap in Kiev on 16 June 2005.

⁶⁷⁹ Beta Roguska, Praca Polaków w krajach UE – plany i doświadczenia [Poles work in the EU countries – plans and experiences], CBOS, Survey communiqué, April 2005.

⁶⁸⁰ Polska w Unii Europejskiej – doświadczenia pierwszego roku członkostwa [Poland in the EU – experiences of the first year of membership], Warsaw, Office of the Committee for European Integration, 2005.

⁶⁸¹ Accession Monitoring Report, May 2004 – May 2005, by: DWP, HM Revenue&Customs, Office of the Deputy Prime Minister, May 2005 cited after: E. Skotnicka-Illasiewicz [ed], Pierwszy rok członkostwa Polski w Unii Europejskiej w ocenie społecznej [First year of Poland's membership in the EU in public opinion perspective], Warsaw, Office of the Committee for European Integration, 2005.

the enlargement process to current candidates. Apart from Bulgaria and Romania, the accession of South-eastern European countries is seen as a natural step in the full unification of the European continent. The accession of Croatia, in particular, should be seen as a catalyst for the political and economic reforms of the remaining former Yugoslav republics, as well a sign of success of the EU's stabilisation strategy for the Western Balkans.

Turkish accession to the EU is also backed by most political actors. The current Socialist government has kept the same position of the previous centre-right coalition by backing Turkey's ambitions to start accession negotiations talks. The outcome of the 3 October General Affairs Council was thus received as a positive one. In the words of the Foreign Minister Diogo Freitas do Amaral, Turkey's membership of the EU is an important signal that the EU is not an "exclusive club", on the contrary, it has the capacity to absorb cultural and religious diversity. Furthermore, Turkey's geographic location should likely result in added clout to the Union's role in international affairs.

From the government's point of view, alternatives to enlargement should not be considered for current candidates, especially after the European Council has given its green light for the start of negotiations. This does not mean that accession should be granted at any cost, but simply that the rules defined for previous candidate countries should also apply to current ones. In what concerns the other European countries which are not for the time being candidates, there is no strong position as to whether membership should be considered as a future alternative. For the time being, the official position is that the European Neighbourhood Policy (ENP) is an adequate framework for EU relations with those countries.

There is no significant opposition to the EU's enlargement strategy either among political parties or with commentators/academics. This is to a large extent due to Portugal's own experience and the impact that EU membership had on economic development and democratic consolidation. Enlargement is thus perceived, first and foremost, as an expression of solidarity towards countries that aspire to join a region of stability and prosperity. However, most commentators as well as politicians recognise that Portugal is

one of the countries with less to gain (both politically and economically) from enlargement.

Public opinion also remains clearly in favour of continuing the enlargement process. According to the July 2005 Eurobarometer, 56% of those polled favour the Union's expansion in general (above the EU average of 50%) and 43% are in favour of Turkey's accession (33% against).

Romania

Impact of the constitutional crisis on further enlargement

The official position of the Romanian President on the French referendum notes the predictable character of that negative vote and, as regards the consequences of that phenomenon, the press release of the Presidential Administration states that "the negative vote creates a political problem at the European Union level and delays its institutional evolution"⁶⁸². The same documents analyses the connection between the French No and Romania's accession to the European Union, insisting that the negative vote on the Constitution would influence neither the date of accession, nor the application, by both parties – Romania and the Member States – of the Accession Treaty signed on 25 April 2005.

According to Leonard Orban, the former Chief Negotiator with the EU⁶⁸³, Romania supports *Turkey's accession* to EU as long as Turkey is able to fulfil the accession criteria. From our evaluation, such an accession is possible only on a long or a very long term (after 2014, probably 2015-2020). As far as Croatia is concerned, Romania supports this process and also offers the possibility of a technical support. Mihai Razvan Ungureanu, the Foreign Minister, in an interview published in the Austrian newspaper "Die Presse", noticed that the Turkey accession has not been considered as a top priority for Romania: "At present we are so intensively preoccupied with our own problems that we have not discussed this matter yet. Give us some time: when we are EU members we will find an answer"⁶⁸⁴.

⁶⁸² The official position of the President of Romania, Traian Băsescu, concerning the result of the referendum in France on the European Constitution – Press Release, The Department for Public Communication, May 30 2005.

⁶⁸³ Interview with Leonard Orban, the Secretary of State in the Ministry of European Integration, 9 December 2005.

⁶⁸⁴ „Romania's Government is obsessed with accession to the EU", interview with Mihai-Răzvan Ungureanu, the Foreign Minister, Die Presse, 01.10.2005, available at

The President Traian Basescu, in an interview for *Forward Magazine* expressed his hope in a further enlargement: "I would be delighted to see the border of a wider Europe between Ukraine and the Russian federation, but this is a very optimistic approach. Presidents have the right to dream sometimes!"⁶⁸⁵

Romania's authorities express their support and expertise, as a future EU member state, to the Republic of *Moldova*. During a meeting between the Romanian Prime Minister, Calin Popescu-Tariceanu, and the Prime Minister of the Republic of Moldova, Vasile Tarlev, a group of Romanian specialists has presented the most important aspects related to the European integration's institutional architecture to the Moldavian's experts⁶⁸⁶. On the request of the Moldavian part, the Romanian authorities will provide all documents already part of the *acquis*, necessary for the Republic of Moldova's institutions to accelerate the implementation of the required EU *acquis*. The two Prime Ministers have discussed a series of joint projects, especially related to the interconnection of the electrical power distribution networks and the construction of a gas pipeline that would allow supply Romania with gas from the Russian Federation. In a joint letter, Romania and Moldova have applied for the European Commission's support for the financing of different projects. "Besides the strictly economic component, these projects are meant to consolidate the security and the stability in the area, through the improvement of the cooperation between our countries". Mr. Tariceanu has stated during that meeting⁶⁸⁷.

According to a Romanian survey published in June 2005⁶⁸⁸, 56% of the respondents consider that, on the short run, Romania's EU integration will bring more drawbacks than advantages, while, in the long term, 68% of those asked believe that the advantages will

<http://www.mae.ro/index.php?unde=doc&id=10033&idInk=2&cat=4> (latest access: 17.12.2005).

⁶⁸⁵ „Investing in Romania today is a good business and an operation with no risk”, interview with President Traian Basescu, *Forward Magazine*, April 2005, available on http://www.presidency.ro/?_RID=det&tb=date&id=6136&PRID=ag (latest access: 17.12.2005).

⁶⁸⁶ Meeting of Prime Minister Calin Popescu-Tariceanu with Prime Minister of the Republic of Moldova, Vasile Tarlev, Government of Romania, Press Office, 16.11.2005, <http://www.gov.ro/engleza/presa/afis-doc.php?idpresa=5920&idrubricapresa=&idrubricaprimm=2&idtema=&tip=2&pag=1&dr=> (latest access: 17.12.2005).

⁶⁸⁷ *Ibid.*

⁶⁸⁸ IRSOP Sociological Research, Romanian Values European Values, Information Centre of the European Commission in Romania, www.infoeuropa.ro.

prevail. The researchers have found that while 39% of the Romanians are worried about their country's European integration, 33% are highly optimistic. EU accession is appealing primarily because it holds out the promise of a higher standard of living (39%) and free travel across the continent (30%). Only 2% said that European integration would improve the country's democratic standards. In addition, 68% expect significant price hikes, 16% fear from a massive increase of unemployment and 13% believe that EU integration would have a detrimental effect on their national identity. A recent Eurobarometer survey indicates that Romania's population is the least supportive of accession (45%) among EU countries whereas Romania's population has the highest degree of trust in the EU (70%). Anca Boagiu, the Romanian Minister of European Integration, in an interview with *EurActiv Romania*, identified several factors that may have led to such a situation. First of all, "the more or less difficult experiences that the EU has been through this year", meaning the two missed referenda, the budget problems and the Turkish problem. On the other hand, "we can say that some transformations (in Romania) were not explained and presented well enough so that those explanations could make it onto the member state citizens' agendas, thereby making the citizens receptive to a certain process, a certain change."⁶⁸⁹

Slovakia

Impact of constitutional crisis on further enlargement

Slovakia's political leaders have generally shown some resolve to carry on the EU's policy of widening. Already in 2003, Slovakia as an acceding country endorsed the proposed schedule of admitting Bulgaria and Romania into the Union by 2007. Beyond this, Prime Minister Mikuláš Dzurinda has been a vocal advocate and one of the driving forces of Croatia's swift incorporation into the Union. Slovak leaders were not happy with the Council's decision to postpone the opening of accession talks with Croatia beyond March 2004. Slovakia's diplomacy thus continued to push for a re-examination of the Council's decision and was happy to welcome the compromise solution whereby both Croatia and Turkey officially began their respective

⁶⁸⁹ Interview with Romania's Minister for European Integration, Anca Boagiu, 24 October 2005, www.euractiv.ro/enlargement/ (latest access: 17.12.2005).

accession talks on 3 October (or early morning hours of 4 October) 2005. In the aftermath of the launch of official talks with the two countries, Prime Minister Dzurinda stated during his press conference that Slovakia would offer Croatia cooperation in negotiations on the various chapters of the acquis. At the same time, the Prime Minister said that Slovakia would strive that both Ukraine and Serbia and Montenegro enter the same path of European integration.⁶⁹⁰

Turkey is a specific case though as Foreign Minister Eduard Kukan highlighted by saying that the negotiations with Ankara “will be demanding and very, very long.”⁶⁹¹ Indeed, Bratislava has often been keen to emphasise the significance of Ankara’s compliance with the EU’s Copenhagen criteria and Slovakia’s domestic political discussions on Turkey in the fall 2004 prior to the December 2004 European Council revealed a whole spectrum of opinions. The Christian Democratic Movement (KDH) as a member of the governing coalition took an unambiguously disapproving standpoint and spoke against opening entry talks with Ankara and allowing Turkey to join the EU. Instead, the KDH supported the proposal of Germany’s Christian Democrats to offer the status of a privileged partnership to Turkey. The other two governing political parties (The Slovak Christian and Democratic Union – SDKÚ and the Party of Hungarian Coalition – SMK) together with the second largest opposition party (the Movement for Democratic Slovakia – HZDS) issued cautious and rather lukewarm – though not exactly disapproving – statements about a possible start of accession talks with Turkey. On the other hand, the governing Alliance of a New Citizen (ANO) and the largest opposition party SMER declared open support to beginning entry negotiations with Turkey. The fact, that for the first time the National Council of the Slovak Republic exercised its new constitutional right to bind cabinet members with a specific mandate in the debate on Turkey, only highlights the political salience of the issue. On 30 November, 2004, a decisive majority (113 out of 150) of members of parliament (MPs) passed a parliamentary resolution initially drafted by Slovakia’s government. Accordingly the parliament bound “the members of government to advocate in the European Council such opening of

negotiations on Turkey’s accession to the European Union that would emphasise the necessity of fulfilling the criteria and would not imply any commitment by the EU to accept Turkey as a new member.”⁶⁹² Although facing difficult pressures at home Slovakia endorsed the decision adopted at the European Council summit in December 2004 that agreed to open entry talks with Turkey in October 2005.

Slovakia – after all a recent beneficiary of EU widening – has thus broadly supported the continuation of the policy of EU enlargement, especially in the Western Balkans. And although Ukraine falls officially under the umbrella of the European Neighbourhood Policy, Slovakia’s politicians have repeatedly kept the option of Kyiv’s EU membership open. There has not been any real domestic debate on the limits of enlargement except for the questions raised about Turkey’s ability to adapt and conversely the EU’s ability to adjust to a potential accession by Ankara. To some extent this may also be a reflection of differentiated public opinion in Slovakia on the future of EU enlargement. While on the whole, Slovakia’s adult population shows the third strongest support for further enlargement with 73 percent of those asked in favour, only 37 percent of the population supports the accession of Turkey whereas 79 percent are in favour of Croatia’s EU membership and 62 percent are for Ukraine’s membership in the European Union. In conclusion, it is worth noting that during his official visit to Germany on 3 November 2005 the Prime Minister Mikulas Dzurinda stated rather surprisingly that the absorption capacity of the European Union has its limits and that the EU needs a ‘pause’ in its further enlargement.⁶⁹³ While this statement has to be contextualised within Germany’s domestic scene and discourse and may not mean a fundamental shift in Slovakia’s enlargement policy, it nonetheless signals a degree of caution by Slovakia about the difficulties for future EU widening.

First experiences with implementation of transition periods

In terms of Slovakia’s own experience with enlargement as that of a new member state since 1 May 2004, in a narrow sense of commitments stemming from the accession treaty one may conclude that the country has performed relatively well. Although the

⁶⁹⁰ “Ano Turecku a Chorvatsku posilni bezpecnost v Europe”, *SITA*, 4 October 2005.

⁶⁹¹ “SR presadzuje rokovania s Chorvatskom este dnes, turecka delegacia na ceste”, *TASR*, 3 October 2005.

⁶⁹² The author’s translation.

⁶⁹³ “Dzurinda: EU porebuje pri rozsirovani pauzu” *SITA*, 3 November 2005.

European Commission, traditional guardian of EU rules and norms, has on several occasions warned of Slovakia's insufficient performance in complying with the treaties, the country does not to-date face a single proceeding before the European Court of Justice. In the course of 2004, Slovakia managed to resolve a well-publicised problem of state aids to the steel mill U.S. Steel Košice. The dispute was settled in an agreement between the European Commission, the Slovak government and U.S. Steel Košice whereby the steel mill consented to paying adequate financial compensation to Slovakia's national budget for its overproduction in 2003 and 2004 and simultaneously it saw its tax allowance cut accordingly.

Furthermore, while individual political forces have questioned certain key stipulations of Slovakia's accession treaty, the overwhelming thrust of domestic efforts has been directed toward the country's speedy catch-up with the achievements of older member states. Specifically, in 2004 the government together with the National Bank of Slovakia (NBS) set an official goal to introduce euro by January 2009. Only voices from the governing KDH declared their intentions to block the introduction of the Euro in Slovakia until all original fifteen EU member states abolish restrictions imposed on free movement of workforce from new member states. However, the KDH raised its objections only after the government as a whole together with the NBS had adopted the strategy and the schedule for introducing Europe's common currency in Slovakia. Moreover, the Christian Democrats represent a minority viewpoint that seems unlikely to delay Slovakia's actual accession to the euro-zone. Rather, this goal may now be more affected by political and economic developments within the euro-zone, rather than by domestic events.

Former Minister of Economy Pavol Rusko raised another question mark over Slovakia's treaty obligations. Rusko suggested revising the plan for Slovakia's pledge to shut down the nuclear power plant in Jaslovské Bohunice. In the fall of 2004 he proposed to close down one bloc of the nuclear power plant later than envisaged by Slovakia's commitment in the EU accession treaty. Slovakia is supposed to shut off the first bloc in 2006 and the second one in 2008. However, Rusko argued that this method of closure would increase the safety risk by one hundred percent and proposed to close down both reactors together in 2008. However,

the rest of Slovakia's government did not support changing the country's position on the issue of decommissioning the nuclear power plant in Jaslovské Bohunice. Moreover, possible efforts to postpone its closure do not stand realistic chances of success since they imply the re-opening of the accession treaty. Austria as a resolute opponent of nuclear energy swiftly declared that it would oppose any changes to original agreements and soon thereafter Pavol Rusko stopped his initiative.⁶⁹⁴

A recent report by the European Commission indicates that during the last months of 2005 Slovakia improved its ability to approximate the EU's acquis. A table compiled by the General Secretariat of the European Commission showed that as of 4 November 2005 Slovakia adopted 2619 out of 2641 EU directives. Slovakia ranked number 11 among the 25 member states in its performance of legislative approximation.⁶⁹⁵ In sum thus the country has been doing OK as a new member state learning the game of EU policymaking while still adapting to the EU rules and norms. At the same time, Slovakia has been actively calling for the lifting of transition periods on the free movement of persons by the old member states citing the positive examples of Great Britain, Ireland and Sweden that had done so already.

Slovenia

Slovenia has repeatedly supported EU enlargement under the condition that the applicant countries comply with the membership criteria.⁶⁹⁶ The official position of the Slovenian Government is that the principle "each European country that complies with the criteria may apply to become a member of the EU" should continue to hold and no European

⁶⁹⁴ For Austrian official reaction see the daily *SME*, 11 February 2005.

⁶⁹⁵ „Slovensko sa zlepšilo v preberani legislativy EU“, *SME*, 9 November 2005.

⁶⁹⁶ Deklaracija o usmeritvah za delovanje Republike Slovenije v institucijah EU v letu 2005, Prednostne naloge Slovenije za delo v Svetu Evropske unije v letu 2005, [Declaration on the directions for activities of the Republic of Slovenia in the EU institutions in 2005], adopted by the National Parliament of the Republic of Slovenia on 29 March 2005, Uradni list RS 39/2005 of 19 April 2005, available at <http://www.uradni-list.si/1/online.jsp?urlid=200539&dhid=75421> (9 August 2005), hereafter Declaration on Slovenian activities in the EU in 2005. This principle is widely adopted by politicians from both, governmental and oppositional, parties, in respect to Turkey's membership as well as to Croatia.

state may be denied a European perspective.⁶⁹⁷

There is a strong support for the *Croatian accession* to the EU and a European perspective (including membership) for the countries of the Western Balkans, and an indifferent to slightly positive attitude towards Turkey's European perspective. The accession of Romania and Bulgaria was confirmed by a unanimous vote in the National Assembly on 22nd of April (59 out of 90 MPs votes in favour). The debate before the vote touched upon the undetermined financial consequences of the accession of the two countries (due to non-adoption of the financial perspective) and on the fear of an influx of cheaper labour. Foreign Minister Rupel stressed that Slovenia will be in a position to take a decision on the adoption of the transition period for the free movement of labour.⁶⁹⁸ The Foreign Minister, in an interview given prior to the French referendum, said that he had hoped Croatia would be in the same enlargement round as Bulgaria and Romania, however, the latest developments regarding the Gotovina case before ICTY seemed to be strengthening an assumption among some EU member states that Serbia and Montenegro or even another country should also be included in the next enlargement round together with Croatia.⁶⁹⁹ Fears of a stall in the enlargement process that were brought up with the French rejection of the Treaty, seemed to have gained ground after the Dutch referendum. Luxembourg's confirmation of the Constitutional Treaty, however, brought back hope for undisturbed continuation of the EU enlargement process.⁷⁰⁰

In February 2005 the Slovenian public opinion was in majority supportive of *Bulgarian, Romanian, Croatian and Turkish membership* in the EU. On the other hand, the percentage of people who did not support the membership

of the named countries, varied substantially in respect to each of the named countries; only 15, respectively 17, per cent of the interviewed opposed the accession of Bulgaria and Romania. The percentage was significantly higher in the case of Turkey and Croatia: 25 per cent of the interviewed opposed Turkish membership and 34 per cent of the interviewed opposed Croatian accession to the EU.⁷⁰¹ In March 2005 when the beginning of the accession negotiations with Croatia was postponed, the Slovenian public opinion generally supported EU's decision. In favour of the postponement were almost two thirds of the interviewed (64 per cent) and explicitly against it 23 per cent. The interviewed who supported the EU decision more than on average were those with a college⁷⁰² and university degree (71 per cent), self employed (75 per cent), students (70 per cent), urban dwellers from Ljubljana and Maribor (76 per cent), sympathisers of SNS (83 per cent), of Social Democrats (78 per cent) and of New Slovenia–Christian People's Party (Nova Slovenija – Krščanska ljudska stranka - NSi) (with 76 per cent).⁷⁰³ After the postponement of the beginning of the accession negotiations with Croatia, Slovenian Foreign Minister Rupel continued to strive for the beginning of the Croatian accession negotiations. At the Foreign Ministers' meeting in Brussels, Foreign Minister Rupel, in line with his colleagues from Austria, Hungary and Slovakia, underlined the EU's commitment to the enlargement process, stressing that it is a factor of stability especially in the Western Balkans. Rupel asserted that Croatia is best prepared of all candidates.⁷⁰⁴

⁶⁹⁷ Ministry for Foreign Affairs in answer to a questionnaire sent to the Public Relations office of the Government (questions sent: 12.09.05, answers received: 23.09.05).

⁶⁹⁸ STA (22 April 2005) DZ: DZ podprl vstop Romunije in Bolgarije v EU [National Assembly supported the accession of Romania and Bulgaria to the EU].

⁶⁹⁹ Pogovor s slovenskim zunanjim ministrom dr. Dimitrijem Ruplom (MAG, 11 May 2005) [A conversation with the Slovenian Foreign Minister, Dr. Dimitrij Rupel], available at http://www.gov.si/mzz/novinarsko_sred/szj/05051102.html (13 August 2005).

⁷⁰⁰ STA (11 June 2005) Slovenija in Evropa: Luksemburški "da" vliva upanje (zbirno) [Slovenia and Europe: The Luxembourg "yes" raises hopes].

⁷⁰¹ Politbarometer 2/2005 (February 2005)

(Javnomnenjske raziskave o odnosu javnosti do aktualnih razmer in dogajanj v Sloveniji [Public opinion surveys on the attitude of the public towards current affairs and developments in Slovenia]), p. 23; available at: <http://www.uvi.si/slo/javno-mnenje/pdf/februar-2005.pdf> (17.08.2005).

⁷⁰² In Slovenian post-secondary education system, there are two types of diplomas. The normal university degree and a degree obtained after two or three years of college (German: Hochschule).

⁷⁰³ Politbarometer 3/2005 (March 2005) (Javnomnenjske raziskave o odnosu javnosti do aktualnih razmer in dogajanj v Sloveniji), p. 18; available at <http://www.uvi.si/slo/javno-mnenje/pdf/marec-2005.pdf> (17 August 2005).

⁷⁰⁴ RTV Slovenija/STA/EPA (18 July 2005) EU ne kaže navdušenja nad širitvijo [EU does not show enthusiasm for enlargement], available at http://www.rtvsl.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=16&c_id=82639 (10 August 2005).

TABLE 1: Labour movement statistics from May 1st 2004 to July 31st 2005

Citizenship	Permit type					
	Personal work permit	Employment permit	Work permit	Without work permit	EU permits	SUM
States of the former Yugoslavia	23.085	11.258	5.390	2	6	39.741
Bosnia and Herzegovina	12.342	6.655	2.095		5	21.097
Croatia	5.339	1.048	738		1	7.126
Macedonia	1.446	1.417	886			3.749
Serbia and Montenegro	3.958	2.138	1671	2		7.769
EU member states	315	111	159		2058	2.643
Other	726	940	780	3	3	2.452
SUM	24.126	12.309	6.329	5	2.067	44.836

The picture of a quite unanimous Slovenian support for the Croatian accession to the EU, which continues also after the postponement of the beginning of the negotiations with the European Commission is distorted by the attitude and action taken by the Slovenian National Union (Slovenska narodna zveza – SNZ), a fraction within the coalition Slovenian Popular Party. Shall Croatia continue with the territorial claims at the cost of Slovenia, the fraction threatens with a launch of a campaign for a referendum, on which Slovenian citizens would decide, whether Slovenia should enable the Croatian accession to the EU. Reactions to this proposal, launched in the beginning of June, differentiated along the left – right axis. Several politicians from the right-to-centre political parties expressed their support for the proposal (though the official attitudes of the parties did not endorse it), whereas the left-to-centre parties expressed their doubt in such action bringing a constructive progress in the Slovenian-Croatian border issue deadlock.⁷⁰⁵ The official Slovenian policy expressed opposition to the possibility of a realisation of the proposed referendum; the Foreign Minister said this was a party proposal, which is impossible and unnecessary.⁷⁰⁶

First experiences with implementation of transition periods

Labour-movement statistics⁷⁰⁷ for the period after May 1st 2004 shows a slight increase in labour originating from the member-states of the EU, while labour from the states of the former Yugoslavia still prevails (traditional seasonal workers in construction and agriculture). The majority (see Table 1) of workers from the EU member states (new member states, Ireland, Sweden and Great Britain) are those who come as posted workers to do services. Less than a third of all workers from the EU member states registered as employed, and around 5 per cent registered in Slovenia on the basis of a civil contract.

The Slovenian Ministry of labour, family and social affairs estimates that Slovenian labour market is not endangered due to the influx of new foreign labour. It also deems current migration policy adequate. It allows employers to substitute work force missing in the domestic market, but at the same time it regulates the migration in such a way as to not endanger domestic labour market.

⁷⁰⁵ RTV Slovenija/STA (8 June 2005) Referendum o vstopu Hrvaške v EU? [Referendum on the accession of Croatia to the EU?], available at http://www.rtvlo.si/modload.php?&c_mod=news&op=sections&func=read&c_menu=1&c_id=78807 (10 August 2005).

⁷⁰⁶ RTV Slovenija/STA (9 June 2005) Rupel proti referendumu o Hrvaški [Rupel against a referendum on Croatia], http://www.rtvlo.si/modload.php?&c_mod=news&op=sections&func=read&c_menu=1&c_id=78865 (10.08.05).

⁷⁰⁷ The statistics as well as opinions expressed here were obtained from the Ministry of Labour, Family and Social Affairs, as part of their answer to the questions that were sent to them. The questions were sent on 1st September 2005 and the answers received on 20th September 2005.

Effects of accession on the economy

The following data originate from the Chamber of Commerce and Industry:⁷⁰⁸

Positive trends:

- *Small and medium enterprises (SMEs)*: no significant consequences are observed following enlargement. However, those SMEs, which were closely integrated into the internal EU market prior to the accession, observe that the conduct of business is cheaper as well as simpler.
- *Services*: Chamber of Commerce and Industry observes positive developments in the field of services following accession. Despite greater competition following accession, financial services, insurance, catering and especially tourism stick out in positive trends.
- *Commerce*: positive trends in the development of the field.
- In *capital services* the influx of new mutual funds, banks and new forms of financial services is being felt.

Rather negative effects:

In line with prognosis and expectations the situation worsened in labour intensive sectors with low added value. These sectors were not only affected by the new conditions of the internal market, but also by the changing conditions in the world economy. Textile industry was the most affected in the negative respect. Challenges are similar in the food manufacturing industry. Re-structuring of the industry does not yet give results as the added value annotated in the sector only reaches 52 per cent of the average added value in the EU-15, similarly productivity is at 70 per cent of the EU-15 average.

Spain

Impact of the constitutional crisis on further enlargement

Enlargement to the East implies a particular challenge for Spain as it does not stand to benefit from the economic opportunities of enlargement, but will suffer from the consequences (reduced structural funds,

increased migratory flows, industrial relocation and disinvestment, trade competition in key markets, etc). Nevertheless, for historical and moral reasons Spain has supported the enlargement process to the East from the very beginning and continues to back the next enlargement. Spain's position regarding the future enlargement process has not changed following the shock of the referendums in France and Holland. The Spanish Government fully backs the entry of Bulgaria and Rumania and expects no delays in the process.

Spain's general support for enlargement also applies to *Turkey*. Again, as with Eastern enlargement, support for Turkey's accession does not necessarily coincide with Spain's immediate economic or foreign policy interests, as it will introduce further pressures in terms of foreign investment, foreign trade and regional and agricultural policy or would probably require the commitment of additional diplomatic and economic resources that might be detracted from the Maghreb, which is indeed a priority area for Spain. Yet successive Spanish Governments (whether Conservative or Socialist), have backed Turkey's entry into the European Union for a number of different reasons which have to do with the EU's general political, economic and security interests, and have not considered issues of cultural or religious identity to be central.

Concerning Croatia, the government has supported the opening of negotiations and the framework adopted by the European Council on 3 October. Still, media commentators have highlighted their concern with the too explicit way in which the Austrian Presidency linked the opening of negotiations with Turkey and Croatia, thus threatening the credibility of the principles of relative merit and non-discrimination governing enlargement. In particular, public opinion failed to understand how negotiations could open despite General Ante Gotovina's not having been handed over the International Court in The Hague. Enlargement, it has been stressed, should be governed by fair and objective criteria, not by a push and pull dynamic between different sponsors.

Spaniards continue to show a high level of support for the European Union. According to the last Elcano barometer (June 2005), 74% of Spaniards (70% in December 2004) agree that workers from the new member states should be able to work in Spain without restrictions. Still more noteworthy is the acceptance by

⁷⁰⁸ Data were obtained by the means of a questionnaire, which was sent to the Sector for European Affairs of the Slovenian Chamber of Commerce and Industry. The questions were sent on 1st September 2005 and the answers received on 9th September 2005.

62% (52% in December 2004) that certain companies might have to delocalise their factories outside Spain in favour of the new EU members. Furthermore, these ideas are maintained despite the interviewees believing that the enlargement of the UE will be less positive for Spain (53%) than for the UE in general (71.7%) or for the new member states (85.1%). Finally, regarding the future enlargement process, 58% of Spaniards (53% in March 2005) believe that Russia should become a member of the EU. In second place is Turkey, with 41% support and a 3-point increase compared with March 2005. In third and fourth positions are Israel, at 23% support, and Morocco, at 21%. Other Spanish surveys, such as the Barometer of the Centre for Sociological Studies (January 2005), indicate that 35.2% of Spaniards are in favour and 20.4% against Turkish membership, while according to the Barometer of one of Spain's leading radio stations⁷⁰⁹ 43% are in favour and 18% against. According to Transatlantic Trends⁷¹⁰, Spanish support lags behind both the UK and Italy, at 26%.

Sweden

In the process leading up to the 2004 enlargement, Sweden was one of the strongest proponents of the enlargement project, departing from a security perspective on the issue. This goes for all major actors across the Swedish political table – no major disagreements regarding the principle, so to say. As May 1, 2004, drew nearer, however, there was a bit of a nationalistic approach, when the Social Democrats proposed (however defeated in the Riksdag) that Sweden should use the restrictions possible when it comes to the free movement of labour, a stance supported by some 60% of the electorate.⁷¹¹ This came as an abrupt and disappointing turn in Swedish policy for a number of the new member-states – Sweden had been critical of some of the old member-states during the enlargement negotiations for being narrow-minded; here, it seems, Sweden went in much the same direction.

The perspective is now again a security-oriented, all-European pro-enlargement perspective; all major actors are in favour of

709 Pulsómetro Cadena Ser, December 2004, <http://www.cadenaser.es>.

710 Transatlantic Trends 2005, <http://www.transatlantictrends.org/>.

711 www.gallup.se.

continued enlargement and the right for all European countries that fulfil the Copenhagen criteria to have the option of membership. This means in effect that all parties in the parliament support the membership aspirations of Turkey and Croatia, and the rest of the countries in the western Balkans.⁷¹² The Swedish government has been especially forthcoming regarding the Turkish membership aspirations.⁷¹³

Beyond these designated enlargement candidates, the Swedish government also stresses the need to answer credibly to the calls from countries such as the Ukraine and Georgia concerning the (necessarily long-term) prospect of one day joining the union.⁷¹⁴ At the same time, a well-working neighbourhood policy is also seen as fundamentally important to Sweden.⁷¹⁵

Turkey

In general in Turkey, both the public at large and the well-informed observers separate the “constitutional crisis” and further enlargement of the EU. They are unhappy with the linkage established within the EU between the constitutional crisis and further enlargement. For the latter is conceived as one of the most successful policies of the EU. It is a reflection of the inclusionary tendency of the European integration process. The rise of negative feelings on enlargement in European countries increased the resentment towards the EU in Turkey. It is an irony that as Turkey starts negotiations, there are increasing discussions about the end of the enlargement process in Europe. Turkish public opinion feels that the EU should be an inclusionary project. For that reason, there is a support of the membership of Bulgaria, Romania and Croatia to the EU. In

712 The government's work program for the fall of 2005, at www.regeringen.se (“Regeringens EU-arbetsprogram för hösten 2005”); Prime Minister's information to the European Affairs committee, 2005-10-26, www.regeringen.se/sb/d/1122/a/52165; article by Foreign Minister Laila Freivalds, 2005-07-11, www.regeringen.se/sb/d/1365/a/47558; Liberal Party platform, www.folkpartiet.se/Templates/QuickFacts.aspx?id=20483&pID=5128; also see their “Faktablad 44/03-04 at the party homepage; Moderate Party platform, www.moderat.se/politik.asp?mainid=2&subid=54.

713 See for instance speech by Foreign Minister Laila Freivalds, 2004-10-08, www.regeringen.se/sb/d/1365/a/31362.

714 Prime Minister's information to the European Affairs committee, 2005-10-26, www.regeringen.se/sb/d/1122/a/52165.

715 The government's work program for the fall of 2005, at www.regeringen.se (“Regeringens EU-arbetsprogram för hösten 2005”).

other words, there is no sense of competition with those countries in terms of accession. Turkish public opinion is rather positive also for the membership of Western Balkan countries and also for Ukraine. It is thought that further enlargement should enrich EU culturally and bring stability to the European periphery. It would extend the “security community” to the more turbulent regions of Europe. Therefore the “constitutional crisis” should not provide a pretext for the ending of enlargement which is critical for the European integration process.

Turkish public opinion, both the general public and the well-informed public, do not like the discussion on the limits of enlargement. It is thought that this debate on the “limits” revolves mainly around the Turkish accession. It is seen mainly as an exercise to exclude Turkey from the EU. In this respect, the discussion on the limits of Europe formulates the limits in “essentialist terms” taking into consideration geography, history, religion and culture as the main determinants of the limits of Europe. Europeanness is defined through these essentialist categories and these categories are used to show that Turkey does not belong to Europe and to the EU. Turkish public opinion is opposed to the definition of “Europeanness” on these grounds. It is believed that Europeanness, if it is going to be defined, should be defined in terms of economic and political values and should be an inclusionary project. Turkish public opinion is extremely sensitive on the debate about the “alternatives” to enlargement. Notwithstanding those who adopt a rather sceptical view as already mentioned, there is a near consensus that Turkey should be part of the EU as a full member. Relations short of full membership are conceived in Turkey as ways of excluding or marginalizing Turkey. In the discussions related with alternatives to membership, as Turkey acquires a central place, this attitude increases sceptic and anti-European position in Turkey and declines the level of support and trust of the EU.

“Privileged partnership” is thought as a strategy to exclude Turkey by the Christian Democrats in Germany and in some other European countries who would like to define Europeanness in essentialist terms in terms of culture and religion. In this definition Turkey is definitively excluded from a future enlargement process. It is thought mainly a “slogan” which is empty of any content. The notion of “privileged” is concerned as the “irony” of the notion. Turkey has a Customs Union

relationship which is already “privileged”. However, it was also conceived as a temporary relationship which should lead to full membership. In this respect, Turkey wants a normal relationship as other countries, rather than a privileged partnership.

Moreover, the “neighbourhood policy”, one of the novel policy areas of the EU, is not conceived in Turkey as an alternative to enlargement. However, in Turkey this policy is not well-known and there is not much discussion about it. However, one should derive some lessons from previous experiences. For instance, the Barcelona Process and the EU-Med relationship in Turkey were conceived as alternatives to membership in Turkey. For this reason Turkey never took action in Barcelona Process and did not contribute to the EU’s Mediterranean policy, thinking that this could result in the exclusion of Turkey from full membership. If neighbourhood policy is formulated as an alternative to full membership, this could lead to an opposition to this policy in Turkey and may be conceived as a policy to exclude Turkey as a full member and put her in a different category. But if neighbourhood policy is formulated more as a complementary policy to the general policy of European enlargement rather than as a substitute. Turkey could also contribute to the EU neighbourhood policy.

United Kingdom

Impact of constitutional crisis on further enlargement

In the UK, further enlargement receives broad approval. Labour, the Liberal Democrats and the Conservatives have all expressed their support for Turkish accession. The opening of accession negotiations on 3 October was welcomed by the media and was covered positively. The UK government’s engagement in ensuring the start of accession talks was seen as reflecting well on the Presidency as a whole, although the problems caused by Austria’s last-minute demands were portrayed as further evidence of the deep, fundamental crisis affecting the EU. In public opinion polls, the British population is consistently one of the most favourable to Turkish accession, an interesting reversal from the UK’s usual role as a brake rather than a motor in the EU. (Cynics claim that the British government favours Turkish membership as a further dilution of the Union’s cohesion.)

The UK was also strongly in favour of opening accession negotiations with Croatia. The government sees this as an important step in ensuring that Croatia will continue with its reform agenda. In the long run, the UK would like to see more Balkan countries join the EU, and it is hoped that the goal of membership will help preserve stability in the region.

The government sees the success of the last-minute negotiations on 3 October as an important achievement of the UK Presidency. Further enlargement has long been a goal of British diplomacy, so the opening of accession talks is considered the fulfilment of long-term priorities. Diplomatically, the Presidency was instrumental in reaching agreement on 3 October as it convinced both Austria and Turkey to overcome their initial reservations. If the Presidency had been less in favour of Turkish accession, there may not have been such an effective push to open talks on time. The importance of the UK in this regard perhaps shows the key role that EU Presidencies can take in the development of the Union.

First experiences with implementation of transition periods

Beyond a broadly positive stance, enlargement and its consequences are not discussed in great depth at either popular or elite level. Romanian and Bulgarian accession are thus

no great cause for concern or celebration in the UK, and even the 2004 enlargement went largely unnoticed and uncommented. Nevertheless, it has been noted that there has been an impressive influx of migrants from the new EU countries. Unlike most of the EU-15, the UK has not applied transitional periods for free movement of labour, and this allowed 130,000 migrants from the eight new Central and Eastern European members to apply for work permits between May and December 2004.⁷¹⁶ This has not led to a backlash in Britain: so far, there has been no talk of the potential threat of Polish plumbers to British workers. Instead, the British public seem unconcerned by this steep rise in migration from the new EU members.

Although the UK has not officially come out in favour of accession of the EU's eastern neighbours (e.g., Ukraine, Belarus and Moldova), Britain is generally in favour of keeping open the prospect of accession to eligible candidates. The European Neighbourhood Policy is not seen as a long-term alternative to EU membership, although it is considered a useful tool of European external relations, especially with countries, for example in North Africa or the Middle East, that have no perspective of membership. The idea of developing the concept of 'privileged partnerships' is not welcomed with great enthusiasm in the UK.

⁷¹⁶ See BBC Online, "EU views on Turkish bid", 30 September 2005, accessible at : <http://news.bbc.co.uk/1/hi/business/4497309.stm> (latest access: 29.11.2005).

3

Which future for the financial framework 2007/13?

Please refer to:

- ***Basis for further negotiations (e.g.):***
 - *Old Commission proposal or latest Luxembourg presidency proposal*
 - *New Commission proposal redirecting funds - away from CAP towards other (which?) areas*

- ***Which are the priorities and red lines in the negotiation strategy of your government?***

- ***How is the political debate on the financial framework structured within your country?***
 - *Is the debate politicised among parties, public and media?*
 - *Or is there consensus and support for the government?*

- ***What are the key figures and arguments usually presented to the public?***

Austria

Basis for further negotiations

The Austrian Minister for Finance, Karl-Heinz Grasser⁷¹⁷ as well as Austrian Chancellor Wolfgang Schuessel hope that the budget proposal agreed upon under the Luxembourg presidency will continue to be optimised under the current UK presidency. They also call for a reviewing of the ratio of own-resources and EU member states' contribution towards the EU budget. They propose to increase the ratio of own-resources by introducing an EU tax.⁷¹⁸

Herbert Boesch, MEP of the Social Democratic Party, stresses that the EU budget debate should focus more on the issue of 'budget revenue' rather than 'budget expenditure'. His suggestion to tackle the problem of additional budget revenue would be to transfer customs duties – currently 25% of all customs duties are kept by the national member states – to the EU budget. However, similar to the government's position, he notes that in the long run it will still be necessary to talk about future EU taxation.⁷¹⁹

The debate on the re-nationalisation of the agricultural sector with regards to subsidies is viewed rather critically by the government, which argues that a re-nationalisation would not only bring no additional cost savings but would diminish the advantages gained by having common norms. The Austrian Chancellor views the agricultural sector as a very important stability factor for rural, economically weak areas but also for ensuring quality agricultural products. He however concedes that reform is needed.⁷²⁰

The Social Democratic Party is in favour of cutting the share for the CAP in the mid run and points out that EU citizens must be informed about the EU's costs and spending policy.⁷²¹ The Green Party continues to defend the shift in expenditure away from market

expenditure and direct payments toward rural development.⁷²²

Governmental priorities

The Austrian government will focus in the negotiations on ensuring that its concerns especially regarding the extension of transnational networks and support for the rural and bordering areas, will be acted upon sufficiently⁷²³. Most importantly, there will be a focus on a balance between the Austrian net contributions and EU subsidies going back into Austria. The Austrian Chancellor stresses that it is vital to have an effective expenditure control which enables the EU to use its means in the most effective and targeted way, especially for rural and infrastructural development. The government supports the net payers' position of 1% of GDP and urges as a neighbouring country to some of the new member states to have a minimum funding disparity for bordering regions of 15% to 20%.⁷²⁴

Domestic Debate

The debate on the financial framework is dominated by pressure groups. The only broad consensus is on the critical issue of Austria's position as a net payer.⁵⁶ The Austrian Federation of Trade Unions views the EU enlargement and financing policies as highly unsatisfactory and states that the fact that Austria is a net payer is a strong argument against the EU that is supported by the biggest national tabloid, the Kronen Zeitung.⁷²⁵

Belgium

Basis for further negotiations

The Belgian government has serious doubts on whether a maximum spending of 1,06% of the Gross National Income would suffice to finance the whole of an enlarged Unions political ambition.⁷²⁶ If the British Presidency wishes to succeed on the budget, the solution shouldn't differ much from the ultimate proposition by the former Luxembourg Presidency during the European Council. Any

⁷¹⁷ October 2005, www.orf.at.

⁷¹⁸ 16.08.2005, www.bka.gv.at, Interview with Chancellor Wolfgang Schuessel by the Frankfurter Allgemeine (FAZ)

⁷¹⁹ 28.09.2005 and 20.10.2005, www.spoe.at.

⁷²⁰ 16.08.2005, www.bka.gv.at, Interview with Chancellor Wolfgang Schuessel by the Frankfurter Allgemeine (FAZ)

⁷²¹ 29./30.11.2004, *Startklar für Oesterreich; Analysen-Details-Materialien zum Wirtschaftsprogramm der SPOe*, at the 38th Federal Party Convention, p. 74.

⁷²² Interview with Die Gruenen, September 2005.

⁷²³ Interview with the Oesterreichische Volkspartei (OeVP), October 2005.

⁷²⁴ 14.06.2005, www.bka.gv.at.

⁷²⁵ Interview with the Oesterreichische Gewerkschaftsbund (OeGB), October 2005.

⁷²⁶ "Budget EU: la Belgique critique la proposition luxembourgeoise", *Belga*, 13/6/2005.

other approach will certainly not result in an agreement before the end of the year 2005.⁷²⁷

Governmental priorities

As to economic growth, Belgium argues in favour of a growth percentage of up to 11% (which would include an envelope reserved for research and education), instead of 8% proposed by an earlier Luxembourg proposal. 38% of the GNI should be devoted to the cohesion policy (against the earlier proposed 37%). Belgium demands that 16,5% of the global envelope goes to regional competitiveness and employment. As to agriculture, the budget should be adapted in function of future accession by Rumania and Bulgaria: this means the budget should take into account costs of about 8 billion Euros (against the 2 billions proposed by an earlier Luxembourg proposal), but without mentioning where the other 6 billion Euros have to be found. Finally, Belgium wants clarity about the perspectives of putting an end to the rebate system, and it wants limits (both in size and in time) on the measures from which benefit the Netherlands, Germany and Sweden.⁷²⁸ The Prime Minister is also in favour of own resources for the European Union.⁷²⁹

Regarding agriculture, Belgium is in support of the French position: the 2002 agreement, which fixes the contribution amounts until 2013, was initially made up for 25 members but could include 2 billion that should cover the accession of Bulgaria and Rumania, if the rest of the agricultural budget is maintained.⁷³⁰

Domestic debate

With regard to certain areas in Belgium (le Hainaut), an earlier Luxembourg proposal was judged unacceptable, since it was considered as not-objective and inequitable.⁷³¹ In a later Luxembourg proposal, the Prime Minister noticed some progress (the means increased from 532 to 617 million Euros). But the (late) Minister-President of the Walloon Region (of which the Hainaut province is part), Jean-

Claude van Cauwenberghe, estimated 700 million Euros would be needed to re-launch the economy of the Hainaut-province.⁷³² Following to the increased financial means for the Hainaut, the means for education, research and development (from which benefits mostly the Flemish region) were decreased down to 600 million (contrary to the 800 million in an earlier proposal).⁷³³

Bulgaria

Bulgarian politicians have in general avoided to "take sides" in the debate on the 2007-2013 Financial framework. In public discussion on EU-related issues, this topic surfaces mostly on the occasion of sharp controversies among current member states, as, for example, at the moment of clash on the most recent UK proposal of November 2005. The debate is closely followed by competent figures at political level, but is eclipsed by the domestic political agenda, as in June 2005, when the dispute between Chirac and Blair on the budget coincided with the parliamentary electoral campaign.

Insofar as there is political debate on this issue, it is of low intensity and fits the general pattern of government-opposition disputes. Representatives of the ruling coalition express general concern with the risk that the levels of funding of EU structural policies could be cut down. But they plead non-involvement on substance by interpreting the budgetary debate as an "internal affair of the EU" that "does not affect Bulgaria directly". They stress the fact that the clauses of the Accession Treaty provide legal security for the amounts Bulgaria should expect for a three-year period (2007-2009)⁷³⁴ Conveniently, this time frame

⁷²⁷ "Un nouveau référendum en France", *La libre Belgique*, 1/9/2005.

⁷²⁸ "Budget EU: la Belgique critique la proposition luxembourgeoise", *Belga*, 13/6/2005.

⁷²⁹ "Verhofstadt gaat voor een akkoord", *De Standaard*, 16/6/2005.

⁷³⁰ "Laatste onderhandelingsvoorstel Europese meerjarenbegroting gunstiger voor Henegouwen dan voor Vlaanderen", *De Standaard*, 17/6/2005.

⁷³¹ "Budget EU: la Belgique critique la proposition luxembourgeoise", *Belga*, 13/6/2005.

⁷³² "Budget EU: Verhofstadt constate des "avancées" pour le Hainaut", *Belga*, 17/6/2005.

⁷³³ "Laatste onderhandelingsvoorstel Europese meerjarenbegroting gunstiger voor Henegouwen dan voor Vlaanderen", *De Standaard*, 17/6/2005.

⁷³⁴ See press-release about the intervention of Mr Christian Vigenin (MP, Bulgarian Socialist Party), Bulgarian "active observer" at the European Parliament, at the meeting of MEPs from the "Višegrad Plus" initiative with Ms. Danuta Hübner, EU commissioner, on 29 November 2005, available at the web site of the Bulgarian Socialist Party: www.bsp.bg, and Discussion of Mr. Mladen Chervenjakov (MP, Bulgarian Socialist Party), Mr. Chetin Kazak (MP, Movement of Rights and Freedoms) and Mr. Assen Agov (MP, Democrats for a Strong Bulgaria) on the current EU budgetary crisis, held in the "Koritarov Live" TV programme of "Nova" Television on 7 December 2005, stenographic recording offered by the Bulgarian Telegraph

coincides with the mandate of the current government.

On the contrary, some of the outspoken opposition parties (like DSB) tend to focus on the commonality of problems and achievements. Touching on the financial debate, they argue that “the drama of the EU is becoming a drama of Bulgaria” and that it should be hoped that “the good moments of the EU become good moments for Bulgaria, i.e. that Bulgaria is already part of this space”⁷³⁵ Following their explicit reasoning, a budgetary crisis or an agreement to cut down funding for structural policies would have a serious de-motivating impact on Bulgarian pre-accession efforts at the crucial moment of preparation for the next monitoring report of the Commission (to be published on 12 May 2006). While this is a valid argument, the overall anxiety of opposition representatives about a possibly aggravating financial status of Bulgaria in the medium term (after 2009, when security granted by the Accession Treaty provisions will be waived) is indicative. Such a mid-term focus implicitly reflects the expectations of an opposition party to win the next elections (falling exactly in 2009).

Croatia

Basis for further negotiations

The old and new Commission proposals on the future for the Financial Frameworks 2007-2013 were not discussed in detail by the Government of Croatia, so no official statements were issued that regard to these issues. However, both government and analysts have noted the failure of the European Council to reach consensus during the negotiations on financial perspectives for the period 2007-2013 in June due to the stumbling stone of “British rebate”. The problems with the adoption of the Financial Perspective during the British Presidency were broadly reported in Croatian newspapers. The first comments after the recent adoption of new

Financial Perspective⁷³⁶ were very positive, underlining the importance of this step for further decisions regarding enlargement, the Constitution and others. It was noted that Croatia will benefit from EU funds after becoming a full EU member. The government expressed satisfaction that a compromise was found and a final agreement reached among the member countries of the EU.

Governmental priorities

The negotiations have just opened on the 3rd of October 2005, so the priorities with regard Financial Frameworks 2007-13 have not been precisely defined yet. As for the possible red lines in the EU budget proposal, there have been concerns raised to the levels of the funding that would be directed to reform of the agricultural sector in Croatia as well as for infrastructural adjustments.

Croatia is still in an early phase as for establishing a coherent institutional framework and capacity for economic development planning. EU co-operation in this sector up till now focused on the regional, rather than national/sectoral aspects. This is because of clearly diverging development levels of different parts of the country, and because of the apparent lack of coherent policy in this area.

There will be two crucial national development documents which will determine the priorities for the participation in the financial framework in the 2007-2013 through different pre-accession instruments. These are the National Development Plan 2005-2009⁷³⁷ and the National Regional Development Strategy⁷³⁸. The government is presently working on both documents and draft versions have been discussed within the government institutions in charge and experts' circles.

Domestic debate

Being a late comer in the accession process, Croatia did not officially participate in EU negotiations on new Financial Frameworks. The Government did not come up with the official positions regarding the Framework

Agency, available at the web site of the party “Democrats for a Strong Bulgaria”: www.dsb.bg.

⁷³⁵ Discussion of Mr. Mladen Chervenjakov (MP, Bulgarian Socialist Party), Mr. Chetin Kazak (MP, Movement of Rights and Freedoms) and Mr. Assen Agov (MP, Democrats for a Strong Bulgaria) on the current EU budgetary crisis, held in the “Koritarov Live” TV programme of “Nova” Television on 7 December 2005, stenographic recording offered by the Bulgarian Telegraph Agency, available at the web site of the party “Democrats for a Strong Bulgaria”: www.dsb.bg.

⁷³⁶ Bruno Lopandic in Vjesnik, 19 December 2005.

⁷³⁷ National Development Plan 2005-2009, the first draft, Croatian Government Office for Strategic Planning, 2005.

⁷³⁸ Regional Development Strategy Proposal was presented by the Croatian Ministry of Sea, Tourism, Transport and Development on the October 14th, 2005 (see www.mmtpr.hr).

proposals currently discussed in the EU yet but is aware of dissonance among governments.

Debates on this are also still not very much present in wider public. As for the most recent official positions on the matter, the daily press⁷³⁹ is reporting that the Prime Minister Sanader who is for the first time invited to attend the Informal EU Summit in Hampton Court in the UK on 27th of October will support the efforts of member countries in favour of reaching the compromise on the Financial Framework. Most recently, Ivo Sanader also attended the latest EU Summit in Brussels and expressed his satisfaction that the agreement on the Financial Perspective was finally reached on 16th December 2005.⁷⁴⁰

The Pre-accession strategy (2004) opened the door to Croatia for the access to the PHARE, ISPA and SAPARD programme in 2005 which will be available for Croatia until 2007. The new Financial Perspectives 2007-2013 envisage the new Pre-Accession Instrument (IPA) for the candidates (Turkey, Croatia) and potential candidates (remaining Western Balkans). The IPA should supersede the existing instruments (PHARE, ISPA, SAPARD), simplifying the management programmes for accession countries.

At this stage, Croatian government is very much focussed on preparations for the efficient use of the pre-accession funds. Croatia needs to further develop institutions and strengthen its capacities to absorb the expected additional support from the EU funds. The main issues in debates include the following: internal preparations for the effective utilisation of pre-accession funds; economic (institutional) benefits of pre-accession funds; development and strengthening of national bodies for evaluation, contracting, financing and monitoring; programming, monitoring, implementation; utilisation of available funds, co-financing; preparation of projects; evaluation of project proposals (quality of documentation); establishment of institutional structures for the pre-accession funds; preparation (and quality) of strategic documents (projects must fit into the multi-annual programmes); preparation for Structural Funds and the Cohesion Fund; institution building support and preparation for the regional development component of EU cohesion policy.

⁷³⁹ Jutarnji list, 27th October 2005.

⁷⁴⁰ Vjesnik, 17-18th December 2005.

Cyprus

Basis for further negotiations

Cyprus maintains that the old Commission proposal should be considered obsolete by now. It was generally perceived as a proposal issued by a Commission that consisted of Commissioners from the old 15 member states who did not exhibit particular concern for the new member states. On the contrary, the Luxembourg "5th negotiating box" is regarded as the best basis for reaching a balanced agreement since it has been the outcome of a lot of hard work and of rational and patient listening on behalf of the Luxembourg Presidency. The new Commission proposals are not favoured by Cypriot policy-makers in the sense that they do not offer any value added to the process, at its present stage. The idea of redirecting or earmarking of funds away from Cohesion and CAP towards Competitiveness is regarded as very restrictive and does not, therefore, enjoy Cyprus' support. For the Cyprus Government and the bureaucrats we have interviewed, Cohesion should be the top priority; they are, therefore, willing to endorse the proposed experiment. Though the idea of shifting funds from agriculture to rural development is definitely considered interesting, Cypriot decision-makers do not seem to consider it as feasible at least for now.

Other ideas, such as the Globalisation Adjustment Fund, are regarded as not very serious in the sense that they do not seem to promise to contribute towards reaching an agreement.

Governmental priorities

Cyprus, as things currently stand, is the only Cohesion country and the only new member state that will be a net contributor to the EU budget. Cypriot bureaucrats we have interviewed argued that the Republic has been wrongly deprived of Objective 1 status during the current programming period. They also told us that Cyprus has born the cost of harmonisation and institution-building with negligible financial assistance from the pre-accession community instruments. There is a general perception in the political class that Cyprus has been deprived of "phasing-out" status in the proposed new arrangements, on the ground that no consistent statistical data exist for Cyprus. Moreover, no serious proposal has been made that would improve the net balance of Cyprus.

Having in mind these circumstances, Cyprus will evaluate any UK proposal that is placed on the table and will judge accordingly. A Cypriot bureaucrat told us that “Cyprus has nothing to lose, in financial terms, as things cannot get any worse. Cyprus could be in fact better off without a bad deal”. According to official sources, the objective of the Republic of Cyprus is to become a “net beneficiary”. One Cyprus red line is that it “should have a zero net balance”. The bureaucrats who are engaged in this process feel that Cyprus’ positions are “fair and fully justifiable”. All the Republic asks is “equal treatment with other member states with similar levels of prosperity and ability to pay”.

Domestic debate

Cyprus’ political system is a Presidential democracy. The President and the Ministers originate from a broad government coalition that represents the vast majority of the popular vote. The President and the Council of Ministers are handling this issue exclusively, rendering any relevant debate more or less intra-governmental and not politicised. In any event, the political parties, the public and the media feel strongly that Cyprus is not being fairly treated. They feel that the cost of accession was already a huge burden and that Cyprus should not be a net contributor from the outset of membership. They also argue that the “injustice” sustained by being deprived from Objective 1 during the current programming period should not be repeated in the next period. There is, in fact, widespread consensus in the country, as well as strong support to the government towards safeguarding the interests of the country. No specific figures have been debated to date. What is usually presented to the public is that the government will try to resist any further unfair treatment to Cyprus.

Czech Republic

Basis for further negotiations

While financial issues are discussed more widely than, for instance, issues linked to the CFSP and ESDP, the Czech Republic (CR) prefers to limit its steps to raising objections to proposals unfavourable to the country, and welcoming those more advantageous. Thus the Luxembourg Presidency’s April 2005 proposal on limiting the EU budget’s subsidies for poor regions was declared unacceptable.

For the Czech Republic this proposal would lessen the funds received from the EU budget by about 5 billion Euros for the period of 2007-2013. On the contrary, the latest Luxembourg Presidency proposal is seen as the most acceptable basis for further negotiations, the main reason being the devotion of an amount equivalent to 3.62 percent of the Czech Republic’s GDP for the cohesion policy in the last Luxembourg package.

As far as the proposal of J. M. Barroso of 20th October 2005 is concerned, the Czech Republic considers it a positive impulse from the Commission and sees its importance primarily in the clear enunciation of the following points:

- The United Kingdom Presidency must concentrate its attention on making an agreement on the financial perspective on the December Council.
- The size of the budget (hitherto proposed by the Council) is insufficient for financing the accepted commitments of the EU.
- The solution of the revenue side of the budget and correction mechanisms should not differ markedly from the Luxembourg Presidency’s proposal of June 2005.
- The agreement on the financing of the CAP from 2002 must be fully respected.
- The overall re-evaluation of the budget’s structure (including on expenditure and revenue) should be finished in 2008.

Governmental priorities

For the Czech government the cohesion policy plays the most important role. Even the proposal by some member states to lessen the EU budget for 2007-2013 has been more or less acceptable for the CR – under the condition that there would not be a decrease in certain expenditures, such as those for structural funds or the Cohesion Fund. For the Social Democrats, in the coming years the EU should spend its financial resources mainly on aid to underdeveloped regions. It should also invest more in science, research education, and innovation. On the other hand, it should not introduce any new taxes or compensations similar to, for example, the British rebate. This attitude corresponds with the negotiation strategy of the Czech government. The CR is – at least rhetorically – in favour of such expenditure supporting the goals of the Lisbon strategy, i.e. above all into reforms which would stimulate economic growth and employment.

Domestic debate

The debate on the EU financial framework is, like many other issues relating to the European Union, quite polarised in the Czech Republic. The government considers the cohesion policy its main priority, but the opposition parties do not believe that the government will be able to fight for this priority. Analysts from the CEP⁷⁴¹ (a think-tank founded by current Czech President Václav Klaus) are convinced that it would be best not to transfer anything to the EU budget and at the same time not to require anything from it. In other words: the less redistribution, the better. The governors of the Czech regions (most of them from the Civic Democrats) would prefer to get funding from the EU funds directly and not via the (mainly Social Democratic) government. For this reason, they do not support the structure of operational programmes proposed by the government.

Denmark

Generally Denmark is one of the 'budget restrictive' countries in the EU. However, the Danish government was not a part of the 'club net' countries during the EU budget negotiations in Luxembourg in June 2005 or in December 2005 in Brussels. The Danish government admits that the increased Danish contribution to the budget was necessary in order to secure the success of the 2004 Enlargement.

Basis for further negotiations

The Danish government supported the aspects of the Commission's old proposal that focused on increased expenditures to research and development.⁷⁴² However, the Danish government did not favour a massive increase in member states' contributions to the EU budget, as suggested in the same proposal by the Commission. "To a small extent I can accept an increase of the structural funds if it is to the benefit of Eastern Europe, but the budget must not exceed 1.03 - 1.04 per cent of the GNP", stated Foreign Minister Per Stig Møller.⁷⁴³ Though the proposal presented by the Luxembourg presidency in June did not

⁷⁴¹ Centrum pro ekonomiku a politiku (Centre for Economics and Politics), <http://cepin.cz/cze/index.php> (latest access: 12.12.2005).

⁷⁴² Børsen: "Fogh vil ændre EU-budgetudspil på forskning", June 14, 2005.

⁷⁴³ Euobserver.dk: "Opgøret om EU's milliarder", June 16, 2005.

prioritise research and education to the same extent as the initial Commission proposal did, the Danish government was willing to accept the Luxembourg budget proposal.⁷⁴⁴ "We regret the situation [the break down of the negotiations]. We expressed that we were ready to accept the budget if the rest of the countries had joined force", Prime Minister Anders Fogh Rasmussen stated in June.⁷⁴⁵

Generally, Denmark is positive with regard to redirecting CAP expenditures toward research and development funding.⁷⁴⁶ However, Denmark also feels a certain ownership of the current CAP agreement that runs until 2013 as it was agreed upon during the Danish presidency in 2002. Denmark is sceptical towards a re-nationalisation of the CAP, proposed by the UK, because it could generate competition on state aid between the EU countries.

As for the agreed budget deal from December 2005, the Danish government has expressed satisfaction with the result. As mentioned above, the Prime Minister accepts Denmark's increased contribution to the EU budget with reference to the 2004 Enlargement, which Denmark has been in favour of for many years⁷⁴⁷. Furthermore, the Prime Minister values the increased funding to research and development.

Governmental priorities

As mentioned, the Danish government's position is to maintain a rather tight budget. The government aims at phasing out support to poor areas in the 'old' member states and instead redistributing the existing budget resources for the benefit of the ten new member states.⁷⁴⁸ In addition, Denmark focuses on increased expenditures on research and development and, if possible, a reform of the CAP.⁷⁴⁹ Finally, Denmark is critical towards a continuation of the UK rebate, as the UK today is one of the richest countries in the EU.

⁷⁴⁴ dr.dk: "Anders Fogh beklager sammenbrud i EU's budgetforhandling", June 18, 2005.

⁷⁴⁵ dr.dk: "Anders Fogh beklager sammenbrud i EU's budgetforhandling", June 18, 2005.

⁷⁴⁶ Kristeligt Dagblad: "Behov for at skære i EU's landbrugsstøtte", p. 3, June 5, 2005.

⁷⁴⁷ Flensburg, Thomas et al (2005), "EU bliver tre gange så dyrt for danskerne", Politiken: December 12.

⁷⁴⁸ Udenrigsministeriet. Online: <http://www.um.dk/da/menu/EU/EUsPolitikOgFinansieringsreform/ReformAfEUsStrukturefonde/> (latest access: 28.11.2005).

⁷⁴⁹ Information: "EU-støtte flytter østpå", March, 30, 2005.

Regarding the informal EU summit in October 2005 in London, the Danish Prime Minister criticised recent proposals to mobilise the European Investment Bank to double community research capabilities and to create a globalisation fund.⁷⁵⁰ “Our point of departure is that we are sceptical. Of course we will look further into the proposal, but we fear that the proposal is a hidden transfer of money to industries and geographical areas that have not been renewed in due time” stated Mr. Anders Fogh Rasmussen. “Worst case scenario is that the ten new member states that have gone through tremendous reform processes, will end up paying for some of the old member states who have not managed to reform themselves”, he continued.⁷⁵¹

Domestic debate

The political debate on the financial framework is connected to the 2004 Enlargement and to the reform of the CAP. Danish politicians have made a large effort to prepare public opinion to the enlargement and there seems to exist a general willingness to contribute more to the budget in order to assist the ten new member states.

In overall terms, the opposition supported the government's efforts during the budget negotiations in June and December 2005 to reform the CAP and maintain the current size of the budget. Left-wing parties argued that the CAP was unfair to third-world countries, while right-wing parties argued that the CAP in its present form curbed the liberalisation of world trade.

Disagreement concerns the pace of reforms. In a speech on September 27th, leader of the Social Democrats Helle Thorning-Schmidt criticised the government, arguing that it should have supported Tony Blair during the budget negotiations in Luxembourg in order to reform the CAP earlier than 2013. “During the European Council meeting in June the Danish government failed to support Tony Blair's effort to reform the CAP in order to increase expenditures on research and development”, stated Helle Thorning-Schmidt.⁷⁵²

⁷⁵⁰ Lauritzen, Thomas og Martin Aagaard (2005), “Ingen nye penge til at hjælpe tabte regioner”, Politiken, October 28.

⁷⁵¹ Lauritzen, Thomas et. al. (2005), “Fogh kritiserer fransk-britisk social satsning”, Politiken, October 27.

⁷⁵² Thorning-Schmidt, Helle (2005), “Hvad med Europa? Oppositionens visioner”, Speech to a conference at the Confederation of Danish Industries, September 27th.

After the final budget deal in December 2005, the EU sceptic Danish People's Party argued that Denmark's increased contribution to the budget would raise EU scepticism among the citizens.

Estonia

Basis for further negotiations

The Estonian government strongly supports plans to redirect funds away from the CAP. Cohesion, Lisbon objectives and Neighborhood Policy appear to be Estonia's main priorities: „The new financial perspective of the European Union has to be consistent with the new challenges: Europe must collaborate in order to achieve greater economic growth and create better jobs, and it must become a stronger player on the global arena and, in particular, in its relations with its closest neighbours. The new financial perspective must be in harmony with European political goals and, above all, with the Lisbon Strategy.”⁷⁵³

Governmental priorities

A paper on Estonia's priorities for the UK presidency emphasises that the financial framework must take into account the interests of new member states. It lists a number of priority areas, including cohesion policy funds for the new Member States; research and development; competitiveness; rural development and fisheries; border control and neighbourhood policy; environment; and culture.

Domestic debate

Until the end of November 2005, there was virtually no debate on the financial framework in the Estonian media. Most articles merely informed the public of the government's positions. The issue was not politicised; there appeared to be a consensus on redirecting funds away from CAP and prioritizing cohesion, competitiveness and Lisbon objectives.

However, the new budget proposal made by the British Presidency which prescribed severe cuts in funding for the new memberstates created a strong negative reaction. The Baltic leaders made it clear that they would not

⁷⁵³ „The Estonian Government's European Union Policy for 2004-2006,” www.riigikantselei.ee.

accept such extensive cuts in structural funds. The proposal was seen as an attempt to blatantly ignore the interests of new member states. Tony Blair's flash visit to Estonia on December 1st added prominence to the issue. The exorbitant security operations that went along with this visit (and their disruptive effect on the "normal life" in Tallinn) were widely covered in the media, adding to the frustration.

Finland

Basis for further negotiations

Although Finland rejected the compromise presented by the Luxembourg negotiating box, it does not consider the old Commission proposal any more viable. The Finnish Government holds that the Commission proposal seeks to reform the budget framework in a misguided way. The proposal would, the Government argues, require Finland to fund the wealthiest member states by appr. 100Mn EUR per year.⁷⁵⁴ On the other hand, Finland was in favour of those provisions of the old Commission proposal that pertain to agriculture. Agricultural and structural funds are Finland's main points of contention in the budget talks. While it supports the Commission's view that competitiveness is important, this should not be at the cost of agriculture. As to the British rebate, Finland is advocating that it be abolished. This is, however, not a high salience issue in Finland.

Governmental priorities

Prime Minister Vanhanen stated in an interview for the Helsingin Sanomat that Finland's main goal was to secure funding to Finland's regional policy and rural development.⁷⁵⁵ Finland realises that its net contribution will see a rise owing to the joining of the 15 new member states, but was not content with the fourfold rate of increase. Having originally set the cap of its net contribution at 0,3 percent of GNI, Finland saw its contribution increase to 0,34 percent in the Luxembourg proposal. Finland was among the five countries that rejected the Luxembourg proposal. According to Prime Minister Vanhanen, Finland felt it was not consulted to a necessary degree, and that the decision to increase its net contribution was imposed upon it. Particularly worrying was the way in which Finland and other middle-level contributors would, in effect, be financing

the net decrease of the amount the major contributors, such as Sweden and the Netherlands, commit. Prime Minister Vanhanen has also stated that it was clear the budget talks would fail. Hence, by not giving in the Finnish contingent secured a stronger position for the next round of negotiations.⁷⁵⁶

Domestic debate

The debate revolves around both the relative size of the Finnish net contribution as well as the amount of agricultural subsidies allocated to Finland.

Jyrki Katainen, chairman of the main opposition National Coalition Party, has criticised Finland's decision to reject the Luxembourg proposal. Katainen is worried about Finland sidelining itself by associating itself with the opposition. He reminds that by sidelining itself, Finland undermines its position in the next negotiating round. Similar criticism has been voiced by the former Prime Minister Paavo Lipponen. Economically, Mr. Katainen reminds, Finland had little reason to reject the proposal, which escaped the 0,30% cap by only 0,04%.⁷⁵⁷ There is very little debate on the general notion that Finland's net contributions will have to increase as a result of the accession of the 10 new member states. All major parties concur on this issue.

Agricultural subsidies have always been the focal point of Finland's relationship with the European Union. The agricultural lobby was the most vocal opponent of the Finnish EU membership in the 1990s, and continues to adopt a reserved approach to the Union. It continues to refer to the 1997 Luxembourg Council, which concluded that agriculture as an economic sector should be spread throughout the European territory. Due to climate conditions, the Finnish agriculture can survive only with subsidisation. While the Finnish economy has transformed into a more knowledge-based, service-sector economy, agriculture continues to make up a substantial proportion of it. The Center Party, after having won the previous election, continues to pay homage to its roots as an agrarian party by prioritizing agricultural and structural funding in the budget talks. A recent proposal on behalf of the Prime Minister to renationalise agricultural subsidies is evidence of this.⁷⁵⁸

⁷⁵⁶ Helsingin Sanomat 19.6.2005.

⁷⁵⁷ Turun Sanomat (biggest daily in Western Finland) 23.6.2005.

⁷⁵⁸ Turun Sanomat 2.7.2005.

⁷⁵⁴ Government letter U 54/2004 vp.

⁷⁵⁵ Helsingin Sanomat 18.6.2005.

France

Basis for further negotiations

On the budget, the French official line is to support the latest Luxembourg presidency proposal. France blames the UK for the failure to find a deal during the European Council on June 17th. France has asked for the reduction of the “British rebate”, a request refused by the British government. Philippe Douste-Blazy, the French Foreign Minister, declared on October 5th that France remains “firmly” supportive of the latest Luxembourg presidency proposal, because it finances CAP and puts more money on scientific research.

Governmental priorities

Financing the CAP is *the* red line of the French government as it has always been under the Chirac presidency. France refuses to reopen the agriculture issue and considers that the matter was settled in 2002 with the Franco-German agreement.

Domestic debate

In France, the issue of the European budget is increasingly politicised. The left does not openly ask for the reduction of spending on agriculture, but it is in favour of a higher European budget. The Socialist party has repeatedly criticised Jacques Chirac for having called for a reduction of the EU budget to 1% of the European GDP. The Socialists want European spending on infrastructures, scientific research, industrial policy. They also call for a reform of the budget. According to them, the EU should be able to borrow money and resort to budgetary deficit in order to finance investments.

Germany

Governmental priorities

Even before the elections in September there were no major differences between the big parties on Germany's general positions with regard to the next financial framework of the EU. The coalition agreement laid down some key points:⁷⁵⁹

⁷⁵⁹ Koalitionsvertrag zwischen der CDU, CSU and SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (latest access: 18.12.05), p.150.

The government is in favour of a budgetary ceiling of 1,00% of GNP for commitments. Both Chancellor Merkel and Foreign minister Steinmeier signalled that there is room for a compromise taking into account also the Luxembourg proposal of 1,06% and as long as the agreement is close to the 1,00% line. Moreover, Germany is interested in a correction mechanism to prevent excessive payments in relation to national wealth. It would welcome a reduction or abolishment of the British rebate but this is not the key issue. The German position has always been that there should be a fair burden sharing among the big EU members which are also (among) the most wealthy. That is why German government in principle shares many of the points raised by the UK with regard to France for example. That is also why Germany has some sympathy with the British proposal of December 2005 to cap the budget to 1,03% BNE. However, Germany criticises the reduction of payments from the structural/cohesion funds to the new member states.⁷⁶⁰ In this regard it backs the new members' position. Moreover Germany asks for an inclusion of regions bordering new member states (e.g. Bavaria and the phasing out of former objective 1 regions and the new definition of objective 2 regions). It argues that levels of support from the EU budget shall not be extremely different between old and new member states in border regions.⁷⁶¹ The current share of structural funds in the EU budget should be maintained and the so called compromise on agriculture not be opened up again.⁷⁶² On the latter the German government backs the French position as part of a German-French accord and overall approach on these issues. However, the government is open minded as far as the option of national co-financing of direct payments to farmers is concerned.⁷⁶³

The German government is very interested in reaching an agreement before the Austrian

⁷⁶⁰ DeutschlandRadio: Steinmeier hofft auf Einigung im Finanzstreit beim EU-Gipfel – Britischer Vorschlag nicht das letzte Wort, 15.12.2005, <http://www.dradio.de/nachrichten/200512062000/6>, (last access: 18.12.05).

⁷⁶¹ Koalitionsvertrag zwischen der CDU, CSU and SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (latest access: 18.12.05), p.150.

⁷⁶² Handelsblatt: Wir müssen unseren Wohlstand neu erkämpfen, Interview with Federal Chancellor Angela Merkel, 27.10.2005.

⁷⁶³ Handelsblatt: Wir müssen unseren Wohlstand neu erkämpfen, Interview with Federal Chancellor Angela Merkel, 27.10.2005.

presidency mainly for two reasons: Firstly, it would give a clear financial perspective for the coming years and ensure a timely programming of structural funds in particular. Secondly, it would move away a stumbling block, so that one could concentrate on the ratification of the TCE and the revitalisation of the European economy (Lisbon process).

Domestic debate

Among the opposition parties the liberals show greatest sympathy with the British position, the Greens insist on more money for internal and external policies and would like to revise the agricultural compromise.⁷⁶⁴

Public opinion is not very interested in the negotiations on the budget and not so well informed about what is at stake, either. Also the pressure groups are more modest and silent than they were in 1999 when the agenda 2000 was negotiated. By and large there are many leftovers from this recent debate over a reform and financial package as far as options, interests and preferences of the different actors involved are concerned.⁷⁶⁵ However, this time no real package is in sight that would combine reform elements and resources. There is only little reform impetus shown. In German academia a long tradition of discussing closely the development of the budget policy exists with regard to both the income side and the expenditure.⁷⁶⁶ Particular attention is given to the implications for Germany's net contributor position.⁷⁶⁷ There are also proposals for more transparent solidarity and financial compensation mechanisms between poor and rich countries.

⁷⁶⁴ Markus Löning: Nicht auf Kosten der osteuropäischen Reformländer sparen, press release No. 1267, 6.12.2005, <http://www.fdp-fraktion.de/files/541/1267-Loening-EU-Finanzrahmen.pdf>, (last access: 18.12.05); Bundestagsfraktion Bündnis 90/Die Grünen: Finanzplanung für die EU ermöglichen, press release, 16.12.05, <http://www.gruene-bundestag.de/cms/presse/dok/94/94627.htm>, (last access: 18.12.05).

⁷⁶⁵ Cf. Rolf Caesar/Hans-Eckart Scharrer (Hrsg.): Die Zukunft Europas im Lichte der Agenda 2000, Baden-Baden, 2000.

⁷⁶⁶ Rolf Caesar/Hans-Eckart Scharrer (Hrsg.): Die Zukunft Europas im Lichte der Agenda 2000, Baden-Baden, 2000; Weise, Christian et al.: Die Finanzierung der Osterweiterung der EU, Baden-Baden 2002; Peter Becker: Der Finanzrahmen 2007-2013, SWP Studie 2005/S 36, November 2005.

⁷⁶⁷ Friedrich Heinemann: EU-Finanzplanung 2007-2013: Haushaltsoptionen, Verteilungswirkungen und europäischer Mehrwert, Bertelsmann-Foundation, June 2006, <http://www.cap-lmu.de/publikationen/2005/finanzplanung.php>, (last access: 18.12.05).

Experts often prefer a restructuring of EU's expenditure shifting money away from CAP towards financing European public goods (external relations, border security, environment etc.). However, it is difficult to measure the European added value in the different policies, notably the internal policies of the EU but also the big blocks CAP and structural funds. After enlargement the necessity to support new members in their catching up process through the EU budget is also seen in academic circles as imperative to promote political, economic and social cohesion inside the widening EU.⁷⁶⁸

Greece

Basis for further negotiations

The last Luxembourg proposal is considered a minimum. In Greece there is increasing public debate about the "*Finanzausgleich*" dimension the EU finances would have to correspond to its quasi-federal ambitions at a time when enlargement has brought in countries with important structural problems. Main political figures, such as former Foreign Minister Pangalos, have been stressing that a radical overhaul of the EU budget, both from the point of view of own resources and from the one of areas of expenditure is long overdue. There have been calls to reach at least 3% of GDP, (noting that the USA are at almost 13% for the federal competences except military expenditure). Drastic cuts in CAP in favor of other more competitive activities have had some penetration in public debate; but as soon as it became visible that this would mean serious cuts in agricultural incomes (Barroso proposals to bring forward to 2009 cuts that were considered to be envisaged only after 2013), there has been an immediate backlash.

Governmental priorities

Like in all other member states, Greece looks mainly after immediate national interest, i.e. agriculture and structural funds. The future of Mediterranean-specific products (tobacco, cotton, olive oil, wine, durum wheat) and of mountainous and insular populations constitutes a red line for Greece. The absorption of 3rd Common Fisheries Policy

⁷⁶⁸ Friedrich Heinemann: EU-Finanzplanung 2007-2013: Haushaltsoptionen, Verteilungswirkungen und europäischer Mehrwert, Bertelsmann-Foundation, June 2006, <http://www.cap-lmu.de/publikationen/2005/finanzplanung.php>, p.42 (last access: 18.12.05).

(CFP) funds and negotiation of comparable funds from a 4th CFP is also a priority in Structural Funds negotiations.

Domestic debate

There is no real debate. Political parties strive to maximise short-term gains and academic/media attention mainly follows along similar lines.

Hungary

Basis for further negotiations

The Hungarian position regarding further negotiations on the budget⁷⁶⁹ can be summarised as follows. Regarding the revenue side, the EU must further on cover its expenses from own resources. They must comply with the principles of resource-efficiency (visible impact of EU expenditure), transparency and simplicity (before the citizens), expenditure-efficiency (efficient administration of money flows) and fair burden sharing. In the Hungarian view the traditional Community revenues should be preserved as they represent genuine own resources. The GNI-based contributions seem to comply with the principle of fair burden sharing therefore they are also supported by Hungary. On the other hand, the VAT-based resources do not completely meet the criteria of fair burden sharing and transparency (let alone financial autonomy). Therefore, Hungary would be in favour of substituting the VAT resources with (increased) GNI-based contributions. Moreover, in this case there would be no need to introduce a European tax. As far as the British rebate is concerned, Hungary is convinced that the net budgetary position of a country does not necessarily reflect the given country's balance of economic benefits and obligations as a Member State. Any kind of "compensation" is acting against the principle of fair burden sharing and leads to regressive contributions to the common budget. In general, Hungary is of the view that the revenue ceiling should be discussed after the Member States will have reached an agreement on the priorities of the expenditure side and on the new structure of the budget.

⁷⁶⁹ The answers are based on the official position of Hungary concerning the 2007-2013 financial perspective, as proposed by the European Commission. The statement is published on the web site of the Office for European Affairs: <http://www.euh.gov.hu/euh/tagallam3b.htm>.

Regarding the expenditure side, the starting position of Hungary is that the EU budget must be able to cover all the existing Community policies as well as the EU's responses to new challenges and commitments. Hungary supports the European Commission's budgetary proposal reflecting this new approach. Under the heading of competitiveness Hungary agrees with the priority of investing into human capital and would like to see a growing synergy between EU, national and private resources developing the sector of education, life-long learning and research.

Regarding economic and social cohesion, closing the gap between the most and the least developed countries and regions must remain one of the priority aims of the Union. These efforts should not be perceived as a mere act of financial solidarity, but as a catalyst for new investments, more jobs, further innovation and better business opportunities – enhancing the competitiveness of the EU as a whole. Hungary is in favour of preserving the 4%/GDP ceiling of cohesion money but would prefer to calculate with purchasing power parity instead of exchange rate parity. Hungary continues to support the main objectives of the Structural Funds as well as the two target areas of the Cohesion Fund, while it would like to put more emphasis on projects based on interregional cooperation. Under the heading of natural resources Hungary welcomes the special attention paid to rural development while in the framework of the "classical" agricultural policy two agreements must determine the future: the 2002 agreement on the ceiling of expenses and the 2003 reform of direct payment mechanisms. According to Hungary, the separation of the European Agricultural Guidance and Guarantee Fund should be considered, the latter itself having two pillars of market measures and direct payments. On the other hand, the sub-heading on environment should belong to cohesion expenses.

Regarding the third heading on citizenship, freedom, security and justice Hungary especially emphasises the reinforcement of the Schengen Facility because improved control of the EU's external borders is of common concern. The Solidarity Fund should actually be listed under this heading too (moving it from cohesion policy). Under heading four (the EU as a global partner) Hungary proposes to reconsider the integration of the European Development Fund into this budgetary line. As far as administrative expenditures are

concerned (fifth heading), Hungary proposes to match the administrative costs with the separate budgetary headings in order to reach higher transparency.

Governmental priorities

For Hungary the priority areas under the budgetary debate are increased transparency, simplicity, efficiency and fair burden sharing on the income side, financing existing policies and adapting the budget to new challenges on the expenditure side. As mentioned above, Hungary attaches utmost importance to cohesion efforts, to more interregional cooperation, to agricultural commitments and rural development as well as to external border control. At the same time there are no explicit red lines in the negotiations, Hungary believes that a compromise can be found among all Member States in due time.

Domestic debate

As Hungary is a beneficiary of the EU budget the national debate on the new financial perspective is not as “loud” as in the net contributor countries might be. The political debate so far has not tackled the future financial framework but rather the government’s performance to use EU money. In this respect the opposition, or some of the potential beneficiaries (e.g. the farmers) have been harshly criticising the government for delays in the payments. While this side of the debate is necessarily politicised, concerning the new financial perspective there is wide consensus and support for the government in e.g. keeping the 4% ceiling under structural policy, in strengthening the Schengen Facility, or in re-considering the justification of the rebate.

Ireland

Basis for further negotiations

The Irish Government agrees that the EU needs to redirect money to the newly acceded states and towards growth initiatives. Therefore, it supports the final Luxembourg Presidency proposal, rejecting the proposal for a cap of 1%, encouraging a more generous budget, but added that it was necessary to keep budget contributions “within bounds”⁷⁷⁰.

The Government also supports the proposal to restrict the British rebate.

The Irish Government has recently expressed its pride at becoming a net contributor for the next Financial Perspectives. This demonstrates the success of the Irish economy and Irish policies.

Considering the goals of the Lisbon Agenda, and the emphasis the Irish Presidency of the EU in 2004 put on achieving these goals, the Irish Government would support extra funding for research and development. In general the Irish Government believes that all the member states stand to gain much from growth in the new member states and the EU and any efforts to stimulate this growth should be encouraged and welcomed.

Governmental priorities

The Irish Government is in a good negotiating position at the moment regarding the Financial Perspectives. In this round of negotiations, as opposed to the negotiations for Agenda 2000, the Irish Government had few domestically sensitive issues to protect and is not part of any blocking minority.

The only two issues which may cause some concern are the Common Agricultural Policy (CAP) and cohesion funding. The Irish Government does not want to see any change to the CAP budget, and is confident that the future of the CAP is secure at least until 2013. According to the Minister for Agriculture, Mary Coughlan, “the changes that have taken place and agreed in the CAP cannot be unravelled”⁷⁷¹, referring to the agreement on CAP reached in 2002 at the Nice Summit.

The Irish Prime Minister, An Taoiseach, Bertie Ahern, in a recent letter to the Financial Times⁷⁷² outlined his defence for the EU’s CAP. He argued that the objectives of the CAP as defined in the 1957 Treaty of Rome were still valid today. These reasons included guaranteeing the availability of food supplies at reasonable prices and ensuring a fair standard of living for the EU’s agricultural community. The Taoiseach added that the reputation of the Union was at stake; the public needed to see a Europe that stands by its agreements, referring to the October 2002 agreement at the European Council.

⁷⁷⁰ The Irish Times, 12/05/2005.

⁷⁷¹ The Irish Times, 17/06/2005.

⁷⁷² The Irish Times, 26/9/05.

Any reform of the CAP at this stage would also undermine the position of the EU in the upcoming WTO negotiations and its agricultural productivity, making Europe's food supplies vulnerable. The Taoiseach argued that the CAP does not absorb too high a percentage of the EU's budget, that in fact, when compared with the US the amount was only slightly higher. The EU, he added, is at the same time a bigger importer of developing countries agricultural produce than the US, Canada, New Zealand and Australia combined, discrediting any arguments that the CAP is damaging developing countries' ability to trade.

This position is supported by the main opposition party, Fine Gael⁷⁷³. It is not however supported by Sinn Féin⁷⁷⁴ who would like to see urgent reform of the CAP away from supporting large producers to protecting smaller farmers. The Irish Farmers' Association warned of serious consequences if CAP funding was cut⁷⁷⁵.

The Government has been watching the debate on the cohesion funds closely. The Government accepts that Ireland is no longer in need of the same level of structural funds as previously. It has therefore agreed to accept an 85% loss in regional funding. The funding it will receive to promote employment and competitiveness in the regions will help to fill this gap. Therefore, the Irish Government strongly supports the current cohesion proposal.

The Irish Government does not support, however, any moves to harmonise tax or to introduce a Community tax as a form of revenue.

Domestic debate

There is agreement among the political parties that the priorities for Ireland in the negotiations are to ensure that the final budget does not undermine the ability of the EU to achieve its goals of growth and competitiveness. Not all the parties, however, agree on how to achieve this and whether or not to defend the CAP.

The Irish labour party supported the thesis that cohesion funding and programmes for competitiveness were the most pressing issues which should receive money from the EU's

budget. Ruairí Quinn, spokesperson on EU affairs for the labour party, added that CAP should be the least important priority for the Government in the negotiations⁷⁷⁶.

Sinn Féin would like to see the European Union turn its emphasis from competitiveness to social welfare⁷⁷⁷. In other words, instead of spending the vast majority of its effort in promoting the free market economy, the EU should be concentrating its efforts on ensuring the well-being of its less well-off regions and people by increasing regional and social funding. Sinn Féin also calls for the reform of the ECB to establish fair representation on its governing bodies for smaller and peripheral EU nations.

Despite these differences of opinion, the majority of the parties and public opinion support the Government position thus far and would like to see a decision reached so as not to jeopardise the future work of the EU.

Italy

Basis for further negotiations

The proposals on the Union's financial perspectives formulated by the Luxembourg Presidency before the June European Summit encountered serious criticism in Italy. Foreign Minister Fini expressed concerns about the text and stated that Italy would reject the agreement if concrete steps forward were not taken to meet the government's requests. Yet, the government adopted a more conciliatory stance after other proposals were submitted by the Presidency during the Summit.

According to Undersecretary Antonione, Italy was satisfied with the proposal to fix the budget's own resources ceiling at 1.06% of the Union's GDP. In addition, Italy was happy with the proposed reduction of the English rebate, one of Italy's major priorities during the negotiation. Concerns were nevertheless raised over the guarantees offered three other member states (Germany, the Netherlands and Sweden) on the limits of their net contribution to the budget. The government, moreover, was against the foreseen reduction in the Union's cohesion policy funds in the old member states. In this regard, Italy asked for more equality in the pro capita funds directed to the regions objective 1. To compensate for this reduction, the government asked for a further

⁷⁷³ See reaction by Enda Kenny, Fin Gael Party Leader, Irish Times 22/06/05.

⁷⁷⁴ www.sinnfein.ie.

⁷⁷⁵ The Irish Times, 02/06/2005.

⁷⁷⁶ Irish Times 12/05/05.

⁷⁷⁷ www.sinnfein.ie.

reduction in Common Agricultural Policy (CAP) funds. Nevertheless, Italy's negative stance changed following the new proposal formulated by the Presidency during the Summit allocating additional funds to the Union's cohesion policy.⁷⁷⁸ In fact, during the annual bilateral Italy-France Summit held on October 4 in Paris, Foreign Minister Fini stated that Italy may be able to accept the compromise proposed at the June summit, although not without some sacrifices.

The priorities already pointed out will probably inform the government's position as regards any new proposal. Italy may accept a redirection of funds away from CAP towards other areas, but it will strongly oppose any reduction in cohesion policy funds.

Governmental priorities

Italy is a net contributor to the Union's budget and a major recipient of its cohesion policies. As regards the Union's financial perspectives, the Italian government maintains two top priorities. First, Italy refuses to increase its net contribution to the Union budget. Consistently, the government wants to keep the ceiling of the Union's own resources low (some newspapers reported that the Italian government supported the proposal of six European countries to keep it at 1% of GDP). For the same reasons, Italy is also interested in obtaining a significant reduction in the English rebate. Second, Italy supports a redistribution of Union funds that does not penalise specific policies, in particular, cohesion policies. To this end, the Prime Minister Berlusconi sent a letter to the Luxembourg President Juncker and Commission President Barroso on February 1st asking for a parallel reduction in the funds of all EU policies (not penalising the cohesion policy), including the Common Agricultural Policy. To compensate the reduction in CAP funds, Berlusconi proposed integrating CAP funds with national resources. The proposal was rejected by the other European countries.

Domestic debate

Italian public opinion's main concern as regards the Union's financial perspectives is the reduction in funds for Italy's less developed regions as a consequence of the recent

enlargement. This concern is shared by the government and all political parties. The national debate on the matter, therefore, is not very politicised. Parliamentarians are satisfied with the information on the negotiations provided by the cabinet and the cabinet's stances are shared by all political parties.

Beyond these general issues, and considering the technical nature of the negotiation, the question has not sparked a broad debate in Italy and the figures under negotiation are not often presented to the public.

Latvia

Latvia supports, in general, the proposals offered by the Luxembourg presidency in June 2005 concerning the EU financial framework for 2007-2013. Since these were not endorsed by the EU member states, early in November 2005 Latvia was awaiting the proposals of the British presidency; In light of the various proposed changes in the original document, Latvia's positions are evolving. Nonetheless, Latvia has developed a number of basic views regarding the adoption and content of the EU financial framework for 2007-2013.⁷⁷⁹ These are briefly outlined below:

- Latvia favours a speedy adoption of both the EU budget for 2006 and the financial framework for 2007-2013 so as to be able to ensure an uninterrupted and coordinated implementation of EU policies and utilise EU funds fully and without delay.
- Latvia considers that a reassessment of the budget structure and overall priorities, especially concerning the Common Agricultural Policy, is needed. However, the timing of these activities is crucial: they should not further delay achieving a consensus on the framework and the utilisation of EU funds.
- Latvia believes that the EU budget and financial framework as a whole should be modernised so that the changes are reflected in the financial framework starting in 2014.

⁷⁷⁸ See hearing of the Undersecretary for Foreign Affairs, Roberto Antonione, at the joint Commissions for European and Foreign Affairs of the Chamber and Senate, (15/6/2005), and of the Senate only (21/7/2005).

⁷⁷⁹ The points have been compiled mainly from Latvia's position paper for the GAERC meeting of 7 November 2005 (see <http://www.mfa.gov.lv/lv/eu/Jaunumi/aktualitates/2005/novembris/pozicijas/>, latest access: 8.12.2005) and Latvia's priorities for the UK presidency (see <http://www.mfa.gov.lv/lv/eu/AKprezidentura/>, latest access: 8.12.2005).

- In the framework for 2007-2013, Latvia's top priority is financing for its cohesion policy.
- The financial framework must take into consideration the growth rate of each individual EU member state.
- In calculating the allocation of structural funds, the most recent statistical data should be used.
- Latvia anticipates constructive solutions to issues related to the financing of the budget and the special discount enjoyed by the UK. Special "corrective mechanisms" only serve to impair the credit side of the EU budget.
- Latvia believes that the principles of equality and fairness should be the guidelines for assessing contributions from member states to the EU budget and for allocating disbursements.

The EU financial framework has not been a topic of intense debates either among the political parties, the media, or the general public in Latvia. Latvia's position is drafted by a working group of representatives from various ministries (Economics, Finance, Internal Affairs, Education and Science, Culture, Welfare, Regional Development, Transport, Justice, Health, Environment, Agriculture), the Bank of Latvia and the Council of Ministers; the Ministry of Foreign Affairs oversees the entire process. Discussions were organised between the working group and members of non-governmental organisations and other interested persons on 16 June 2004 and 22 April 2005. Given that so many specialists with different backgrounds are involved in drafting Latvia's position, so far there has been consensus and support for the government's position.

Lithuania

Basis for further negotiations

The latest Luxembourg presidency proposal according to highest-level Lithuanian officials is a good basis for negotiations. This proposal was positively evaluated by the Lithuanian Minister of Foreign Affairs A. Valionis as this proposal took into account the Lithuanian proposition, that the individual prognosis on the economic growth of the member states was used for counting the financial support each

member state could receive⁷⁸⁰. The (former) Minister of Finances A. Butkevičius also publicly expressed his approval for the negotiation packet proposed by the Luxembourg⁷⁸¹.

Governmental priorities

Lithuania seeks that the agreement on the financial perspective would be reached as quickly as possible, because otherwise it is feared that Lithuania would get less funding from the EU budget⁷⁸².

The Lithuanian priorities in the different fields of the new financial perspective are as follows⁷⁸³:

The promotion of competitiveness

- Sufficient funding of the closure of Ignalina nuclear power station;
- The development of transeuropean networks, education, promotion of employment, research (the additional struggle should be dedicated to integrating the new EU member states into these programmes).

Cohesion policy

- The financial support per capita received should be more favourable for the less developed countries and regions; Lithuania supports the 4 per cent of GDP limit rule. Nevertheless the 4 per cent of GDP has to be objectively counted so that the real economic situation of the quickly developing countries would be reflected;
- After the enlargement when the differences in the level of development have increased the conditions for assimilation of the funding should be improved but not worsened.

⁷⁸⁰ Skaičiuojant finansinę ES paramą siūloma atsižvelgti į individualius valstybių augimo rodiklius [It is proposed to consider the individual growth indicators of the states while counting the financial support], ELTA, May 23, www.elta.lt.

⁷⁸¹ Press release of the Ministry of Finances "Dėl 2007-2013 metų finansinės perspektyvos būtina susitarti iki birželio" [The agreement on financial perspective should be reached by June], www.finmin.lt.

⁷⁸² R. Kriščiūnas: Lietuva Briuselyje derėsis 2007-2013 metais gauti 50 proc. daugiau ES paramos, nei dabar [R. Kriščiūnas: Lithuania will negotiate to get 50 per cent more of the EU support in 2007-2013 in Brussels], ELTA, June 16, 2005, www.elta.lt.

⁷⁸³ The speech by the Secretary of the Ministry of Finances R. Kriščiūnas delivered during the discussion on the financial perspective in the Parliament of Lithuania on May 6, 2005 www.eic.lrs.lt.

Natural resources: agriculture, fisheries, environment

- providing funding for the rural development considering the needs of the new EU member states;
- securing the funding of the direct payments considering the obligations provided in the Accession treaty and the funding of the means for the market regulation;
- securing the principles of the sustainable fisheries and the competitiveness of this sector.

The area of freedom, security and justice

- Further financing of the Kaliningrad transition programme on the basis of the principles provided in the Accession treaty;
- Sufficient support for the member states who control the external EU borders.

EU and external relations

- The neighbourhood policy (to reach a balance among the Southern and Eastern EU neighbours).

Administrative spending

- The proper funding of the enlargement.

Shortly, the three main Lithuanian priorities in the negotiations on the new financial perspective are to guarantee that the “4 per cent rule” would be applied more flexibly, using the newest and individual statistics of the GDP growth, to secure the funding for the closure of the Ignalina nuclear power station and to secure the funding for the Kaliningrad transition⁷⁸⁴. The only red line indicated by the Lithuanian governmental officials is the opposition to the current contribution correction mechanism of the United Kingdom and the opposition to the proposition of the European Commission to introduce a new general contribution correction mechanism⁷⁸⁵.

Domestic debate

The financial perspective has been a quite intensively debated issue in Lithuania although the ongoing discussion precedes more on the expert level than on the society level. At the moment the discussions on the introduction of

⁷⁸⁴ Press release of the Government “Ministras Pirmininkas Liuksemburge aptars Lietuvai svarbius būsimo ES biudžeto klausimus” [The Prime Minister will discuss the important for Lithuania questions on the future EU budget], June 1, 2005, www.lrvk.lt.

⁷⁸⁵ Ibid.

euro attracts most of society attention. Generally there is a wide support for the Lithuanian priorities in the new financial perspective indicated by the Government. The financial perspective has been discussed both in the Parliament committees and in the plenary session of the Parliament in which the different Parliament political groups delivered their opinions on the issue.

Luxembourg

Basis for further negotiations

The latest Luxembourg proposal concerning the Lisbon strategy and the 2007/2013 budget are still up to date as J.C. Juncker points out. He foresees an inch by inch approach to the Luxembourg government’s compromise proposition. An agreement could have been reached in June 2005. It is essential for the Luxembourg government that a solution for the budget question is found on the December 2005 European Council. The new members are planning in two year budget periods. Juncker admits that the difficulties will be considerable, especially if no compromise could be found concerning the British rebate.

There is no agreement concerning the Commission’s proposals e.g. to create a globalisation to fund. Nevertheless Luxembourg is favourable to the creation of such a fund but the suggestion of the Commission is not ready for a decision to be made.

Jean-Claude Juncker urges the commission to make new propositions rallying all member states in a sound European spirit. He praises president Barroso for his propositions to relaunch the budget debate.

Governmental priorities

Luxembourg government has outlined its strategy during its last presidency of the Union. It has proposed a sound compromise on the Brussels June 2005 EU summit. Up to now the Luxembourg government still sticks to these proposals and considers them as a priority of its European policy. Most European partners still support the Luxembourg proposition. Red lines for any Luxembourg government are most certainly future propositions presenting a danger for the Luxembourg finance centre or a change in direction of common fiscal policy e.g. VAT or any other tax directives.

Domestic debate

There is very large consensus among Luxembourg political parties. The Christian-democrat and the Socialist party support the government policy. Even the opposition parties – the liberal “Democratic Party” has been in power until 2004 – or the “Green Party” do criticise only details of the government’s foreign policy in these matter. The populist “ADR” has had very ambiguous positions (constitution referendum) but doesn’t have neither the human resources nor the political background to formulate credible alternatives to the government’s negotiation strategies. As far as Luxembourg vital interests are concerned even the ADR supports the government in most points. Even concerning the reform of the CAP, where some differences remain, the definition of Luxembourg’s vital interests is part of general consensus.

Malta*Governmental priorities*

The Government and Opposition are in favour of the compromise nature of EU budgetary negotiations that have taken place during the British Presidency as they have argued that a compromise agreement is better than no agreement at all. In the course of the British Presidency it has also emerged that whereas the draft budget recommendations put forward by the Blair Government would result in significant reductions in the budget allocated to central European states that have joined the EU, the same would not happen in Malta’s case.

Domestic debate

Since joining the EU the public and media have attentively focused on the issue of whether Malta would qualify for Objective One funding in the next budget framework as this was one of the main issues that was emotionally debated in the run up to the referendum on accession in March 2003. In the first half of 2005 when certain economic indicators started pointing towards Malta being above the threshold of being eligible for Objective One funding the Government of Malta sought reassurances from the EU Commission that this would not be the case in the 2007-2013 budgetary framework.

In the run up to the final summit of the British Presidency in December 2005 a general consensus has emerged in Malta that a EU budgetary deal before the Austrian Presidency in January 2006 is crucial as this will allow accession states to adequately programme their respective projects in anticipation of EU funding being made available in 2007.

Netherlands

The financial viability of the European Union is an important internal challenge and high on the agenda of The Netherlands’ government. The credibility of the Union’s own policy and budget are of utmost importance when it comes to the added value to member states and their citizens and therefore must be well prepared for the future. In the opinion of the government this means that EU’s policies and budget must reflect the needs of member states and their citizens and as a consequence the budget must undergo further adjustment. The Netherlands will continue to work to achieve a new, fair and transparent system of financing the Union, which is based on the ability to pay. In this respect it will strive for an improvement, in absolute as well as in relative terms, of the in their eyes extremely disadvantageous net contributor position of the Netherlands. This is perceived not only as self interest for The Netherlands, but will serve the purpose of securing a forward-looking European multiyear budget reflecting both future policy priorities the essential solidarity of member states with each other. This approach will help to protect the capacity and viability of the European framework.⁷⁸⁶

Basis for further negotiations

The Netherlands’ government finds it unfortunate that the European Council of 16 and 17 June 2005 in Brussels, which discussed the Financial Perspective for 2007-2013 was unable to reach an agreement and looks forward to the UK Presidency to work towards this goal in the second half of 2005. The EU’s finances figure prominently on the Netherlands’ EU agenda since the financial perspectives, EU’s multiannual budget needs to be agreed by the end of 2006. In the past negotiations The Netherlands could not agree to the Commission Proposal of September 2004, which proposed an increase in the budget to 1.24 % of EU GNI. As a result of this

⁷⁸⁶ ‘Staat van de Europese Unie 2005-2006’, p. 14.

increase Dutch contributions would rise from about six billion euros in 2006 to an average of more than seven billion over the new period. And furthermore, the Netherlands' net position would deteriorate.

The compensation for net contributions exceeding an agreed threshold to be introduced by the Commissions' proposed generalised correction mechanism (GCM) – also replacing the United Kingdom's rebate – was rejected by The Netherlands and Sweden during the Luxembourg Presidency negotiations, because in their opinion it did not offer enough compensation. In the view of the government the failure to reach an agreement on the budget and GCM was also due to the irreconcilable positions adopted by France and the United Kingdom on the UK rebate and its relationship with the future of the common agricultural policy (CAP). In the forthcoming continued negotiations under the UK Presidency the Netherlands will press for policy reforms ('new for old'), restrictive spending limits and a substantial improvement in its absolute and relative net position.⁷⁸⁷

Governmental priorities

As mentioned above the Dutch government is seeking to improve its net position in both absolute and relative terms (i.e. both as a percentage of GNI and in comparison with other member states) in the forthcoming negotiations on the new Financial Perspectives. The net position of The Netherlands should be better matched with that of countries with a similar level of prosperity. It will use 2006 as benchmark year being the last year of the current Financial Perspective, which already includes a large part of the costs of enlargement to 25 member states. This means that the Netherlands' net position will worsen until the end of 2006, but should start to improve in 2007, as a result of its negotiated position on the new Financial Perspective.⁷⁸⁸ The position of The Netherlands in the negotiations reflects three important issues: 1) new policy should replace old policy; 2) maintaining a budget ceiling of 1% and 3) reducing The Netherlands net contribution to the EU.

On the first issue The Netherlands wants to avoid an accretion of old and new policy and expects the Union to make clear choices for the future. In this respect it believes that the

poorest member states should be the main beneficiaries of structural policy and not the rich member states. The latter should not be able to benefit from structural funds to the same extent as in the past, because they are better prepared to cope with their own poor regions through their own national structural policies. The Netherlands is also advocating a reduction in the agricultural costs for Bulgaria and Romania to below the 2002 ceiling for agriculture. Other possible spending cuts may be identified, for example in line with WTO commitments on phasing out export subsidies.

The second issue of the Dutch negotiating position is the wish for gross contributions to the EU to be constant in real terms. The EU primarily needs to cap its budget to facilitate this. The Netherlands believes that a budget of 1% of EU GNI will suffice the Union to set good policy, focusing on areas where it has added value. Therefore the final proposal made by the Luxembourg Presidency although considered as a step in the direction of the solution that the Netherlands hopes for: with 1.06% of EU GNI was seen as too small a step.⁷⁸⁹

Thirdly, the Netherlands wants to reduce its net *per capita* EU contribution both in absolute and relative terms. The Netherlands pays more than any other comparable country. In principle this has to change through a correction of the own resources mechanism, whether this will be achieved through a generalised correction mechanism or a new permanent system. The Netherlands has set it hopes on the British Presidency, which appears to be willing and able to seriously attempt to conclude the talks successfully. It is clear in any case, that the link between the UK rebate and the ceiling for agricultural spending will play a key role in the talks during the UK Presidency.⁷⁹⁰ After the European Council of June 2005 the Dutch parliament has requested the government to support further reforms of the Common Agricultural Policy for example by a decrease of product subsidies; a general limitation of spending and a redirecting of budget from agriculture to new future policy priorities. The government has positively responded by stating that it will pursue further reforming of the agricultural policy in the forthcoming negotiations on the financial perspectives. Their basic ideas are: the necessity of reforming CAP for example on sugar; new expenditures like for Bulgaria and Romania

⁷⁸⁷ 'Staat van de Europese Unie 2005-2006', p. 28-34.

⁷⁸⁸ 'Staat van de Europese Unie 2005-2006', p. 36.

⁷⁸⁹ 'Staat van de Europese Unie 2005-2006', p. 21.

⁷⁹⁰ 'Staat van de Europese Unie 2005-2006', p. 22.

must not exceed the 2002 ceiling; reducing the budget of agriculture for example by using the method of co-financing (income support first pillar); openness to any other reforms in line with the Dutch position and that the expenditure ceiling should not be treated as a spending target and that with regard to the latter even further reduction of costs might be considered following the WTO talks on out-phasing of export subsidies. Specially the method of co-financing, which is also supported by Italy, is of interest to The Netherlands, because it would also have a positive effect on the net-contribution position of our country next to the reduction of the agricultural budget.⁷⁹¹

Finally, the government stated that the Netherlands will make a (financial) reservation regarding all proposals that would entail commitments in 2007 or later till the moment that the Financial Perspectives 2007-2013 will be agreed upon. This will include both proposals for new programmes and proposals to extend current programmes.⁷⁹²

Domestic debate

In the political debate on the financial perspectives there is a common feeling that the net contributor position of The Netherlands should be improved. In general there is a broad support in society for the government position of remedying the net contribution position of The Netherlands within the European Union. The urgency of this issue has become even more visible after the negative outcome of the referendum and has certainly resulted in a more firm stance during the negotiations under the Luxembourg Presidency.⁷⁹³ The fact that The Netherlands was listed as the number one net contributor to the European Union in the Commissions' report of September was widely reported in the Dutch press including the disagreement between The Netherlands and the European Commission on the actual numbers. The Netherlands Ministry of Finance⁷⁹⁴ stated that a Dutch citizen in 2004 paid 194 Euros versus the Commissions 125 Euros. And the government even expects this to increase to

250-300 Euros in 2006.⁷⁹⁵ The difference in figures can be explained from a difference in opinion on whether the customs tariffs in the harbour of Rotterdam should be included.⁷⁹⁶

Poland

Basis for further negotiations

If the integration within the European Union is to be "about principles, not money", the European Union budget cannot be very important⁷⁹⁷. Indeed, it is very small accounting to 116 bn EUR⁷⁹⁸, which amounts for 2% of national budget and about 220 EUR in per capita terms. In this context, it comes as no surprise that although the economic purpose of the EU budget such as funding common policies, balancing gains and losses from the European integration and cohesion⁷⁹⁹ are emphasised, its actual redistributive, allocation and stabilisation role is limited. Nonetheless, financial provisions were one of the toughest and most politicised issues in the process of Poland's integration with the European Union. They also dominated the public discourse on the potential effects of joining the EU. There were widespread opinions that upon the accession Poland will turn to have a negative balance of financial blows with the EU budget. However, after one year of EU membership, Poland attained the position of net beneficiary and was tenth-biggest beneficiary of the Union's own resources system⁸⁰⁰. In 2004, the balance of the Poland-EU budget settlements amounted to 1.5 bn EUR, which means that one of the key priorities of membership was met⁸⁰¹. From the 1st of May 2004 to the 31st December 2004 the transfers from the EU increased and changed their character. Apart from pre-accession financing, Poland got an advance payment for the structural funds, some monies for market intervention under

⁷⁹¹ Brief Minister van Landbouw, Natuur en Voedselkwaliteit, 8 juli 2005, Kamerstuk 2004-2005, 21 501-20, nr.288, p. 1-4.

⁷⁹² 'Staat van de Europese Unie 2005-2006', p. 22.

⁷⁹³ 'Zalm eist nog lagere bijdrage EU', Volkskrant, 4/06/2005.

⁷⁹⁴ 'Europese meerjarenbegroting (financiële perspectieven)' at <http://www.minfin.nl>.

⁷⁹⁵ 'Betalerspositie 2004 weer slechter', Staatscourant, 23/09/2005.

⁷⁹⁶ 'Nederlander geeft het meeste uit aan EU', Volkskrant, 23/09/2005.

⁷⁹⁷ J. Pelkmans, European Integration. Methods and Economic Analysis, Edinburgh: Person Education Limited, 2001.

⁷⁹⁸ Komisja Europejska, Budzet ogólny Unii Europejskiej na rok finansowy 2005, Bruksela, Luksemburg, kwiecień 2005, p. 4.

⁷⁹⁹ I. Begg, Reshaping the EU Budget. Yet Another Missed Opportunity, European Urban and Regional Studies 2000 7: 51-62.

⁸⁰⁰ European Commission 7(1), 2000, p. 51-53.

⁸⁰¹ Office for the Committee of the European Integration, Poland in the European Union. Experiences of the First Year of Membership, Warsaw, 2005, p. 36 and subsequent.

CAP, the Schengen Financial Instrument, as well as a special instrument improving budget's liquidity. They amounted to 2.8 bn EUR. In virtue of the so-called own resources, Poland paid 1.2 bn EUR, most of which constituted the GNI-based resource.

Governmental priorities

The future shape of the EU finance is also one of the issues preoccupying the politicians of all breeds and public opinion. First of all, Poland opts for the big size of the EU budget. One must be aware of the fact that a significant increase in the amount of funding is politically infeasible. However, keeping the present own resources ceiling at the level of 1.14% GNI for payment appropriations and 1.24% for the Union's own resources is desirable for at least two reasons. First of all, in times of tight budgets and spending cuts in many member states, it is the EU budget that can play its redistributive, allocation and stabilisation roles more importantly and hence alleviate pressure on national public finances. Secondly, without the budget of an appropriate size, phasing in the new Member States into all mechanism of common policies, such as structural assistance or CAP, will not be possible. It seems that the preservation of the present structure of the EU budget also lies in the interest of Poland. The present system, which is based on the so called GNI-based resource, is fair, as it links the size of Member States' contributions with their ability to pay. According to research by de la Fuente and Domenech, 2/3 of transfers to and from the EU budget are perfectly correlated with economic wealth⁸⁰². The issue of the "fairness" of the EU own resource system is strictly connected with the issue of the British rebate on its yearly contribution to the EU budget amounting to a yearly 4.6 bn EUR a year. As other net contributors demanded British-like solutions and the degree of relative prosperity between 1984 and 2003 has greatly changed, the European Commission proposed the establishment of the Generalised Correction Mechanism for all excessive contributors⁸⁰³ on the basis of Fontainebleau agreement, "any Member State sustaining a budgetary burden which is excessive in relation to its relative prosperity

⁸⁰² A. de la Fuente, R. Domenech, *The Redistributive Effects of the EU Budget : an Analysis and Proposal for Reform*, "Journal of Common Market Studies", June 2001, vol. 39, no 2, s. 313.

⁸⁰³ For more details see: European Commission, *Financing the European Union. Commission Report on the Operation of the Own Resources System*, COM (2004) 505 final, Brussels, 14 July 2004.

may benefit from a correction at the appropriate time". From the point of view of Poland, such solutions are contradictory to the principle of solidarity⁸⁰⁴. The present system – thanks to the growing importance of the structural funds – is also more and more redistributive, i.e. establishing transfers from the rich to the poor. It may come as a surprise that redistributive properties of the present own resources system are assessed at 5.76% meaning a 5.76% per capita tax in net contributors and a subsidy of similar magnitude in net beneficiaries⁸⁰⁵.

On 20 October, the European Commission presented proposals to re-launch negotiations on EU financial perspective for 2007-2013. The European Commission proposed the introduction of the Globalisation Adjustment Fund, for countries facing the negative consequences (such as job losses, restructuring) of the growing openness of the EU economy. This shock-absorber would account for 500 mio EUR per annum, i.e. 3.5 bn EUR in the period 2007-2013, and would exist beyond the general budget⁸⁰⁶. The Polish government is cautious about this proposal, as it claims that "more details should be known before the assessment of the proposal from the Polish perspective"⁸⁰⁷, especially with regard to the source of revenue and the criteria of eligibility. However, Polish enterprises, particularly in textile and clothing sector facing fierce competition from Chinese manufacturing products, are interested in getting an access to this fund as well as in any measures taken by the European Community to limit the cheap imports from the Far East⁸⁰⁸. However, Poland's government opposes the idea of earmarking the structural funds to "growth and jobs", i.e. to the implementation of the Lisbon Strategy. If the European Commission's proposal was put into life, the member state would have to increase the proportion of structural funds devoted directly to competitiveness to 60% of total cohesion spending. There are misgivings, not without reason, that Poland would have considerable absorption difficulties. However, the European Commission claims that "resources for growth

⁸⁰⁴ J. Hofmokr, *Polska wobec rabatu brytyjskiego i reformy budżetu UE*, Instytut Spraw Publicznych, Analizy i Opinii, nr 20.

⁸⁰⁵ A. de la Fuente, R. Domenech, op. cit., s. 312-313.

⁸⁰⁶ European Commission, *Five Proposals to Relaunch Negotiations*, MEMO/05/386, Brussels, 20 October 2005.

⁸⁰⁷ K. Niklewicz, *I wilk syty, i budżet cały*, „Gazeta Wyborcza”, 21 October 2005, p. 29.

⁸⁰⁸ M. Kuzmicz, *Fundusz globalizacyjny a sprawa polska*, „Gazeta Wyborcza”, 21 October 2005, p. 29.

and jobs” are not only spending for R&D, innovation, human capital and renewable energy, but also for infrastructure. The Polish government stresses that it is not against strengthening competitiveness of the European Union vis-à-vis the third countries, but it is afraid of finding that – for instance – building motorways in Poland is contradictory to the Lisbon targets. The establishment of a similar mechanism in respect of rural development, proposed by the European Commission, does not lie in the interest of Poland. The reason behind the criticism is also poor absorption potential.

Portugal

Governmental priorities

The negotiation of the financial perspectives 2007-2013 is clearly the number one priority of the Portuguese government in what EU affairs are concerned. As with the previous government, the executive headed by José Sócrates believes that a sharp decrease of the Union’s financial resources (as proposed by the so-called “Group of 6” in 2004) seriously puts into question one of the basic principles of European integration, solidarity among Member states and would probably make it very difficult for the Union to fulfil its objectives.

As the negotiations evolved, the government accepted the fact that, in light of the last enlargement wave, funds for the current cohesion countries would have to be reduced. The strategy thus became one of making sure that cuts would not be too significant. In the months prior to the June 2005 European Council, Portugal has also tried to coordinate its strategy with like-minded countries. Main efforts were directed towards Spain and Greece, but also through the so-called “Friends of the Cohesion” made up of 17 Member states. The objective was two-fold: first, reinforce its negotiation positions; second, make sure that the newer member states in particular would not side with the richer ones by accepting a deal that would be more detrimental to the old cohesion countries. Diplomats make a positive assessment of this coordinating effort, as it contributed to avoiding a split between new and old Member states over financial matters.

The Portuguese supported the initial February 2004 Commission document which proposed a 1,24% GNI own resources ceiling for payment

appropriations and which resulted in a loss of about 10% of the 2000-2006 national payments. Anything below that level would be seen as a serious blow to national ambitions and would surely endanger the fulfilment of existing convergence efforts.

The priority is containing as much as possible the losses in cohesion funds, followed by funds to the ultra-peripheral regions (Azores and Madeira). These are the two main “red lines” for the Portuguese negotiators. In what concerns the European Agricultural Guidance and Guarantee Fund (EAGGF), Portuguese priorities are rural development, fisheries and the environment.

Basis for further negotiations

Re-direction of funds from the structural funds to other EU policies (for instance, in order to implement the Lisbon Strategy, as suggested in the July 2005 Commission document on the Community Strategic Guidelines 2007-2013) is not supported by the government. The principle that should be applied here is that different EU objectives require different funding and the main priority of the cohesion policy, according to the Treaties, remains the convergence of the least developed regions in the EU.

Early presidency negotiation proposals (or “negotiating boxes”) put on the table by the Dutch and then the Luxembourgers did not meet Portuguese negotiation expectations. For instance, the Luxembourg May 2005 proposal discussed at the General Affairs Council would imply a reduction of 20% of total funds in relation to the payments for the 2000-2006 period. At the time, the government admitted that “no deal would be preferable to a bad deal”. One of the main reasons for the Portuguese position has to do with the fact that, unlike other “cohesion countries” like Spain and Greece, 80% of Portugal’s total transfers come from structural funds. This makes it very hard to compensate losses in the latter with an increase in amounts earmarked for other policies such as the CAP.

Successive proposals put on the table by the Luxembourg presidency moved closer to the Portuguese ambitions. The final proposal discussed at the June 2005 European Council seemed the best deal that Portugal could get and was accepted. It represented a cut of 15% of transfers in comparison with the Agenda 2000 amounts, but included, among other

'compensation gifts', a significant increase of funds available for rural development. It is not surprising, then, that coming so close to an agreement and failing to reach it was a reason for strong disappointment of the Portuguese government.

In the aftermath of the European Council, Prime Minister Sócrates declared the negotiation a 'failure', but reminded that the Union has a tradition of learning from its failures. This can be read as a message to the British presidency, who, from the Portuguese government's perspective, should re-start negotiations based on the compromise reached at the June European Council. There are, however, serious doubts that this will be the case and that Britain can be a honest broker in this process. The fact that by October 2005 the Presidency has not come up with a plan of action is a worrying signal.

Domestic debate

There is a solid national consensus on the priorities for the financial perspectives and thus the main opposition parties have backed the government's strategy in the process. The only criticism was voiced by Luís Marques Mendes, leader of the PSD, who regretted the government's secrecy and the lack of political debate on the issue. Despite its enormous importance for the country's future development, the issue did not really spark a wide debate in Portuguese society.

Romania

The negotiations for the new financial framework 2007-2013 represent a significant signal for the "sensitive" issues of the current European context, the interests of the 25+2 member states being – at least in the financial area – relatively divergent. After the Commission's original proposal, which called for an average spending level of 1.14% over the seven-year period, the 1.06% of GNP proposal of the Luxembourg Presidency failed (while the UK proposal is at 1.03 % of GNI). The 16-17 June European Council did not succeed to reach a deal with the financial perspective and many people consider UK the main responsible for it. According to one official from the Ministry of Finance⁸⁰⁹, for Romania, concluding an agreement between all EU member states at the European Council

⁸⁰⁹ Interview with Stefan Ciobanu, Director in the Ministry of Finance, 2 December 2005.

Summit on 15-16 December a.c., represents the main priority so that after January 1st 2007 Romania would be able to spend its allocated EU funds (especially the structural funds and the rural agricultural development funds). We should stress that the allocated funds for 2007-2009 have already been decided and "ring fence" by the Treaty of Accession (signed by Romania and Bulgaria on 25 April 2005). According to the same official from the Ministry of Finance⁸¹⁰, the main priority in the negotiations for the 2010-2013 financial frameworks is to obtain a consistent allocation from the structural and cohesion funds (up to 4% of GDP) and from the agriculture funds (direct allocation plus rural development measures).

All in all, the national debates on the financial framework 2007-2013 have been exclusively punctual, just before European Councils debating this subject. Public debates are rarely substantial, the mass media being the main actor in describing the different and particular aspects of financial perspectives. The lack of interest on this subject could be explained, on the one hand, by the fact that the Romanian financial package for 2007-2010 is almost certain, and on the other hand, by the complex and technical details imposed by this specific debate (the British rebate, national resources, commitments, etc), understandably quite difficult for the average citizen. However, one should note the fact that the recent British proposal, which would lead to cuts in spending on structural funds that traditionally benefit the poorer EU countries, including Romania, has generated some reactions at the political level, the representatives of some political parties demanding that the Government should take position against the financial package decrease.

During a very recent meeting, Mr. Valdas Adamkus, the President of the Republic of Lithuania and the Prime Minister, Calin Popescu-Tariceanu, have agreed that the principle of solidarity that laid at the basis of European construction needs to be observed further on in order to assure the EU development. "The solidarity among rich and poor countries has been the key of the EU economic development", the Prime Minister Calin Popescu-Tariceanu has stated.⁸¹¹

⁸¹⁰ Interview with Stefan Ciobanu, Director in the Ministry of Finance, 2 December 2005.

⁸¹¹ Government of Romania, Press Office, 9.12.2005, <http://www.gov.ro/engleza/presa/afis-doc.php?idpresa=592>

According to a very recent EIR's impact study⁸¹², Romania will not be affected on short run by the eventual evolutions related to the reform of the institutions forming the basis of the community budget, which means that the only altercations that may occur would be at the level of the amounts allocated in the postadhesion period. Such altercations are in the interest of and can be object of pressures from the part of the countries affected by the reduction of the EU budget, especially regarding structural funds (for instance Spain, Portugal, Greece and subsequently countries from Central and Eastern Europe). Anyway, the current priority for Romania is to increase the absorption capacity corresponding to the current level of the pre-adhesion funds, which is much reduced.

Slovakia

Basis for further negotiations

During the June EU Summit, the Slovak government supported the Luxembourg presidency proposal as a basis for the negotiations on the financial perspective. The Luxembourg proposal was seen as favorable for the new member states and thus the main Slovak priority during the summit was to achieve the early compromise on the financial perspective. Slovakia shares the fear of new member states that the structural funds it depends on for reviving its economy will be blocked after 1 January 2007 if the EU does not agree on a budget soon. However, the Slovak position was flexible enough to allow the Prime Minister to support some principles outlined by Britain later in June. As Dzurinda said, the Slovak Republic would be willing to support the decrease of farm subsidies and the increase of investments into education, innovations, information technologies and research. The Prime Minister also stated that "...if the price for certain nervousness coming from the non-agreement at the latest Summit [June EU Summit] is the fact that we will have more effective budget than I will be in favour of reforms."⁸¹³

0&idrubricapresa=&idrubricaprimm=2&idtema=&tip=2&pag=1&dr= (latest access: 17.12.2005).

⁸¹² Paul Fudulu, Anton Comanescu, Dragos Negrescu, Petre Prisecaru, The required directions for EU's institutional development (deepening) related to its horizontal development (enlarging), Pre-Accession Impact Studies III, Study 8, European Institute of Romania, December 2005.

⁸¹³ „Slovensko podpori reformu rozpoctu EÚ“, *PRAVDA*, 29 June 2005.

Domestic debate and governmental priorities

The financial framework 2007-13 has not been really a subject of the domestic political debate. The government discussed and with a comment approved Slovakia's draft framework position on the EU financial perspective after 2006 on 21 January 2004. The document has not been published in accordance with § 11 of Act No. 211/2000 Coll. on Freedom of Information (Further restrictions of access to information). Thus, the political debate on the financial framework was absent among political parties or public. Concerning the EU financial negotiations, the media have reported mainly on the positions of the key players in the debate – France and Great Britain. The Slovak positions have been predominantly sketched in connection with the position of Visegrad countries or the new member states. The public attention was drawn to the fact that postponement of the final decision on the EU financial perspective might harm the financing of the EU regional policy after 2007. In November 2005 the Foreign Minister Eduard Kukan, reaffirmed Slovakia's wish that the EU should reach an agreement on the financial framework 2007 – 2013 this year under the British presidency. Kukan, however, also acknowledged that a deal would be increasingly difficult although the summit of Foreign Ministers on 7 November indicated that all sides shared an interest in concluding the budgetary negotiations by December 2005. According to Kukan, Slovakia welcomes the British goal to modernise the income and the outlays of EU budget but it does not like the idea of creating a globalisation fund to support people laid off as a result of world competition.⁸¹⁴ In sum, Slovakia was very keen to get an agreement on the budget as soon as possible and the longer the EU would without a financial perspective for 2007-2013, the more blatant becomes Slovakia's one key priority of just getting a deal on the future EU budget.

On the eve of the European Council in December 2005 Foreign Minister Kukan stated during the Plenary Session of the National Convention on the EU that Slovakia was willing to support the British presidency proposal.⁸¹⁵

⁸¹⁴ „Kukan: Slovensko chce dohodu o financovani EU este v tomto roku“, *TASR*, 7 November 2005.

⁸¹⁵ Eduard Kukan's speech at the Plenary session of Slovakia's National Convention on the EU, 14 December 2005. For more on the National Convention on the EU see www.eurokonvent.sk.

The EU partners compromised on the key Slovak requirements – higher compensations for the closure of the nuclear power plant in Jaslovské Bohunice and the requirement of the VAT requisition. The overall conclusion made by the Slovak government was that the British proposal was even more favorable to the Slovak Republic than the original Luxembourg presidency proposal. Slovakia's Prime Minister Mikulas Dzurinda thus very much welcomed the EU agreement on the financial perspective reached in the early hours of 17 December 2005.⁸¹⁶

Slovenia

Basis for further negotiation

Slovenia was an active supporter of the Commission's proposal from the beginning of the negotiations on the financial perspective for 2007-2013. The main reason for the Slovenian support was that the proposal favourably addressed Slovenian goal to retain the position of a net recipient from the EU cohesion funds and Slovenian particular financial position after 2006 – referred to as 'statistical effect'. Slovenia supported the Lisbon strategy goals, cohesion policy and also strong financial package for further enlargement (relations with wider Europe), and was prepared to support cuts in the agriculture item.⁸¹⁷

The first proposal of the Luxembourg presidency was supported by Slovenia in principle, but not in its entirety, since the Slovenian net financial position was – in words of the State Secretary for European affairs Marcel Koprol – aggravated.⁸¹⁸ Slovenia wanted to achieve two corrections: it expressed concern regarding the decrease of financial resources for further enlargement (due to its strategic goals in the Western Balkans) and wanted to achieve corrections in favour of Slovenia regarding the cohesion policy.⁸¹⁹ Slovenia was against the continuation of the UK rebate; its standpoint was to abolish it gradually.

⁸¹⁶ "Z unie dostaneme 46 milijard ročne", *SME*, 19 December 2005.

⁸¹⁷ Declaration on Slovenian activities in the EU in 2005.

⁸¹⁸ RTV Slovenija (23 May 2005) Koprol zadržan do predloga [Koprol reserved regarding the proposition], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=16&c_id=77241 (10 August 2005).

⁸¹⁹ Statement of Janez Potočnik, European Commissioner for research and development in *Druga jutranja kronika*, 3 June 2005, available at <http://ava.rtvlo.si/ava/media?action=play&mediald=2125903> (9 August 2005).

Although Slovenia was not pleased with the substantial decrease of funds for all the items in the second Luxembourg presidency proposal (especially for the Lisbon strategy on one hand and the lower decrease in agriculture on the other),⁸²⁰ the latter was better for Slovenia than the first. Therefore the Government supported the second compromise, since it took into consideration agreements with the new member states from the accession negotiations, it included new jobs for EU institutions and its scope and structure allowed implementation of all EU policies.⁸²¹

Slovenia was in the group of states who supported the Luxembourg compromise, but did not join the group of new member states offering decrease of their funds from the EU as a gesture to assure the agreement so that the negotiations would not have failed. The Slovenian Government's standpoint was that such gesture would worsen its negotiating position in the future.⁸²²

Slovenia also supported the second Luxembourg presidency proposal because it was of an opinion that postponing a political agreement in the context of the referenda debacles on the Constitutional Treaty could on one hand lead into a political crisis in Europe and on the other hand would mean less time to prepare the necessary implementation documents for drawing from the Community funds – the latter would go to the detriment of mainly new member states. The fact that the compromise enabled Slovenia to gain a better net financial position than the one it has up to 2006, was another reason to support it.⁸²³

Governmental priorities

The negotiations on the next financial perspective have been one of the priority tasks

⁸²⁰ Služba vlade RS za evropske zadeve [Government's office on European Affairs] (2005) Naslednja finančna perspektiva [The next financial perspective], available at <http://www2.gov.si/svez/svez.nsf/o/CBBE42DF8FD71E32C1256FCD0053A617> (10 August 2005).

⁸²¹ RTV Slovenija (15 July 2005) Ministri oklestili proračun [Ministers have lopped the budget], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=16&c_id=82390 (9 August 2005).

⁸²² Golob, Saša (2005) Janša: Slovenija v pogajanja o delitvi na statistične regije (zbirno) [Janša: Slovenia entering negotiations on partition on statistical regions], STA, 18 June 2005.

⁸²³ Služba vlade RS za evropske zadeve [Government's office on European Affairs] (2005) Naslednja finančna perspektiva [The next financial perspective], available at <http://www2.gov.si/svez/svez.nsf/o/CBBE42DF8FD71E32C1256FCD0053A617> (10 August 2005).

for Slovenia from their beginning. Slovenian standpoints and priorities have remained the same during the negotiations, claiming that the scope and structure of the financial perspective have to enable the EU to face the challenges of the internal cohesion, competition and further development, and at the same time make possible to remain net-recipient. Furthermore, it was of a crucial importance to Slovenia that the negotiations ended as soon as possible, since the state needs the time to prepare new programmes in the field of cohesion policy in order to start drawing in 2007 and actually realise the foreseen financial flows. Moreover, Slovenia wished for an agreement which would take into consideration the specific problems of some of the states, like Slovenian 'statistical effect' problem in the field of cohesion policy.⁸²⁴

It was in Slovenia's best interest to endorse the financial perspective in the time of the Luxembourg presidency. In this case it would still get more money from the European budget than pay in it. The failure of the financial perspective's adoption is a big disappointment for Slovenia, since now the state's position for further negotiations is much more difficult. At this time, on the level of NUTS-2 classification one region, Slovenia is entitled to funds from the Objective 1 – being at disposal for states under 75 per cent of the average of EU's GDP. But in the negotiations for the next financial perspective the calculation on the states' development will be made using data for the period 2001-2003, according to which Slovenia would be rated at 76 per cent of the average of EU's GDP. This would consequently mean that the state – if it stayed one region – would fall through the entitlement for Objective 1 due to the statistical effect of being more developed in regard to the new member states, setting much lower average EU GDP rate. Therefore Slovenian government endeavours to partition the state in more regions in order to still be able to draw some of the funds available in Objective 1.⁸²⁵

For this end, Slovenia acted upon a special declaration, prepared for the accession conference during the pre-accession negotiations, which states that it wants to continue talks with the European Commission as a member state on the issue of

regionalisation of the state. Therefore Slovenia is continuing these talks and trying to achieve a territorial partition on the NUTS-2 level into more cohesion regions.⁸²⁶

Domestic debate

The main Slovenian goals regarding the next financial perspective, presented to the public in the media, were concentrated on two issues: gaining the position of a net-recipient from the EU structural and cohesion funds and to adopt the financial perspective as soon as possible due to the statistical effect, which was expressed already prior to the Summit on 17/18 June. In the immediate responses to the Constitution debacle in France doubts on the future of the financial framework were expressed.⁸²⁷ The Prime Minister Janša said it was unreal to expect that United Kingdom would give up on its rebate and enable an agreement on the financial perspective, since this would show London being unprincipled.⁸²⁸

As a result, a lively debate between the parliamentary parties developed in the end of June and the first half of July, regarding the further planning of the regionalisation of the country on the NUTS-2 level. Debates among politicians and expert public on proposing two or three regions were present in the printed media and on TV.

Spain

Basis for further negotiations

Spain already experienced major difficulties in accepting the Commission's proposal for a financial framework for 2007-13. At the European Council of 16-17 June 2005, it showed itself willing to accept the proposals of the Luxembourg Presidency only if they were part of a general agreement which included a revision of the British rebate or 'cheque'. As the British Government refused any move in that direction, the Spanish Government withdrew its acceptance of the Luxembourg "negotiating box" and called on the next British

⁸²⁴ Declaration on Slovenian activities in the EU in 2005.

⁸²⁵ Cizelj, Boris and Maja Ferlinc (2005) Kriza Evropske unije [Crisis of the European Union], Slovenian business and research association, available at <http://www.gzs.si/ArhivNovic.asp?ID=22611> (10 August 2005).

⁸²⁶ Declaration on Slovenian activities in the EU in 2005.

⁸²⁷ Kocijančič, Maja (STA, 30 May 2005) Kriza z ustavo EU bo za Slovenijo imela tudi praktične posledice (ozadje) [The Constitution crisis in the EU will have practical consequences for Slovenia].

⁸²⁸ Golob, Saša (2005) Janša: Slovenija v pogajanja o delitvi na statistične regije (zbirno) [Janša: Slovenia entering negotiations on partition on statistical regions], STA, 18 June 2005.

Presidency to satisfy Spain's interests with new proposals.⁸²⁹

Governmental priorities

The Government's strategy in the negotiations is based on three fundamental principles⁸³⁰:

- *Budget sufficiency*: Spain defends the agriculture and cohesion policies. Spain supports the 2002 Brussels agreement which set and stabilised agricultural expenditure for the entire period. Spain is not in favour to co-finance the CAP. Spain is against capping the EU budget at 1%: in its view, this will mean that the enlarged EU will be below the budgetary ceiling it had in 1985, before Portugal and Spain joined the Community.
- *Equity in sharing the enlargement costs*: Spain wants to distribute the costs of enlargement more evenly, especially with relation to the British 'cheque', but also with the so-called 'net contributors', whose proposals to set the budget at 1% is seen as Spain as regressive and unfair in terms of enlargement cost-sharing. For a variety of circumstances, Spain is now the third largest contributor to the British 'cheque', after France and Italy. Spain's position is clear: if there is no limitation – or a progressive reduction in the British 'cheque' – it will be impossible to reach an agreement for the next financial perspectives.
- *Gradualness*: Spain seeks a transition period for the regions that have been receiving EU funds for their development and that will lose them because of the statistical effect. Spain is also interested in maintaining the special status of the Canary Islands as an ultraperipheral region with special financial needs.

Domestic debate

At the heart of Spain's concerns lies the fact that comparing Spain's financial balance with the EU in 2000-06 and 2007-13, Spain's net balance with the EU, which will have reached € 48.7 billion in 2000-06, will be reduced to approximately 5 billion in 2007-13. This is due

⁸²⁹ Diario de Sesiones del Congreso de los Diputados (DSCP), 2005, plenary meeting nº 99, 22/VI/2005, p. 4962-5003, <http://www.congreso.es>.

⁸³⁰ Declarations of the Secretary of State for Europe, Alberto Navarro González, at the European Affairs Commission of the Spanish Congress, 15/VI/05. See Diario de Sesiones del Congreso de los Diputados (DSCP) at www.congreso.es.

to both increased contributions to the budget, out of its relatively larger economic growth, and reduced receipts from the EU budget as it stops qualifying for cohesion, structural and agricultural funds. The Spanish Government recognises that its situation within the EU has changed to the better and that this will mean less financing from the EU budget than in the past. Spain accepts that its GDP is now almost at the average EU level (98.2% of EU-25 and 90% of EU-15). Nevertheless, it still seeks to ensure a smooth transition because its goal is to avoid becoming a net contributor before it reaches full real convergence with the EU-15. Thus, for a long time a net receiver of EU funds, Spain may now end up being a net contributor to the EU budget. The key question then for Spain's negotiators is not whether Spain will be a net contributor to the budget before 2013, which is largely discounted, but whether Spain is to suffer a sudden and abrupt loss of funds or if it will enjoy a mild and moderate phasing-out.⁸³¹

Concerning the next financial perspectives, Spanish public opinion is pessimistic. According to the 9th wave of the Barometer of the Elcano Royal Institute (June 2005), 73% believe that 'Spain will end up being harmed by the negotiations for the distribution of EU funds in the coming years', compared with only 19% who think the country will benefit from them. But almost all Spaniards (85%) also agree that their country 'must show solidarity with the new European member countries that need EU funds'. The argument of solidarity is the most convincing one to Spaniards, 60% of whom reject the idea that 'no longer receiving aid is good because it means we have reached a certain level of prosperity' or that 'it allows us to deal on equal terms with the most powerful EU countries' (an argument rejected by 68%).

Sweden

The Swedish government argued prior to the European Council in June 2005 that there was no acute need to decide on the budget at the June meeting; instead, the Swedish focus was directed at the contents of the budget.⁸³² The Swedish government was thereby in a contrary

⁸³¹ Further information is available at the Elcano Royal Institute's website www.realinstitutoelcano.org: J.I. Torreblanca, 'Farewell to Funds? Keys to Understanding Spain's Position when Negotiating the 2007-13 EU Budget', WP nr 21/2005, May 2005.

⁸³² Prime Minister Göran Persson's consultations with the European Affairs committee in the Riksdag, 2005-06-14, www.regeringen.se/sb/d/1122/a/46406.

position vis-à-vis those countries arguing for a quick settlement of the budget, in order not to add a financial crisis on top of the constitutional crisis.⁸³³

Sweden was among the five countries not agreeing to the complex compromise package offered by Jean-Claude Juncker towards the end of the Luxembourg Presidency. How can this be explained? Sweden wants further compensation than was offered, but above all was arguing that the EU is dealing with the wrong things (here is a link to Sweden's approach on how to deal with the future of the constitutional treaty). Not least the CAP needs to be fundamentally reformed.⁸³⁴

The Swedish government continues to stress what it calls a "modern" budget profile, aiming at 1 per cent of the EU total gross domestic product and an emphasis on growth, research and development. This perspective highlights the connection between the financial perspective and the Lisbon strategy. The government, last but not least, seeks to find a satisfactory (meaning reasonable) level of the Swedish net contribution to the EU.⁸³⁵ It has argued that it may well (together with others) pay for enlargement and other worthy causes, but not contribute, in an out-dated and expensive format, for relatively rich countries in southern Europe.⁸³⁶

The government will continue to work closely with net contributors and "reform friends", as

the current work program reads.⁸³⁷ There is substantial agreement among the Swedish political actors when it comes to criticism of the EU model of expenditure and Sweden's position therein.⁸³⁸

⁸³³ Svenska Dagbladet 2005-06-13, www.svd.se.

⁸³⁴ The government's work program for the fall of 2005, at www.regeringen.se ("Regeringens EU-arbetsprogram för hösten 2005"); Svenska Dagbladet 2005-06-15, www.svd.se.

⁸³⁵ Prime Minister's information to the European Affairs committee, 2005-10-26, www.regeringen.se/sb/d/1122/a/52165.

⁸³⁶ Prime Minister Göran Persson's consultations with the European Affairs committee in the Riksdag, 2005-06-14, www.regeringen.se/sb/d/1122/a/46406.

⁸³⁷ The government's work program for the fall of 2005.

⁸³⁸ See for instance the Liberal Party platform, www.folkpartiet.se/Templates/QuickFacts.aspx?id=20483&pID=5128; Moderate Party platform, www.moderat.se/politik.asp?mainid=2&subid=54.

Turkey

As Turkey is a candidate country whose membership is not foreseen before 2014, meaning the next financial framework, there is no deep political debate on this financial framework except the part regarding pre-accession financial assistance, which is this time covered under the fourth heading "Global Partner EU" instead of being a separate heading as was the case in the previous financial framework documents. Furthermore, it is seen that the pre-accession financial assistance programmes serving for different aims such as PHARE, ISPARD, and SAPARD are now all collected under a single structure named as Instrument for Pre-accession – IPA. The structure of IPA is not explicitly given; therefore there is ambiguity as regards the amount and mechanisms of financial assistance.

Although the amounts covering 2007-2009 for Romania and Bulgaria are announced in a press release made right after the Commission report, there is no detailed explanation as regards Turkey. Therefore, the political debate in Turkey is merely focused on IPA, the amount of money to be allocated for Turkey and Turkey absorption capacity of this fund. The expectation is an increase in the amount of pre-accession financial assistance starting from 600 million Euros in 2007 to 1.4 billion Euros in 2013. However, in a more global context, Turkey is merely interested on the discussions as regards the amounts to be allocated from the budget for agriculture sector as well as structural funds assuming herself as a future member of the EU. But understandably, these discussions are far from being structured in a negotiation strategy in the current context.

United Kingdom

Governmental priorities

The UK government wanted a financial framework that it could sell to the British public as a success. There were four elements to this strategy: first, total expenditure by the EU must remain low; second, the British rebate needs to be protected; third, expenditure on the Common Agricultural Policy needs to be cut back; and fourth, the budget must appear to be modern and responsive to the problems currently facing Europe.

Since the British public often sees the EU as wasteful and bureaucratic, it was difficult for the UK government to defend an increase in the EU budget. This is not just a matter of appealing to popular opinion: even within the Cabinet, such opinions are present, as the Chancellor of the Exchequer Gordon Brown is well-known for his reluctance to fund the Union. In the final agreement, the total budget (at 1.045 per cent of the EU's GDP) was smaller than the 1.06 per cent proposed by Luxembourg in June and far smaller than the Commission's earlier proposal of 1.21 per cent. On this count, the UK clearly succeeded.

However, the size of the budget was less of a concern than the rebate and the CAP. The British rebate is clearly important to the government in its substance, as it is seen as correcting the level of British contribution to the budget to defensible levels, especially as expenditure on the CAP is set to remain a very large part of EU expenditure. However, the rebate is also important symbolically: its continuing existence shows that the UK is successful at defending its interests at EU level and continues to be sceptical on the benefits of EU spending.

In the end, the UK will give up 10.5 billion euro of its rebate over the seven years of the financial framework. The government tried to sell the decrease in the rebate as the UK's justified payment towards the costs of enlargement. Thus, Tony Blair declared after the European Council: "If we believe in enlargement, we had to do this deal now."⁸³⁹

CAP reform was another priority for the UK government. In Britain, CAP is perhaps the most unpopular policy pursued by the EU. It is under attack from free-market liberals for furthering protectionist interests, from Eurosceptics as an example of general EU wasteful expenditure and from world development enthusiasts for its harmful effects on third-world agriculture. In the budget negotiations, the UK pursued reductions in CAP spending, as these would have been regarded as a great success for the government. The final deal did not go as far as the UK government would have wished, as there is only a promise that a 'full and wide-ranging' review of the budget will be held in 2008, with no guarantee that the CAP will be reformed.

⁸³⁹ BBC Online, "EU leaders agree new budget plan", 17 December 2005, accessible at: <http://news.bbc.co.uk/1/hi/world/europe/4536894.stm> (last access: 18 December 05).

In his speech to the European Parliament, Mr. Blair called for a "budget to restore Europe's credibility... It shouldn't be abstracted from the debate about Europe's crisis. It should be part of the answer to it."⁸⁴⁰ Thus, Tony Blair linked his interpretation of the referendum results to the future shape of the budget: in both cases, the key issue is making the EU relevant to people's concerns.

However, the changes to the new financial framework as agreed on 16 December are probably not significant enough to make it possible for Tony Blair to present it as a modern, reformed budget. Such a financial framework would have required much lower CAP spending coupled with increased expenditure on, for example, research and development. Overall, it seems that the decrease in total expenditure, together with the promise of CAP reform and the satisfaction of having closed a deal, were enough to convince the UK to give up on part of its rebate. However, as long as CAP remains a significant element of EU spending, the UK will not completely renounce its rebate, and we can expect further difficult discussions on these two subjects in 2008.

Domestic debate

The very public disunity on the budget in June was damaging to the EU's image in Britain. Together with the disagreements on Turkey, the failed ratification process and lethargic growth rates in France and Germany, the European Council's inability to reach an agreement confirmed the popular image of an EU in crisis. The British media certainly painted the picture of a Union in a profound state of emergency.

The rebate and CAP reform are elements of the budget negotiations that are referred to most frequently. The large share of CAP expenditure in the current financial framework is thus highlighted together with the UK's yearly net contribution to the EU. As is to be expected, there are large differences in how the various parts of the media report on the summit, as the complexity of the budget defies easy explanation. The BBC thus strives for a measure of objectivity its reporting, for example by putting the UK contribution in context, while tabloid or Eurosceptic newspapers take a more obviously critical approach of the current arrangements.

⁸⁴⁰ Tony Blair, speech to European Parliament, 22 June 2005.

There is little political debate on the issue of the budget. Conservatives generally stress the continued need for the British rebate and show varying levels of trust in the extent to which the government can defend UK interests. The Liberal Democrats, perhaps the most pro-European party, have recently been trying to craft a political stance on Europe that is closer to Labour's more pragmatic position. At their party conference in September, there was a clash between this elite-led re-positioning and the instinctive pro-European attitudes of the party base. The issue at stake was the official party line on budget reform, and the party leadership was outvoted, leading to the adoption of a relatively accommodating line on CAP reform and total expenditure.⁸⁴¹

After the agreement on the budget on 16 December, the government was predictably criticised by the opposition parties. The new shadow foreign secretary, the Conservative William Hague, commented that: "Seldom in the course of European negotiations has so much been surrendered for so little ... It is amazing how the government has moved miles while the French have barely yielded a centimetre."⁸⁴² Sir Menzies Campbell, the foreign affairs spokesman of the Liberal Democrats, said that the budget, just as the entire presidency, was "thoroughly disappointing". He added: "Government tactics have resulted in a reduced rebate but no real

progress on Common Agricultural Policy reform."⁸⁴³

In the press, the budget deal was not welcomed with much enthusiasm. The Independent, in a lone (relatively) positive voice argued in its leader that 'a fudge is better than nothing'.⁸⁴⁴ The Observer and the Sunday Times concentrated their coverage on the fact that the smaller rebate would cause financial problems at the UK Treasury, a fact apparently heavily criticised by Gordon Brown.⁸⁴⁵ On the more eurosceptic end of the media, the government was chided for 'surrendering' to Brussels. Thus, the Daily Telegraph called the UK's deal a 'rebate fiasco' and the Sun termed Blair a 'loser'⁸⁴⁶ for giving away part of the rebate in return for only a 'vague promise' of CAP reform. A recent survey, however, seems to show that the British public was always more open to giving up the rebate than politicians and the media had supposed. Conducted by the eurosceptic Open Europe campaign group, the poll results indicate that 63 per cent of the public either accept that the UK is a net contributor to the budget or that the current budgetary arrangements are acceptable, while only 36 per cent said that 'Britain should not pay any more into the EU budget than it receives back in EU spending'.⁸⁴⁷ Perhaps the British voters never cared as much about the rebate as the more anti-EU parts of the British political landscape.

⁸⁴¹ Markus Wagner, "The European Debate in the UK", Federal Trust European Newsletter, October 2005, accessible at: www.fedtrust.co.uk.

⁸⁴² Sunday Times, "Brown Fury at Blair Climdown", 18 December 2005, accessible at: <http://www.timesonline.co.uk/article/0,,2087-1938214,00.html> (latest access: 18 December 2005).

⁸⁴³ BBC Online, "Critics condemn EU deal 'failure'", 17 December 2005, accessible at: http://news.bbc.co.uk/1/hi/uk_politics/4538292.stm (latest access: 18 December 2005).

⁸⁴⁴ Independent on Sunday, "A fudge is better than nothing", 18 December 2005.

⁸⁴⁵ Sunday Times, "Brown Fury at Blair Climdown", 18 December 2005, accessible at: <http://www.timesonline.co.uk/article/0,,2087-1938214,00.html> (latest access: 18 December 2005); Observer, "Blair's EU deal gives Brown a £2bn headache", 18 December 2005, accessible at: <http://observer.guardian.co.uk/politics/story/0,6903,1670193,00.html> (latest access: 18 December 2005).

⁸⁴⁶ The Daily Telegraph, "Blair set to give up £7bn in rebate fiasco", 17 December 2005, accessible at: <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2005/12/17/weu17.xml> (latest access: 18 December 2005); The Sun, "Blair's the £7bn loser", 17 December 2005, accessible at: <http://www.thesun.co.uk/article/0,,2-2005580470,00.html> (latest access: 18 December 2005).

⁸⁴⁷ Poll results accessible at: <http://www.openeurope.org.uk/research/budgetpoll.pdf> (latest access: 19 December 2005).

4

How are initiatives for a revitalisation of the Lisbon Agenda received and which actions taken in your country?

Please refer to:

- ***Future of the services directive and working time directive***

- ***National reform activities, e.g. on***
 - *Labour market reform*
 - *Investment in Research and Development etc.*
 - *Employment and growth strategy*
 - *The future of the stability pact*

Austria

Directives on services and working times

The Green Party does not, in principle, oppose an EU regulation of services, but argues that the draft directive by the Commission is both insufficient and dangerous. This is illustrated by the enormous numbers of amendments. Hence, it stresses that it is important to reduce the scope of the directive and ensure that the services of general interest (including education) and services of general economic interest (including health services, water and waste management) are protected from liberalisation. Moreover, the liberalisation of services should not open the door to social dumping.⁸⁴⁸

The Federation of Austrian Industry welcomes the modernisation of working times and views this as one of the most important steps to enhance the competition ability of the Austrian market.⁸⁴⁹ This is in contrast to the Austrian Federation of Trade Unions, which strongly opposes the service directive.

National reform activities

There have been structural reforms within the last five years concerning the social security system, R&D and making the Austrian market more attractive for companies.⁸⁵⁰ In May 2005 the government introduced a programme to enhance economic growth and employment, encapsulating around 112 measures to operationally implement the Lisbon agenda, which makes money available for future investments, speeds up the approval process for bigger projects and enhances the quality and flexibility of personnel.⁸⁵¹ In the framework of national action programmes published by the EU member states in October 2005, Austria presented a seven-point programme to enhance growth and employment, focusing on active employment, sustainable finance and budget policy, boosting R&D, science and innovation, reinforcing instruments in infrastructure and Trans-European Networks, safeguarding and promoting Austria as a business and investment location, improving education, skills and advanced training and enhancing environmental technologies.⁸⁵²

⁸⁴⁸ 14.06.2005, www.bka.gv.at.

⁸⁴⁹ 2.05.2005, Industriellen Vereinigung (IV), see www.iv-net.at.

⁸⁵⁰ 14.07.2005, www.bka.gv.at.

⁸⁵¹ 13.05.2005 Ministry of Finance, www.bmf.gv.at/Presscenter/Archiv/2005

⁸⁵² *Ibid.*

In August 2005 the government agreed with the nine federal states on a memorandum on a regional growth and employment action plan. The main focus of the initiative is to make use of all available EU subsidies in order to stimulate the creation of new jobs. Moreover, it was agreed with the federal states to initiate programmes in cooperation with the Ministry for Education and the employment services to create more apprenticeships, to enable school dropouts to go back and finish their education and to support those with learning difficulties. A special programme for the education of healthcare jobs, due to high demand in this field, will be continued for the next 12 months.⁸⁵³

Additionally, there has been a reform of the Austrian income tax. The main feature is the reduction of the corporate tax rate from 34 to 25 per cent as of 2005 and personal income tax cuts - above all targeted towards all low income earners - which will become effective retroactively as of 1 January 2004, amounting to more than 0.1 % of GDP. The new Corporate tax rate will be the second lowest in the EU 15, after Ireland with 12.5%⁸⁵⁴ and equivalent to the rates in the Czech Republic and Slovenia.⁸⁵⁵ The cut in the corporate tax is being seen as a defensive reaction to the flat tax regimes in neighbouring countries reducing the incentive for Austrian businesses to locate to the East.⁸⁵⁶ Moreover, it aims to facilitate taxation of company groups, including cross-border companies.

Nevertheless, it has been recognised by the government and industry that Austria needs to become more competitive, particularly considering that due to the recent geographically-adjacent enlargement, competition and economic dynamics have increased. Although there have been significant structural changes within the Austrian economy since joining the EU, the Federation of Austrian Industry points out that more reforms and modernisation, particularly in the areas of public administration and health, are necessary. Moreover, it stresses that it is necessary to improve the transport infrastructure to the new neighbouring member states and support small and medium sized companies in bordering areas as soon as

⁸⁵³ 14.07.2005, www.bka.gv.at.

⁸⁵⁴ 26.03.2004, *Tax cuts in Austria - Placebo or genuine reform?*, ECFIN Country Focus, Volume 1, Issue 6, p.1.

⁸⁵⁵ however, still higher than in Slovakia and Poland, both with 19% and Hungary with 16%.

⁸⁵⁶ 25.10.2005, *Trying to keep one step ahead*, Financial Times.

possible.⁸⁵⁷ It also points out that this potential economic growth facilitated by the enhanced cooperation with the new EU member states and expansion into new markets, must not be hampered by additional burdening of industry via additional climate policies, emission trading and energy tax.⁸⁵⁸ In that context, it sees a necessity to adjust and coordinate the climate strategy with the goals of the Lisbon Agenda, in the sense of using resources in the most efficient way.⁸⁵⁹

The Green Party points out that since the Austrian Labour Market Policy actually does not prevent increasing unemployment, the first priority of the budget must be to kick-start the economy and reconnect Europe with its citizens.⁸⁶⁰

The future of the Stability Pact

Austria fully complies with the rules of the Stability Pact and emphasises the aspects of budgetary discipline and price stability.⁸⁶¹ The Austrian Minister of Finance, Karl-Heinz Grasser, continues to stress that there is a need for a stronger link between the Stability and Growth Pact and the economic growth rates laid down in Lisbon. At the ECOFIN conference in May 2005, Grasser stressed that only by defining and implementing a clear economic growth strategy Europe can return to strong economic growth.⁸⁶² The Green Party points out that it has always argued that a one-size-fits-all approach will not work. A budget deficit threshold of 3% for all countries under all economic situations is not the best way to ensure good economic governance.⁸⁶³ The Federation of Austrian Industry greets the retention of the 3% and 60% threshold, however, criticises the extensive rule of exemption regarding the 3% budget deficit rule. The loose definition that expenditure on EU enlargement can be taken into consideration for the evaluation of those countries which exceed the 3% budget deficit rule has opened the door too far for possible

future exceeding of the rule.⁸⁶⁴ The Chamber of Labour stresses the need for a redefinition of the Stability Pact by introducing a 'golden rule' for special investments.⁸⁶⁵

Belgium

In general the Belgian Prime Minister says that Lisbon consists of many comparisons, analysis and objectives, but it does not offer any method. And that is at the heart of the problem. In the past certain methods have been used to unify the market: reciprocity, mutual recognition, the stability pact. These methods allowed the creation of a unique currency, the Euro-zone. But within the Lisbon strategy there exists no such European community method. The method that should be used is that of convergence; not a mere harmonisation, but the creation of minimum and maximum values. Corridors should be created within which there should be room for the member states to develop economically and socially in order to obtain a coherent internal and external strategy.⁸⁶⁶

The Flemish christen-democrats (CD&V) believe Lisbon to be decisive for the Rhine-model to continue to exist. The paradox however, is that the Lisbon-process is mainly dependent on the national policies of the member states themselves. Thus the economic resurrection of Europe as a whole, and the confidence in the European institutions that result out of it, are actually the responsibility of each member state individually.⁸⁶⁷

Directives on services and working times

The Flemish liberal party wishes that, although there may be some hesitation, the Services-directive would be realised (taking into account however the possibility for exceptions like in the health-sector). One should not forget that 70% of the jobs created in Europe are in services, and that the opening of the services market would put an end to a number of

⁸⁵⁷ See also EU Watch 2004.

⁸⁵⁸ Industriellen Vereinigung (IV), *Lissabon-Prozess: Oesterreichs Weg zum Erfolg*, March 2004, p. 14.

⁸⁵⁹ Industriellen Vereinigung (IV), 29.9.2005, www.iv-net.at

⁸⁶⁰ 5.1 % in the 2nd quarter of 2005 (in comparisons to the yearly unemployment rate in 2004: 4.8%, 2003: 4.3%) for more info go to <http://www.Oecd.org/dataOecd/41/13/18595359.pdf>.

⁸⁶¹ See EU 25 Watch 2004.

⁸⁶² 13.05.2005 Ministry of Finance, www.bmf.gv.at/Pressecenter/Archiv/2005.

⁸⁶³ Interview with Die Gruenen, September 2005.

⁸⁶⁴ 2.05.2005, Industriellen Vereinigung (IV), see www.iv-net.at.

⁸⁶⁵ Interview with Arbeiterkammer (AK), October 2005.

⁸⁶⁶ "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

⁸⁶⁷ "Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

existing problems among member states.⁸⁶⁸ The Flemish socialist party (SP.a), of which also MEP and “rapporteur” Anne Van Lancker is part, pointed out that the new amendments that have recently been proposed by the EVP, ALDE and UEN are contrary to earlier amendments that were made and would result in a return to the initial proposal. The country of origin principle should not constitute the general principle of the Directive, its scope of application should be narrowed down as to exclude public sector, healthcare and service of general economic interest, and furthermore it may not hallow the regulatory autonomy of member states. Finally, every provision relating to detachment should fall directly under the detachment-directive.⁸⁶⁹ The francophone liberal party (MR) thinks the services directive is essential for economic growth and employment in Europe. In order to be acceptable the new directive should explicitly mention the respect of working conditions that are above minimum, it should exclude from its field of application the publicly financed services of general interest, and it should avoid any social dumping or narrowing down of social norms.⁸⁷⁰

Professor Roger Blanpain (Professor social law at the Universities of Leuven and Hasselt) is convinced of the essential role of the liberalisation of the services market for Europe. The (possible) new directive should continue to focus on minimum working conditions, as is stipulated already in a 1996 directive on workforces performing services abroad. However, the control should be done by the member state where the service is performed and not in the state of origin. Furthermore should health-care be left out of it.⁸⁷¹

National reform activities

The Belgian government has introduced a number of measures, grouped in what is called “the generations pact”, that should allow an increased competitiveness of the Belgian economy. The basic idea is that labour forces and employees should work during a longer period of their life before being able to go on

an early retirement. The age at which one is able to go on an early retirement is raised (with the exception of a certain number of heavy labour sectors like construction) and people are motivated financially to continue to work until they reach the legal retirement age. Furthermore measures are taken to lighten the social charges on labour, to reform the financing mechanism of health and invalidity insurance, and structural measures should guarantee the financial stability of the social security system.⁸⁷² Trade unions however consider the actual early retirement age as an acquired right, they argue that increasing the age for early retirement would increase youth unemployment, and the trade unions are afraid that the proposed measures are the predecessor of reforms that should pull up the legal age for retirement. They demand from the government that employers should give more guarantees to invest in training and Research and Development (R&D).⁸⁷³ The employers, from their part argue that the wages in Belgium are higher than in the neighbouring countries, and that this is mainly due to the automatic indexation of wages when the cost of life increases.⁸⁷⁴

Professor Leo Sleuwaegen of the Catholic University Leuven stated that with regard to R&D the Lisbon strategy was too ambitious. Belgium differs from most of the other European member states since it are not the companies that fall short, but rather the government. For example with regard to measures that had to decrease the wages of researchers, where the plans for such measures were banned from the governments policy declaration. Attaining the 3% of the GNP that should go to research and development should be possible, but one should not forget that a lot of financial means is spent on research that is aimed at getting results published in reputed scientific journals rather than on its potential for commercialisation.⁸⁷⁵ The federal government in its latest policy declaration stated that it increased the tax reduction for companies employing

⁸⁶⁸ “Réunion commune du comité d’avis chargé de questions européennes et de la commission des relations extérieures”, *Chambre Com 717*, 19/10/2005.

⁸⁶⁹ “Uitstel stemming over Bolkestein wekt wrevel”, 5/10/2005 available at <http://www.annevanlancker.be>.

⁸⁷⁰ “Réunion commune du comité d’avis chargé de questions européennes et de la commission des relations extérieures”, *Chambre Com 717*, 19/10/2005.

⁸⁷¹ “La Belgique a besoin de la directive Bolkestein amendée”, *L’Echo*, 14/10/2004.

⁸⁷² “Het generatiepact”, 11/10/2005, available at <http://www.presscenter.org>.

⁸⁷³ “Generatiepact: ruim onvoldoende”, 18/10/2005, available at <http://www.acv-online.be>; “Einde-loopbaan en sociale zekerheid”, 11/10/2005, available at <http://www.abvv.be>.

⁸⁷⁴ “Verslag van het secretariaat over de maximaal beschikbare marges voor loonontwikkeling”, available at <http://www.ccecrb.fgov.be>.

⁸⁷⁵ “Europa loopt meer achterstand op in kennis-economie”, *De Tijd*, 25/10/2005.

researchers, and the same will be done for so called Young Innovative Companies.⁸⁷⁶

The Walloon region introduced its plan for an economic re-launch, which includes the creation of so called "competition poles" and the elimination of, among others, fiscal elements that suppress creativity and undertakings. The trade unions think the plan goes in the right direction but wants to wait until its implementation before evaluating it.⁸⁷⁷ The plan also included important provisions with regard to research and development. The research community however expressed its disappointment after the voting of the budget for the Walloon Region. In this budget, which includes the financing of the plan for economic re-launch, there was a misbalance between applied research and fundamental research. This was mainly due to the division of competences within the federal state structure. In order to make research and development create employment research funding should be completely reformed.⁸⁷⁸

The federal government decided that it would increase Belgium's competitiveness and attract new investments by reducing the charges on labour and reforming certain taxes. There will also be a further liberalisation of public enterprises (national postal service, electricity production).⁸⁷⁹

The future of the Stability Pact

In a common statement at the European Summit in March, the Benelux governments considered that the new stability pact thus achieves a good balance between the requirements of both stability and growth.⁸⁸⁰

Peter Vanden Houtte, researcher at the KU Leuven, has a critical view on the new stability pact. More in particular the asymmetry of it. During the difficult years the member states can go up to a 3% deficit, and even beyond, while during a good economic situation one focuses on a budgetary balance. Furthermore, is there only a control on medium and longer term, while on a short term the Commission no

longer has the capacity of issuing a warning. It is naïve to believe that member states would temper their budgetary deficits without being obliged to do so.⁸⁸¹

Croatia

Directives on services and working times

Croatian government has taken note on the efforts related to the revitalisation of Lisbon Agenda and adoption of the Common Actions for Growth and Employment by the member states of the EU in spring 2005. However since Croatia has started a negotiation process for accession only in October 2005, very few official viewpoints have been issued on that matter so far. Notwithstanding this, the expert and academic circles and business community have touched upon several issues covered in the revised agenda, especially with regard to the enterprise policy, employment policy and social cohesion. At the moment the future of services directive and working time directive have not been publicly discussed what could be explained by the preoccupation with other issues such as the initial screening process for the different chapters of the negotiations.

National reform activities

The National Programme of Republic of Croatia for EU Integration 2005⁸⁸² underlines the need to implement the objectives of the Lisbon Agenda and to increase the level of competitiveness, thereby establishing a more competitive and dynamic knowledge-based economy, capable of achieving sustainable economic growth with more high quality jobs and larger social cohesion. However, Croatia has still not developed the action plan for implementing the Lisbon Strategy and it should be recognised as one of the priorities in the nearest future. Although the Lisbon Strategy entered into the second half of its implementation and within this period has not resulted with the expected outcomes, its goals are extremely important for Croatia. The Lisbon Agenda is a very complex strategy and priorities could be differently interpreted in each particular country. While the EU is mostly concerned with social cohesion, job creation and support to research, development and innovation, Croatia should identify its own

⁸⁷⁶ "Federale Beleidsverklaring van de Eerste Minister", 11/10/2005, available at <http://www.belgium.be>.

⁸⁷⁷ "Wallonie: dernière ligne droite pour le plan Marshal", *L'Echo*, 30/8/2005.

⁸⁷⁸ "Eternels insatisfaits?", *La Libre Belgique*, 28/9/2005.

⁸⁷⁹ "Federale Beleidsverklaring van de Eerste Minister", 11/10/2005, available at <http://www.belgium.be>.

⁸⁸⁰ "Statement by the Governments of the Benelux countries on the Stability and Growth Pact", 22/3/2005, available at <http://www.eu2005.lu>.

⁸⁸¹ "Les déficits vont dérapier", *Le Soir*, 23/3/2005.

⁸⁸² The Government of Republic of Croatia, Ministry of Foreign Affairs and European Integration, 2005, www.mvp-mei.hr.

priorities closely linked to raising the level of competitiveness: to develop policy recommendations together with the action plan of implementation.

At the moment some areas of Lisbon strategy are covered by the CARDS⁸⁸³ and PHARE programme, focusing on some Lisbon strategy goals (internal market, research and development, education, innovation and entrepreneurship, employment and social cohesion)⁸⁸⁴. However, the area is much wider and deserves coordinated actions of all public administration bodies in Croatia dealing with economic and social issues, competitiveness and innovation, better regulation, employment and social inclusion, environmental sustainability etc.

General economic reform activities in Croatia related to the *Lisbon Agenda* are also part of the Pre-Accession Economic Programme (PEP)⁸⁸⁵, which prepared the ground for economic reforms to be undertaken in the period 2005-2007 as a part of the preparation for accession.

Croatian economy with its unemployment rate of about 14% in 2004 and only 43% of total work labour actually employed will face a lot of challenges in the pre-accession period. Such a low level of the *employment* is a result of number of factors such as:

- a high degree of inflexibility of labour market;
- a restructuring process of enterprise sector;
- the slow dynamics of new job creation and strict work regulations;
- high labour unit costs which are not result of increase in the enterprise productivity⁸⁸⁶.

⁸⁸³Regarding the technical assistance, Croatia benefited from CARDS programme during the past years. The annual contribution from the CARDS programme is around 60 million euro, allocated to economic and social development, democratic stabilisation, justice and home affairs and administrative capacity building.

⁸⁸⁴The most relevant projects are: 1. SME Institutional Strengthening and Policy Alignment; 2. Intellectual Property Infrastructure for the R&D sector; 3. Development of accreditation systems and support to national testing and calibration laboratories; 4. TEMPUS III, higher education institutions in Croatia; 5. Development of accreditation systems and support to national testing and calibration laboratories.

⁸⁸⁵ Adopted by the Government of Republic of Croatia in December 2004.

⁸⁸⁶ National Programme for EU integration in 2005, p. 196.

The main directions of the *European Employment Strategy* (EES) have been observed and integrated into the main activities of the Croatian government envisaged in the National Programme for Integration 2005 and Pre-Accession Economic Programme, 2005-2007. The *National Action Plan* for Employment 2005-2007 has integrated specific measures for the improvement of the situation at the labour market in accordance to the EU Direction 1-4 of the Employment Strategy such as:

- Related to the Direction 1 of EES: active and preventive policy measures directed towards unemployed and inactive persons
- Related to the Direction 2 of EES: measures towards new job creation and entrepreneurship development
- Related to the Direction 3 of the EES: promotion of the flexibility and mobility at the labour market
- Related to the Direction 4 of the EES: measures aiming at the human capital development and lifelong learning process.

Croatia has rather advanced *financial sector* which by many indicators compares favourably with the new EU members. According to the standard EBRD scoring system⁸⁸⁷, Croatian banking system has been rated as 4 in 2004 which is equivalent to those of a well functioning market economy. In short, there has been significant increase in bank lending to the private sector, quite solid banking consolidation, foreign participation in ownership structure is one of the highest in transition world and there have been continuous improvements in supervision and regulation. Further adjustments in the sector of financial services refer to the non-banking financial sector and improved regulation for operation of investment and venture funds and micro finance institutions.

One of the most problematic areas in Croatia is its *competitiveness*. In 2003 and 2004, Croatia recorded a decline in competitiveness. According to the global competitive index, Croatia was in 2004 positioned as 79 out of 104 countries, behind the new EU member states as well as Bulgaria and Romania. According to the growth competitiveness index, a decline was recorded in the position of the country in 2004 as compared to 2003 (53

⁸⁸⁷ Transition Report, 2004, EBRD, London.

instead of 64), as well as regarding business competitiveness (72 instead of 62). The reasons for it could be found in unproductive public spending, low efficiency of public administration and judiciary, inadequate efficiency of financial market and still present corruption. There is a need for urgent actions in three areas: (i) to speed up structural reforms that are linked with the process of transition and EU integration; (ii) to improve the cost competitiveness, to improve the public administration, to make public expenditure productive, to innovate products and business processes, and to create more attractive business environment; (iii) to develop scenario and the platform of negotiations with the EU.⁸⁸⁸ Latest data of the World Economic Forum on the global competitiveness rank⁸⁸⁹ for 2005-2006 show some improvements. Namely, Croatia increased its global rank from 79th to 64th place out of 117 surveyed countries. As for the business competitiveness rank now Croatia is placed on 63rd instead of 72nd place. The growth competitiveness index has also risen from 64th to 62nd place. All three ranks are now more comparable to Bulgaria and Romania's ranks than with the rest of the South East Europe⁸⁹⁰, what was not the case in 2004-2005 Report. Increasing competitiveness of the Croatian industry and trade on the international market nevertheless remains a priority. Trade liberalisation measures need to be accompanied by efficient structural reforms, and fiscal policy measures. Furthermore, expected participation in pan-European diagonal cumulating of rules of origin will be extremely important not only for Croatia, but for the SAP region as well.

Currently, much of the attention in economic policy making in Croatia is being paid to the *entrepreneurship and innovation policy* which is also a vital part of the new Lisbon Agenda. Croatian government policy makers have already adopted several measures that could lead towards creating SME friendly business environment and improve regulation to reduce the burden of administrative costs. As part of its drive to develop an EU-wide policy towards SME development the European Commission

⁸⁸⁸ National Competitiveness Council (2005), Croatia's Competitiveness Challenge: Annual Report on Croatian Competitiveness in 2004, Zagreb.

⁸⁸⁹ World Economic Forum, The Global Competitiveness Report 2005-2006, 28th September 2005, <http://www.weforum.org>.

⁸⁹⁰ Darko Marinac, President of The National Competitiveness Council on the occasion of public presentation of the latest WEF Report, 28 the September 2005 (www.konkurentnost.hr).

has promoted the adoption of the European Charter for Small Enterprises which sets out indicators of best practice for policy in this field. Croatia endorsed the Charter at the Thessaloniki summit in 2003, and the leading role of support for small and medium enterprises in Croatia's industrial policy. Yet, as in the EU, this ambition to promote an entrepreneurial and competitive economy in Croatia is beset by multiple obstacles and policy inconsistencies which were assessed in detail by the latest OECD Report⁸⁹¹. In the Report on the results of the implementation of the EU Charter in Croatia, the government and business associations have identified the main obstacles involved and to indicate the directions that policy would need to follow so that the SME sector could better contribute to the domestic and international competitiveness of the Croatian economy. As in the EU member countries the policy also focuses strongly on support for innovation through seeking to boost expenditure on R&D, promoting the uptake of Information and Communication Technologies, and promote the development of innovation poles linking regional centres, universities and businesses.⁸⁹²

As for the *priorities* in 2005, the Government has identified the following areas that need to be synchronised with the *EU Charter for Small Enterprise benchmarks*:

- development of the strategy for enhancing competitiveness of the small sector;
- ensuring access to diversified sources of finance;
- promotion of education and training for entrepreneurs;
- adjustment of legislation with the new EU definitions of small business;
- enhancing social services for entrepreneurs;
- promotion of youth and women entrepreneurship;
- improving on-line access to the various sources of information on entrepreneurship;
- Initiating an impact assessment of the legislative framework on SME development.

⁸⁹¹ For the latest annual enterprise policy assessment see "Croatia Enterprise Policy Performance Assessment, 2004", OECD, EBRD and EC DG Enterprise, 2005 (www.oecd.org).

⁸⁹² See the Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans, Commission Staff Working Document, SEC (2005) 169.

In March 2005, the Government of the Republic of Croatia has made a decision that the Ministry of Economy, Labour and Entrepreneurship has to start working also towards including Croatia into the EU *Multiannual Programme for Enterprise and Entrepreneurship* in particular for SMEs, in order to improve access to the information and learning from the best practices and legislative solutions in the EU related to this sector.

Privatisation of residual state portfolios is another avenue to improve the efficiency of enterprise sector in Croatia and its capacity to cope with the competition coming from the EU. The government plans for the continuation of the process are stated also in the PEP (2004). The future process will focus on auctions of residual state portfolios in 1,073 enterprises especially in tourism industry and shipyards, and continuation of the privatization process in the strategic public industries and infrastructure, such as oil industry, telecommunications, energy sector and railroads. Apart from the usual models of stock exchange auctions, public bidding, initial public offerings etc. the government is testing some innovative approaches to sale based on public-private partnerships, especially in the hotel and tourist industry sector.

The future of the Stability Pact

With regard to the priorities set by the EU Growth and Stability Pact, i.e. to prevent the occurrence of an excessive budgetary deficit and debt in the euro area after the entry into force of the third stage of economic and monetary union (EMU), the Government of Croatia and in particularly the Ministry of Finance is closely observing the outcomes of the current debate in the EU. This relates especially to the principle of multilateral surveillance of budgetary positions and the excessive deficit procedure for those member countries that run budgetary deficits over 3% of the GDP.

The Government of Republic of Croatia is currently implementing a lot of policy efforts to reduce its budgetary deficit below 4.5% with the assistance of the IMF through its Stand-by Arrangement in order to get its public finances under control and manage them effectively in accordance to the EU best practices⁸⁹³. Its

⁸⁹³ IMF Country Report "Republic of Croatia: First Review Under the Stand-By Arrangement", No.5/349, September 2005.

target for the year 2005 is 3.7%. The goal for the pre-accession period is to completely comply with the principles of the Growth and Stability Pact. In the official Pre-Accession Economic Programme (PEP)⁸⁹⁴ the authorities have laid out a coherent medium-term macroeconomic framework and ambitious fiscal targets, also incorporated into the three year budget for 2005-2007. The government main goal is a reduction in external vulnerability and public debt, driven by the decline in the general government deficit to below 3% of the GDP by 2007. (In 2006 to 3.2% and in 2007 to 2.9%) The fiscal consolidation is to be achieved by expenditure rationalization focusing on the public administration, health system, subsidies and social benefits, while the tax burden is to be gradually reduced.

The European Commission welcomed the efforts Croatia made in fiscal consolidation, encouraged introducing economic policies leading to reducing macroeconomic imbalances and underlined the need for continuation of structural reforms⁸⁹⁵. However, regarding the marginal level and the possibility of reducing the budget deficit, views are different. The estimations of the European Commission are less optimistic than those envisaged in PEP, due to the fact that the revenues in 2004 were lower than expected. The EU economic forecast assumes that Croatia might be able to reduce the deficit to 4.4% in 2005 and 3.9 in 2006⁸⁹⁶. It also underlined some negative trends, such as the fact that the domestic demand will continue to contribute much more to the overall growth (close to 4 percentage points) while exports will have smaller share (0.3 percentage points)⁸⁹⁷. On the other hand, some Croatian economists⁸⁹⁸ are approaching the issue of the budget deficit in different way, the light of benefits that might bring, underlining that higher deficit should not be understood as a "negative" financial category if it is used for the

⁸⁹⁴ Pre-Accession Economic Programme (PEP), the Government of the Republic of Croatia, December 2004.

⁸⁹⁵ Croatian PEP was evaluated on meeting of ministers of finance of the EU candidate countries in Brussels, 12 July 2005. See: www.mfin.hr.

⁸⁹⁶ European Economy. 2005., European Commission; DG Economic and Financial Affairs. Economic Forecasts. Spring 2005. pp 100.

⁸⁹⁷ Croatian forecasts are somewhat different and closer to EU estimations in the recently adopted document "Guidelines for economic and fiscal policy 2006-2008", adopted by the Government in August 2005.

⁸⁹⁸ Ljubo Jurcic, former Croatian minister of economy, professor at the Faculty of Economics Zagreb in his interview to Jutarnji list, August 28, 2005.

increase of national capital, particularly the production capacities, leading to stronger economic growth, instead of financing current and previous consumption. This could be also explained in another way: the quality of reforms is much more important than the level of deficit.

Analysts and experts⁸⁹⁹ are also particularly interested to see the adjustment procedures for the new EU members (Czech Republic, Poland) that run deficits higher than allowed by the Pact. Also the experiences in solving problems that old EU members were having on that front (Germany, France, Portugal, Italy and Ireland) and their solutions will be very useful for the Croatian administration. Both experts and government are aware of the adopted conclusions on how to achieve improvements in respecting two nominal anchors of the Pact (3% of the GDP reference value for the deficit ratio and 60% of the GDP reference value for the debt ratio) in spring 2005⁹⁰⁰ that primarily require improving governance and strengthening of the national ownership of the fiscal framework, but no official statements on the new EU proposals have been made.

Cyprus

Cypriot bureaucrats, politicians and diplomats, responding to our question,⁹⁰¹ informed us that the Republic of Cyprus is recognizing the importance of the plan and, in the framework of the National Programme for the Lisbon strategy, Cyprus is committed to the adoption of a series of measures. The Government will proceed to establish a special Action Team that will compose and implement an action plan, which will capitalise on lessons drawn from the successful practices of other member states. Among other things, the Government envisages the creation of a specialised unit for the promotion of the plan; the adoption and implementation of a methodology for the evaluation of the financial, social and environmental impacts of the new initiatives; and the adoption of a common methodology

which is promoted by the EU for the estimation of the administrative costs of the enterprises.

Our research indicates that a number of Ministries and Departments were involved in the preparation of Cyprus' National Programme for the Lisbon Strategy. Thus, the Ministry of Finance worked in close cooperation with the Planning Office, the Ministry of Commerce, Industry and Tourism, the Ministry of Employment and Social Welfare. The Programme's formulation took into account the results of an intensive dialogue with social partners as well as political parties.

The Cyprus National Programme is focusing on the confrontation of challenges that concern the Republic as an equal Member State of the European Union. More specifically, our research suggests that the following are considered as Cyprus' main challenges: the viability of public finances; the improvement of the quality of public finances by the reallocation of public expenditures; the further promotion of structural reforms that aim to boost competition; the upgrading of basic infrastructure; the constant development of human resources; the promotion of the conditions of social cohesion; and the cultivation of an ecologically sensitive sustainable development.

Our interviewees have led us to conclude that Cyprus has welcomed this initiative, since the Cypriot National Programme will constitute part of a larger European design for the expansion of development and employment in the EU.

Czech Republic

Directives on services working times

Concerning the directive on services in the single market, the Czech Republic (CR) supports the approval of the directive to its maximum possible extent. According to Czech Ministry of Foreign Affairs (MFA) officials, the service directive has become an important issue for the domestic politics in the older member states, and the dissenters are essentially opposed to service providers from the new member countries (similar to the introduction of transitional periods for the free movement of labour). Concerning the working time directive, the Czech Republic's current position is based on the framework position approved by the government on 10 November

⁸⁹⁹ The panel discussion of Dr. Boris Vujcic, Vice-Governor of the Croatian National Bank at the 35th UACES Conference in Zagreb on "EU- Future and Past Enlargements", 5-7 September 2005. (www.uaces.org). Also see the research papers at the Croatian National Bank site: www.hnb.hr.

⁹⁰⁰ Presidency Conclusions, European Council Brussels, 22 and 23 March 2005, 7619/1/05, REV 1.

⁹⁰¹ Interviews by Costas Melakopides, Nicosia, 23 November 2005.

2004. In accordance with this position, the Czech Republic has expressed its strong interest in the acceptance of the proposal in negotiations, and considers the original proposal of the European Commission the most balanced solution. In accordance with its present framework position, the Czech Republic agrees with the need to adjust the definition of working time and with a prolongation of the reference period for the calculation of the weekly working period to one year.

National reform activities

The most important provisions concerning the labour market are outlined in the National Program of Reforms of the Czech Republic⁹⁰². The Czech labour market has undergone significant changes since 1990: The number of people in productive age has increased and, at the same time, economic activity of people in post-productive age has decreased. The labour market has thus been markedly influenced by restructuring of the economy. The key problem of the labour market is, like in most EU member states, the relatively high unemployment rate. According to Eurostat, the unemployment rate in the CR was 8.3 percent in 2004 (the EU-25 average was 9 percent in 2004). The unemployment is concentrated mainly in regions where many people work in industries undergoing restructuring (steel industry, mining etc.). At the same, even in these regions, skilled labour force is in short supply. The other key structural problems of the labour market are low regional and professional mobility of employees, a complicated system of social benefits, a high tax burden of labour, and the necessity to carry out a pension reform. At present, the expenditures for *research and development* constitute approximately 1.3 percent of GDP of which roughly one half stems from the private sector and the other half from public sources. The government supports a gradual increase of public expenditures so that by 2010 the public spending can reach 1 percent of GDP. Besides the increase in public spending on research and development and improvement of its effectiveness, the Czech Republic also carries out measures which stimulate growth of private research and development spending, mainly by instruments of indirect support.

⁹⁰² Národní lisabonský program 2005-2008 (Národní program reformem České republiky) (The National Lisbon Programme 2005-2008, The National Reform Programme of the Czech Republic), October 2005.

The government deals with *employment and economic growth* in a special document called The Strategy of Economic Growth⁹⁰³. The main goal of the strategy is to reach the EU average level of GDP per capita in 2013 and to cut down the unemployment rate. These two targets are based on five main areas (pillars) on which the competitiveness of the Czech economy is based: institutional environment, infrastructure, development of human resources, research and development, and innovations.

The *financial market* in the Czech Republic is primarily bank-based, and the role of stock brokers, funds of collective investing and pension funds as standard mechanisms of allocation of financial resources has been growing only slowly. All Czech banks have already been privatised and most of them are owned by strong strategic investors from old EU member countries (large banks such as KBC, Erste Bank, Société Générale, UniCredito, etc.). At present, the Czech banking sector is relatively strong and stable. The Czech capital market, however, does not fulfil one of its basic functions, i.e. being a source of new capital for enterprises. The first primary issue⁹⁰⁴ on the Prague Stock Exchange (PSE) took place in 2004 (the pharmaceutical company Zentiva) and so far no other initial public offering has followed on the PSE.

The future of the Stability Pact

The Bank Council of the Czech Central Bank (Czech National Bank) considers it a cause of concern that the reforms of the stability pact could lead to its significant weakening, particularly concerning its transparency, enforceability of goals and the principle of equal treatment. The Central Bank at the same time fears that the reforms may become a menace for a stable and non-inflationary development in the EU. According to the Central Bank, it is a primary responsibility and task of every government to be aware of the macroeconomic importance of healthy public budgets. From this point of view, the rules of the stability pact create only a framework for the coordination of fiscal policies on the European level. Despite its reservations with respect to the loosening of the definition and enforcement of the pact's aims, the Central

⁹⁰³ Strategie hospodářského růstu (The Strategy of Economic Growth), 2005, <http://www.hospodarskastrategie.org/> (latest access: 12.12.2005).

⁹⁰⁴ IPO – Initial Public Offering.

Bank perceives positively the strengthening of the pact in its preventive part, which leads towards responsible fiscal policy in periods of economic growth.

Denmark

Directives on services and working times

Both directives are highly sensitive in the Danish EU debate though the service directive has filled more column space in the press. The main reason for this has to be seen in light of the long-standing and popular Danish labour market tradition, where collective agreements between employers' organisations and trade unions stand instead of regulation by law. There may thus exist an underlying hesitation towards EU-regulation in this area. Generally, debates have centred on the principle of country of origin and on the risk of social dumping.

With specific regard to the Services Directive, the Danish government's opinion was initially rather positive. It was seen as an opportunity to benefit, as Denmark is rather strong in the service sector. However, the fierce debate in France over the directive is likely not to have gone unnoticed in Denmark, at least the opinion of the Danish government has lately become more critical towards the service directive. This is also more in line with the general mood of the population. Today, there is a broad political agreement between the government, the main opposition parties and the trade unions that the country-of-origin principle is unacceptable.⁹⁰⁵ The parties in the Danish parliament have even asked the Government to vote against all propositions where the principle appears.

The Danish trade unions stress that it would be impossible to maintain the Danish non-regulative labour market model if foreign workers are allowed to follow the rules of their

home country. However, employers' associations remain largely positive towards the directive.⁹⁰⁶

Individual members of the ruling Liberal Party have argued that fears over the service directive are ungrounded – MEP Karin Riis Jørgensen, for instance, has pointed to the many exceptions in relation to the various labour market groups covered by the Directive and argued that they suggest that the Directive will not imply fundamental changes to the Danish labour market.⁹⁰⁷ The Danish Foreign Minister, Per Stig Møller, has labelled the disputes about the Services Directive as the results of a problem of communication rather than a true conflict of interests.⁹⁰⁸

With specific regard to the Working Time Directive, the Danish government reacted positively to the Commission's initial reform proposal. As the opposition parties and the minority government initially could not agree on a common position – which is required according to the Danish parliamentary EU procedures – the government has not participated actively in the negotiations on a reform of the directive. With support from the Danish People's Party, however, the Danish government was given a narrow mandate just before the Council meeting in December 2005, wherefore the government again could participate in the negotiations.

The labour market parties are also divided on this question. Trade unions find the Commission's proposal too compromising on workers' rights, as it could imply rising working hours.⁹⁰⁹ Employers' organisations find that the

⁹⁰⁵ Politiken: "Regeringen: Danske regler på dansk jord", June 1, 2005, 1. sektion p. 10; EUobserver: "Servicedirektivet blev middagens varme kartoffel", March 22, 2005. Online: http://www.euobserver.dk/index.php?page_id=13&data_id=4067 (latest access: 28.11.2005); EUobserver: "Topmøde-diplomati på højt plan", March 23, 2005. Online: http://www.euobserver.dk/index.php?page_id=13&data_id=4071 (latest access: 28.11.2005); Jyllands-Posten: "Topmøde: Storhedsdrømme brister", March 20, 2005, Erhvervsmagasinet p. 6.

⁹⁰⁶ Politiken: "Regeringen: Danske regler på dansk jord", 01-06-05, 1. sektion p. 10; HTS: "Protektionisme truer servicedirektivet", September 22, 2005. Online: <http://www.hts.dk/5+Om+HTS/5.5+Presse/5.5.1+Nyhedsarkiv/2005/Sep/2005.09.22+Protektionisme+truer+servicedirektivet.htm> (latest access: 28.11.2005); DI: "Servicedirektivet en del af løsningen", July 1, 2005. Online: <http://www.di.dk/Opinion/Debat/EU/Nyt+om+EU/Servicedirektiv+en+del+af+løsning+en.htm> (latest access: 28.11.2005); LO: "Nyt EU-forslag vil undergrave danske regler". Online: [<http://www.ugebreveta4.dk/smcms/Ugebrevet/4766/5684/5718/5731/Index.htm?ID=5731>] (latest access: 28.11.2005).

⁹⁰⁷ HTS: "Protektionisme truer servicedirektivet", September 22, 2005. Online: <http://www.hts.dk/5+Om+HTS/5.5+Presse/5.5.1+Nyhedsarkiv/2005/Sep/2005.09.22+Protektionisme+truer+servicedirektivet.htm> (latest access: 28.11.2005).

⁹⁰⁸ Udrigsministeriet, Per Stig Møllers tale ved konferencen "Hvad nu Europa?", September 27, 2005. Online: <http://www.um.dk/da/menu/OmOs/Udenrigsministeren/Taler/UdenrigsministerensTaleVedKonferencenHvadNuEuropa.html> (latest access: 28.11.2005).

⁹⁰⁹ Urban: "EU: Arbejdsuge på 48 timer", September 23, 2004.

Commission's proposal does not allow sufficient flexibility.⁹¹⁰ Thus, Trade Unions are generally in favour of amendments to the Working Time Directive as proposed by the European Parliament,⁹¹¹ whereas employers' organisations generally favour the European Commission's initial proposal.⁹¹²

National reform activities

According to the Broad Economic Policy Guidelines, Denmark scores relatively well in the field of labour market reform. Denmark has introduced measures to accommodate problems involved with the ageing work force; has made it more attractive to work; has enhanced competition and created a more effective public sector.⁹¹³

Another part of this strategy is investment in Research and Development, which is of particular importance to the Danish government,⁹¹⁴ something which, for instance, was testified by the Danish non-paper on the mid-term evaluation of the Lisbon-strategy.⁹¹⁵ Denmark, however, is not in the top league. The ambition is famously that 3 per cent of GNP should be invested in research and development. In 2003, Denmark spent 2.6 per cent.⁹¹⁶ This inspired big debates in Denmark,

where the political opposition, research institutes and the labour market parties called for more money on the research budget. However, the government maintains that the 3 per cent target will be met prior to 2010.⁹¹⁷ The Danish Trade and Services Association have even suggested that the target level is raised to 4 or 6 per cent.⁹¹⁸ However, the issue sparks fierce debates in Denmark.

In comparison with the situation in other EU countries, the Danish economy is enjoying positive growth rates and rather low unemployment rates. The unemployment rate in Denmark is expected to be 5.1 pct in 2006, while the BNP growth level is expected to be around 2.4 pct.⁹¹⁹ Focus is now on also incorporating the weakest parts of society into the work force. A cherished aspect of the Danish labour market model has been the so-called Flexicurity system, which is accredited for some of the success of the Danish economy.

Flexicurity is basically characterised by the combination of short notices when firing people with high levels of unemployment benefits. It has lately inspired very positive European reactions, and several politicians from other member states have been visiting Denmark to learn about the system. It has not passed unnoticed in Danish public opinion that the Flexicurity model is sometimes referred to as a possible third way between continental and anglo-saxon models of organising the labour market.

Denmark is singled out in the publication from the Centre for European Reform, *The Lisbon Scorecard*, as one of 'the heroes' in the EU with regard to bringing people into the work force.⁹²⁰ Denmark also gets positive mentioning with regard to women's low unemployment and efforts to find employment to elder citizens.⁹²¹ There have been a number of bottleneck problems in the labour market.

While Commissioner for the Internal Market, Charlie McGreevy, has expressed

⁹¹⁰ Samlenotat vedrørende rådsmøde beskæftigelse m.v. 2/6-05. til Europaudvalget. <http://www.euo.dk/dokumenter/eu/raadet/moeder/soc/2663/> (latest access: 28.11.2005).

⁹¹¹ <http://www.eu-oplysningen.dk/upload/application/pdf/3f492991/20050023.pdf>; Jyllands-Posten: "Arbejds-markedet: EU-Parlamentet vil stramme arbejdstid", May 12, 2005, p. 3.

⁹¹² Urban: "EU: Arbejdsuge på 48 timer", September 23, 2004; Brev fra FTF, LO og AC. Online: <http://www.fff.dk/page.dsp?page=6914> (latest access: 28.11.2005).

⁹¹³ BEPG-report: http://europa.eu.int/comm/economy_finance/publications/european_economy/2005/ee105en.pdf (latest access: 28.11.2005); Euractiv: "Labour Market Reforms". Online: <http://www.euractiv.com/Article?tcaturi=tcm:29-140843-16&type=LinksDossier> (latest access: 28.11.2005); Euractiv: "Slow progress towards Lisbon", September 8, 2005. Online: <http://www.euractiv.com/Article?tcaturi=tcm:29-134730-16&type=News> (latest access: 28.11.2005).

⁹¹⁴ Erhvervsbladet: "Vi må gøre EU til et videnssamfund", March 22, 2004; Politiken: "EU's krise også Danmarks", March 4, 2004, 2. sektion p. 7; Undervisningsministeriet: Bertel Haarders tale ved Europa-konferencen 2005, June 27, 2005. Online: <http://www.uvm.dl/cgi/printpage/pf.cgi> (latest access: 28.11.2005).

⁹¹⁵ Udenrigsministeriet: Non-Paper. Online: <http://www.um.dk/NR/rdonlyres/26F2FA3B-D698-49A9-9B53-DABDA27B3D90/0/DENMARKnonpaperfinal040921.doc> (latest access: 28.11.2005); Udenrigsministeriet: "The European Area of Knowledge". Online: <http://www.um.dk/NR/rdonlyres/DD32F432-820B-4B69-8E78-B2DB39F84FEE/0/DDKPa perMarch2005.doc> (latest access: 28.11.2005).

⁹¹⁶ EU: <http://europa.eu.int/rapid/pressReleasesAction.do?reference=STAT/05/26&format=HTML&aged=0&language=en&guiLanguage=en> (latest access: 28.11.2005).

⁹¹⁷ Politiken: „Forskning: Fogh lover forskere penge – igen“, April 28, 2005.

⁹¹⁸ Berlingske Tidende: „Der skal mere fart på EU“, August 23, 2004.

⁹¹⁹ Finansministeriet (2005), "Økonomisk redegørelse", August.

⁹²⁰ Murray, Alaisdar and Aurore Wanlin: *The Lisbon Scorecard V: Can Europe compete*, March 2005, London: CER.

⁹²¹ Joint Employment Report 2004/2005. Online: <http://register.consilium.eu.int/pdf/en/05/st07/st07010.en05.pdf> (latest access: 28.11.2005).

disappointment about Denmark's latest progress in the implementation of 'the Internal Market Strategy', seen in light of previous results,⁹²² Denmark has achieved a transposition deficit of only 1, 5 per cent and takes the lead among the EU-15 in this regard.⁹²³

Denmark is also in front with regard to financial services, having accomplished full adjustment to the directives within the given time period.⁹²⁴

The EU indicator for establishment of new enterprises, which measures the number of new enterprises in relation to the stock of active enterprises, shows that Denmark has a high score on this indicator in Europe, but that the survival rate for new enterprises is not among the highest in the European Union. It is the Government's objective that Denmark should by year 2010 be in the European elite in the field of entrepreneurship, thus aiming for a big number of new business set-ups, a big number of (new) enterprises in growth and a high survival rate.⁹²⁵

The Government's strategy focuses on the creation of better framework conditions, for instance through the promotion of an entrepreneurship culture, effective access to capital for new enterprises, promotion of access to relevant counselling and measures to ensure that the educational system contributes to giving entrepreneurs the right competences for setting up their own businesses.⁹²⁶

The future of the Stability Pact

In spite of Denmark's opt out from the third phase of the EMU, the reform of the Stability Pact was widely covered in Danish media.⁹²⁷

The Danish government and the opposition parties supported the final outcome of the reform, arguing that countries must be allowed room for manoeuvre in periods of slow growth,

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<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/05/47&format=HTML&aged=0&language=EN&guiLanguage=fr> (latest access: 28.11.2005).

⁹²³ Internal Market Scoreboard, July 2005, no. 14.

⁹²⁴ Internal Market Scoreboard, July 2005, no. 14.

⁹²⁵ NAP2004, The Government: Denmark's National Action Plan for Employment 2004, p. 25.

⁹²⁶ NAP2004, The Government: Denmark's National Action Plan for Employment 2004, p. 25.

⁹²⁷ Vejle Amts Folkeblad: "Vigtig ændring af stabilitetspagten", April 9, 2005; Jyllands-Posten: "Euro-pagt er sat i bakgear", March 22, 2005, Erhverv og Økonomi p. 7; Politiken: "Euro-reform skal frede store lande", 1. sektion p. 1.

while they should be encouraged to consolidate the economy in high-growth periods. The Minister of Finance, Thor Pedersen (Liberal Party), argues that it remains to be said whether the reform is a success; that depends on the determination to actually implement the rules. The Danish National Bank is more sceptical, mainly due to 'all other relevant factors', which is the list of factors that should be taken into consideration when deciding whether a member state should be punished for having a too large deficit. The National Bank fears that the list could be used to bend and violate the rules.⁹²⁸

Estonia

Directives on services and working times

The government's position is that the EU should remain committed to the objectives stipulated in the Lisbon strategy and must seek new ways to achieve these objectives. It believes that the deadline for the reform programme should not be changed; instead, member-states should focus on achieving as much as possible by 2010.⁹²⁹ The attitude towards the Commissions proposals prepared for the Spring European Council⁹³⁰ was largely positive. The government agrees strongly with the Commission's plan focusing, above all, on achieving economic growth and increasing employment. The government emphasises that the attainment of these objectives must be supported by the financial framework and a stable economic policy: budget and structural funds should be more closely linked to the objectives of the Lisbon strategy.⁹³¹

Estonia strongly supports the adoption and quick implementation of the services directive. Regarding the working time directive, Estonia is interested in maintaining the possibility for individual opt-outs regardless of collective agreements. Estonia supports a flexible approach for compensatory rest for working during the rest period. Estonia also strongly supports plans to reduce the administrative

⁹²⁸ Jyllands-Posten: Rente: Svækket euro-pagt kan give rentehop", March 22, 2005, Erhverv og Økonomi p. 1.

⁹²⁹ „Estonia's positions for the Spring European Council – how to achieve the objectives of the Lisbon strategy“, <http://www.riigikantselei.ee>.

⁹³⁰ Commission's communication to the Spring European Council. „Working together for growth and jobs. A new start for the Lisbon strategy“ <http://europa.eu.int/growthandjobs/>.

⁹³¹ „Estonia's positions for the Spring European Council – how to achieve the objectives of the Lisbon strategy“, <http://www.riigikantselei.ee>.

burden and simplify legislation, and Commission's proposals regarding competition policy and reform of state aid regulations.

National reform activities

In the beginning of October, the government presented the new national action plan on economic growth and employment (for the implementation of the Lisbon strategy).⁹³² In many respects, Estonia is in relatively good shape. Economic growth is much higher than EU average (average growth rates over past 10 years: 6,1%), budgets have been balanced (or running a surplus), and public debt remains very low. The document lays out a range of objectives and measures, including continued commitment to balanced budgets, joining EMU as soon as possible, completing pension reform, increasing retirement age, guaranteeing sustainable healthcare expenditures, reshaping the tax system (reduce taxes related to employment, increase taxes on consumption and use of environmental resources), increasing expenditure on R&D, increasing the competitiveness of enterprises, etc.

Recent developments on the Estonian labor market have been positive, largely due to rapid economic growth. Unemployment is currently at 9% (lowest in seven years). The causes of unemployment are largely structural. Unemployment remains very high among young people. Estonia does not meet the Lisbon target of 70% employment rate – currently, only 63% are in the work force. However, Estonia already meets the target percentage of employment among women (60%) and among older people (50%). The government's action plan specifies a range of measures for increasing labor supply, increasing the quality of labor force, modernizing labor relations, and increasing the flexibility of the labor market, while ensuring sufficient guarantees for periods of unemployment.

Estonia will not be able to meet the Lisbon objective of increasing R&D expenditure to the level of 3% of GDP by 2010. The Estonian government aims to achieve this objective by 2014. Investment in R&D had increased substantially (e.g. 17% from 2005 to 2006) but GDP has grown at a much faster rate than the government has managed to finance R&D. So

⁹³² "Majanduskasvu ja tööhõive tegevuskava 2005-2007 Lissaboni strateegia rakendamiseks", www.riigikantselei.ee.

the government's goal will be to raise the public sector's R&D expenditures to reach 1.05% of the GDP by the year 2010, and continue to increase it in the following years. The current problems in Estonia's R&D are primarily related to the small size of the R&D system, especially in terms of people and infrastructure, low quality of research, inability of the sector to react to priorities, and weak connection to Estonia's socio-economic objectives, including cooperation with business.⁹³³

The future of the Stability Pact

A conservative approach to the Stability and Growth Pact is regarded as a key to maintaining a stable and supportive economic environment in the EU. Estonia does not support the idea of creating a list of acceptable expenditures and activities that would exempt a country from the excessive deficit procedure. Estonia is opposed to all exceptions, claiming that these would make the rules ambiguous and would bring about an unequal treatment of member-states. Estonia defends the principle that the deficit procedure should be started against all states with high debt that are not taking effective measures to quickly reduce the debt. Estonia is opposed to attempts by some member states to limit the role of the European Commission in enforcing the rules of the pact. Estonia regards a strong and independent Commission as an important precondition for an effective functioning of the pact.⁹³⁴

Finland

Directives on services and working times

Finland has approached the efforts to revitalise the Lisbon agenda favourably. Finland continually stresses that although it has succeeded in fulfilling the original Lisbon criteria, there are a number of member states that have not. Giving the member states a chance to define their own priorities is seen as a chance for more effective implementation of reforms and thus effectively more efficient burden-sharing.⁹³⁵

⁹³³ „Action plan for growth and Jobs 2005–2007 for Implementation of the Lisbon strategy,” October 13, 2005. www.riigikantselei.ee.

⁹³⁴ Eesti seisukohad Euroopa Ülemkogu 22. ja 23. märtsi 2005. a istungil. www.riigikantselei.ee.

⁹³⁵ <http://www.valtioneuvosto.fi/vn/liston/base.jsp?r=97194&old=716&k=en> (in English).

Finland supports the Commission's proposals concerning the services directive with some reservations. Finland will take measures to boost service sector competitiveness. Such measures include further liberalization of the service sector by opening up hitherto regulated trades to European competition, improving the legal provisions pertaining to service sector trade so as to make them more effective and functional, and increasing unofficial cooperation among the member states during Finland's presidency. The services directive is believed to have a positive effect on the Finnish service sector companies, whose access to other European markets has hitherto remained restricted. On the other hand, the extensiveness of state-owned organisations in the service sector is seen as a challenge to Finland's complete liberalisation of its service sector.

Given the powerful position of labour unions in the Finnish politics, the Commission proposals for updating the working time directive is likely to face opposition. The absence of almost any notions pertaining to the Working Time Directive in the Finnish strategy for the Lisbon Agenda is evidence of this. The only context, in which this issue is briefly touched upon, is in reference to labour market organisations.

National reform activities

Macroeconomically, the main priority identified in the Finnish National Reform Programme is economic stability and the sustainability of public finances. Special attention is given to finding solutions to problems created by Finland's ageing population, oversized public expenditure and low public sector productivity. On the micro-level, key reform activities include entrepreneurship promotion, increased funding to innovation, as well as communication and transport networks.

The Finnish Government recognises that it needs to reform its labour market and improve its functioning. The biggest challenge in this respect is the raising of the employment rate, which the government plans to achieve by extending labour market careers at both ends by implementing pension reform and encouraging students to graduate faster and thus enter working life earlier. The Reform Programme also emphasises the need to improve tax and benefit systems. It plans to cut income taxes further and to restructure its benefit system so that it will reduce long-term unemployment.

Although Finland channels 3.5% of its GNP to Research and Development, this has not translated into new innovations, new businesses, new employment, or growing exports. To combat this trend, the Reform Programme suggests that Finland channel more of its R&D-funding to growth businesses and research. It also suggests that Finland implement measures that cut taxation of foreign investments, something that the previous governments have resisted. In addition, Finland is planning to overhaul its university system. This is related to the efforts to bring research activity closer to the economic activity.

The future of the Stability Pact

While Finland applauds the measures aiming at the revitalization of the Lisbon Agenda through a greater degree of national incentives, it believes that a common European framework is essential in creating growth and stability in the region. While the Government is a strong supporter of the stability pact, it has not made any constructive proposals as for its future. Reflecting the overall trend in contemporary Finnish politics towards the EU, the Government has settled for fulfilling the criteria set to it without contributing to the general discussion on the future of the EU.

Many have expressed worries that the stability pact is nearing its end as certain member states are given concessions to. Former Minister of Justice, Mr. Johannes Koskinen, is among the critics.⁹³⁶ Former Minister of Finance Mr. Antti Kalliomäki has stressed the need for all the member states to have common criteria to follow, and expressed worries that the stability pact will lose its significance given that the 3% deficit cap is removed.⁹³⁷ Finland's largest political party, the Social Democrats, have called for a reform of the stability pact. They demand that the concessions to the biggest member states are scrapped and that the financial policies of the member states are consolidated.⁹³⁸ In a similar vein, former Commissioner Erkki Liikanen, now the Governor of the Bank of Finland, has

⁹³⁶ Turun Sanomat 26.7.2005.

⁹³⁷ Column at the Finnish European Movement's website 11/2004 (available in Finnish at http://www.eurooppalaine.nsuomi.fi/nettikolumni/1104_Antti_Kalliomaki.html, latest access: 15.11.2005).

⁹³⁸ SDP's Europe-programme "Tavoitteena vahva Eurooppa", p.33 (available in Finnish at <http://www.sdp.fi/easydata/customers/sdp/files/pk05/EU-visio.pdf>, latest access: 15.11.2005).

pleaded for continuation of the stability pact as a framework of coordination for the European economies.⁹³⁹

France

Directives on services and working times

The French government is in favour of a new directive on working time that would get rid of the opt-out, with an exemption for the health sector. However, there have been fears in France that the new directive might be used to change French working-time regulations. France introduced a 35-hour week in 1998, although the French parliament relaxed the rules in March 2005. The French government had to point out that the new directive will "have no impact whatsoever on working-time in France, but will make it possible to set minimal rules in member-states where there is today no such legislation"⁹⁴⁰. The directive on services triggered intense debates in France. It played an important role during the referendum campaign. Unions and left-wing parties claimed that the directive might be used to undermine social standards in Europe. Under heavy pressure, the French government had to withdraw its support to the directive. In March 2005, the European Council backed France and agreed to introduce far-reaching changes to the Services Directive to preserve the European social model. Today, France is calling for exemptions for services of general interest and for a withdrawal of the 'country of origin' principle. Dominique de Villepin, the French Prime Minister recently declared that "the directive must not undermine the rules applicable in France in the area of employees' rights". The Socialist Party is calling for a withdrawal of the directive.

The future of the Stability Pact

The French usually consider that the Stability and Growth Pact has had a negative effect on the French economy. The reform of the pact decided in June 2005 was considered to be a first step, although the French government has no official position on the future of the pact. European monetary policy is also under attack in France. Lack of coordination between the European Central Bank and economic policy is regarded as having negative effects on growth and employment.

In France, the Lisbon Agenda is not very well known and not very well considered. It is mainly an intergovernmental process, and, as such, is often regarded as a sign of the loss of influence of the traditional French views on Europe. It is widely regarded as a British invention.

National reform activities

The French government, however, supports the Lisbon Agenda. It adopted on October 11th a national reform program which puts the emphasis on three objectives: growth, employment and the knowledge economy. The term chosen by the French government to characterise its reform program for the next three years is "social growth". The course chosen, however, could hardly be described as "social": deregulation of the labour market, reduction of the size of the welfare state, and tax cuts.

For growth, the main points of the program are the reduction of the public debt, the reform of the French social model to guarantee its viability, the reform of the income tax, new negotiations on minimum wages, and regulatory simplification. The program also mentions reforms intended to fight against climate change, reduce local pollutions and the health hazards connected.

Second broad line of the program: employment. It includes policies to facilitate return to employment, reforms to improve the functioning of the labour market. The government recently created the "Contrat Nouvelle Embauche" (New Employment Contract) which is part of this plan. Efforts in education and professional training are also mentioned. Given the very poor record of France in this area, employment of older workers is presented as a priority. Third broad line: knowledge economy. The national reform program confirms the revitalisation of industrial policy. The French government recently created new "pôles de compétitivité" (centres for competitiveness) all over France. These centres bring together public and private investment and associate Universities and research centres.

Overall, given the size of the French budget deficit, capacity of action is limited. The main line of the plan is clearly deregulation of the labour market.

⁹³⁹ Helsingin Sanomat 19.1.2005.

⁹⁴⁰ Statement by Dominique de Villepin, French Prime Minister, 20 July 2005.

Germany

The general principles of the Lisbon Agenda have been supported by a broad majority of German politicians from the very beginning. As former Chancellor Gerhard Schröder pointed out in a formal policy statement in the Bundestag, one chamber of the German parliament, less than a month after the Lisbon Agenda had been agreed upon in March 2000: "Lisbon has clearly shown: The European Union is determined and capable not only to react to the economic and societal transformation from a production-based society to a knowledge- and information-based society, but to shape it actively. We will take advantage of the job and growth opportunities deriving from this transformation."⁹⁴¹ The implementation of the Lisbon Agenda, however, has in many ways been a difficult endeavour in Germany. Germany is only ranked 17th in statistics on the transposition of "Lisbon" directives⁹⁴², economic growth rates have been among the weakest of the entire EU throughout the last years,⁹⁴³ the financial sector lacks profitability⁹⁴⁴ and the German environment to sustain the competitiveness of enterprises became less favourable.⁹⁴⁵ This discrepancy between optimistic declarations and results that leave much room for improvement caused a vivid political debate concerning the future of the Lisbon Agenda and even the foundation of a "German Club of Lisbon"⁹⁴⁶ lobbying for the achievement of related objectives.

In a parliamentary debate in June Angela Merkel (CDU), then as the leader of the opposition, declared that the Lisbon Agenda had to be a clear priority for any German government.⁹⁴⁷ In her policy statement (her first speech in parliament as Chancellor) on 30

November she repeated this, underlining the fact that there was no alternative to a success that can only be achieved by reforms. She also pleaded for a careful look at which EU directives were really necessary in order to limit bureaucracy that might slow down a dynamic economic development.⁹⁴⁸ Wolfgang Schäuble, recently appointed Minister for Internal Affairs, expressed concern (in February) because the Lisbon objectives were so many times publicly declared that the continuous failure to keep the promises will eventually cause deception and a loss of faith among the population.⁹⁴⁹ Edmund Stoiber, leader of the CSU, sister party of the Christian Democrats based in Bavaria, emphasised that the Lisbon Agenda originally suffered from too many priorities: "If everything is a priority, nothing is a priority!" He therefore proposed to shift a stronger focus to the deregulation of EU legislation, an increased investment in research and development (R&D) and a strict compliance with the Stability and Growth Pact.⁹⁵⁰ Franz Müntefering, then chairman of the Social Democrats (SPD) and leader of the SPD parliamentary group, stated that the Lisbon Process is running well. He pointed out that the German government has significantly increased the budget for R&D, making sure that a 3% share of the GNP to be spent on R&D in 2010 will be accomplished.⁹⁵¹ His colleague Angelica Schwall-Düren added that for the Lisbon Agenda to become a success it has to be assured that it becomes socially balanced.⁹⁵²

The coalition agreement between the Christian and Social Democrats from 11 November 2005 contains a paragraph emphasising the explicit support of the coalition for the Lisbon Strategy. Central aspects that are recommended are further deregulation on EU level and an increased focus on impact assessments concerning EU legislation.⁹⁵³

⁹⁴¹ Unofficial translation of: Regierungserklärung von Bundeskanzler Gerhard Schröder zu den Ergebnissen der Sondertagung des Europäischen Rates vom 23./24. März 2000 in Lissabon vor dem Deutschen Bundestag am 6. April 2000, Amtliches Bulletin der Bundesregierung, Nr. 21 vom 18. April 2000, S. 1.

⁹⁴² Cf. http://europa.eu.int/growthandjobs/pdf/transposition_directives_en.pdf, latest access 30 November 2005.

⁹⁴³ Cf. http://epp.eurostat.ec.eu.int/portal/page?_pageid=0,1136173,0_45570701&_dad=portal&_schema=PORTAL, latest access 30 November 2005.

⁹⁴⁴ Cf. Jörg Eigendorf: Aufhaltsamer Abstieg der Banken, Leitartikel, in: Die Welt, 9. Juni 2005, S. 8.

⁹⁴⁵ Cf. IMD: Taxes and competitiveness – is there any link? IMD World Competitiveness Yearbook, <http://www02.imd.ch/wcc/ranking>, latest access 30 November 2005.

⁹⁴⁶ Cf. <http://www.clubvonlissabon.de>, latest access 30 November 2005.

⁹⁴⁷ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17081.

⁹⁴⁸ Deutscher Bundestag, Stenografischer Bericht, 4. Sitzung, Berlin, 30. November 2005, p. 88.

⁹⁴⁹ Deutscher Bundestag, Stenografischer Bericht, 160. Sitzung, Berlin, 24. Februar 2005, p. 14917.

⁹⁵⁰ Unofficial translation of a keynote address by Edmund Stoiber, Minister-President of the Free State of Bavaria on the occasion of the 4th Munich Economic Summit on June 9 2005, http://www.munich-economic-summit.com/mes_2005/speeches/sp_stoiber.htm, latest access 30 November 2005.

⁹⁵¹ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17085.

⁹⁵² Ibid., p. 17094.

⁹⁵³ Coalition Agreement between CDU, CSU and SPD „Gemeinsam für Deutschland – Mit Mut und Menschlichkeit“, http://www.cdu.de/doc/pdfc/05_11_11_Koalitionsvertrag_Langfassung_navigierbar.pdf, latest access 30 November 2005, pp. 11-12.

The National Action Plan for the implementation of the Lisbon Agenda has, due to the electoral calendar, been published as one of the last countries within the EU, on 7 December 2005.⁹⁵⁴ In the report six central political areas are identified:

- stronger emphasis on knowledge as a key prerequisite for ensuring the sustainability of a modern society;
- pursuit of policies aimed at making markets competitive;
- further improvement of general conditions for business activity;
- economically appropriate consolidation of public finances;
- use of ecological innovation as a competitive advantage;
- direction of economic, financial, and labour market policy towards more employment.⁹⁵⁵

Among the opposition parties, the Liberals (FDP) heavily attacked the Schröder government's approach concerning the Lisbon Agenda. Wolfgang Gerhardt stressed the national responsibility to keep the process running. He accused the former coalition of Social Democrats and Greens of lacking the strength and determination to carry out the necessary initiatives for reform and rejected the government's tendency to blame the European Commission for the disappointing results of the Lisbon Agenda in Germany.⁹⁵⁶ His colleague Werner Hoyer argued that the strategy has been unrealistic from the very beginning and declared that the member states' governments, especially the German one, are responsible for the preliminary failure. He supported the idea of a more rigorous monitoring in order to identify those who don't get their part done to make the Lisbon Agenda a success.⁹⁵⁷

⁹⁵⁴ For an EU-wide overview cf. http://europa.eu.int/growthandjobs/pdf/nrp_2005_en.pdf, latest access 30 November 2005. The German action plan can be downloaded at: <http://www.bundesregierung.de/Anlage929900/Nationales+Reformprogramm+Deutschland+%28pdf-Datei%29.pdf>, latest access 8 December 2005.

⁹⁵⁵ Cf. Federal Government: Germany approves national reform program, 8 December 2005, http://www.bundesregierung.de/en/-_10001.930434/artikel/Germany-approves-national-refo.htm, latest access 11 December 2005.

⁹⁵⁶ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17088.

⁹⁵⁷ Cf. Werner Hoyer: Deutschland ist Europas größter Bremsklotz im Lissabon-Prozess! Pressemitteilung vom 22.03.2005, http://fdp.de/webcom/show_websiteprog.php?wc_c=730&wc_lkm=167, latest access 26 October 2005.

Rainer Steenblock, member of parliament for the Green Party, described his perception of the central elements of the Lisbon Agenda: the creation of jobs that are oriented towards innovation and future, the services sector (that still leaves a lot of potential for further development) and job creation in the field of regenerative energies. Furthermore, he stressed the importance of core topics such as education, reduction of subsidies, social security reform or tax reform for the success of the Lisbon Agenda.⁹⁵⁸

Directives on services and working times

The newly established grand coalition of CDU/CSU and SPD shares the view that the service sector is of importance for economic growth in Germany, but both parties are concerned about quality standards of services with respect to environmental or labour law questions. Therefore the coalition agreement states that the country-of-origin principle, as foreseen in the current version of the directive, is not suitable to guarantee the quality of services and to avoid social dumping⁹⁵⁹.

Nevertheless the service directive could lead to quarrels in the coalition⁹⁶⁰ as the SPD is absolutely against the country-of-origin principle and wants to introduce the country-of-provision principle. This view is supported by the MEP Evelyne Gebhardt (SPD), who is rapporteur for the Internal Market Committee for the service directive. The CDU/CSU on the other hand is supportive of a reformed country-of-origin principle.

Federal employers' organisations like the *Bund der deutschen Arbeitsgeberverbände* (BDA) and the *Bundesverband der Deutschen Industrie* (BDI) highly welcome the services directive as a step to a more liberalised market and a reduction of bureaucracy⁹⁶¹, but at the same time point out that it should not lead to a circumvention of existing and still necessary sector-specific limitations of the free movement

⁹⁵⁸ Deutscher Bundestag, Stenografischer Bericht, 179. Sitzung, Berlin, 03. Juni 2005, p. 16904.

⁹⁵⁹ Coalition Agreement between CDU, CSU and SPD „Gemeinsam für Deutschland – Mit Mut und Menschlichkeit“, http://www.cdu.de/doc/pdfc/05_11_11_Koalitionsvertrag_Langfassung_navigierbar.pdf, latest access 30 November 2005.

⁹⁶⁰ Frankfurter Allgemeine Zeitung: Die Dienstleistungsrichtlinie zieht sich hin, 6.12. 2005.

⁹⁶¹ Ludwig Greven: Wirtschaft lobt EU-Dienstleistungskompromiss, in: Financial Times, <http://www.ftd.de/pw/eu/31821.html>, 24.11.2005.

of labour.⁹⁶² The *Deutscher Gewerkschaftsbund* (DGB, umbrella organisation of German Trade Unions) rejects the Commission's proposal and prefers principally the introduction of common standards instead of the country-of-origin principle⁹⁶³.

The debate in Germany on the EU-Commission's proposal to change the working time directive (2003/88/EC) is held in the light of the rulings of the ECJ that time spent on call should be regarded as working time (SIMAP case and Jäger case). The discussion focuses on different components of the proposal: Definition of working time, reference period of working time, opt-outs and mandatory rest periods.

The Commission's proposal to change the working time directive was generally welcomed by the German government. From the Federal Government's point of view for the stand-by duty in Germany there is a particular necessity of sufficiently flexible regulation that enables practicable solutions for a multitude of conceivable scenarios. Besides the retention of a restricted opt-out this also includes the possibility of a unilateral extension of the equalisation framework.⁹⁶⁴

The Bundesrat (second chamber of the representatives of the states) has also generally welcomed the proposal, but demands exemptions for services like police, fire workers or emergency services and would like to keep open the definition of equalisation time frames by collective agreements.⁹⁶⁵ The Committee on Labour of the Bundestag has not dealt yet with the proposal.

⁹⁶² Bundesverband der Deutschen Arbeitgeberverbände / Bundesverband der Deutschen Industrie: Die Arbeitnehmerfreizügigkeit für Staatsangehörige aus den neuen Mitgliedstaaten gestalten. Gemeinsame Stellungnahme, [http://bdaonline.de/www/bdaonline.nsf/id/43F1574B17C4B0CAC12570D900386F5D/\\$file/Stellungnahme%20Arbeitnehmerfreizügigkeit.pdf](http://bdaonline.de/www/bdaonline.nsf/id/43F1574B17C4B0CAC12570D900386F5D/$file/Stellungnahme%20Arbeitnehmerfreizügigkeit.pdf), latest access 22 December 2005.

⁹⁶³ Deutscher Gewerkschaftsbund: Press Release, 23 November 2005.

⁹⁶⁴ Arnold Bug: Aktuelle Entwicklungen im deutschen und europäischen Arbeitszeitrecht, aus: Wissenschaftliche Dienst des Deutschen Bundestages, Der Aktuelle Begriff, Nr. 65/05, 15 September 2005, <http://www.bundestag.de/bic/analysen/index.html>, latest access 19 December 2005.

⁹⁶⁵ Arnold Bug: Aktuelle Entwicklungen im deutschen und europäischen Arbeitszeitrecht, aus: Wissenschaftliche Dienst des Deutschen Bundestages, Der Aktuelle Begriff, Nr. 65/05, 15 September 2005, <http://www.bundestag.de/bic/analysen/index.html>, latest access 19 December 2005.

The *Bund der deutschen Arbeitsgeberverbände* (BDA) emphasises the need of flexibility for working contracts. A general time-frame for the weekly maximum working time is required, that might be changed by collective agreements. Furthermore, to define inactive time during time on call as no working time is considered as the right approach. But the precise definition of mandatory rest periods hinders flexible work organisation and restricts the autonomy of the social partners.⁹⁶⁶ The *Deutscher Gewerkschaftsbund* stresses that the proposal should not undermine already existing standards. The autonomy of the social partners has to be respected and collective agreements should remain valid.⁹⁶⁷

National reform activities

The high unemployment rate of currently 11,0 percent⁹⁶⁸ is the main concern of policy-makers in Germany. The German labour market is criticised as being too inflexible and as imposing too high social security costs on employers⁹⁶⁹. In 2003, non-wage labour costs made up around 42 percent of labour costs in Germany (pension insurance 19.5 percent; health insurance on average 14.3 percent; nursing care insurance 1.7 percent; unemployment insurance 6.5 percent).

The guiding multi-annual governmental programme, containing different reform packages for the labour market, a growth strategy by cutting taxes and an innovation initiative, until the elections in September 2005 has been the so called "Agenda 2010", launched in 2003 by the second government Schröder (SPD) in cooperation with the largest opposition party CDU/CSU. The labour market reforms have since followed the ideas of an activating social state and aimed at rebalancing the rights and duties of social welfare recipients and jobless people.

The main components of the "Agenda 2010" were four law packages, named after Peter

⁹⁶⁶ Available at: <http://www.einzelhandel.de/servlet/PB/merkmale/1047439/>, latest access 19 December 2005.

⁹⁶⁷ Interview: Deutscher Gewerkschaftsbund, December 2005.

⁹⁶⁸ Monthly report the development of the labour market by the Federal Employment Agency, October 2005, <http://www.pub.arbeitsamt.de/hst/services/statistik/000000/html/start/monat/aktuell.pdf>, latest access 24 November 2005).

⁹⁶⁹ See for example: Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung 2005: Jahresgutachten 2005/2006. Die Chance nutzen – Reformen mutig voranbringen.

Hartz, President of the reform commission for the labour market:

- Hartz I- and Hartz II-laws enabled the creation of state-supported self employment possibilities ("Ich-AGs") and personnel service agencies (PSAs). PSAs employ jobless people and "loan" them to companies which at best give the respective person a permanent job.
- Hartz III-law restructured the Federal Employment Agency.
- Hartz IV-law led to a combination of the welfare assistance and the unemployment assistance to the so called Arbeitslosengeld II (unemployment benefit II). Furthermore stricter job acceptance criteria were introduced.

The labour market reform package was highly controversial especially in the social democratic party SPD. It led to the creation of a new party, the WASG, a left party mainly represented in Western Germany. The WASG formed an election alliance with the PDS (socialist party, that is mainly strong in the Eastern part of Germany), which gained 8.7 percent at the national elections in September 2005.

The newly established CDU/CSU-SPD grand coalition has slightly shifted the priorities and emphasises the liberalisation of the labour market. As a first step labour law regulations will be changed and the requirements to dismiss workers in the first two years of the engagement will be lowered. Another important aim is the reduction of non-wage labour costs to stimulate economic growth. It is foreseen that social security costs will be permanently reduced to a rate below 40 percent. On 1 January 2007 the contribution for unemployment insurance will be reduced from 6.5 to 4.5 percent. One percentage point of this relief for employers and employees will be financed by a higher VAT rate.⁹⁷⁰

Dieter Hundt, President of the Confederation of German Employers' Associations (BDA), acknowledged some of the measures, but stressed further necessary improvements like more cuts in the social welfare system and more exceptions from collective agreements

⁹⁷⁰ Coalition Agreement between CDU, CSU and SPD „Gemeinsam für Deutschland – Mit Mut und Menschlichkeit“, http://www.cdu.de/doc/pdfc/05_11_11_Koalitionsvertrag_Langfassung_navigierbar.pdf, latest access 30 November 2005.

on the company level.⁹⁷¹ Michael Sommer, President of the Federation of German Trade Unions (DGB), showed quite satisfied with the reached results.⁹⁷²

Research and Development

In 2003 Germany spent 2.55 percent of its GDP on Research and Development. Total expenditure grew from 44.7 billion Euro in the year 1998 to 54.3 billion Euro in the year 2003⁹⁷³. Around 66 percent⁹⁷⁴ of the expenditure on R&D in Germany are financed by private sources. Therefore the aim of the Lisbon Strategy of a two third contribution of the private sector to the financing of R&D has already been accomplished in Germany.

2003 Germany was the fourth-largest global spender on R&D behind the US, Japan and China⁹⁷⁵. Since 1994 Germany expanded its R&D spending from 2.24 percent to 2.5 percent in the year 2005. This growth is mainly due to the growth in business spending on R&D⁹⁷⁶.

The new government supports the long-term goal of the EU to spend 3.0 percent of GDP on R&D by 2010 and regards it as an objective for their policy. Following measures are to guarantee this objective (see coalition agreement):

- improvement of the conditions for innovations and research;
- support of a pro-innovation climate;
- increased support of advanced technologies as biotechnology and genome research, nanotechnology, information and communication technologies;
- better efficiency of the research system;
- efficient participation at the 7th research framework programme.

The success of Germany in the R&D sector will depend on the reforms of the education and research systems, which are part of the reform

⁹⁷¹ Press release 81//2005. <http://www.bda-online.de/www/bdaonline.nsf/id/E8B338B755B8358CC12570B60045B308?Open&ccm=400085&L=DE&markedcolor=,> latest access 30 November 2005.

⁹⁷² www.dgb.de/dgb/gbv/reden/stat_sommer_1611.pdf, latest access 30 November 2005.

⁹⁷³ OECD Science: Technology and Industry Outlook 2005, latest access 30 November 2005.

⁹⁷⁴ Deutsche Bank Research 2005: Fortschritt in Europa durch integrierte Forschungspolitik: Entwicklungen und Herausforderungen, EU Monitor of 7 April.

⁹⁷⁵ OECD Science: Technology and Industry Scoreboard 2005, Briefing Note for Germany.

⁹⁷⁶ Ibid.

of the overall federal structure. This reform is one of the priorities of the new government. During its Council presidency in the first half of 2007 Germany wants to underline the importance of education, research and innovation as a key for growth and prosperity in Germany and Europe.

The future of the Stability Pact

The German position concerning the Stability and Growth Pact is ambiguous. On the one hand it is not forgotten that it was a German government that put a lot of pressure on other European countries to introduce the strict indicators known as "Maastricht criteria". Therefore a broad majority of German politicians argue in favour of the Stability Pact and still support the general idea to put a focus on maintaining the Euro's purchasing power and thus price stability in the Euro area. However, this image contrasts sharply with the poor financial performance resulting in a public deficit that failed four consecutive times to keep the public deficit below 3 percent of GDP⁹⁷⁷ and has also led to a significant increase in Germany's debt-to-GDP ratio. Costs of the German Unification in 1990 still have a major impact in this respect⁹⁷⁸.

The recently formed coalition between Christian and Social Democrats was sealed in a coalition agreement that included an entire chapter on the sustainable consolidation of public finances and tax reform, thus identifiable as a core target of the coalition. It was stated that the rules of the Stability and Growth Pact will be complied with and the consequences for public finances will be respected. In several paragraphs the current situation is described, targets and procedures how to accomplish the sustainable consolidation are defined. The basic dilemma is how public expenditure can be cut without further slowing down growth.⁹⁷⁹

In her formal policy statement in the Bundestag Angela Merkel stressed the importance to

⁹⁷⁷ Cf. http://www.bundesbank.de/statistik/statistik_zeitreihen.php?func=row&tr=bj9064, latest access 30 November 2005, and, concerning the EU's evaluation, <http://europa.eu.int/scadplus/leg/en/lvb/l25071.htm>, latest access 30 November 2005.

⁹⁷⁸ Cf. http://www.bundesfinanzministerium.de/lang_de/DE/Service/Downloads/Abt_I/0509011a4011,templateId=raw,property=publicationFile.pdf, latest access 30 November 2005.

⁹⁷⁹ Coalition Agreement between CDU, CSU and SPD „Gemeinsam für Deutschland – Mit Mut und Menschlichkeit“, http://www.cdu.de/doc/pdf/05_11_11_Koalitionsvertrag_Langfassung_navigierbar.pdf, latest access 30 November 2005, p. 33.

strive for balanced measures, pointing out that the political concept for a successful consolidation has to find answers to the trifold challenge of readjustment, reform and further investments.⁹⁸⁰

The Christian Democrats (CDU), the party who led the German government when the Stability and Growth Pact was designed, heavily criticised the previous coalition for infractions against the pact. Dagmar Wöhrle, member of the Bundestag, complained that it has become a normality for the previous government to infringe upon the Stability and Growth Pact⁹⁸¹ while her colleague Marco Wanderwitz demanded that German governments could not go on with out of scale expenditures and neglect aspects of financial sustainability.⁹⁸² Georg Fahrenschön went as far as to refer to the reform of the pact in March as a farce, since it is still called a pact but does not provide stability any more.⁹⁸³

Coalition partner SPD, the Social Democrats, supported the reform of the Stability and Growth Pact. The Parliamentary State Secretary in the Federal Ministry of Finance, Barbara Hendricks, expressed her optimism that the "new" pact would generate more economic rationality and significantly reduce the continuous debate on procedural questions.⁹⁸⁴ Her colleague Jörg-Otto Spiller asked for a stronger focus on economic objectives, explained how remarkably strong and stable the Euro has proven so far ("the most stable currency of the world") and declared that it is absurd to think that a 2.9 percent deficit of the GDP is acceptable whereas a deficit of 3.1 percent is considered harmful.⁹⁸⁵

The strongest opposition party, the Liberals (FDP), has always argued for strict compliance with the Stability and Growth Pact in its original version. It is therefore no surprise that Werner Hoyer, member of the Bundestag, considered the reform of the pact a softening of the

⁹⁸⁰ Deutscher Bundestag, Stenografischer Bericht, 4. Sitzung, Berlin, 30. November 2005, p. 87.

⁹⁸¹ Deutscher Bundestag, Stenografischer Bericht, 179. Sitzung, Berlin, 03. Juni 2005, p. 16898.

⁹⁸² Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17107.

⁹⁸³ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17099.

⁹⁸⁴ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17100.

⁹⁸⁵ Cf. Jörg-Otto Spiller, Finanzpolitischer Sprecher der SPD-Bundestagsfraktion: Die härteste Währung der Welt, Berlin, http://www.spdfraktion.de/cnt/rs/rs_datei/0,,4860,0.pdf, latest access 30 November 2005, p. 2.

Masstricht criteria and a wrong signal regarding the stability of the Euro.⁹⁸⁶

Anja Hajduk, member of parliament for the Green party, argued in favour of the pact's reform, pointing out that this compromise is honest because it gives Germany more time for budgetary consolidation, even though she admits that everybody would like to be able to comply with the 3 percent criterion on a short-term basis.⁹⁸⁷

The post-communist Linkspartei (Leftist Party) rejects the rules concerning monetary stability as they were put down in the Stability and Growth Pact. Bundestag member Petra Pau emphasised the necessity for a social pact instead, related to regulation to avoid social and wage dumping as well as tax evasion.⁹⁸⁸

Greece

Directives on services and working times

There is a general opposition against liberalisation of services and flexibility of working conditions, in spite of some efforts of the Government to introduce reforms.

National reform activities

Timid reforms have been taken in the areas of labour markets meet with the Unions' opposition and with media hostility. Poor investment on research, development and technology is a continuing problem while EU-financing has not changed things noticeably. Relative progress could be achieved in the liberalization of financial services, the internal market and enterprises. And there is some real progress in the denationalization field; after a long period of "problems denial", the Social Security/pensions crisis is being discussed anew.

The future of the Stability Pact

The Stability Pact is considered of vital importance. It should remain in place, eventually slightly revised in order to have more flexibility in the application of its nominal

criteria. This remains the official position, notwithstanding the fact that the Greek economy has had now two years of deficits over 3% of GDP and is trying to mobilise instruments like securitisations to keep the 3% target for 2006.

Hungary

Directives on services and working times

Hungary welcomes the proposed services directive, and similarly to most new Member States would like to see the whole services market liberalised as soon as possible. With a view to smoothening liberalisation, Hungary favours the country of origin principle (against the host country principle). Hungary assumes that the directive would not cause any important changes in the domestic service market, although there would be a stronger competition of services pushing the prices downwards. Though the services directive would promote the movement of investments as well, due to the low level of capital of average Hungarian companies, they are not likely to profit from this opportunity in the near future⁹⁸⁹. In any case, the improvement of framework conditions on the Internal Market will have a positive impact on their activities in the longer run.

Hungary does not support the working time directive in its present form, because it can result in increased costs for employers especially in the health sector. According to Hungary, the inactive part of the so-called duty time should *not* be considered as part of the obligatory working hours. In this respect Hungary does not support the recent decision of the European Court of Justice and is prepared to use the possibility of an opt-out as regards regulating working time in the health sector⁹⁹⁰.

National reform activities

In the framework of globalisation – and as a European response to it – all national reform activities in economic and social fields should be done so as to increase the competitiveness of both the national level and the European Union as a whole. The positive impact of the services directive or that of potential labour

⁹⁸⁶ Cf. Werner Hoyer: Deutschland ist größter Bremsklotz im Lissabon-Prozess! Pressemitteilung vom 22.03.2005, fdp.de/webcom/show_websiteprog.php?wc_c=730&wc_lk m=167, latest access 26 October 2005.

⁹⁸⁷ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17104.

⁹⁸⁸ Deutscher Bundestag, Stenografischer Bericht, 181. Sitzung, Berlin, 16. Juni 2005, p. 17096.

⁹⁸⁹ Kovács Róbert: Szolgáltatási irányelv: nekünk jó. Világgazdaság, 7 June 2005.

⁹⁹⁰ Urkuti György: Egyelőre marad a hosszabb munkaidő. Világgazdaság, 6 June 2005.

market reforms should be seen by the Member States as measures benefiting the national economies and improving the EU's performance in global competition. It should not be forgotten that enhanced European competitiveness will boost prosperity and might create better framework conditions for continuous adaptation to new challenges – e.g. demographic problems, environment protection, further enlargements, and even European constitutionalisation.

Hungary is currently launching a reform in connection with unemployment benefits. In the new system those out of work will benefit from “assistance to job seeking” which would be 60% of the previous wage in the first three months of *unemployment* and 60% of the minimum wage six months afterwards. The payments are coupled with advice assistance to job seekers. In any case, Hungary would need to elaborate and implement a thorough labour market reform because the Hungarian activity rate is one of the lowest in the EU-25 (women's inactivity is even higher). The new measures should result in a more family-friendly system for the young job takers, in higher job security for those in work, in increased flexibility of choosing the age of retirement for the elderly, and in improved assistance of the disadvantaged (e.g. the Roma)⁹⁹¹.

Hungary recognises the need to increase investments in *research and development* in order to reach better results in science and innovation as well as to keep the most talented researchers at home. At the same time, due to high budget deficit and unbalanced public finances, Hungary has not been able to increase expenditure on this highly important sector – the rate being close to 1% of GDP (in sharp contrast with the Lisbon target rate of 3%/GDP).

In order to fulfil the aims of the Lisbon Agenda, Hungary is making efforts to develop especially its Eastern regions. With the aim to reach higher (regional) *growth and employment* the government launched new highway and motorway constructions in the less developed Eastern and South-Western regions of Hungary. Nevertheless, in the context of the mentioned budget deficit the central

government (and even more the local governments) are pursuing a restrictive economic policy instead of a more expansionary one. The approximately 4-4,5% growth of the Hungarian economy is mainly due to the activities of the multinational companies as well as to the construction industry – but does not reflect the dynamism of the national economy as a whole. Unemployment is above 6% which is lower than EU average, nevertheless the recent tendency has been a growing one. This tendency is coupled with the mentioned low activity rate (57%) which the government would like to raise to 63% by 2010. In order to create more jobs, the new national growth and employment strategy is especially focussing on boosting the domestic small and medium sized enterprises by easing their tax burdens, on increasing workers' mobility, on improving the working conditions at the workplaces as well as on helping Roma integration into the labour market.

The full liberalisation of the *financial services* sector has long taken place in Hungary. The banking sector is one of the best performing one in the domestic economy. As regards the services sector in general, as mentioned above, Hungary is in favour of its liberalisation – this being the missing element of a well functioning Internal Market. As regards enterprises, with a view to create a company-friendly environment, the administrative charges have been decreased and red tape was reduced in Hungary. Furthermore, thanks to new rules, the small and medium sized enterprises can obtain loans easier and faster than before.

The future of the Stability Pact

Hungary finds that the Stability and Growth Pact reform was a very important step. For Hungary the reforms are positive, especially the point that (during a transition period) the costs of the pension system reform can be taken out of the budget deficit. According to the official Hungarian position these modifications

do not mean the weakening or the devaluation of the pact, because these corrections were necessary⁹⁹².

⁹⁹¹ Proposals for Hungary by Mr. Wim Kok. http://www.fmm.gov.hu/upload/doc/200406/wimkok_jelente.s.pdf (latest access: 12.12.2005).

⁹⁹² Bruxinfo: Juncker fegyverténye: a stabilitási paktum reformja. 1 August 2005 <http://www.bruxinfo.hu/cgi-bin/bruxinfo/write.cgi?filename=/bruxinfo/ujsag/20050801/rovat17/cikk659.html> (latest access: 12.12.2005).

Ireland

Directives on services and working times

During the debate on the Constitutional Treaty, the issue of the services, or Bolkestein, Directive became an important point of debate in Ireland. There is a fear among some that the EU is rushing to embrace the free market, to the detriment of the social model in Europe. Other elements in public opinion accepted that it was as a result of the Euro and the single market that Ireland had done well in economic terms, and that initiatives such as the services directive were essential in order to complete the single market.

The Finance Minister, Brian Cowen, pointed out early in 2005 that, as a small, open economy, Ireland was dependent on open markets, and said that the plan to liberalise the market in services would benefit Ireland. "We are supportive of the directive. We would like to see progress, but we recognise there are concerns in some states, and if more balance is needed in the proposal, then we can work on that," he said. "There are clearly going to be amendments to the directive. The present directive, in its present state, does not form the basis on which a consensus decision can be taken," he said.

The Irish Government is generally against any kind of protectionism. As the Tánaiste said "protectionism protects nothing"⁹⁹³.

Ireland does not have an opt-out of the Working Time Directive and therefore supports the Directive. It does not have a strong objection to the British opt-out.

National reform activities

Ireland's unemployment rate of 4.3 per cent is the lowest in the euro zone, according to official EU statistics⁹⁹⁴. This would leave the Republic with a continuation of virtually full employment at a time when the average jobless rate across the pre-accession EU 15 is averaging at between 8 and 9 per cent. The number of people in employment in the Republic is forecast to climb by 1.4 per cent in 2005 and by 1.3 per cent in 2006. This would be significantly lower than the 4.1 per cent average growth between 1992 and 2002. Accompanying the Republic's out-performance however is stronger growth in labour costs,

according to the OECD⁹⁹⁵. The study finds that the cost of paying staff is climbing by 5.9 per cent this year in Ireland and will climb by the same measure again next year. Many believe that the Irish model of Social Partnership should be explored across Europe.

The Taoiseach Bertie Ahern recently commented that "our policies on structural reform were key to promoting employment and stimulating investment. For an economy that was characterised throughout most of the 20th century by emigration and high unemployment, it is clear that our complementary socio-economic policies, underpinned by social partnership, played a crucial role in bringing about an almost incredible turnaround. I believe that what worked for Ireland can now work similarly for the European Union".

The most recent social partnership programme in Ireland is 'Sustaining Progress'. The social partnership agreements to impose a standard wage increase across the economy. Since 1987, Ireland has had six social partnership programmes:

- Programme for National Recovery 1987 – 1990 (PNR)
- Programme for Economic and Social Progress 1991-1994 (PESP)
- Programme for Competitiveness & Work (1994)
- Partnership 2000 (1997-2000) (P2K)
- Programme for Prosperity and Fairness (PFP)
- Sustaining Progress (SP)

The Irish Government views Research and Development initiatives as key to the future of the European Union and Ireland. Ireland has launched an action plan to promote investment in R&D with a view to 2010. According to the Tánaiste, Mary Harney, it is essential to building Ireland's knowledge economy. An Inter Departmental Committee on Science, Technology and Innovation was established in 2003 to look into the issue and to develop the Irish Research and Development Action Plan. The Action Plan was a direct response to the targets agreed by the Heads of State in Barcelona in 2002 to increase expenditure on R&D in the EU from 1.9% of GDP currently to 3% in 2010. Ireland's current expenditure on R&D is 1.4% of GDP.

⁹⁹³ The National Forum on Europe.

⁹⁹⁴ Reuters 1/09/05.

⁹⁹⁵ Employment Outlook June 2005.

All the relevant stakeholders were involved in the formulation of the Action Plan. The Government also supports the European Commission's 2003 Action Plan.

The Irish Taoiseach Bertie Ahern outlined his employment and growth strategy, in the context of the Lisbon Agenda, in a recent article in the Irish Times⁹⁹⁶:

“The most important thing is a balance between growth and social protection. In the negotiations on the new European Constitution, Ireland pressed for a new provision that obliges the union to take social objectives into account, including the fight against social exclusion and poverty in all policy areas.

- To achieve greater growth, we need to improve our performance in the fields of knowledge and innovation.
- We must complete the internal market, in particular the internal market for services.
- The EU now competes directly with other regions of the world for mobile investment in knowledge and research. Our state aids regime must take account of this, so that EU countries are not at a disadvantage in competing for investment.
- We need to regulate effectively and ensure that red tape does not stifle growth and competitiveness, strengthen impact assessment and simplify EU regulations in the interest of competitiveness.
- A core objective for the EU and its member states must be the delivery of more and better jobs. In taking action, it is critical that we pay attention to a number of structural challenges: namely adaptability, attracting more people into the labour market and investing in human capital.
- At every level, we must increase the ability of workers and enterprises to respond to change. We must make work more attractive to particular groups, including women and older workers. We must make more effective investment in education, vocational training and the whole area of lifelong learning to equip people for employment in the knowledge society.

- Across Europe we need to engage national parliaments, social partners and civil society as a whole to achieve the necessary pace of progress. This is why I called last year for member states to establish national reform partnerships. Our own well-developed social partnership process has shown us the value of engaging all of the players in the national reform process. The involvement of the partners at national level in the new action programmes and reporting systems will add a vital dynamism.
- In addition, the commitment of the social partners at EU level through the Tripartite Social Summit is welcomed and reflects the aims of the new Partnership for Growth and Employment.”

During the Irish Presidency of the EU in 2004, the Government considered the ‘finalisation’ of the Financial Services Action Plan to be “vital” for the Lisbon Process. It therefore pushed the European Parliament to conclude its legislative work on the Pact.

The future of the Stability Pact

The Irish Representative on the Economic and Monetary Affairs Committee (EMAC), Mr Pat McArdle of Ulster Bank, was quoted as saying that the Stability and Growth Pact reform was “a delicate balance between improving the effectiveness of the pact on one hand, and weakening it on the other”⁹⁹⁷. In the run up to the reform agreement, Ireland was among the countries looking for changes to the pact. At the time Ireland held the Presidency of the EU it was clear that member states did not want to reactivate the debate on the Stability and Growth Pact, therefore, the Presidency did not make any proposals.

In particular, a more flexible pact would allow the Irish Government to drive forward the National Development Plan by freeing up funding while not pushing Government borrowing over the 3% of GNP. The Government will be more able to spread the borrowing over a number of years. This is particularly important for infrastructure projects.

The Department of Finance said that the new measures in the reform pact would align the

⁹⁹⁶ Irish Times 31/03/05.

⁹⁹⁷ Irish Times, 26/01/05.

EU's fiscal regime with the actual economic needs of member states, Ireland among them. "This means that countries with low debt and high potential growth - such as Ireland - can have more flexibility, particularly where this is needed to fund extra investment in infrastructure, for example," the note said.

Not all the stakeholders agree with more flexibility. The employers association of Ireland, IBEC, believe that fiscal discipline and increasing productivity is the way to transform the ailing economies in Germany and France. Therefore, they feel that the SGP should be binding rules and should not necessarily have been made more flexible.

Italy

Directives on services and working times

In spring 2003, the cabinet approved the national regulations implementing the EU Directive 93/104/EC as modified by Directive 2000/34/EC (which extended the original working time Directive to previously excluded sectors and activities). The government feels the measure will enable Italy to adjust to the flexibility standards required by the EU. The decree makes no changes in the normal weekly working hours and keeps Sunday as the weekly day of rest. The maximum working time is set at 40 hours per week, although the social partners may set a lower limit through national-level bargaining.

An innovation with respect to the previous rules is the extension of derogations – i.e. some of the decree's constraints on working hours do not apply to some groups. For Confindustria, the major Italian employers' association, the government decree makes excessive concessions to 'social partner autonomy', in that it continues to give priority to collective bargaining over individual bargaining. The opinion of the trade union confederations is exactly the opposite. They lament that the government has acted unilaterally, not permitting dialogue with the social partners on such a delicate matter as working hours.⁹⁹⁸

As for the debate on the services directive, according to the Minister La Malfa the government supports the directive "in its

⁹⁹⁸ See European industrial relations observatory on-line, <http://www.eiro.eurofound.eu.int/2003/05/feature/it0305305f.html> (latest access: 22.11.2005)

original form, including the principle of the country of origin and the whole idea of making the internal market work".⁹⁹⁹ During the negotiation on the directives, nevertheless, the government is deemed to have shared concerns over an excessive liberalisation of specific sectors of other European countries.¹⁰⁰⁰ Italy's unilateral adoption of some provisions of the draft directive in anticipation of its approval, finally, is foreseen in the Action Plan for the revitalisation of the Lisbon Strategy presented to the European Commission on October 15. The radical left-wing party of Refounded Communists, Greens, some parts of trade unions and pacific movements are against the directive (on October 15 they organised a demonstration in Rome that gathered 10,000 people).

National reform activities

According to the Commission's annual review and to other investigations conducted by other independent institutions, Italy is one of the countries with the worst score in the implementation of the Lisbon strategy.¹⁰⁰¹ In particular, Italy's low GDP growth and declining productivity are of concern. In order to comply with the Lisbon strategy, in the past years the government has implemented a reform of the labour market, welfare and the education system. The main initiatives taken to reform the Italian labour market entered into force in October 2003 (including the so-called "Biagi law", approved by Parliament in February 2003). The reforms relate to areas such as job placement services, new forms of employment, contract and part-time work. According to the European Commission, the Italian labour market nevertheless still need a more decentralised wage setting and increased flexibility in working time. In late July 2005, the executive committee of Confindustria, the major Italian employers' association, and the presidents of its regional branches discussed a provisional document proposing reform of the collective bargaining structure established by the national tripartite agreement of 1993. The proposal relaunches a dialogue between the social partners on the bargaining structure that

⁹⁹⁹ Intervention by Minister Giorgio La Malfa, "Italy, competitiveness and the Lisbon strategy" at the Centre for European Reform, London, 18/10/2005.

¹⁰⁰⁰ Alasdair Murray and Aurore Wanlin, *The Lisbon Scorecard V Can Europe compete?*, Centre for European Reform, 17/3/2005, p. 41.

¹⁰⁰¹ European Commission, *The EU Economic Review 2004* and Alasdair Murray and Aurore Wanlin, *The Lisbon Scorecard V Can Europe compete?*, Centre for European Reform, 17/3/2005.

broke down in 2004 when the unions failed to reach a consensus on the issue.

Concerning welfare, in 2004 the government introduced a pension reform. The reform foresees new tax incentives for people to remain in work and raises the statutory age of retirement to 65 for men and 60 for women.

As regards the education system, on March 24 2005 the Italian government approved two legislative decrees implementing the reform of the school and training system introduced by Law 53/2003, known as the Moratti reform, named after the current Minister of Education, Letizia Moratti. The two decrees have raised the age limits for compulsory education and training and have introduced the possibility for students aged between 15 and 18 to alternate periods of school and work. For the moment, nevertheless, less than 20 % of 25 to 34 years old have studied to degree level, which is one of the worst score among the EU old member states.

Future reforms to be undertaken to relaunch the Italian economy and comply with the Lisbon strategy were recently discussed in a consultative inquiry of the Senate European Affairs Commission. Some of the measures requested by parliamentarians are included in the National Plan for Innovation, Growth and Employment¹⁰⁰² presented to the European Commission on October 15. The Plan was drafted under the supervision of the Minister for European Affairs Giorgio La Malfa, in charge of supervising Italy's compliance with the Lisbon strategy (the Italian "Mr. Lisbon"). Of the 24 guidelines approved by the June European Council, Italy's plan focuses on five priorities: further liberalisation of the national market, incentives for scientific research and technological innovation, support for companies, investments in infrastructure. In particular, the plan foresees a further liberalisation of the services sector through national measures to implement the recommendations made over the years by the national Market and Competition Authority and the other national sector regulators (for energy, telecommunications etc.). According to Minister La Malfa, the reform programme also will include Italy's unilateral adoption of some provisions of the draft services directive in

¹⁰⁰² Piano nazionale per l'Innovazione, la Crescita e l'Occupazione (PICO).

anticipation of its final approval.¹⁰⁰³ Criticism was voiced by some economists and the opposition for the limited measures foreseen to enhance investment in the field of research and development.

The future of the Stability Pact

According to the European Commission's Spring economic forecast 2005 – 2006, Italy is heading for a budget deficit of 3.6 per cent in 2005 and 4.6 per cent in 2006. Following these forecasts, on June 12, EU economic and finance ministers approved a Commission recommendation giving Italy six months (instead of four) to present corrective action, and two years (instead of one) to reduce its excessive deficit. These requests contrast, in some way, with the main line of the economic and financial planning document published by the Italian government on July 15 2005, which states that "The fundamental problem with public finances is low growth, ...so economic policy in the next few years will focus above all on growth".¹⁰⁰⁴

In 2005, the euro and the pros and cons of Italy's participation in the single currency have, in fact, been the object of heated debate. Strong criticism has been voiced in particular by members of the Northern League, who have suggested that Italy leave the euro. Northern League concerns reflect widespread public discontent with what is perceived as too large an increase in prices since the entry into force of the single currency. Former Finance Minister Domenico Siniscalco and some Italian economists reacted to this criticism by pointing out that the euro has not generated inflation and has, on the contrary, given Italy's economy greater stability – suffice it to make a comparison with the excessive interest rates that characterised the Italian economy in the past.¹⁰⁰⁵ Considering Italy's poor economic performance and the sense of insecurity this generates in Italian citizens, the issue is likely to play a significant role in the upcoming general elections of 2006.

¹⁰⁰³ Intervention by Minister Giorgio La Malfa, "Italy, competitiveness and the Lisbon strategy" at the Centre for European Reform, London, 18/10/2005.

¹⁰⁰⁴ Documento di Programmazione Economica e Finanziaria 2006-2009.

¹⁰⁰⁵ See Domenico Monacelli, "L'Italia senza l'euro", 3/6/2005, Guglielmo Weber, "I danni del teurismo", 10/2/2004, www.lavoce.info.

Latvia

Directives on the services and working times

While there has been little discussion of the working time directive, Latvia believes reforms are needed regarding services and the free movement of labour and there should be a common understanding of the single market. Latvia favours the continuation of discussions about the services directive and feels that it should not be allowed to fall by the wayside simply because an older EU member state wants to impose its social model and practices on another EU member. Latvia has been confronted with these problems several times. Illustrative is the case of Laval and Partners, a Latvian construction company. In a nutshell, the problems arose when Swedish trade unions took issue with the fact that Latvian builders competed and won the contract to build a school in Vaxholm, near Stockholm. Swedish trade unionists blockaded the site after Laval refused to sign a collective agreement with them and pay Swedish wages to all of the workers, even if most of the workers had come from Latvia. The union systematically blocked the construction and Vaxholm's local government had to find another contractor to do the work. Laval declared bankruptcy and filed a suit with the European Court of Justice. EU Internal Market Commissioner Charlie McCreevy has supported the Latvian side, and his statements in October 2005 drew sharp criticism from Swedish trade unionists and politicians as well as Socialist members of the European Parliament. The Commission's president José Manuel Barroso stated that he would "respect and defend the rules spelled out in the European treaties," though would not "attack Sweden's or Scandinavia's social model"; these remarks earned him a cold shoulder during his recent visit to Stockholm.¹⁰⁰⁶

Realising that this is not just a local problem, the Latvian authorities and Laval and Partners are awaiting the decision of the Court. That decision will have a wide-ranging impact for all of Europe. In the meanwhile, Latvia will continue to work on various aspects of the

¹⁰⁰⁶ For more information about the dispute in an EU context, see <http://www.euractiv.com/Article?tcaturi=tcu:29-146475-16&type=News>, latest access: 8.12.2005; for various newspaper reports in English, see <http://www.thelocal.se/article.php?ID=2367&date=20051026>, latest access: 8.12.2005 and <http://press.jrc.it/NewsBrief/alertedition/en/CharlieMcCreevy.html>.

Lisbon strategy. As Minister of Foreign Affairs Artis Pabriks stated, Latvia is a dynamically developing country and should take advantage of all the opportunities offered by the services directive and the Lisbon strategy and "the most important thing is not to let anything deter our development."¹⁰⁰⁷

National reform activities

Latvia supports the revitalisation of the Lisbon Agenda and sees its implementation as ensuring the economic growth, well-being and competitiveness of not only Latvia but also the entire European Union. Responding to the decision of the European Council in March 2005 to relaunch the Lisbon strategy, *The National Lisbon Programme of Latvia for 2005-2008*¹⁰⁰⁸, was drafted under the auspices of the Ministry of Economics of the Republic of Latvia and made public on 19 October 2005. The necessity to prepare such a document also served to rekindle the interest of Latvian intellectuals in the strategy. Although a number of discussions have been organised at the expert level, these have not made the Lisbon strategy a household word among the populace.

It is not yet clear how the National Programme will be implemented, or what impact it might have. Early in November 2005 the social dialogue intended to acquaint the public with the National Programme had not yet started and only a few specialists in Latvia were aware of programme's existence. The document does not specify who is to do what and when. It only indicates the ministry or ministries responsible for a particular segment of the programme. A Supervisory Board of the Lisbon Strategy, chaired by the Minister of Economics, has the duty overseeing the fulfilment of the tasks.

The programme is not an action plan. It is described by the authors as a policy-planning document to promote growth and employment in the medium term. It explains the current situation in Latvia and delineates five directions of reform:

1. Securing macroeconomic stability
2. Stimulating knowledge and innovation

¹⁰⁰⁷ See the Press Release of Latvia's Ministry of Foreign Affairs, 23 March 2005 <http://www.mfa.gov.lv/lv/Jaunumi/Latvijas-arlietas/2005/marts/24-2/>, latest access: 8.12.2005.

¹⁰⁰⁸ The full text is available at <http://www.em.gov.lv/em/2nd/?cat=11619>, latest access: 8.12.2005.

3. Developing a favourable and attractive environment for investment and work
4. Fostering employment
5. Improving education and skills

It focuses on the desirable changes, sets some specific goals¹⁰⁰⁹ but offers few concrete steps to be taken to achieve the results.

According to the Programme, in order to ensure an annual GDP growth rate of 6-8% annually (since 2000 the average annual growth rate has been 7.4%), Latvia intends to decrease gradually its budget deficit, which should also help decrease the current account deficit. Expenditures for research and developments will grow from the current 0.38% of the GDP to 1.1% of the GDP by 2008. The Programme also envisages the transition from a labour-intensive to a knowledge-based economy, where high technology and a well-educated and skilled labour force play an important role. This, in turn, necessitates better professional orientation and improved and continuing education in the context of lifelong learning. Efforts will be made to diminish regional disparities in terms of employment and economic development. Currently most activities and opportunities are concentrated in the region around Riga. The country-wide employment rate should increase from 62.3% in 2004 to 65% (61% for women and 48% for older people, i.e. aged 55-64 years, people) and long-term unemployment should decline from 4.3% in 2004 to 4.0% in 2008. In 2000, the long-term unemployment rate was 7.9%; since then, it has been decreasing steadily.

Concerning the creation of an auspicious environment for investment and work, the programme for 2005-2008 calls for better entrepreneurial culture; fewer administrative obstacles; a supportive environment for small and medium-sized enterprises; ensuring effective competition; improved and more developed transport infrastructure; speedier administrative territorial reform.

Although the National Programme is the most recent and most comprehensive document issued by Latvia on the Lisbon strategy, it does not address directly some of the controversial issues relevant to the strategy, such as the services directive, working time directive, and the future of the growth stability pact. The latter, however, is clearly related to macroeconomic stability and the Maastricht

fiscal criteria. All these elements will play a crucial role in Latvia's adoption of the euro, still envisaged in 2008. This goal may have to be postponed if Latvia is unable to reduce the high level of inflation of the past two years. Nonetheless, Latvia has tended to support the principles underpinning the stability and growth pact, the reforms agreed upon in March 2005, and their implementation, because such measures, if uniformly applied, tend to work for the greater good of all the European Union.

The future of the Stability Pact

The future of the Stability pact has not been specifically addressed, although adherence to Maastricht criteria is emphasised.

Lithuania

Directives on services and working times

Lithuanian position on the project of the European Parliament and the Council directive regulating services in the internal market was adopted in the Government meeting on May 23, 2005. Lithuania accepts the main provisions of the directive. Lithuania favours the most important provisions foreseen in the chapters II, IV, V (regulating the establishment, the quality of the services and the control of the services) of the directive. However, it does not support provisions relating taxes. Lithuania supports the rapid adoption of the directive incorporating the most important provisions of the directive. Speaking about the "country of origin" principle Lithuania welcomes this principle as one of the most important principles of the directive, which could secure the free movement of services in the EU internal market. Lithuania pronounces for the member states commitment to adopt the directive as one of the essential elements of the Lisbon strategy¹⁰¹⁰.

The working time directive (2003/88/EB) has been discussed in the Parliament of the Republic of Lithuania twice. The first discussion on the directive was held in the Committee on Social Affairs and Labour and the Committee made a pause in the discussion on the directive as the opinions of the Committee and the Ministry of Social Security

¹⁰⁰⁹ Ibid. The goals are summarised in the table on Structural Indicators in the Annex.

¹⁰¹⁰ Pagrindinės Lietuvos Respublikos pozicijos nuostatos dėl Europos Parlamento ir Tarybos direktyvos dėl paslaugų vidaus rinkoje projekto [The main provisions of the position of the Republic of Lithuania on the project of the European Parliament and Council directive regulating services in the internal market], www.ukmin.lt.

and Labour totally diverged. The second discussion was recently organised in the Committee on European Affairs. This Committee also decided to postpone the discussion because of the very different opinions of the Committee members. It was also decided to forward this question for the parliamentary political groups to discuss.

The working time directive was also discussed in a Tripartite council, composed of the Lithuanian Government officials and the representatives from the most important interests groups representing the employers and the professional unions. Generally Tripartite council supported the changes made by the Working time directive except for opt-out principle which raised most discussions between the representatives of employers and professional unions and the agreement was not reached leaving the subject for the future discussions.

National reform activities

The National programme for implementation of Lisbon strategy was approved by the Government on October 19, 2005. The programme set the main goals related to the implementation of Lisbon strategy for the years 2005-2008. The main goals set in the national programme are to maintain the rapid growth of economy and macroeconomic stability; to stimulate the competitiveness of Lithuanian enterprises; to increase employment and investment to human capital and to create conditions to reach the EU level of development and welfare¹⁰¹¹.

As far as the programme was approved only recently the reforms related to the implementation of the Lisbon strategy in Lithuania have not yet been started, except for several reforms that have been started earlier and not in relation with the implementation of Lisbon strategy. The continuation of these reforms is treated as a mean to implement the Lisbon strategy goals.

Speaking about the national agenda of the Lisbon strategy the Prime Minister A. Brazauskas emphasised the further structural reforms, especially in the fields of science, education, health and social sphere reform. He mentioned the concrete measures of the programme which are prepared to make the

¹⁰¹¹ Nacionalinė Lisabonos strategijos įgyvendinimo programa [National programme for the implementation of Lisbon strategy], www.ukmin.lt.

young scientists to come back to Lithuania, to improve the conditions for business (by simplifying the business regulation, making the public sector activities more effective, improving the taxes administration), to stimulate the partnership between business and science and to provide more funding for the research and others¹⁰¹².

Future of the Stability Pact

In general, the Lithuanian Prime Minister A. Brazauskas positively evaluated an agreement on the Stability and Growth Pact, which was reached at the Brussels European Council. The Prime Minister also emphasised that it is very important that the provisions of the European Union treaty concerning the limits of fiscal deficit as high as 3 per cent of GDP and the state loan as high as 60 per cent of GDP are maintained. He also supported the condition that if the state is undergoing structural reforms, it will be taken into consideration while applying the provisions of the Stability and Growth Pact. As he claimed, the rules of the renewed Stability and Growth pact "will allow securing the long term stability of the public finance"¹⁰¹³.

Luxembourg

Directives on services and working times

The directive on services in the internal market, an initiative of the European Commission, has provoked an intense debate especially in the countries where a referendum on the European constitutional treaty took place. Protest marches were organised and all Luxembourg trade unions strongly supported the fight against the Bolkestein directive. Especially the left wing supporters of a "no" vote in the referendum campaign in Luxembourg considered the fight against this directive as paramount. Luxembourg's Prime Minister and EU council president Jean-Claude Juncker declared on March 22nd, 2005 that the Bolkestein directive will not disappear from the pipeline as everyone agreed on the need to open up the EU services sector, which

¹⁰¹² The speech by the Prime Minister delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

¹⁰¹³ Press release of the Government of the Republic of Lithuania Europos Vadovų Taryboje priimti sprendimai dėl Stabilumo ir augimo pakto bei Lisabonos strategijos atnaujinimo [The decisions on the Stability and Growth pact and the renewal of Lisbon strategy has been made at European Council], March 22, 2005, www.lrvk.lt.

represents 70% of EU economic activity. If the risk of social dumping should be eliminated, this will be addressed in the framework of the legislative procedure and of co-decision.

A majority of members of Luxembourg's parliament is convinced that the "Anglo-Saxon" style economics are running rampant over the EU, are warning that the directive will lead to social dumping. With earnings in Luxembourg being among the highest in Europe, the Grand-Duchy will lose jobs to the low-cost and less regulated economies in Eastern Europe.

National reform activities

Concerning the Lisbon strategy Luxembourg will be very strict on the preservation of the social element in the trilogy of economy, social policy and environment.

The Luxembourg government is committed to restore full employment. This aim cannot be achieved through the reduction of working time. This procedure has worked in no country. A reduction of the unemployment benefit has to be ruled out as well. Most people on the dole are really looking for a new job. The government has the obligation to help them from falling into the poverty status. Nevertheless within the frame work of the Luxembourg model – employers, unions and government "Tripartite council" – the concrete measures to fight unemployment have to be audited. For instance in future it should not be possible for employees to earn more in government sponsored job training programs than for regular job found on the free labour market. The rules of the nonsensical refusal to accept a proposed job have to be re-examined. Luxembourg government has not waited for the working time directive of the Commission to react. Many companies tend to resolve their human resources problems by giving early retirement to their oldest employees. This is not the way to follow in the eyes of the government. The "Tripartite council" has to discuss the alternatives how the life working time can be prolonged some time after 2012. The Prime minister believes that the number of people over fifty "parked" in an early retirement program is far too high in Luxembourg. These people just disappear from the unemployment figures statistic and the cost of this burden is shared by the whole community of working people. This way to act has to be seriously re-examined. Of course there will be no questioning of shift or night workers early retirement rights.

Employers ask frequently for the repeal of the Luxembourg minimum wage law to allow them to create more jobs. The government has no plans whatsoever going into this direction. If other countries are currently discussing the introduction of a minimum wage, Luxembourg is no going to repeal it. But it may be possible to reduce younger people remuneration below the official minimum wage when they profit from internal company formation programs.

Public service jobs are presently nearly exclusively held by Luxembourg nationals. A wider opening of public services to EU nationals has to be re-discussed. Free market economy suffers of unfair competition with the public sector's high wages and secure jobs. Employers have no choice but to employ non residents or foreign residents.

Luxembourg government is convinced that structural reforms are needed to preserve the European social model for future generations. The existing measures to introduce young people's entrance on the labour market have to be revisited. The government is implementing its Lisbon strategy policy in close partnership with Luxembourg social and economic tripartite council right now.

Luxembourg does support the Commissions propositions on research and development in principle. Concerning scientific research much remains to be done. As there is at the present time no complete university structure functioning in Luxembourg, Research and Development projects are conducted either in government sponsored specialised independent research centres or operated in cooperation with industrial enterprises.

Luxembourg does support the Commissions propositions on growth strategy but develops for years a policy of economic diversification to sustain a continuing economic growth. Thanks to the ever-growing ties with the greater region around the Grand-Duchy, namely Lorraine (France), Wallonia (Belgium) and Sarre, Rhineland Palatinate (Germany), Luxembourg's economy can draft human resources (computers) export and import services, and goods, and in this way sustain an continuing economic growth. Furthermore Luxembourg's board of economic development is continuously working to bring investors to Luxembourg. Main arguments for investing in Luxembourg are a predictable political, social and economic environment, a central situation

in Western Europe, low VAT and low additional wage costs.

The financial services offered in Luxembourg by national and international banks in Luxembourg are one of the most important pillars of the national economy. Luxembourg finance centre is the 7th largest in the world and after London one of the biggest in Europe. The fund management is a speciality of the Luxembourg finance centre. With 450000 inhabitants the internal market of Luxembourg is marginal to the GNP produced in this country.

The future of the Stability Pact

On March 22nd 2005 the European Council reached a political agreement on the reform of the growth and stability pact under the Luxembourg presidency. Prime minister Jean-Claude Juncker brokered this agreement after an intense and most complicated negotiation. The “Big three” France, Germany and Italy had asked for a reform of this pact a long time ago. It looks like an irony of history that just Germany which had herself imposed the strict criteria of the stability and growth pact now asked for a more flexible application of the same pact. No doubt the Luxembourg compromise found has the merit to refuse to change the fundamental rules of the European economic and monetary union and to maintain the criteria of 3% and 60%. J. C. Juncker insists that stability is and will remain an essential of this pact.

Luxembourg Chamber of commerce is highly satisfied that this compromise shows a way out of the deadlock, nevertheless this agreement should not be interpreted as a licence to rise public debts or to neglect the imposed budgetary discipline. Furthermore the Chamber of Commerce expects that the Commission and the European Central Bank will be the valiant custodians of the respect of the newly authorised manoeuvring margin. One time liberated of the too constraining corset of the old pact the “Big Three” should have now the means to engage the necessary economic and political reforms to regain economic growth and competitively. European citizens should be informed and reassured in order to give back the necessary confidence needed to take up the challenges of this new economic policy in environment that continues to suffer from the weak consumption and the lack of new investment.

Malta

National reform activities

Throughout 2005 Malta has taken significant steps to formulate a strategy that seeks to enhance Malta’s competitive edge both regionally and globally. As an EU member state Malta has been able to benefit from the support and guidance that the EU can provide through the so-called Lisbon Agenda framework.

Strengthening one’s competitive edge has become the main strategic objective of all countries in today’s world. Malta is of course no exception. The Lisbon Agenda is at the forefront of all EU member states’ efforts to enhance competitiveness within a regional block dimension. As a small state located in the heart of the Euro-Mediterranean region, the successful implementation of such a strategy will have important implications for the economic performance of our country.

Member States have been asked to prepare a National Reform Programme (NRP). The NRP we are launching will thus be a blueprint for the country’s direction over the forthcoming three-year period up to 2008. In recent years Malta has enhanced its comparative advantages in a number of areas including an increased computer literate population, an efficient and integrated financial services sector, low unemployment, and effective social inclusion. On the other hand, a comparative analysis with the EU-25 Member States reveals that there are areas where Malta still needs to perform better. This overriding goal of improving the quality of life of all citizens is in fact being tackled in the government’s NRP programme of activity.

Malta has chosen five strategic themes, which were approved by the EU, to form the pillars of its NRP. These themes are:

- sustainability of public finances;
- competitiveness;
- employment;
- education and training;
- environment.

In formulating the NRP due diligence was given to various factors among which: firstly, EU guidelines and related documentation, secondly, the Pre-Budget Document; line Ministry strategic plans, previous Government strategic studies and reports; and thirdly, social partner documentation. A public

consultation process for the NRP was launched on the 5th of July 2005 with a conference entitled "Taking the Lisbon Strategy Forward" and meetings were held with line Ministries and public sector organisations. The National Reform Programme for Malta is thus the result of a comprehensive and constructive consultative process that has taken place between all the main players in this sector. The NRP includes measures that Malta intends to adopt during the period 2005-2008 and on which its competitive scorecard will be assessed.

It is the Government's intention to ensure that during the three-year period 2005-2008 the NRP's strategic objectives will be met so that Malta becomes more competitive and is thus in a position to register growth of productivity and thus in employment. The Government's approach towards enhancing competitiveness focuses significantly on macroeconomic stability, enhancing human resources and focusing on key areas of economic growth and development, which are all conducive to overcome the difficulties and exploit the potential benefits associated with economic activity in a small island state.

In order to be successful the Government has insisted that it is essential that all social partners contribute to this reform process, including civil society. The essential role played by social and civil dialogue in promoting competitiveness by enhancing credibility of government policy and devising ways and means to enhance economic performance cannot be overemphasised.

As an integral part of the Government's overall strategy, the Ministry of Competitiveness and Communications has set the stage to start implementing a reform process that will ensure that Malta's competitive edge is strengthened in the years to come.

Netherlands

The Netherlands has been supportive towards the goals of the Lisbon Strategy from the beginning and very much involved in the process of making Lisbon work. The revitalising of the Lisbon Strategy is welcomed by the government as timely and necessary to carry out the much-needed structural reforms by putting the right emphasis on growth and employment. Tackling the aging population in Europe and enhancing economic dynamism

and capacity for growth is in their view crucial for maintaining the position of the European Union in the world economy. The long-term challenges Europe is facing – an ageing population and internationalisation – should be tackled by a sustainability strategy promoting long-term economic, social and environmental development in Europe.¹⁰¹⁴

The government welcomed the main conclusions of the Midterm Review and the report of the High Level Group chaired by Wim Kok "*Facing the challenge: the Lisbon strategy for growth and employment. November 2004*" that a shift is needed from commitments at the European level to actually carrying out structural reforms at the national level as well as the follow-up by the European Commission. In this respect they applaud the decision to place a clear emphasis on growth and employment within the three pillars of Lisbon: economy, social policy and environment. They are happy with the introduction of a streamlined approach: a revitalised, three-year cycle for a better implementation and a clear division of responsibilities including the integrated Lisbon guidelines for growth and employment. In their opinion these very guidelines form the basis on which member states can establish their own national reform programmes with a three-year horizon. The measure that national reform programmes which are drafted in consultation with social partners and local and regional authorities should also be debated in national parliaments is appreciated because it will visualise not only the progress in implementation but also clarify the interaction between European and national policy.¹⁰¹⁵

Directives on services and working times

The representatives of the socialist party in the European Parliament have protested against the adoption by the European Parliament of the working time directive in spring 2005. In their view the flexible interpretation of working time can easily lead to a working week of more than 60 hours, which in their opinion is a serious deterioration of the position of employees. In general they are opposed to the in their opinion neo-liberalist directive.¹⁰¹⁶

¹⁰¹⁴ 'Staat van de Europese Unie 2005-2006', p. 16-17.

¹⁰¹⁵ 'Staat van de Europese Unie 2005-2006', p. 17-18.

¹⁰¹⁶ http://europa.sp.nl/opinies/EU_arbeidstijdenrichtlijn_ter_ug_naar_de_60_urige_werkweek.html (latest access: 17.12.2005).

The Social Economic Council (SER), which is advising the government on social economic issues has in May 2005 given a positive advice on the implementation of the services directive, also called Bolkestein directive after the former Dutch Commissioner for Internal Market. However, they remarked that several adjustments will be needed to guarantee the well functioning of the country-of-origin-principle and to steer the administrative cooperation among member states. They also insist on a transitional period for exercising limitation of free movement of services in urgent cases.¹⁰¹⁷ What the government will have to take into account is that there is a broad resistance among the trade unions towards the implementation of the services directive. Many members of trade unions have participated in the demonstration against the services directive on the 19th of March in Brussels. And their representatives will closely monitor the future implementation especially with regard to social policy concerns and to avoid negative effects on the national labour regulations.¹⁰¹⁸ Next, the government has to reckon with the Platform against the services directive representing a critical leftwing movement in society consisting of political parties, interest groups supporting amongst other issues fair world trade, a labour union, the national students union and an environmental organisation.¹⁰¹⁹ On the other hand the government can count on the support of the employers' organisation, which has responded positively and welcomed the services directive as a necessary tool to revitalise the Lisbon strategy. They point at the expected growth rate of 15-30% of cross border trade after implementation. Their one concern is that the directive should not infringe with the existing European labour legislation.¹⁰²⁰

National reform activities

The drawing of the national reform programme is the responsibility of the Central Economic Commission. The social partners participate in this process through the Labour Foundation and are responsible for carrying out parts of

¹⁰¹⁷ Advies over de dienstenrichtlijn Advies nr. 05/07 SER (20 mei 2005). at <http://www.ser.nl>.

¹⁰¹⁸ Drs. A. Jongerius, Voorzitter FNV 'Dienstenrichtlijn staat of valt met handhaving naleving', Europa in beweging, 30^{ste} Jaargang, nr.3 (2005) 9.

¹⁰¹⁹ 'Platform Stop de EU-dienstenrichtlijn' at <http://www.dienstenrichtlijn.nl>.

¹⁰²⁰ Mr. B.E.M. Wientjes, Voorzitter VNO-NCW, 'Dienstenrichtlijn noodzakelijk voor revitalisering Lissabon-strategie', Europa in beweging, 30^{ste} Jaargang, nr.3 (05) 8.

the strategy. Local and regional groups are involved through the common consultative groups. Other stakeholders might be consulted as well, for instance the environmental movement. The national programme has been sent to the European Commission on 15 October 2005.¹⁰²¹ In the national reform programme 2005-2008 the government stresses once again its support for the new approach with in the three Lisbon pillars focused on sustainable economic growth and employment. In line with this the focus in the national reform programme is on economic growth and employment as well. The key challenges identified are the increase of the labour participation and the increase of the innovation capacity (labour productivity). Through its labour market policy the government wants to attract women, ethnic minorities and elderly people to work more on the one hand by creating better facilities such as childcare and on the other by a more restrictive regime for the unemployed. Concerning the decrease in labour productivity over the last years the government wants to remedy this trend by a policy focused on knowledge and innovation. State funded research will be increasingly directed towards a better exchange between research institutes and companies and will be more focused on key areas within the Dutch economy. Measures will be taken to increase the supply of know how both through using national and foreign workers. And additional investments in the educational system will be made to counter premature school leave. Next to that, the government will take measures to improve the business climate through creating a level playing field, well functioning labour and capital markets, a competitive fiscal system and an efficient government.¹⁰²²

Poland

Directives on services and working times and national reform activities

Lisbon strategy is considered in Poland as a key instrument to improve competitiveness, employment, standards of living and sustainable development. Even before accession it strongly influenced the preparation of strategic documents for structural

¹⁰²¹ 'Staat van de Europese Unie 2005-2006', p. 18.

¹⁰²² National Hervormingsprogramma Nederland 2005-2008 in het kader van de Lissabonstrategie, 4-8. at <http://www.ez.nl>.

development in the years after EU enlargement of 2004. The Lisbon strategy (that contains the Gothenburg strategy) was, and is not an important issue for government only but also for NGOs which participated actively in monitoring and debating on the future of European economy and territory. Of particular importance for shaping the Polish standpoint are activities of non-governmental Polish Forum of Lisbon strategy, created by experts and representatives of the business community.¹⁰²³ The voice of other organisations – such as CASE¹⁰²⁴ or Instytut Spraw Publicznych¹⁰²⁵, not to mention universities – has also significant influence on public debate.

Having said that the Lisbon strategy is welcome in Poland one should touch the background. The idea of necessary adaptation of development policy towards efficiency, rather than the traditional cohesion model, was discussed and formulated in the key document for Poland's spatial policy (KPPZK - Concept of the National Spatial Policy) at the end of the 1990s – before the Lisbon summit has formulated this document, finally adopted by the Government in 2001. In September 2005, its updated version was adopted by the Government (not without reservations on the side of part of experts).

It needs to be stressed that immediately after the collapse of communism experts circles initiated a debate, concluding that an increase of competitiveness has to spur foundations of long term sustainable development of Poland's economy. This point of view is easily to be found in – among others – National Development Plan 2004-2006¹⁰²⁶ which puts an emphasis on innovation development, human resource development, support to R&D institutions and activities. Even more stress on achieving the reformulated Lisbon strategy goals has been put into the Government project of the National Development Plan for 2007-2013.¹⁰²⁷

With this generally very positive reaction to the Lisbon strategy and its revitalisation there are certain aspects which cannot be omitted: First of all, experts point out that neither Poland nor

most other countries can take full advantages of the single market as long as free movement of labour is limited to just a few states. Surprisingly, the situation seems even worse in the service sector – despite the fact that this is the sector that nowadays generates most of European wealth and its development has to be seen as one of the fundamental conditions for making the Union more competitive and a sound economy. Up to date no success has been reached in opening a European space for services. This indeed is considered a real threat to the Lisbon process and best interests of the European economy and consumers. Another point relates to the processes of socio-economic restructuring, modernisation and development in Poland in the context of EU cohesion policy reforms. It is welcome that 1a activities are proposed to be financed as a part of both convergence and competitiveness development priorities for 2007-2013. As the National Development Plan for 2007-2013 (project) points out it is expected in Poland that significant attention will be given to more traditional cohesion measures that fit to development needs of countries like Poland (underdeveloped infrastructure etc.). Last but not least it should be mentioned that certain elements of discrepancy between long-term strategic documents and activities on the operational level have to be noticed. These refer in particular to the fact that despite structural funds' support the spending for R&D is about 0,6% of GDP and the Government goal to achieve the level of 1,6% until 2007 and 3% in 2010 may be more than difficult.¹⁰²⁸

It's also clear that Poland faces the need to reform the institutional system in order to allow for a successful realisation of the Lisbon strategy. At the moment wide discussion is being held on steady liberalisation of the labour market, on more flexibility in terms of working hours and forms of employment. The situation is more than worrying if we take into account that in 2004 the unemployment rate was about 19%, while the employment rate (% of working age population, 15-59/64) was equal to 53% that is far below EU average (not to mention US data).¹⁰²⁹ As for unemployment the situation improves by ca 1 percentage point yearly, this trend is expected to be continued. It has to be stressed however, that among key problems are relatively high non-tax costs of labour and social policy developed during the

¹⁰²³ See: Biała Księga 2004 (White Paper 2004), Polskie Forum Strategii Lizońskiej, Gdansk, Warszawa 2004.

¹⁰²⁴ Centrum Analiz Społecznych i Ekonomicznych (Centre for Social and Economic Studies), Warsaw (NGO).

¹⁰²⁵ Institute for Public Affairs, Warsaw (NGO).

¹⁰²⁶ Adopted by the Government in 2003.

¹⁰²⁷ Project adopted on September 7, 2005 (www.mgip.gov.pl).

¹⁰²⁸ Looking into the operational programmes' budget one will see that Lisbon Agenda items are not necessarily overrepresented.

¹⁰²⁹ NDP project, 2005.

times of dynamic industrial restructuring which *de facto* in many respects resulted in a deactivation of the working age population (early retirement schemes etc). As a result, the employment rate had decreased from 61,6 in 1992 to 53,1 in 2004 (NDP project, 2005).

An extremely positive phenomenon is the rapid improvement of the situation in higher education, though there are still significant disparities between regions and between big urban areas and the rest of the country. The number of university level students has increases fourfold since 1990 and reached 1,8 million students in 2004.

The debates on the badly needed support for an innovation-based growth strategy accompanied the preparation of national strategic documents for 2007 (and later). In general the ways to create a more development friendly institutional environment are under discussion (echoed in the consultation process on 2007-2013 financial perspective). It is expected that the most recent elections of autumn 2005 will lead to institutional reforms. Experts and most politicians agree as far as diagnosis is concerned. It is, however, to be seen to what extent remedies proposed under the National Development Plan project of 2005 will be accepted by the new government. Most importantly, as the aforementioned Plan does not go into formulation of indicators of achievement, the new Government will have to address this issue very carefully. By now there is no information on the position of the new government in this respect.

Portugal

Together with the successful negotiation of the financial perspectives 2007-2013, the revitalisation of the Lisbon Agenda is the main priority of the current government in what EU affairs are concerned. In fact, the Socialist electoral campaign was very much based on the basic principles of the Lisbon strategy, that is, of implementing policies that promote growth and increased competitiveness, coupled with a strong social policy that may alleviate the costs of economic transformation. Furthermore, the government's "technological plan", the cornerstone of its strategy to revive a stagnant economy, is basically a translation of the Strategy's objectives to turn Europe into a "knowledge-based society". It is thus no surprise that at the European level, Portugal is

one of the strongest advocates of the Lisbon Strategy and a supporter of the measures approved at the Spring 2005 European Council to strengthen and improve its implementation, namely the renewed national implementation plans and the appointment of a member of government in each Member state to coordinate all aspects related with the Lisbon strategy.

The Lisbon strategy is described in the government's programme as the most powerful instrument to counter neo-liberal tendencies and to reinforce the European social model in its three main dimensions: economic, social and environmental. In the government's view, if the Union is capable of placing those three dimensions as its key strategic ambition and of developing policies that materialise the ambition, it will in the long term get the popular support for the deepening of the integration process. The same view was expressed by the Foreign Minister Freitas do Amaral in a speech to the Parliament, when he stated that the revised Lisbon Strategy was not mainly intended to raise Europe's economic competitiveness, but rather to promote job creation and environmental protection.

The right-wing political parties are also supportive (albeit less enthusiastically) of the new emphasis given to the Lisbon Strategy, since it may function as the catalyst for important economic reforms governments must implement in the short term. The extreme-left parties (the Communist Party (PCP) and the Left Bloc (BE)), quite predictably, are much more sceptical of what they see as the real objectives of the Lisbon strategy, that is, the further erosion of social rights and the increased precariousness of employment in Europe. The Lisbon Strategy, together with the Stability and Growth Pact, in their view represents a further proof that the European Union is increasingly a neo-liberal project.

Directives on services and working times

Portugal had and still has various reservations in relation to the services directive proposal. Those reservations are mainly related with the guarantees against social dumping as well as the impact of the liberalisation on consumers' rights. Such reservations, however, are not insurmountable and Portugal is definitely not among the countries which have very fundamental problems with the proposal as it is, such as France or Germany.

The working time directive does not raise any serious problem or objection for the government, as it is much in line with the recent reform of labour law and the approval of the new Labour Code.

National reform initiatives

The main reform initiative undertaken by the new Socialist government has been the so-called "Technological Plan", an ambitious package of measures aimed at transforming the Portuguese economy from the traditional sectors to more innovative ones. Again, it is almost the national plan for the implementation of the Lisbon Strategy and it includes the support to the widespread use of new technologies in schools, benefits to research and development companies and the elimination of red tape. The impact of these measures on Portuguese economic growth and competitiveness remains to be seen.

The future of the Stability Pact

When coming into office, the reform of the Stability and Growth Pact (SGP) was one of the priorities of the executive. In opposition, the Socialist Party had repeatedly criticised the centre-right government for defending a rigid interpretation of the Pact that did not allow the recovery of the economy. Current Prime Minister Sócrates has thus pleaded for a reform of the Pact's rules so that they would stop being simply a straight-jacket for governments and start serving the objective of sustainability and competitiveness of the European economy. In particular, the reform of the Stability Pact should facilitate the fulfilling of the Lisbon Agenda objectives and should be flexible enough to adjust to the macro-economic reality of each Member state.

Therefore, the final agreement on the reform of the SGP fully met the expectations of the Portuguese government. Of particular relevance for the government were the decisions to consider separately periods of weak economic growth when evaluating excessive deficits and the extension of the periods for the adjustment of public finances. The new rules of the pact also exempt R&D expenditure from the budget deficit calculations, another of the proposals supported by Portugal.

Such a reform was particularly important in view of the fact that the Portuguese deficit for 2005 will certainly be above 6%, that is, the

double of the maximum figure allowed by the SGP rules. The government has presented in Brussels a plan for the reduction of the deficit over the next four years that should bring it below the 3% line, but without the reform of the Pact, the plan would probably be rejected and Portugal would face the prospect of a fine for breaching the deficit rule.

Romania

Even if the Lisbon Agenda theme is not a very well debated one in Romania, some distinctive initiatives tried to raise awareness among both the Romanian political class and society. The relative lack of interest for this kind of subject was essentially determined by the specific characteristic of this strategy, which focuses mainly on the benchmarking process, using a number of indicators for a comparative perspective, but not on compulsory interventions. Moreover, the Romanian's date for EU accession (2007) is not in peril by the unfulfilled Lisbon targets since the failure in complying with Lisbon targets does not imply direct negative consequences of administrative nature. The first event on Lisbon Strategy in Romania was a joint conference "Romania after 2007: Macroeconomic Stability and Financial Perspectives" organised by the EIR, the Romanian Ministry of Foreign Affairs and the Embassy of the United Kingdom, in November 2003. Further on, the same partners in 2004 and 2005 organised a number of other conferences.¹⁰³⁰ A number of independent reports assessing Romania's economic performance have been published since March 2004¹⁰³¹: the first analysis provided a scorecard based on a brief evaluation of the main objectives set in the Lisbon Agenda, the second (of November 2004) focused more on Romania's competitiveness challenge and the third, from October 2005, examines the progress made in specific areas of Lisbon agenda.

Directives on services and working times

Only very recently, different political leaders or editors have expressed in Romanian media a number of reactions to the Bolkestein Directive. The Romanian reactions are mixed,

¹⁰³⁰ See: www.mae.ro and www.ier.ro.

¹⁰³¹ Group of Applied Economics (GEA), the Report "Romania and the Lisbon Agenda", first edition in March 2004, the second in November 2004 and the third in October 2005.

from full support to direct critics. The Secretary of State in the Ministry of European Integration and the former Chief Negotiator with the EU, Leonard Orban, has declared that the Bolkestein Directive only concerns the authorization and quality of service providers, not the salaries of employers. Moreover, the Directive is favourable for the new member states plus Romania and Bulgaria because “on one hand, we have additional opportunities for Romanian companies providing services in different member states and, on the other hand, the Romanian services market will be improved as a consequence of the general improving of the EU services sector, part of the EU Single Market”¹⁰³². His reaction represents an answer to the critics from the trade unions, especially from the constitution sector, which consider that “an employee who works abroad will be paid as in his origin country” and, therefore, according to this principle, “a Romanian worker will be paid abroad with a salary equal with those from his origin country (namely, from Romania)”¹⁰³³. The Delegation of European Commission at Bucharest has declared¹⁰³⁴ that the proposed directive would guarantee service providers more legal certainty and will boost European competitiveness as the service sector accounts for over 70% of jobs in the EU.

National reform activities

Until last year, Romania has focused more on domestic reform rather than on EU issues such as the internal market. The progress acknowledgement from the 2004 Regular Report of the European Commission has allowed Romania to move to the next preparation stage, which focuses on building the capacity to cope with the competitive pressures and requirements of the internal market. In these conditions, the quite probable date of Romania's accession in 2007 let little time to implement the complex system of regulations meant to ensure the free

movement of goods, services, labour and capital. Romania's population trend has been negative since 1990, with no signs of reversing in the near future meaning that Romania's population will gradually grow older and, therefore, more public resources must be dedicated to social assistance. Due to the promotion of early retirement as an alternative to the increasing unemployment, especially in the early years of transition, the ratio beneficiaries versus contributors to the PAYG (Pay As You Go) pension system is one of the highest in the EU¹⁰³⁵.

At the same time, Romanian labour market still requires significant restructuring. Firstly the establishment of a new business climate should be encouraged. For instance, in 2004, additional steps have been taken in order to reduce the period of time necessary for the registration of a new business (a business can become operative in three working days). Secondly, enhancing the fiscal and financial discipline represents a crucial ingredient in achieving a competitive environment for all market participants. A recent study¹⁰³⁶, which analyses company's behaviour between 1995 and 2002, shows that the top 20% of companies, totalling around 80% of the sectoral turnover, accumulated almost 80% of the total debt. Thirdly, especially in recent years, Romania has taken measures to reduce the non-wage labour costs, in 2003, the social contribution levels reduced from around 34% to 29% of the gross average wage. A new labour code came into force in March 2003. This code was widely criticised by investors for introducing significant rigidities on the labour market, which affect job creation and labour costs¹⁰³⁷. Romania should increase its research and development expenditure by using a series of fiscal and non-fiscal incentives, especially given the proposal for more state aid regulations. Additional support should be given to applied research, which has more impact on economic efficiency. This said much care should be given to raising the efficiency of research and development expenditure; otherwise the propensity to raise them should stay low¹⁰³⁸.

The future of the Stability Pact

¹⁰³² “Bolkestein Directive is in favor of Romania”, Cotidianul, 24 November 2005 and on www.euractiv.ro/content/ (latest access: 17.12.2005). See also: Cristian Ghinea, “Conu' Leonida in front of Bolkestein”, Cotidianul, 24 November 2005, Irina Cristea, “The EU – devised by a directive”, Jurnalul National, 26 November 2005, etc.

¹⁰³³ Cristian Ghinea, “Conu' Leonida in front of Bolkestein”, Cotidianul, 24 November 2005, Irina Cristea, “The EU – devised by a directive”, Jurnalul National, 26 November 2005.

¹⁰³⁴ Delegation of European Commission in Romania, Official position – Romania should welcome the Directive, not be afraid of it!, 29 November 2005, www.infoeuropa.ro/jsp/page.jsp (latest access: 17.12.2005).

¹⁰³⁵ D. Daianu (coordinator), Romania and the Lisbon Agenda. Sustaining Growth and Fostering Jobs in an Emerging Economy, 3rd Report, Group of Applied Economics, October 2005

¹⁰³⁶ Mereuta, C, Analiza nodala a sistemelor de companii, Ed. Economica, 2004

¹⁰³⁷ D. Daianu, Romania and the Lisbon Agenda.

¹⁰³⁸ D. Daianu, Romania and the Lisbon Agenda.

The subject of the “future of the stability and growth pact” has been debated very few inside more or less specialised circles. The lack of interest on this subject could be explained, on the one hand, by the technical details imposed by this specific area, and on the other hand, by the current main objectives of the National Bank of Romania, that, since August 2005, has shifted to inflation targeting. The functioning of this monetary policy regime relies largely on anchoring inflation expectations to the inflation target announced by the central bank and implicitly on a good communication with the general public.

In a working paper published in 2002 by the National Bank of Romania, the main elements defining the inflation targeting regime were presented: consolidating the central bank’s credibility by avoiding adjustment of the initially announced inflation and strengthening the central bank’s accountability relating to fulfilling the inflation objective by publishing an inflation report that should include the inflation forecast¹⁰³⁹. Mugur Isarescu, the National Bank of Romania Governor, in a speech delivered in March 2005, stated that for a few years now, the National Bank of Romania considered inflation targeting to be the monetary framework suitable for the timeframe between achieving single digit inflation and joining the ERM II¹⁰⁴⁰.

Slovakia

Directives on services and working times

Generally speaking, Slovakia’s government is strongly in favour of the reforms that would push for more dynamic economy including measures that would contribute to the encouragement of the internal competitiveness of the EU market like for example the liberalization of the service market. For this reason Slovakia also rejects any attempts for more regulation of the working conditions at the European level. The directive on the working hours is seen by the Slovak government as a burden to the competitiveness within the EU.

¹⁰³⁹ Cristian Popa (coordinator), Direct Inflation Targeting. A New Monetary Policy Strategy for Romania, Occasional Papers no.1/2002, available at www.bnr.ro/def_en.htm (latest access: 17.12.2005).

¹⁰⁴⁰ Speech delivered by the NBR Governor Mugur Isarescu at the Conference on Inflation Targeting, Bucharest, 30 March 2005, available at www.bnr.ro/def_en.htm (latest access: 17.12.2005).

National reform activities

The Lisbon strategy was an issue mainly in the end of 2004. The position of the Slovak government to the Lisbon strategy was rather positive even if the Minister of Finance, Ivan Mikloš, has criticised the strategy for too many priorities that are not clearly specified.

In November 2004, the Ministry of Finance published the Competitiveness Strategy for the Slovak Republic until 2010, the national Lisbon strategy that should launch the debate on the Lisbon strategy in Slovakia. The necessity for clear strategy on competitiveness economy was proved by statistical numbers that ranked Slovakia on the 22nd place in the growth competitiveness index and on the 18th place in the business competitiveness index of the EU countries in 2004¹⁰⁴¹.

The Slovak Republic was one of the nine countries that submitted their national action plans to Commission in October 2005. The national action plan of the Slovak Republic was drafted within the Minerva¹⁰⁴² project launched by Ministry of Finances. The strategy is based on two pillars: 1.) competitions of structural reforms and maintaining their positive results and 2.) priority development areas – focus on knowledge based economy.

The Slovak government has made the reforms a priority, despite their unpopularity. The most significant implemented structural reforms include the tax reform, healthcare system reform, social system reform, labour market reform, pension reform and the general government (public finances) reform. The strategy counts with the completion of macroeconomic and fiscal reforms, reforms in the social area and health care and pension insurance.

The development priorities include:

- Human resources and education
- Information society
- Business environment
- Science, R&D, and innovations

¹⁰⁴¹ Indexes were developed by the World Economic Forum.

¹⁰⁴² Minerva is an abbreviation of the governmental initiative „Mobilizacia Inovacii v Narodnej Ekonomike a Rozvoj Vedecko-vzdelavacich Aktivit“ (The Mobilisation of Innovations in National Economy and Development of Research and Education Activities).

According to the strategy, the main objectives within the area of human resources and education are modern educational policy, achieving high employment rate, and coping with demographic changes. The priority information society establishes the objectives as information literacy, effective e-government, modern on-line public services, and wide internet accessibility.

Science, R&D and innovations priority is based on three main objectives: education and support of expert scientists; research comparable with the international standard and appropriately interconnected with the business sector; and effective public support of the business activities aimed at research and innovations.

Within the business environment area, the strategy focuses on four objectives: high efficiency of law enforcement; a high quality physical infrastructure and services in the network industries; public institutions as a partner rather than a burden; and effective access to capital market for all enterprises. From the perspective of the tools that will have an impact of the public finances, the government declares that they will prefer the decreasing of taxes and levies for all businessmen. A general or individual support of the businesses from the public finances should be used only in the exceptional and well-founded cases.

The Minister of Finance, Ivan Miklos declared that the Minerva is a cornerstone of the Slovak Lisbon Agenda because without "the stress put on the development of the knowledge based economy it would not be possible to push the program of catching up with the well developed countries in the areas of living standard and competitiveness."¹⁰⁴³ According to him, the government has focused on changes in the rules regulating the business environment up till now, but now it is necessary to concentrate on human resources in order to increase the flexibility of people and improve their ability to process the information. He thinks that this is what the Slovak Lisbon strategy is all about.

The two main opposition parties in Slovakia – SMER and HZDS – basically accepted the national strategy. As Vladimir Meciar (HZDS)

pointed out the parliamentary elections¹⁰⁴⁴ not necessarily will have to bring the decisive political change in this area. The HZDS agrees with the strategy as a midterm document. The leader of the largest opposition party Robert Fico (SMER) has expressed his reservations only to the economy philosophy behind the suggested measures that drives on assumptions according to which only free market will ensure the sustainable development. According to Fico, the public finances are still needed in development of the knowledge based economy in Slovakia.

The strategy has also its opponents who have criticised mainly the fact that it does not refer to existing strategic documents in force like for example National Strategy of the Sustainable Development of the Slovak Republic and Strategy of the Sustainable Development of the EU. The opponents also claim that the strategy is based on "a static and simplified understanding of economy" and the room for reflection on accepted economic measures and their further modification is completely missing in the strategy.

The overall support of the parliamentary political parties to the national Lisbon strategy (Minerva program) is also reflected in the 2006 state budget approved by the National Council of the Slovak Republic on 13 December 2005. According to Finance Minister Ivan Miklos Slovakia's priority for 2006 is investment in science and education.¹⁰⁴⁵ The Ministry of Finance substantiated its claim by increasing the budgetary chapter for the Ministry of Education by about 1554,4 million Slovak crowns from which 1100 million is allocated to Minerva based projects.

The future of the Stability Pact

Slovakia's official position towards the Stability and Growth Pact has been driven by the country's political goal to join the common currency by 2009. Consequently, Slovakia's politicians have been pushing for strict adherence to the Maastricht criteria. Slovakia already adheres to the debt (up to 60 percent of the GDP), the long-term interest rate and the exchange rate criteria. It plans to achieve both the criterion on the size of the annual fiscal deficit (set at 3 percent of the GDP) and the criterion on the price stability by 2007.

¹⁰⁴³ Press conference, 17. 1. 2005, cited from www.euractiv.e.sk.

¹⁰⁴⁴ The parliamentary elections in Slovakia are scheduled for the fall 2006.

¹⁰⁴⁵ "Slovenskí poslanci schválili štátny rozpočet", *BBC Slovak.com*, 13 December 2005.

There seems a broad political consensus on the significance and the seriousness of the Stability and Growth Pact as set out in the Maastricht Treaty. When on 25 November 2005 the Slovak koruna (the official currency) somewhat surprisingly entered the Exchange Rate Mechanism II (ERM II) where it has to stay for at least two years before euro can be introduced, even the shadow Finance Minister from the strongest opposition party *SMER* stated that he deemed the Maastricht criteria as “sacred” and beneficial for the economy.¹⁰⁴⁶ Although *SMER* favors the introduction of euro later than in 2009, both coalition and opposition politicians agree on the positive aspects of the Maastricht criteria whose fulfillment helps improve the confidence of foreign investors in Slovakia. More tangibly, Slovakia’s entry into the ERM II immediately strengthened the Slovak koruna vis-à-vis the euro. It also differentiated it more clearly from the currencies of Slovakia’s Central European neighbors whose various recent domestic problems (such as the size of Hungary’s fiscal deficit) adversely affected the value of Slovakia’s currency when foreign banks tended to get rid of Hungarian forints together with Slovak korunas, thus viewing the Central European region in rather homogeneous terms.¹⁰⁴⁷ More broadly therefore, Slovakia has so far perceived the Stability and Growth Pact as a solid guide to more sound public finances and better public policies. Indeed, in the past various Slovak politicians called upon those countries in breach of the Maastricht criteria to comply with these treaty-based rules.

Slovenia

Slovenia supports the revitalisation of the Lisbon strategy. Slovenian Government adopted the Slovenia’s development strategy (on the 23rd June 2005).¹⁰⁴⁸ On the basis of this Strategy, the government’s Office for Macroeconomic Analysis and Development prepared National Action Plans for Reform, which were debated in the Parliament in

October 2005. There is a special action plan for carrying out the Lisbon agenda still in preparation.

Directives on services and working times

The Slovenian Government¹⁰⁴⁹ supports the creation of internal market also in the field of services. It therefore supports the Directive on services and believes that the principle of „a country of origin” should remain a central element of the Directive, but should be further clarified and the exceptions to this rule should be clearly defined. Also, the Slovenian Government’s official standpoint, and this is a view shared by the Slovenian Chamber of Commerce and Industry,¹⁰⁵⁰ is that health services, social services and lottery and gambling should be excluded from the Directive. The effect of the liberalisation of audiovisual services is still under scrutiny.¹⁰⁵¹

The Government as well as the Chamber of Commerce and Industry feel there is a special need to re-think the principle of a declared exclusive responsibility of member states in the field of health services in relation to the four freedoms of internal market and acknowledge a special standard for health services. In the field of social services, the Chamber of Commerce and Industry’s standpoint is that these are by definition non-profitable services and as such can not be included into the Directive. Lottery and gambling is closely related to social, cultural and economic specifics of member states. In Slovenia, a share of revenue in lottery and gambling, according to law, is spent for charity and sports. The Association for Construction at the Chamber of Commerce and Industry also expressed second thoughts concerning the principle of the „country of origin”. They believe the principle is not a suitable solution to the problems the Directive might cause in the field of construction. They advocate the exclusion of services related to planning and construction from the principle of a „country of origin”.

¹⁰⁴⁶ “Korunu v Bruseli tajne zvižali s eurom”, *SME*, 28 November 2005.

¹⁰⁴⁷ “Slovensko necakane vstopilo do cakarne na euro”, *SME*, 28 November 2005.

¹⁰⁴⁸ Institute of Macroeconomic Analysis and Development (2005) *The Strategy of Slovenia’s Development (Slovenia’s Development Strategy)*. English version available at <http://www.gov.si/umar/projekt/asrs/ssd.php> (latest access: 12.12.2005). Slovenian version, including travaux preparatoire (with a Chapter on “Slovenia in International Community and in the European Union”) available at <http://www.gov.si/umar/projekti/srs/srs.php> (latest access: 12.12.2005).

¹⁰⁴⁹ Ministry of Economy in the answers to the Questionnaire that was sent to them. Questions were sent on the 1st September 2005 and the answers received on the 8th September 2005.

¹⁰⁵⁰ Standpoints of the Chamber of Commerce and Industry are taken from their answers to the questions that were sent to them. Questions were sent on the 1st September 2005 and answers received on the 9th September 2005.

¹⁰⁵¹ Ministry of Economy in their answers to questions that were sent to them. Questions were sent on the 1st September 2005 and the answers received on the 8th September 2005.

Concerning the working time directive, the Slovenian Ministry of labour, family and social affairs issued a standpoint¹⁰⁵² towards the amended Commission's proposal of 31st of May 2005 to amend the working time directive. The Ministry stressed that it supports the solution on definitions and the "on-call" time in relation to working time ("inactive part of the on-call time"), changes in relation to periods of compensatory rest, in relation to standard reference period and the greater compatibility between work and family life. As particularly important for Slovenia the Ministry deems the question of an opt-out. Slovenia advocates the opt-out, especially for its public sector (especially health) needs. Three year opt-out time period is too short and unacceptable for Slovenia. Slovenia also does not support the maximum of 55 working hours a week.

Media coverage on the new proposal is scarce and there seem to be no debate on the subject (yet).

National reform activities

- labour market reform
- investment in Research and Development etc.
- employment and growth strategy
- financial services, internal market, enterprise

The development strategy of Slovenia has set the following four priorities:

- greater competitiveness and economic growth,
- greater efficiency in creation and use of knowledge for economic development; and quality jobs,
- more efficient and cheaper state,
- more flexible labour market, higher employment and fair and motivating system of social transfers.

Governmental Committee on Reforms presented the measures to carry out the reforms on the 6th October 2005. A vivid public debate on reforms began. Most debated are reforms in fiscal field (establishment of a single

tax rate, abolition of wage tax¹⁰⁵³), higher education (introduction of tuition and student loans schemes, stricter regulations for student work) and social transfers (the latter would be recalculated in order to compensate for eventual deterioration of social conditions following single tax rate). The Governmental Committee's main intention is to introduce all the reforms simultaneously (in a package), in order to balance (compensate) possible negative effects of one reform with positive financial implication from the other.

One of the main criticisms from the release of the proposal has been centred around the single tax rate, claiming that abolition of a lower – 8,5 per cent value added tax (VAT) rate, replaced by a 20 per cent single one will result in higher food prices and in the end strike the hardest the poorest population. The main argument the Governmental Committee repeats in response to this criticism is that current tax rates support the richest class, since the latter does not spend money immediately in stores, but 'spends' it more on savings or investment, which are not taxed with VAT. Therefore they claim that regression of the consumption tax aims for a lower taxation or even exemption of taxes for the goods mainly bought by the poorer. They also claim this new politics would be 3,5 per cent cheaper due to total abolition of negative reallocation effect.¹⁰⁵⁴

The debate on the proposed reforms has been very much taken into consideration by all the political parties. The rare points, on which all of them agree on, are the abolition of wage tax, which will disburden employers and contribute to a more pleasant environment for enterprises and increase of funds for research and development. The coalition parties support the Government's propositions in whole, exposing that they will enable the realisation of goals set in the Development strategy, especially higher economic growth and preservation of the welfare state. On the other hand, the oppositional parties hold quite critical stand toward the propositions; Liberal Democrats are disappointed with tax and social transfer measures and with the curtailment of the welfare state. Similarly Social Democrats expose curtailment of social rights and also disregard of some European regulations, conventions of the International Labour

¹⁰⁵² Ministry of Labour, Family and Social Affairs (6 June 2005) Stališče do predloga direktive o nekaterih vidikih organizacije delovnega časa (gradivo za novinarsko konferenco) [Standpoint towards the proposal for a directive concerning certain aspects of the organisation of working time], available at [http://193.2.236.95/dato3.nsf/OC/0506061708500/\\$file/dato3_nk_stud_delo_direktiva_5_1a.pdf](http://193.2.236.95/dato3.nsf/OC/0506061708500/$file/dato3_nk_stud_delo_direktiva_5_1a.pdf) (latest access: 12.12.2005).

¹⁰⁵³ A tax on paid wages, paid by the employer.

¹⁰⁵⁴ STA (25 October 2005) Odbor za reforme objavil drugi del gradiva o reformah [Committee on Reforms published the second part of the reform material].

Organisation and of the European Social Charter. Only the National Party supported the propositions. Some other institutions, especially the union of free trade unions of Slovenia (*Zveza svobodnih sindikatov Slovenije*) have also been very critical toward the possible negative effects on the social security of workers and their families.¹⁰⁵⁵

The future of the Stability Pact

The Government is of the opinion that the eventual modifications of the Stability Pact can only be minor. A larger stand has to be assured for the middle term goals. The latter should better reflect the situation in a particular member state and assure sustainability of the public finance debt. In accordance with that, common consolidation of the structural deficit for 0,5 percent of GDP per year is not necessarily the best solution for each member state. In addition, Slovenia believes that at this point it is impossible to commonly assess the extent of potential liabilities in an individual member state; therefore in this regard a lot of methodological work will have to be done.¹⁰⁵⁶

Spain

According to the Spanish Prime Minister, the accomplishment of the Lisbon Strategy is the first priority for his Government. PM Rodríguez Zapatero admitted that Spanish progress towards the Lisbon goals has been insufficient. However, the Government decided to become one of the leading countries in the Lisbon Renovation process. In this context, Spain was the first country to present a report on the economic pillar regarding growth and employment. It was also the first country to be visited by the Commission in its negotiating round.

National reform activities

Spain has approved its National Reform Programme (13 October), which sets the guidelines for economic policy in 2005-10 in accordance with the Lisbon Strategy. This document has two main objectives – first, to accomplish full convergence with the EU-25 indeed, and second, to raise the employment

rate. There are seven action axes: budget stability, infrastructures, human capital, research, development and investment, competitiveness, labour market, and business promotion.

Directives on services and working times

Spain has maintained a mid-way position between the total liberalisation of the services market and the upholding of the current situation. Spain supports an integrated services market but with red lines (scopes of general interest).

The future of the Stability Pact

The Spanish Government has held a complex position. The current Economy Minister, Pedro Solbes, was the Commissioner who launched the Services Directive and supported the Stability Pact. However, the Zapatero Government is supported by a centre-left coalition. In this context of domestic limitations, Spain backs the adaptation of the Stability Pact and welcomes the concept of budgetary balance throughout the cycle.

The Spanish Government considers that the choice between two models (social and liberal) is false. Spain is boosting a new model of growth based on dynamic productivity and quality employment.

Sweden

The Social Democratic government stated prior to the June 2005 European Council meeting that it welcomes the integrated guidelines for the Lisbon agenda which together with the national action programs are deemed central components for the realization of the goals of the strategy.¹⁰⁵⁷ The opposition, for instance the Moderate Party, holds much the same perspective on the Lisbon Agenda.¹⁰⁵⁸ The government presented a national action program to the Riksdag and the European Commission on October 21, 2005, after consulting with relevant organisations.

The Prime Minister also consulted with the European Affairs committee before going to the informal Council meeting in London in the

¹⁰⁵⁵ STA (6 October 2005) Predloge reform predstavili ministrom in parlamentarnim strankam (zbirno) [Reform propositions presented to the Ministers and parliamentary parties].

¹⁰⁵⁶ Declaration on Slovenian activities in the EU in 2005, p. 8-9.

¹⁰⁵⁷ Prime Minister Göran Persson's consultations with the European Affairs committee in the Riksdag, 2005-06-14, www.regeringen.se/sb/d/1122/a/46406.

¹⁰⁵⁸ Moderate Party platform, www.moderat.se/politik.asp?mainid=2&subid=54.

end of October. In the consultations, continued work on the Lisbon agenda was stressed by the Prime Minister.¹⁰⁵⁹ Not least the research and development aspect of the Lisbon strategy was underscored, and framed in the language of the impossibility of escaping from globalisation (and thereby linked to CAP reform and other budgetary issues). The Deputy Prime Minister (responsible for coordination of EU matters) argued along the same lines in a speech earlier in the year: The government seeks a long-term perspective on the Lisbon strategy issues, which in effect means a reformed approach on structural funds, a focus on employment measures and a sustainable development approach to environmental issues.¹⁰⁶⁰

Turkey

It would be too ambitious to talk about initiatives for revitalisation of the Lisbon agenda in Turkey; however it is more realistic at this stage to talk about the relevant sectors and the understanding and approach to Lisbon strategy and its components. Recalling the European Council in Lisbon in March 2000, setting out a ten year strategy to make the Union “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”, and then the addition of sustainable development to economic and social policy as a third area of coordination throughout Lisbon strategy during Swedish Presidency; it would be appropriate to quickly revise the developments as regards services directive, working time directive, labour market, investment in research and development, employment, financial services, internal market and enterprise. There is not much progress as regards Services Directive in the internal market which was presented by the Prodi Commission in January 2004 as one of the key elements of the Lisbon reforms agenda, aiming to break down barriers to trade in services across the EU. And as regards “Working Time Directive”, weekly working periods are already in full compliance with the current working periods in the EU, however, annual paid leaves

are not in compliance and there is not a detailed work to change this for the moment.

As regards labour market, the approach to the labour market issues is said to be in full compliance with the EU challenge to provide flexibility while maintaining the good level of social protection. The studies and discussions are in progress *not in the context of Lisbon strategy*, however, it will still be enlightening to have a general look to the sector: The new Labour Law No 4857 already includes some items relevant to flexible working types; however, the social security rights of the flexible working groups are still to be regulated. The Turkish Employment Agency is undergoing a modernisation both in structuring and mentality and within this context a new approach will be adopted based on “Active Employment Measures”. In addition, the National Employment Strategy (NES) is being prepared and the intention is to provide compliance with the EU Employment Strategy. For this very purpose, Turkish academics are now working with Commission experts on a Joint Assessment Paper which will be a useful resource to be used in establishing the NES and which will be used as a guide in spending EU funds for employment sector. This study will lay out the priorities in employment sector which will be in compliance with the priorities of EU and the main aim is to give support to the studies on NES which is aimed to be in parallel with the Employment Strategy of EU. The last but not the least is the removal of tax burden on employment 2006 to facilitate entrepreneurship. Furthermore, the disadvantaged groups (mainly women whose employment rate is only 24%) are given a priority in the projects to promote employment.

As regards investment in research and development, Turkey adheres to the intention of the EU to increase the investment in research and development to 3% of GDP by 2010 and the Technological and Scientific Research Council of Turkey (TUBITAK) has already presented its 3% Action Plan during the Explanatory Screening meeting on the Science and Research Chapter with the EU. As 3% is a very ambitious target for even some of the current member states, Turkey aims to reach 2% by 2010. For this very aim, 544 million Euros have been allocated for science and research from the 2005 budget, which presents quite a considerable increase. Furthermore, there is a binding government decision in March of this year to further increase the amount of investment. The

¹⁰⁵⁹ Prime Minister's information to the European Affairs committee, 2005-10-26, www.regeringen.se

¹⁰⁶⁰ Speech by Deputy Prime Minister Bosse Ringholm, 2005-05-09, www.regeringen.se/sb/d/4596/a/44158; the government's work program for the fall of 2005, at www.regeringen.se (“Regeringens EU-arbetsprogram för hösten 2005”).

current research capacity of Turkey is reported to be ready to absorb this amount. According to the projections, an additional 200 million Euros will be sufficient to move the point after the decimal in the investment/GDP ratio.

Finally, let's look at the financial services, internal market and enterprise. Turkey seems fairly advanced in these sectors. As regards financial services, Turkey is almost in compliance with EU regulation except for the insurance sector. And in relation to the internal market, since the Customs Union decision in 1995 there has been much progress in Turkey. Extensive work is still being carried out; however the real big issue being discussed in Turkey is the free movement of workers. Another issue is the State Aids. There is no State Aids Monitoring Authority and a legal framework yet as required by the EU, though there are arduous efforts going on. And finally as regards enterprise, Turkey has delivered its Enterprise Strategy to the EU. The current issue is the effective implementation of this strategy.

It seems that the Lisbon Agenda is merely discussed in the context of competitiveness in Turkey. This concept has brought about a new topic for the business world and the public sector: "Better Regulation". In this respect, better regulation principles such as openness, participation, accountability, effectiveness and coherence have gained importance both in the public sector and business world in Turkey to provide a better and more competitive working atmosphere and a better regulatory environment. The better regulation concept has been discussed since the 1990s in the concept of good governance and Turkey as one of the candidate countries has been included in these studies since 2001.

United Kingdom

Directives on services and working times and national reform activities

The British government supports the Lisbon Agenda, although it considers its aims to be too broad in scope. It would like reform efforts to concentrate on employment and economic reform, especially insofar as this would increase the flexibility of labour markets and decrease existing levels of regulation. The UK Treasury thus calls for structural reform in labour, product and capital markets as the means to achieving the ambitions set out at the

Lisbon European Council.¹⁰⁶¹ In general, Britain sees the Lisbon Agenda more as a way to encourage economic reform at EU-level and in other member states rather than as a mandate for internal change. The UK is more reticent on the social and environment policy elements of the Agenda. In keeping with this liberal approach to economic management, the UK government supports a strong services directive. It would also prefer to protect its opt-out from the working time directive, but offered at the employment and social policy council on 8 December that its exemption gradually be reduced and eventually made redundant. It is also worth noting that Labour MEPs voted earlier this year for an end to the opt-out, going against UK government recommendations.

While neither directive is a matter of serious public debate, trade unionists and employer groups have strong, opposing views. The Confederation of British Industry (CBI), the leading British employers' organisation, is clearly in favour of a deregulatory services directive and the British opt-out, while supporting the Commission on the Lisbon Agenda. The CBI encourages the government to oppose stronger social and environmental legislation, which it sees as barriers to growth.¹⁰⁶²

On the other side of the political debate, the Trades Union Congress (TUC), the main British labour group, is lobbying for a more restricted services directive as well as an end to the opt-out from the working time directive.¹⁰⁶³ The left-wing in the UK has recently increased its mobilisation on social issues in the EU. For example, trade unions are funding a new think tank, the Centre for a Social Europe, which formed part of the short-lived 'no' campaign in Britain and continues to give a left-wing view of events in the EU.¹⁰⁶⁴ The annual congress of the TUC in September saw much debate on motions challenging EU legislation on social and employment matters, charging the EU with a 'neo-liberal' bias. This led John Monks, head of the European Trades Union Congress (ETUC), to argue that 'a new

¹⁰⁶¹ For the UK position on the Lisbon Agenda, see the annual HM Treasury reports on economic reform in Europe: http://www.hm-treasury.gov.uk/documents/international_issues/european_economic_reform/int_eerwp_index_main.cfm (latest access: 29.11.2005).

¹⁰⁶² For more information, see the CBI web site (www.cbi.org.uk).

¹⁰⁶³ For more information, see the TUC web site (www.tuc.org.uk).

¹⁰⁶⁴ For more information, see the web site of the Centre for a Social Europe (www.social-europe.org.uk).

mood of Euroscepticism seems to have seized some sections of the movement'.¹⁰⁶⁵

Even in the UK, often seen as the bastion of Anglo-Saxon liberalism, there are thus groups who oppose the current economic stance of the EU from a left-wing perspective. Nevertheless, it has to be said that these groups rarely make their views heard in the mainstream media, which tends to be on the side of the liberalising agenda and the UK's right to determine its own economic approach. This was very much visible in the coverage of the EP vote on the working time directive.

The future of the Stability Pact

As it is not a member of the single currency, the UK does not feel that it is strongly bound by the rules of the Stability and Growth Pact (SGP). Moreover, it does not take a strong position on the issue of its reform. However, the UK generally supports an SGP that takes greater account of economic cycles and the need for public investment.¹⁰⁶⁶ Overall, the UK prefers to take its own approach to long-term management of its budget based on the so-called 'Golden Rule' and the 'Sustainable Investment Rule'.¹⁰⁶⁷

¹⁰⁶⁵ John Monks, 'Europe Is All We've Got', The Guardian, 7 September 2005, accessible at: <http://www.guardian.co.uk/comment/story/0,,1564155,00.html> (latest access: 29.11.2005).

¹⁰⁶⁶ HM Treasury (2004) "Stability and Growth Pact: a discussion paper", available on-line at http://www.hm-treasury.gov.uk/media/0E5/B3/stability_pact_276.pdf (latest access: 29.11.2005).

¹⁰⁶⁷ For details, see http://www.hm-treasury.gov.uk/Documents/UK_Economy/Fiscal_Policy/ukecon_fisc_index.cfm (latest access: 29.11.2005).

5

On the EU' s role in the world: CFSP/ESDP

Please refer to:

- **Upcoming security challenges for the EU (ESDP/JHA)**
 - *including the fight against terrorism*
- **Further development of European Security Strategy**
- **The way ahead for CFSP/ESDP on the basis of the Nice treaty**
 - *in particular as far as the European External Service*
 - *“Solana plus”/Foreign minister of the Union*
 - *and the European Defence Agency are concerned*
- **How to proceed with the Iran problem and under which leadership EU-3 or other formats preferable?**

Austria

Again, a certain ambiguous position of Austria must be noted concerning its view of and involvement in the CFSP/ESDP. This stems from Austria's permanent status as a neutral country since 1955. Prof. Carole Bielfeldt points out that it is necessary to evaluate Austria's neutrality from three perspectives: international law, the political, and the normative/emotional. According to her, since the signing of the Amsterdam Treaty, Austria's neutrality *de jure* no longer exists.¹⁰⁶⁸ However, the Austrian government still foresees a politically neutral path and for most Austrian citizens neutrality represents a vital identification element of the Second Republic. This leads to contradictions in governmental policies with regards to certain national commitments towards EU foreign policy, as expressed by the Austrian government. Researchers at the OIIP (Austrian Institute for International Affairs)¹⁰⁶⁹ point out that this current and so-called "Left-Over-Neutrality"¹⁰⁷⁰ is surprisingly agreed upon by all Austrian political parties and is only important for internal politics, however, its role in external relations is rather limited and ambivalent. Nevertheless, it is stressed¹⁰⁷¹ that in the face of historical developments and the dramatically changing security system in Europe the nature of Austria's neutrality must change accordingly, however, while still retaining its validity as a concept.

Security challenges

The Austrian President, Heinz Fischer emphasises that it is vital for Europe not to panic and that the constructive dialogue between the EU and the USA on the policy to fight terrorism must continue.¹⁰⁷² Fischer stresses that terrorism does not legitimise the disregard of international human rights.¹⁰⁷³ There is a current political debate with regards to whether the current Austrian legislation is

sufficient enough to deal with upcoming security challenges.

European Security Strategy

The Austrian Chancellor Wolfgang Schuessel announced in his Government Policy Statement in the Austrian Parliament in March 2003¹⁰⁷⁴ the government's commitment to the development of a European Peace and Defence Community. Schuessel argues that a capable armed force is necessary, if the EU wants to be taken seriously as a sovereign state in Europe and in the world. Moreover, international crises in Austria's immediate neighbourhood such as in the Balkans and the necessary deployment of the Austrian army to the border, have shown that it is vital to have armed forces. Austria will contribute to the military planning target of the Union by making available capabilities of adequately trained and equipped military units, police forces and civil protection officers as well as judicial staff for civil operations within the framework of the ESDP. Schuessel also stresses that a close cooperation between the EU and NATO as well within the framework of the Partnership of Peace - which Austria joined 10 years ago - are important prerequisites for a successful ESDP.

The Austrian Minister of Defence, Guenther Platter also clearly confirms Austria's commitment towards an ESDP and disqualifies an Austrian NATO membership.¹⁰⁷⁵ Platter notes that particularly for small countries like Austria programmes like the CFSP and the ESDP open doors to participate and contribute towards an important element of future integration within the EU and stresses the actual and current active role of Austria participating in crisis interventions. Nevertheless, he also makes the point that in order to deepen Austria's participation in such cooperation ventures, Austria's politicians need to explain the new framework to the public.¹⁰⁷⁶ Moreover, a debate which deals with the question of balancing the existing division between Austria's foreign political claims and its economic ability, must be held.

The Social Democratic Party is in favour of the harmonisation of an EU Defence Policy with the aim of a standing army. This would prove

¹⁰⁶⁸ 18.05.2005, Professor at the Institute of Political Science at the University in Innsbruck, Interview with *Der Standard*.

¹⁰⁶⁹ Article by Heinz Gaertner/Otmar Hoell/Paul Luif in *Oesterreichische Außen- und Sicherheitspolitik*, in *Oesterreichische Sicherheits- und Verteidigungspolitik*, January 2005, published in Gustav E. Gustenau, *Oesterreich als außen- und sicherheitspolitischer Akteur*, Verlag fuer Sicherheitspolitik (BfSiPol), 2005, p. 11

¹⁰⁷⁰ *Restneutralitaet*.

¹⁰⁷¹ Otmar Hoell/Heinz Gaertner, *Small States and Alliances*, Physica-Verlag (a Springer Verlag Company), Heidelberg-New York, 2001, p. 10

¹⁰⁷² 10.12.2005, *Wiener Zeitung*.

¹⁰⁷³ *Ibid.*

¹⁰⁷⁴ 06.03.2003, *Government Policy Statement - Future Needs: security*, p. 8.

¹⁰⁷⁵ 02.08.2005, *Der Standard*.

¹⁰⁷⁶ 1.10.2004, Speech at the Alpbach Forum, *EU-Verteidigungspolitik Mitgestalten*, www.bmlv.gv.at.

to be more efficient and would decrease expenditure; the aim would be for self-defence as well as for international crisis intervention. In the latter case, Austria could only participate if a UN mandate were given. Moreover, Austria's participation in such interventions would be on a voluntary basis. In case the Austrian neutrality would be limited in any way, there would need to be a referendum.¹⁰⁷⁷ The Social Democratic Party is against NATO membership, not only because it would be contradictory to Austria's neutrality, but also because of the necessary doubling of the national defence expenditure.

The Green Party wants the CFSP based on pro-active conflict prevention by peaceful means, in full cooperation with the OSCE and the UN and fully accountable to the EP. The first and foremost role of the new European Defence Agency would be in its view to avoid unilateral military actions. The Green Party appeals to the EU to take up the leadership for worldwide initiatives to push into effect the CTBT¹⁰⁷⁸ and to revive the NPT¹⁰⁷⁹ in accordance with the European Security Strategy.¹⁰⁸⁰

The way ahead for CFSP/ESDP on the basis of the Nice treaty

The governing People's Party has not formulated a detailed position on the issues yet, however, they are currently under review under the general preparation for the upcoming Austrian EU Presidency between January and July 2006.¹⁰⁸¹

Iran problem

The Austrian Foreign Minister Ursula Plassnik, supports the negotiation process of the EU 3 – France, Germany and UK – and Iran. Moreover, Plassnik stresses the importance of Iran for Austria and the EU considering its geopolitical position and economic¹⁰⁸² and political potential and stresses that the continuation of the dialogue will be of high importance during the Austrian EU Presidency.¹⁰⁸³

The Green Party¹⁰⁸⁴ supports the ongoing negotiations between the EU-3 and Iran in order control possible military usage of Iran's nuclear programme as well as to facilitate a profound improvement of human rights standards.¹⁰⁸⁵

Belgium

Security challenges

Minister of Home Affairs, Patrick Dewael, after the events of July in London, hoped for a better collaboration among police services and with intelligence services. He complained about the fact that a number of colleague-ministers prefer strong public statements over the application of existing European agreements. Like for example with regard to Europol where not all member states have yet named their liaison officer responsible for terrorism.¹⁰⁸⁶ The idea that five big countries would be able to suppress terrorism in Europe is completely wrong. If there is one issue in which Europe has an added value it is in combating terrorism.¹⁰⁸⁷

A lot of progress has been made according to the conclusions of the European Council in June 2004. Now, as stated by Minister of Foreign Affairs Karel De Gucht, it comes down to realising the complementary measures about which an agreement already exists, such as improving the exchange of strategic and operational information requested by Belgium, the realisation of a strategy and action plan regarding radicalisation and the recruitment of terrorists, and preventing charity organisations from being used to finance terrorism. The London bombing showed that there is a very good European cooperation with regard to security analysis and the relief coordination, but it equally showed that in the aftermath most of the member states took unilateral measures to safeguard their territory. A better information exchange on these measures is indispensable.¹⁰⁸⁸

¹⁰⁷⁷ April 2003, *SPOe- Argumente 16 – Sicher in der EU*, p.1.

¹⁰⁷⁸ Comprehensive Test Ban Treaty.

¹⁰⁷⁹ Non-Proliferation Treaty.

¹⁰⁸⁰ Interview with Die Gruenen, September 2005.

¹⁰⁸¹ Interview with the Oesterreichische Volkspartei (OeVP), October 2005.

¹⁰⁸² Iran is currently the most important export market for Austria in the Middle and Far East. www.bmaa.gv.at.

¹⁰⁸³ 04.04.2005, The Austrian Foreign Ministry, www.bmaa.gv.at.

¹⁰⁸⁴ Interview with Die Gruenen, September 2005.

¹⁰⁸⁵ Ibid.

¹⁰⁸⁶ "EU versterkt engagement voor strijd terrorisme", *De Tijd*, 14/7/2005/.

¹⁰⁸⁷ "Trois questions à ... Patrick Dewael, Ministre Belge de l'Intérieur", *Le Monde*, 25/7/2005.

¹⁰⁸⁸ "Vechten voor Vrijheid", *De Morgen*, 9/7/2005.

Further development of European Security Strategy

The Belgian Prime Minister urges for an increased budget for CFSP, including European defence, and for an enlargement of the Schengen-area.¹⁰⁸⁹

Jean Marc Ferry, Professor at the Université Libre de Bruxelles (ULB), says that in its global role the EU should accept the idea that, due to its lack of military capabilities, it will never become a hyper-power but it should equally understand that it can play a very important symbolic role.¹⁰⁹⁰

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Some, mostly East-European countries, hope on a revitalisation of the West-European Union assembly (WEU), since, after the expiring Constitution, it's the only parliament left to scrutinise the European Council of Heads of State and Government in European defence matters, as is presently the case with Operation Althea (Bosnia). Such a revitalisation of the WEU, however, is presently not on the Belgian agenda.¹⁰⁹¹ Rather the Belgian minister of Foreign Affairs is in favour of working with so called open "EU core groups", which would unite those member states that have the expertise and the will to act within a specific domain of the CFSP. These groups should be created around Javier Solana, the Presidency and the European Commission.¹⁰⁹²

Many think that getting rid of the unanimity vote in CFSP matters would be a solution for progress, but changing it into a majority vote could paradoxically render things even more difficult. It is politically much easier for a number of countries to resist as a group in a majority system, than for one country to use its veto against all the others.¹⁰⁹³

¹⁰⁸⁹ "Verhofstadt: "Le débat ne devrait pas se limiter à notre futur économique", *L'Echo*, 28/10/2005.

¹⁰⁹⁰ "Jean-Marc Ferry, directeur du Centre de théorie politique à l'Université libre de Bruxelles: "l'Union est devant un triple choix: sur sa nature, son rôle dans le monde et sa façon de procéder"", *Le Monde*, 17/6/2005.

¹⁰⁹¹ "WEU wil gat rond EU-grondwet dichtrijden", *De Standaard*, 16/6/2005.

¹⁰⁹² "Le futur de l'Europe selon De Gucht: rendre confiance et penser à Delors", *L'Echo*, 7/7/2005; "De Gucht wil EU-lidstaten groeperen in "kerngroepen" buitenlands beleid", *De Tijd*, 7/7/2005.

¹⁰⁹³ "Interview Karel De Gucht na de beslissing over Turkije in Luxemburg", *De Morgen*, 6/10/2005.

Minister De Gucht proposed a number of measures that should take care of certain failures within the CFSP. The Commission should get a key role, since standing above the member states, and should defend the community interest. This does not, however, respond to today's political reality, since many member states are against such a policy. But it would be wrong to block the further development of the CFSP, since Europe's citizens, although they may be considered as Eurosceptical, would like to see Europe player a bigger role in the world arena.¹⁰⁹⁴

The Minister of Foreign Affairs calls upon the High Representative for the CFSP of the EU and the Commission to make extra efforts and to cooperate as well as possible, and by doing this, create a closer relationship among them.¹⁰⁹⁵

Iran problem

The issue of Iran is, according to the Minister of Foreign Affairs, Karel De Gucht, a very sensitive issue, for which the best solution would be a diplomatic one. It should be dealt with patiently and sophisticated reasoning. Europe should make efforts to make Iran become part of the international community, including with regard to economy. Iran, on the contrary, has to give proof of its will to become part of the international community by dropping all explicit and implicit links with terrorism. Iran's rejection of a European cooperation proposal must be seen as a come-and-go part of its negotiating strategy, since Iran is bringing the proposal back on the table.¹⁰⁹⁶

Bulgaria

The institutional aspects of the EU's efforts to secure an increased potential for a world role are part of the constitutional debate. They are treated with special attention, as they have not been the source of disputes among member states and offer the possibility to consider putting innovations into practice even in a situation of non-ratification of the constitutional treaty. As such, this subject matter offers opportunities for a positive involvement of Bulgaria in the debate.

¹⁰⁹⁴ "Karel De Gucht pleit in Helsinki voor sterker buitenlands EU-beleid", *Belga*, 27/10/2005.

¹⁰⁹⁵ Ibid.

¹⁰⁹⁶ "Karel De Gucht laat zich niet ontmoedigen door het Franse en Nederlandse njet", *De Standaard*, 4/9/2005.

Anticipatory implementation of constitutional provisions has been explicitly supported with regard to the establishment of the European external action service. Prime Minister Stanishev has called for a significant acceleration of the initial pace of setting up the new administration.¹⁰⁹⁷ On the idea to officially introduce the new position of a European Foreign Minister, the official position has been more prudent. A number of Bulgarian experts and administrators are prepared to support this move, irrespective of the entry into force of the constitution. In these circles, it is sometimes argued that the post of the new foreign policy *supremo* should be created “as soon as possible” and that finding the necessary legal base will not be a problem “if there is a political agreement on the subject”.¹⁰⁹⁸ This last argument could indicate that Bulgarian assessment of the significance of the question of legal base in the EU's evolution is rather imprecise. Nonetheless, official views do not (yet) spell out the desirability of an imminent establishment of the post of Foreign Minister. They contain just a determined plea in favour of a further improvement of coordination in the foreign policy actions of the European Commission and the High Representative for CFSP.

Bulgarian attitudes to the European Security and Defence Policy (ESDP) as an important part of the Common Foreign and Security Policy (CFSP) demonstrate consistent support in terms of both political commitment and material contributions. Participation in ESDP after accession is considered as an opportunity for gaining access to additional political and military instruments for providing guarantees for national security not only at regional, but at global level, as well.¹⁰⁹⁹ This is essential with a special focus on contemporary security threats – terrorism, proliferation of weapons of mass destruction, organised crime, etc. ESDP and CFSP should not be seen as an alternative to NATO. The North Atlantic Alliance is a solid base for the build-up of ESDP, on the basis of the declaration on strategic partnership and the

“Berlin plus” agreement. Bulgaria is already involved in the peace-keeping missions in Bosnia-Herzegovina, Kosovo and Macedonia and would like to further step-up its contribution. In the words of the current premier, “we would like to play a more active role in the settlement of the Kosovo conflict” on the basis of its European perspective and “irrespective of its future status”.¹¹⁰⁰

Croatia

Security challenges

During the current state of relation between Croatia and EU there is not too much discussion on CFSP and ESDP among Croatian political actors. This issue is not at the moment in the focus of the Croatian accession and adjustment policy to the *acquis*. Generally the Croatian Government has expressed its intention to join CFSP including its military dimension and conveyed his commitment to contribute actively in common achievement of CFSP objectives. Along these lines the Croatian Government has established a special working group within the negotiation team which will deal with the adjustment to this very chapter of the *acquis*.¹¹⁰¹ In terms of military capabilities, Croatia has already initiated comprehensive reforms of its defence system. The objectives of the reform are twofold: to create a modern and sustainable military force capable, among other things, to fully participate in most complex international missions; and secondly, to achieve the standards and capabilities of interoperability necessary for membership in NATO. Croatia is prepared to make available the military and civil assets already developed and those to be developed in the near future, with the aim to implement the CFSP. Croatia is thus committed to progressively improve its military capabilities and welcomes the protected option of establishing the structured co-operation within the European framework.¹¹⁰²

¹⁰⁹⁷ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

¹⁰⁹⁸ Interviews with high level Bulgarian civil servants from EU integration units in the central administration, held in October-November 2005.

¹⁰⁹⁹ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

¹¹⁰⁰ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the National Association of International Affairs, Sofia, 4 November 2005.

¹¹⁰¹ On 26 October 2005 the Government established a separate web page in order to better communicate with the wider public on all relevant issues related to the accession negotiations with the EU. See www.eu-pregovori.hr. The lists of the persons in charge for different chapters including security issues are also available.

¹¹⁰² Programme of the Government of the Republic of Croatia 2003-2007, Zagreb 2003.

These are the formal positions and proclamations of the Croatian Government. However, in all documents, declarations and discussions on this issue which are going on in Croatia, there is still an inadequate perception of the meaning of security and defence notions. Such an approach has a lot of political rationale and implications. Once Croatia becomes the full-fledged member of the Euro-Atlantic community of values, the defence of the territory will not be on the agenda, at least not to the current extent. None of the two main institutions or integrations of Euro-Atlantic structures, NATO and EU, are full-service institutions. NATO takes care of "hard security", and the EU, within the CFSP/ESDP, of "soft security". Hard security has to do with territorial defence and soft security is mainly dedicated to the new concept of security, which gives quite a new role and new functions to the military. These include a desire to train for and participate in peacekeeping operations; regional arms control verification activities, demining, cooperation with neighbours and participation in PfP and MAP exercises. The precondition of successful fulfilment of these new roles is a full acceptance of civil criteria, which transforms the security and defence community from the society with outstanding status to the normal component of democratic and civil society. Consequently, the real meaning and goal of the security and defence sector reform, in countries like Croatia, is the transition from defence to security activities and operations. And this is what CFSP/ESDP is all about.¹¹⁰³ According to some fact-finding projects, executed recently in Croatia especially in co-operation with the Croatian Parliament, it was not completely understood even among the members of parliament working in the respective Parliamentary Councils¹¹⁰⁴.

European Security Strategy

There is also not much discussion regarding the European Security Strategy except on general commitment towards its support. In view of implementing the EU's commitments and strengthening the capabilities in the fight against terrorism Croatia is a State party to 7 and initiated the necessary legislative procedure to accede other 5 key UN anti-

terrorist conventions. Croatia is also the State party to 5 key Council of Europe conventions concerning the combat against terrorism.¹¹⁰⁵ Croatia adopted two documents dealing with strategic security issues: The Defence Strategy and National Security Strategy (2002). Since then, these documents have not been updated. The Programme of the Government of the Republic of Croatia 2003-2007 was accepted in 2003, however, with no special observations to the European Security Strategy, apart from a very general support. The legislative changes in Croatia took particular care of the EU Common Position of 28 December 2001 and the EU Council Framework Decision of 13 June 2002 on Combating Terrorism of 22 June 2002 in order to harmonise its legislation with the *acquis communautaire*. In addition, some of the relevant European documents have already been built into Croatian legislation¹¹⁰⁶.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Since EU and NATO membership are Croatian strategic foreign and security policy goals, there is a general support for compliance with the defence industrial base and European armament policy.¹¹⁰⁷ Croatia supports the establishment of European Defence Agency, however only at the formal level. The adjustment to the requirements of this Agency is going, for the time being, through the adjustment to NATO standards and criteria.

There is far too little discussion going on within the civil society or other political parties, opposition on CFSP/ESDP, due to the lack of broader awareness of the significance of this issue in the EU context. Issue of defence and security is mainly associated to the accession process to NATO and in best case it is understood as a complementary process with the development of CFSP/ESDP. There is more awareness of the distinction between these two processes (EU and NATO) among the independent experts¹¹⁰⁸ dealing with this

¹¹⁰⁵ For example 'International Convention for the Suppression of the Financing of Terrorism' 2001, 'European Convention on the Suppression of Terrorism' 2002 or 'International Convention Against the Taking of Hostages' 2003.

¹¹⁰⁶ For example the Anti-Money Laundering Act and some others.

¹¹⁰⁷ Defence Strategy of the Republic of Croatia, Zagreb 2002.

¹¹⁰⁸ Mladen Stanicic (2005), The evolution of civil-military relations in South East Europe: the case of Croatia, in: Fluri, Philip H.; Gustenau, Gustav E.; Pantev, Plamen I. (eds): The evolution of civil-military relations in South East Europe: continuing democratic reform and adapting to the needs of fighting terrorism, Physica-Verlag, Heidelberg.

¹¹⁰³ Mladen Stanicic: Croatia: Defence Reform, Civil-military Relations, and Euro-Atlantic Integration, in Istvan Gyarmaty, Scott Vesel: Security Sector Governance in the Western Balkans 2004, Nomos Verlagsgesellschaft, Baden-Baden 2004.

¹¹⁰⁴ DCAF and Croatian Parliament Workshop on Parliamentary Control of Armed Forces, February 2004.

issue, who are especially warning of the risk of rivalry and unnecessary duplication between EU and NATO.

Croatia has about 20 000 registered Civil Security Organisations (CSOs), of which 18.000 operate on a local level. There are about 30 public institutes in Croatia but none is really specialised for security and military issues, especially for CFSP/ESDP. Among CSOs there is one NGO, Center for Peace, dealing with these topics, maintaining however a very critical approach towards Croatia accession to NATO and to the CFSP/ESDP. The most recent opinion poll has demonstrated very relevant general public opposition to the Croatian accession to NATO (37,2 % pro and 39,0% cons)¹¹⁰⁹. By extrapolating this trend to the CFSP/ESDP one can assume a similar outcome once the questionnaire will be put in the context of EU accession. One can expect a general public support in many aspects of EU accession's process; however in all segments relating the development of its military aspect, some reservations could be expected.

The prospects for Croatia to become soon a full-fledged member of NATO have been significantly improved after the arrest and extradition of general Gotovina to the ICTY. The US State Department officially stated that the USA wants to see Croatia as a full-fledged member as early as 2007.

Iran problem

Concerning the Iran problem, Croatia officially supports the EU more soft diplomatic and political approach. General public is mostly against any aggressive action as well as in the Iraq case. Croatian general public opposes American Iraqi campaign, supports the approach of the so-called "old" Europe not to interfere violently and strongly opposes Croatian's soldier (even on voluntary basis) to be deployed in this country.¹¹¹⁰

Cyprus

Security challenges

Terrorism is considered as one of the main security threats that the EU is bound to deal with in the near future. What is more, illegal

migration, trans-national crime and human trafficking are three key issues that influence the making of EU foreign and security policy. Last but not least, the Union is expected to continue to be preoccupied with security challenges in Africa, the Middle East and Asia. It follows that a more coherent neighbourhood policy is called for.

Cypriot diplomats argue that the EU should place far more weight on the issue of demography as well. The aging population of Europe combined with the low birth rate are considered as alarming signals. The ongoing pattern of the demographic structure of Europe could undermine the cohesion of its societies. The issue of demography is thought as a latent challenge for the EU with serious potential side effects on its security.

European Security Strategy

The European Security Strategy (ESS) reflects the most urgent and pivotal threats the EU may be facing in the near future. From its inception, the ESS guides the EU in its foreign and security policy. The ESS is a strategic document which needs to be revised in the face of new kinds of threats such as those we have already mentioned. Cypriot authorities and analysts consider the ESS vital for the implementation of the CFSP/ESDP. They are prepared to consider proposals for appropriate revisions so as to make the EU more capable in tackling additional security challenges.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Cyprus is generally in favour of a more autonomous and a more dynamic CFSP/ESDP. The political vacuum generated by the constitutional failure should not undermine the progressive development of these cardinal policies. Cyprus is, in fact, eager to discuss with its EU partners both the issue of the Foreign Ministry post and the extension of the EDA's mandate.

Iran problem

Cypriot policy-makers and diplomats seem satisfied with the work done by the EU-3 with regard to Iran's nuclear programme. It is believed that the Council should extend the mandate of the EU-3, while the rest of the EU Member States should make every possible effort to help the EU reach a comprehensive and viable settlement of this sensitive issue.

¹¹⁰⁹ End of October 2005, reported in daily press.

¹¹¹⁰ Ministry of foreign affairs and European integration (www.mvp.hr) and the Office of the President of Republic of Croatia (www.predsjednik.hr).

Czech Republic

The CFSP and ESDP remain the two areas where the Czech Republic's role is rather reactive, and the government usually waits for concrete proposals which are subsequently either keenly picked up (such as the European Security Strategy) or passively accepted without much engagement (EU-led missions in Africa). Although the Czech position in regard to the ESDP still remains somewhat sceptical to the increasing autonomy of the EU, the vehement opposition from the Ministry of Defence against any move in this direction after the EU enlargement has gradually vanished. The Czechs, however, go on stressing capabilities, instead of institutions, which translates, for example, into a warm welcome of the European Capability Action Plan.

Quite surprisingly, the Czech public keenly supports the European Security and Defence Policy and with 86 percent in its favour it belongs to its most ardent advocates. Also the support for the CFSP is fast increasing, although it has so far reached only 65 percent which is still somewhat under the EU average.¹¹¹¹

European Security Strategy

The Czech Republic has been in favour of the European Security Strategy since its adoption at the end of 2003.¹¹¹² It is, therefore, not by chance that the Security Strategy of the Czech Republic (CR), formulated at about the same time, reflects similar concerns and an almost identical assessment of risks and security threats.¹¹¹³ However, a deeper debate about the European Security Strategy is still missing in political circles and its treatment in the academia is also rather superficial.

The way ahead for CFSP/ESDP

The European Defence Agency was initially treated very cautiously since Czech officials feared it might turn into a tool of a unified EU defence procurement. Although Ministry of

Defence officials finally put up with the Agency's existence, it has remained an eyesore for Czech Eurosceptics.¹¹¹⁴

The post of EU Foreign Minister has been a less controversial issue for the government which welcomed further streamlining of European foreign policy and the possibility of better communication between the Council and the Commission based on the Minister's double affiliation. As with the European Defence Agency, however, the Civic Democrats and the President were unified in their opposition to the introduction of EU Foreign Minister, believing that creating the post is just another step in constructing the European superstate.¹¹¹⁵

Security challenges

Czech official documents name a number of security threats and challenges, all of which are seen as threats not only to the Czech Republic, but also to the European Union and the Euro-Atlantic area as a whole. Among these threats, three are typically the most prominent: the threat stemming from totalitarian and ideologically confrontational regimes, international terrorism and the spread of weapons of mass destruction.¹¹¹⁶ Notwithstanding these general statements, the Czechs have so far perceived their country as a safe haven and thus the debate about potential risks and threats is not paid much attention.

Iran problem

There has not been much discussion in the country either about the Iranian nuclear programme as such or about the format of negotiation. We were able to identify only isolated voices such as that of Jana Hybášková, member of the European Parliament, who repeatedly expressed her critique vis-à-vis the European Parliament for its toothless policy towards Iran.¹¹¹⁷

¹¹¹¹ Eurobarometr 63.4. Veřejné mínění v zemích EU (Public opinion in EU member states), Národní zpráva ČR (National report the Czech Republic), Spring 2005, <http://www.evropska-unie.cz/download.asp?id=967> (latest access: 12.12.2005).

¹¹¹² Winkler, J. & Kurfürst, J., Czech Views of European Security. In *Transatlantic Internationale Politik*, Vol. 5, No. 2 (Summer 2004), pp. 33-36.

¹¹¹³ The Security Strategy of the Czech Republic, <http://www.mzv.cz>.

¹¹¹⁴ Cf. Czech Eurosceptic Hynek Fajmon's interpellation in the European Parliament, <http://hynek-fajmon.cz/cze/interpelace.php?ID=116&Re=1> (latest access: 12.12.2005).

¹¹¹⁵ Czech MEPs lead the Eurosceptic Faction, Prague Post, 20 January 2005, <http://www.praguepost.com/P03/2005/Art/0120/news8.php> (latest access: 12.12.2005).

¹¹¹⁶ Bezpečnostní strategie ČR (The Security Strategy of the Czech Republic), 10 December 2003, <http://www.mzv.cz>.

¹¹¹⁷ Hybášková, J., Proti Iránu jsme bohužel my Evropané bezzubí (Unfortunately we Europeans are toothless when facing Iran), *Hospodářské noviny*, 18 October 2005.

Denmark

Security challenges

As part of the “coalition of the willing” in Iraq, Denmark is concerned with the threat from terrorism and the Danish government is giving special priority to international cooperation on fighting terrorism. However, cooperation with the EU on this matter is limited because of the Danish opt-outs from the common defence policy and justice and home affairs.¹¹¹⁸ Nevertheless, Denmark is in front when it comes to fulfilling the national commitments made in the Council’s “Declaration on Combating Terrorism” from June 2004, and the Danish government wants to keep strengthening the EU’s cooperation on terrorism both inside the EU and with third countries. The Danish government is emphasising that the fight against terrorism must not compromise human rights and fundamental rights of freedom.¹¹¹⁹ In relation to this, the Danish Minister of Justice, Lene Espersen (Conservative Party), has called the European Arrest Warrant “very far reaching”, and has criticised parts of the new British anti-terror laws.¹¹²⁰ Part of the Danish public is critical towards the EU’s new initiatives in the fight against terrorism, because the initiatives are considered too compromising in relation to the civil liberties. However, the Danish public is in general positive towards cooperation on fighting terrorism in the EU. 66 per cent of Danes think that the EU plays a positive role in fighting terrorism, and 89 per cent think that decisions concerning the fight against terrorism should be made in the EU and not by the Danish government in isolation.¹¹²¹

European Security Strategy

Generally the Government prioritises the use of “soft” power in relation to security, for example by promoting stability in third countries through economic and technical

support.¹¹²² The Danish government sees partnerships with the countries in the Mediterranean and Middle East as “the core implementation of this strategy... building on mutual interests and benefits”.¹¹²³ One reason for focusing on soft power is that Denmark cannot participate in any EU-led military mission because of the Danish opt-outs. It means that Denmark has to work through the UN, NATO or – as in the case of Iraq – “coalitions of the willing”, if it wants to use military force.¹¹²⁴ According to the Danish Ministry of Foreign Affairs (MFA), the opt-out on defence will have serious future consequences: “Because Denmark cannot contribute to EU operations, it is perceived as a less interesting partner among the other countries”, states the MFA.¹¹²⁵

The way ahead for CFSP/ESDP on the basis of the Nice treaty

The Danish government saw the Constitutional Treaty as essential for further development of the CFSP/ESDP. According to the Government it would have improved the coordination of activities, especially by the establishment of the post of Foreign Minister of the Union and the establishment of the European External Action Service. The Danish government has made no new recommendations on how to move on from the Nice Treaty.

Iran problem

Recent setbacks in the negotiations with Iran have made the Danish government pessimistic about finding a solution to Iran’s nuclear programme through the EU-3.¹¹²⁶ Denmark demands full suspension of the enrichment programme. If not, Denmark is ready to discuss the matter in the UN Security Council and eventually sanction.

¹¹¹⁸ Denmark will not participate in the preparation and implementation of actions with defence implications, and will only participate in EU judicial cooperation at an intergovernmental level.

¹¹¹⁹ “Redegørelse fra regeringen om indsatsen mod terrorisme”, June 2005. Online: <http://www.um.dk/NR/rdon/lyres/43C125E9-F2E7-41BA-B46B-9C4ECFD29887/0/Redeg%C3%B8relseENDELIG.pdf> (latest access: 28.11.2005).

¹¹²⁰ Information: “Lene Espersen: Britisk antiterror for vidtgående”, September 9, 2005, p. 20/21; Politiken, September 9, 2005, p. 4/5.

¹¹²¹ Eurobarometer 62, 2004. Online: http://europa.eu.int/comm/public_opinion/archives/eb/eb62/eb62_dk_nat.pdf (latest access: 28.11.2005).

¹¹²² Jyllands-Posten: “Hvordan bekæmper vi terror?”, June 11, 2004, p.11.

¹¹²³ Speech by foreign minister Per Stig Møller, “The need for a strong global role for the EU”, March 23, 2004. Online: <http://www.um.dk/da/menu/EU/DanmarkIEU/Taler/TheNeedforaStrongGlobalRolefortheEU.htm> (28.11.2005).

¹¹²⁴ Olsen, Gorm Rye & Jess Pilegaard: “Småstater og international indflydelse”, DIIS Working Paper no. 2005/9.

¹¹²⁵ Notat fra Udenrigsministeriet til Udenrigspolitisk nævn og Forsvarsudvalget (2. samling, bilag 94) den 13. juni 2005. On the consequences of the Danish opt out see also Gorm Rye Olsen and Jess Pilegaard (2005), “The costs of non-Europe? Denmark and the common security and defense policy”, European Security, Vol. 14, No.3, 2005

¹¹²⁶ Speech by foreign minister Per Stig Møller, “Nuclear proliferation in the 21st century: will multilateral diplomacy work”, 25-08-2005. Online: <http://www.um.dk/en/service/nu/News/FrontPageNews/NuclearProliferationInThe21stCenturyWillMultilateralDiplomacyWork.htm> (latest access: 28.11.2005).

Estonia

Security challenges

There has been very little discussion on how the failure to ratify the Constitutional treaty would influence the development of CFSP/ESDP. Estonia supported most of the reforms envisioned in the Constitutional Treaty – logically, the prospect of proceeding on the basis on Nice is less appealing. However, no detailed analysis of these issues is available at the moment.

European Security Strategy

Estonia's new National Security Concept (2004) paints a picture of security challenges that is very much in line with the description of threats in the European Security Strategy (2003) and the NATO Strategic Concept (1999). It emphasises local and regional crises, international terrorism; weapons of mass destruction; organised crime; the smuggling of weapons, narcotics, and people; and the flow of refugees created by crisis situations; natural disasters, economic and social threats, and threats related to information technology.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Although Estonia continues to regard NATO as the primary guarantor of its security, it is increasingly interested and engaged in developing CFSP/ESDP. In particular, Estonia emphasises the need to develop crisis regulation mechanisms of the EU and ability to react to conflicts and natural disasters in regions of strategic interest to the EU (e.g. neighborhood).¹¹²⁷ Estonia has participated in EU missions in Bosnia-Herzegovina, Macedonia and Georgia – operations like these are increasingly regarded as important „outputs“ of Estonian foreign policy, and the government calls for increasing capacity (including domestic interministerial coordination and decision-making) and contributions in this field.¹¹²⁸

Estonia, like several other new member states wants to make neighborhood policy a

cornerstone of CFSP.¹¹²⁹ The weakness of new neighbourhood states, such as Ukraine, Belarus, Moldova and Georgia is a cause of great concern. And obviously, EU's relations with Russia are regarded as an issue of utmost importance. The paper on Estonia's objectives during the UK presidency emphasises that the evolving strategic partnership between the EU and Russia should be based on common values and take into account Estonian interests. The roadmaps based on four spaces should be implemented in full. The conclusion of readmission agreement between the EU and Russia should be a precondition to any agreement on simplification of the visa regime. Human rights related consultations between the EU and Russia should be continued.

Further developments are needed in environmental issues (nuclear safety, protection of border water bodies, implementation of the Kyoto Protocol). In the area of economic relations, an agreement on protection of investments between Estonia and Russia should be concluded and discriminatory rail tariffs on the Russian side should be abolished. Estonia is also concerned about EU-Russia energy deals that do not take Baltic interests into account. The German-Russian decision to build a pipeline in the Baltic sea has been widely criticised for poor (read:non-existent) coordination with neighboring and affected states, as well as for ignoring potential environmental hazards. Estonia wants clearly fixed rules regarding security of supply in the European energy market and hopes that the directive on security of energy supplies would be adopted during the UK presidency. The new Green Paper on security of energy supplies should take into account the specific situation of the Baltic States, especially regarding possible solutions in energy relations with Russia. Estonia considers it important that representatives of Member States could participate in the preparations of the EU-Russia energy dialogue.¹¹³⁰

¹¹²⁷ Aims of the Estonian government during the UK Presidency, approved by the government July 14, 2005, www.riigikantselei.ee.

¹¹²⁸ *Ibid.*

¹¹²⁹ Toomas Hendrik Ilves, *The Pleiades Join the Stars: Transatlanticism and Eastern Enlargement*, Cambridge Review of International Affairs, Vol 18 (2), July 2005.

¹¹³⁰ Aims of the Estonian government during the UK Presidency, approved by the government July 14, 2005, www.riigikantselei.ee.

Finland

Security challenges

According to the Finnish Security and Defence Policy 2004, “the EU will have to put more emphasis on internal security in its overall security policy.”¹¹³¹ This is due to the growing salience of illegal immigrants, human trafficking and other cross-border security problems. Finland would like to ensure that the JHA pillar has adequate funding and that measures are taken to facilitate a smooth transition to qualified majority voting in this sector.¹¹³² In particular, Finland would like to see more cooperation with Russia in cross-border issues.

Overall, the threats that the EU and Finland as a part of it face are linked through globalization to the wider international environment. The Government’s strategic paper is very much in line with the European Security Strategy in its threat perception. The main threats are taken to be terrorism and the poverty that creates it, weapons of mass destruction, environmental threats, population growth, and epidemics.

As to the EU in particular, Finland wants the EU to utilise the “distinctive advantage it has in being able to combine a broad range of security-enhancing instruments for preventing and settling crisis.”¹¹³³ During its presidency Finland will work on improving the Union’s comprehensive approach to crisis management. Finland wants to stress that the civilian and military aspects are complementary in the conflict resolution process and should be coordinated and developed together.¹¹³⁴

In reference to the ESDP, Finland has committed itself to two Battlegroups – one with Germany and the Netherlands (set to be “on call” starting 1.1.2007) and the other with Sweden, Norway and Estonia (“on call” in the beginning of 2008).¹¹³⁵ In terms of the CFSP, the Finnish Government believes the progress has been unprecedented. According to official sources much work has been done for example in the Human Rights issues.¹¹³⁶

The most important aspects of the EU’s anti-terrorism policy are information exchange and eliminating the financial resources of current and possible terrorist organisations. The EU needs to better coordinate its activity in this field. Special attention needs to be given to preventing cross-pillar overlap, and integrating the anti-terrorism measures into the CFSP.

*European Security Strategy*¹¹³⁷

Finland sees the ESS as a general strategic document that should only be updated and rewritten in case the underlying strategic realities change. Although Finland recognises that the US–EU relations have recently improved and their strategic concepts seem to be gradually converging, and that in the future there might be a window of opportunity to work on a common strategic paper, it does not support a reformulation of the ESS at this point.

Finland holds that due to the general nature of the ESS more concrete guidelines need to be developed in the European Councils and on the operational level. Hence, the EU’s strategy in the security sector is in constant flux, regardless of whether or not the ESS is constantly rewritten or not.

In the future, Finland would like to see the European Security Strategy develop so as to better reflect the role of globalisation in the provision of security in the world. Finland sees the matters of human security as being of the utmost importance, and would like to see these notions also on the EU’s strategic paper.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Foreign Minister Tuomioja has stressed that he believes CFSP/ESDP is an area of the EU that can and should be taken further based on the existing treaties, although he does not support particular plans, such as that of the permanent structured cooperation.

When it comes to the more specific issue areas, Finland did not support the post of a council president in the convention or in the IGC. However, Finland did support a foreign affairs figurehead for the Union, although was not in favour of the so-called “double-hatting”.

¹¹³¹ Finnish Security and Defence Policy 2004, available in English at <http://www.vnk.fi/tiedostot/pdf/en/88861.pdf> (latest access: 15.11.2005).

¹¹³² Ministry of Justice, 24.9.2004.

¹¹³³ *Ibid.*, p.48.

¹¹³⁴ Information from the Ministry of Defence, 22.8.2005.

¹¹³⁵ *Ibid.*

¹¹³⁶ *Ibid.*

¹¹³⁷ This section is based on information received from the Foreign Ministry on 27-10-2005.

Foreign minister Tuomioja believes that the post of EU's foreign representative will be formed around Solana, irregardless of whether the constitution is ratified or not. In a recent interview, he has also stated it very unlikely that the planned position of the Council president will now materialise.¹¹³⁸ One prominent EU expert has argued that it is CFSP in particular in which Nice Treaty Plus – type arrangements could become a reality.¹¹³⁹ However, it is recognised that some of the institutional reforms in reference to EU's external representation cannot be realised based on the existing treaties (e.g. double-hatting), and that some degree of reform is necessary, as the current institutional arrangements are both inadequate and tension-prone.¹¹⁴⁰

Both the Europe's External Action Service and the Defence Agency can be taken forward based on existing treaties. Finland supports both of these developments. The EEAS benefits the member countries by providing them with access to common information and improving the role of Finland (as part of EU) internationally. It gives "added value" to a small country. It also makes procedures more efficient as issues don't have to be passed through each member state first.¹¹⁴¹ The Defence Agency makes it easier to coordinate armaments procurement and is of practical benefit to the Finnish armament industry, according to PM Vanhanen.¹¹⁴²

Iran problem

Finland is yet to strike an official stance in this regard. Generally it is in favour of the way the EU-3 have conducted the negotiations. Foreign Minister Tuomioja has stated that although the EU is represented only by the EU-3, the Union as a whole is engaged in the relations with Iran.¹¹⁴³

France

Security challenges and the way ahead for CFSP/ESDP on the basis of the Nice treaty

International security issues usually have a rather low salience in the French public debate. However, the objectives of CFSP and ESDP are popular. The French public sees it as a way to reinforce France's influence in the world. France has called for more cooperation in combating terrorism. The truth is, however, that the building of a political Europe is at a standstill and France does not do much revive it.

ESDP, on the other hand, progresses with active French involvement. France took an active part in the recent creation of the European Gendarmerie Force and of the European College of Security and Defence. Inside France, the creation of the European Defence Agency is widely supported. It is regarded as a means to develop our military capabilities.

Michèle Alliot-Marie, the French Defence Minister, recently explained that, for France, there are three "circles". "There is, first, the circle that encompasses sovereignty. It is somewhat limited today. It includes, for instance, nuclear deterrence. There are, second, all the matters that we can put in common at the European level – this is the European defence. There is finally a last circle, the Atlantic Alliance, NATO, where European, American, Canadian and Turkish means are added for large scale operations"¹¹⁴⁴.

European Security Strategy

Catherine Colonna, the French minister for European Affairs, recently declared: "we wish to develop the Union's exterior actions, the efficiency of what's done and the funds allocated. We think that in the absence of a Constitutional Treaty, it is still possible, with the existing Treaties, the develop those activities"¹¹⁴⁵.

Iran problem

On the issue of Iran's nuclear program, France is in favour of the continuation of the negotiations of with the Iranian government. The French government considers that the collaboration between France, the United

¹¹³⁸ Aamulehti 02.06.2005.

¹¹³⁹ Esko Antola, Turun Sanomat 31.5.2005.

¹¹⁴⁰ Information from the Ministry for Foreign Affairs, 26.8.2005.

¹¹⁴¹ Ibid.

¹¹⁴² Prime Minister Vanhanen, 28 September 2004.

¹¹⁴³ Speech at Global Europe 2020 –conference, Helsinki October 26th-27th 2004.

¹¹⁴⁴ *France Inter*, 13 octobre 2005.

¹¹⁴⁵ Presse conference, 28 september 2005.

Kingdom, Germany and the EU is the right format to lead these negotiations.

Germany

Security challenges

Since the assumption of office by the new Merkel-government in November 2005 no official documents have been adopted that explicitly deal with the question of upcoming security challenges and intended European initiatives. On the other hand German foreign and security policy is traditionally a matter of strong continuity so that previous assessments and fundamental decisions still could be viewed as valid for the foreseeable future. In so far the upcoming security challenges identified in the "Defence Policy Guidelines" (2003) by the German Ministry of Defence (MoD) are still relevant and mainly those also identified by the European Security Strategy: international terrorism, proliferation of weapons of mass destruction, regional conflicts and their possible spill-over effects, increasing migratory movements and organised crime.¹¹⁴⁶ These security challenges are seen in a holistic context, which gives the question of global development a central position in Germany's foreign engagement.¹¹⁴⁷ Furthermore Germany's security policy is also enhanced by the approach of civil conflict prevention. Therefore the Federal Foreign Office developed a detailed action plan in 2004, on which the new government will get on with.¹¹⁴⁸

In the light of the hostage-taking of a German development worker in Iraq, especially terrorism has called public attention and become a major issue in the German media again. In this context the German armed forces continue to be engaged in the battle against international terrorism. Cabinet approval was given for a twelve-month extension of the mandate for the German contingent in

Operation Enduring Freedom beyond November 15.

Concerning the multinational integration of Germany's security and defence policy the traditional approach still remains that "[w]ith the possible exception of evacuation and rescue missions, the Bundeswehr will conduct armed operations only together with allies and partners in a UN, NATO and EU context."¹¹⁴⁹ In general, the new coalition agreement calls for the strengthening of "European policy within multilateral bodies"¹¹⁵⁰ because the "European Union is the guarantor of political stability, security and prosperity in Germany and Europe"¹¹⁵¹. In contrast to the former chancellor Schröder, who kept distance to the US-Administration since the Iraq-war, Merkel wants to deepen the relationship with the United States. In her first government policy statement Merkel expressed with a view to transatlantic partnership her desire for "a close, honest, open, and confidence-based relationship".¹¹⁵²

"European integration and Atlantic partnership are not at odds; rather, they are the two most important pillars of [Germany's] foreign policy."¹¹⁵³ Nevertheless the bilateral relationship is still troubled by a kidnapping-case of a German citizen by the CIA in 2003.

European Security Strategy

The German government strongly supports the European Security Strategy (ESS) and its further development. The coalition agreement of the ruling parties underlines that Germany will "support the implementation of the European Security Strategy. It combines a forward-looking peace policy, preventive capabilities and an emphasis on negotiated solutions to conflicts, with an expansion in capacities for joint military action. [...] European action in the field of security policy

¹¹⁴⁶ See: Bundesminister der Verteidigung: Verteidigungspolitische Richtlinien für den Geschäftsbereich des Bundesministers der Verteidigung, Berlin, 21. Mai 2003, p. 20-21.

¹¹⁴⁷ See: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, Koalitionsvertrag von CDU, CSU und SPD., S. 146-163, http://kampagne.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (latest access: 3.1.2006).

¹¹⁴⁸ Die Bundesregierung: Aktionsplan „Zivile Krisenprävention, Konfliktlösung und Friedenskonsolidierung“, Berlin, 12. Mai 2004, abrufbar unter: http://www.auswaertiges-amt.de/www/de/aussepolitik/friedenspolitik/ziv_km/aktionsplan.pdf (latest access: 3.1.2006).

¹¹⁴⁹ Bundesminister der Verteidigung: Verteidigungspolitische Richtlinien für den Geschäftsbereich des Bundesministers der Verteidigung, p. 9.

¹¹⁵⁰ Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, Koalitionsvertrag von CDU, CSU und SPD., p. 146.

¹¹⁵¹ Ibid., p. 147.

¹¹⁵² Chancellor Merkel's policy statement: Let us risk more freedom!, <http://www.bundesregierung.de/Agenda-2010-9757.926981/artikel/Let-us-risk-more-freedom.htm> (latest access: 3.1.2006).

¹¹⁵³ Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, Koalitionsvertrag von CDU, CSU und SPD., p. 146.

should be guided by the European Security Strategy of December 2003.¹¹⁵⁴

In the past, German policymakers and spin doctors had a huge influence on the formulation of the ESS although Germany traditionally has no basic strategic document. But as a result of the adoption of the ESS, also in Germany a debate started among security experts and politicians on the need of such a strategy at the national level. However, presently there are no concrete proposals being released to the public how to go ahead with the ESS or with the development of a national strategy.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Germany is traditionally a strong supporter of the widening and deepening of the cooperation in the field of CFSP/ESDP. Efforts of the German government are aimed to make CFSP/ESDP more coherent, efficient and capable. The fundamental positions of Germany on CFSP/ESDP matters are based on a far-reaching common consent of all parties of the parliament (except the leftist Linkspartei/PDS). In connection with the considered changes of the CFSP/ESDP structure in consequence of the Constitutional Treaty (setting up a European External Service, a double-hatted European Foreign Minister and a European Defence Agency), the new German government still supports its implementation even without the constitution. On the other hand the coalition agreement notices that Germany is still "committed to the European Constitutional Treaty."¹¹⁵⁵

Germany is also one of the main contributors of ESDP-Operations.¹¹⁵⁶ Even in the field of the integration of armed forces within Europe, Germany – in comparison to other European countries – traditionally has less fear of loosing sovereignty than other European countries and is in favour of the concepts of pooling and role-sharing of military capabilities. In the long run Germany pursues the transformation of European security and defence policy into a 'Security and Defence Union'.

Iran problem

In the conflict about the Iranian nuclear programme, the aim of the new German government is to achieve a negotiated solution. Germany wants to cooperate with its European and American partners to ensure that the international community receives objective guarantees that the Iranian nuclear programme serves peaceful purposes only. Additionally, Germany wants to ensure the ratification of the Additional Protocol to the Non-Proliferation Treaty by Iran.

In this context Germany is part of the EU-3 delegation which discusses the future of the Iranian nuclear programme with officials from Teheran. In connection with the Iranian ambitions in the field of nuclear energy it is a matter of fact that silent crises like these cannot be dealt with a group of 25 which makes the EU-3 constellation the most appropriate format for confidential talks and negotiations. However, even the EU-3-diplomacy could be doomed to fail because of the collision course of the Iranian regime. Iran rejected one of the USA supported suggestions of Germany, France and Great Britain, which had offered political and economical assistance to the country in response for an end of the uranium enrichment.

Furthermore the so called "directoire" is in the front line of criticism by states like Italy, Spain and Poland which felt too much unreasonably excluded from the process of policymaking.

In the light of several recent anti-Israeli comments of the Iranian President Mahmud Ahmadinedschad, who denied the Holocaust and proposed moving the State of Israel to Germany or Austria, Iran is becoming a growing problem in the view of the German government. Chancellor Merkel condemned these statements as "completely unacceptable"¹¹⁵⁷. According to foreign minister Steinmeier Iran is now the "most serious problem"¹¹⁵⁸ of the community of states. Merkel announced that she will extend the pressure on Iran.

¹¹⁵⁴ Ibid., p. 146, 152.

¹¹⁵⁵ Ibid.

¹¹⁵⁶ See: Giovanni Grevi/Dov Lynch/Antonio Missiroli: ESDP Operations, EU Institute for Security Studies, Paris, 2005, <http://www.iss-eu.org/esdp/09-dvl-am.pdf>, latest access 21.12.2005.

¹¹⁵⁷ Angela Merkel: Äußerungen des iranischen Präsidenten sind vollkommen inakzeptabel, in: REGIERUNGonline, http://www.bundeskanzlerin.de/bk/rot_did=45932.html, latest access 22.12.2005.

¹¹⁵⁸ Rainer Hermann: Gerüchte über Attentat auf Ahmadineschad, in: Frankfurter Allgemeine, 20. Dezember 2005.

Greece

Security challenges

Concern about security challenges exists, but we need to proceed carefully on antiterrorist measures and show more interest on immigration matters in relation with the demographic problem, as well as in energy issues.

European Security Strategy

A Common Defense Policy is welcomed, but it requires funds! Until such a common defense policy exists, NATO will be unavoidable for the European security. All Foreign Policy innovations contained in the Constitutional Treaty are positive and must be quickly implemented and further developed.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

CFSP/ESDP has been one of the aspects of EU life given great specific weight in Greece, both in public debate and within the political process. For several years now, successive Eurobarometer findings show constant support for the extension of Foreign Policy, Security and even Defense competencies of the EU. Results of a recent Eurobarometer Study indicate that the fact that the country is a member of the EU makes the Greek citizens to feel more safe (70%). This percentage is the second highest in EU after Cyprus (78%). Like in the previous surveys of the Eurobarometer the majority of the Greek public opinion is in favour of a Common Defence and Security Policy (Greece: 80%, EU: 77%) and also in favour of a EU Common Foreign Policy towards third countries (Greece: 76% - EU: 67%). 6 out of 10 Greeks express the necessity for a European Constitution (60%), a percentage similar to the one in EU.

Greek attitudes towards the CFSP/ESDP edifice reflect the perception that the EU reacts rather than acts, and that on the basis of the lowest common denominator. The debacle of CFSP over Iraq and the near failure to produce a common position and address issues of international significance, underlines the fact that old members of the Union as well as the 'new kids on the block' view the CFSP framework as ineffectual and slow and opt for a discussion of major security issues on Euro-Atlantic institutions or on an intergovernmental level, rather than European ones.

Greece remains convinced that the Constitutional Treaty will, when adopted, form a solid institutional basis for an enlarged European Union, serving the interests of all its Member States. Therefore, the Greek Government stands firmly behind the continuation of the ratification process with an extended time frame.

Greece has for many years advocated the inclusion of a solidarity clause in the treaty as the basic tenet for the whole ESDP framework. Creation of a Europe where citizens enjoy two distinct security standards is a non-starter.

Iran problem

The negotiation team must be enlarged with member states friendly to Iran like Greece, which currently serves as a non permanent member of the Security Council.

Hungary

Security challenges

Even though Hungary does not seem to be a target country of international terrorism, fighting terrorism (together with countering nuclear proliferation) is among the top priorities of the Hungarian foreign and security policy¹¹⁵⁹. By the same token, Hungary is strongly supporting the EU's efforts in this respect. The Hungarian laws e.g. against money-laundering are already in conformity with EU requirements and Hungary is among those EU countries which are ready to tighten cooperation under both European Security and Defence Policy and Justice and Home Affairs, including terrorism.

European Security Strategy

The Hungarian national security strategy is fully in line with the European Security Strategy adopted in 2003. In the future, Hungary would like to see a highly integrated European security policy with special regard to the development of the Petersberg-type actions (such as crisis management, peace keeping or humanitarian help). Hungary takes an active

¹¹⁵⁹ New National Security Strategy of Hungary; Gov. Resolution 2073/2004. (III. 31.) http://www.kulugyminiszterium.hu/kum/hu/bal/Kulpolitikank/Biztonsagpolitika/Nemzeti_biztonsagi_strategia.htm (latest access: 12.12.2005).

part in such missions of the Union and is in favour of further reinforcing them¹¹⁶⁰.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Hungary was among the first EU Member States to elaborate its proposal for the concrete realisation of the European External Service¹¹⁶¹. Nevertheless, during the reflection period this issue will surely be taken off the agenda. In the longer term however Hungary supports the establishment of the European External Service. Hungary also supported the establishment of the European Defence Agency (July 2004) in Brussels and the government commissioned the coordination of the Hungarian participation to the defence minister.

Iran problem

Hungary considers the nuclear activities in Iran as a threatening factor. According to the official position of Hungary: "We welcomed and supported the ambitions of the EU-3 from the beginning, and were glad to hear about the agreement reached in Paris in November 2004 (Paris Agreement). We were disappointed that Iran rejected the EU-3/EU package of proposals right away and without any consultation. Hungary continues to insist that the settlement of the Iranian nuclear question may be reached through the implementation of the relevant resolutions of the International Atomic Energy Agency, the observation by the Iranian party of the assumed obligations, and the continuing of the talks between the EU-3/EU and Iran on the basis of the conditions of the Paris Agreement."¹¹⁶²

Ireland

Security challenges

Ireland considers that the pursuit of its interests is greatly enhanced through its participation in the CFSP. This EU-wide

approach also applies in the case of the fight against terrorism and other threats that were identified in the European Security Strategy. Ireland was closely involved in the elaboration of an EU non-proliferation strategy during its presidency of the EU during the first half of 2004. Ireland is committed to playing its full part in defeating the increased menace of international terrorism, and has pledged to work through both the EU and the UN to achieve this goal. However, Ireland feels that the promotion of human rights, as well as peacekeeping, crisis management and conflict prevention, are key elements of a comprehensive approach to international peace and security.

In the context of the new security challenges, the issue of crisis management, both in civilian and military terms, offers Ireland an opportunity to extrapolate from fifty years of UN peacekeeping experience to contribute to effective crisis management and prevention in a European context and beyond.

European Security Strategy

Ireland's view is that the European Security Strategy adopted in December 2003, provides a coherent framework for the Union's engagement with the wider world, and commits the Union to adopting a holistic approach to security issues. In developing its external relations, the Union is able to draw on the wide range of instruments available to it, including diplomatic and political relations, development cooperation and trade, as well as the Union's developing capabilities for conflict prevention, crisis management and peacekeeping through the European Security and Defence Policy (ESDP). Ireland's Presidency of the EU in the first half of 2004 enabled it to play its part in shaping the development of the Union's external relations and Ireland has pledged it will continue to contribute constructively to this process in accordance with its foreign policy priorities and traditions.

The way ahead for CFSP/ESDP on the basis of the Nice Treaty

On ESDP – provisions on ESDP are fully consistent with Ireland's policy of military neutrality. Also, in the Seville Declaration of 2002, Ireland set out in a national declaration its approach to security and defence matters and the Council took cognisance of it.

¹¹⁶⁰ New National Security Strategy of Hungary; Gov. Resolution 2073/2004. (III. 31.) http://www.kulugyminiszterium.hu/kum/hu/bal/Kulpolitikank/Biztonsagpolitika/Nemzeti_biztonsagi_strategia.htm (latest access: 12.12.2005).

¹¹⁶¹ Newsletter of the Foreign Affairs Institute, 2005/3, 2 September 2005 <http://www.telekiintezet.hu/kulpol/kiadva ny/hirlevel/default.asp> (latest access: 12.12.2005).

¹¹⁶² Ministry of Foreign Affairs: Hungarian Position on the Iranian Nuclear Programme http://www.kulugyminiszterium.hu/kum/en/bal/actualities/ministers_speeches/050922_hungarian_position_iran.htm (latest access: 12.12.2005).

In Ireland's view, the CFSP/ESDP is working satisfactorily on the basis of the provisions of the Treaty of Nice. Some provisions contained in the Constitutional Treaty have been implemented on the basis of the current rules, such as the creation of a European Defence Agency. Ireland's view is that there is a need for greater coordination between the European Commission and the Council, which the creation of an EU Foreign Minister was intended to improve.

The proposal for a combination of functions as incarnated by the Foreign Minister of the Union was considered innovative, although the extent to which it would be manageable and more coherent is seen as questionable. There was also some concern expressed about the relationship between the Foreign Minister and the President of the European Council in terms of external representation of the Union.

Ireland is one of the 24 Member States that participate in the European Defence Agency. It believes that the Agency is doing valuable work in support of the EU efforts to create an effective crisis management capability and to fortify the European defence and industrial base.

Iran problem

The negotiations undertaken by the EU-3 have the full support of the European Union Member States, including Ireland. Ireland feels that this has been a useful format for negotiations, given the comparative advantages of the EU-3 (nuclear expertise, influence, seat on the UN Security Council etc.). There has been an improvement in the consultation between the EU-3 and the other Member States over its period of existence, and it is now working quite well in Ireland's view. However, Ireland does not consider this format to be a "one-size-fits-all", i.e. each situation will have to be evaluated on a case-by-case basis.

Italy

Security challenges

The upcoming security challenges identified by the Italian Ministry of Defence are in line with those identified by the European Security Strategy: terrorism, proliferation of weapons of mass destruction, regional conflicts and their

possible spill-over effects, failed states and organised crime.¹¹⁶³

European Security strategy

Italy is in favour of the European Security Strategy that was finalised in December 2003 under its Presidency of the EU. The challenges identified by the Italian Ministry of Foreign affairs largely reflect those set down in the European Strategy. Italy nevertheless maintains a bad score in implementing EU decisions and directives in this field (for example, Italy was the last country to implement the European arrest warrant, a measure foreseen by the EU to fight terrorism).

The way ahead for the CFSP on the basis of the Nice Treaty

Italy is traditionally a strong supporter of further developments in the fields of European Foreign, Security and Defence Policy. The government supports many initiatives aimed at making CFSP and ESDP more coherent and efficient and favours the major innovations proposed in the Constitutional Treaty (setting up a European External Service, a double-hatted European Foreign Minister and a European Defence Agency). Following the constitutional crisis provoked by the French and Dutch referenda, the government remains a strong supporter of the Treaty and has not dismissed the idea of early implementation of some of its provisions. According to some newspapers, Foreign Minister Fini expressed the government's support for early implementation of the European Minister of Foreign Affairs (according to Spring Eurobarometer 2005, 75% of Italians support the creation of this institution). Italy, moreover, is a strong supporter of a European Defence Agency and was one of the first countries to set up a national battle group to enhance EU military capability as agreed by the EU Foreign Ministers in November 2004.

Iran problem

Italy is critical of any attempt to set up *ad hoc* directories in foreign policy. While supporting greater involvement of the EU in the international arena and the diplomatic efforts to find a peaceful solution to the Iran problem, the

¹¹⁶³ See Ministry of Defence, Nota aggiuntiva allo stato di previsione per la Difesa per l'anno 2005, March 2005 and Concetto strategico del Capo di Stato Maggiore della Difesa (www.difesa.it).

government would like these developments to be brought back into the normal institutional procedures of CFSP.

Latvia

Convinced that the European Union is one of the principal political players in the world and believing that it should speak with one voice in world affairs, Latvia firmly supports the CFSP and the ESDP. This position is expressed in Latvia's foreign policy guidelines¹¹⁶⁴ and has been affirmed by the parliament's ratification of the EU Constitutional Treaty and the participation of Latvian military, medical and police personnel in international missions. Deriving from this fundamental perception is the conviction that EU should have a common policy toward Russia (also Belarus) and strive for a common Eastern policy that is grounded in democratic values. Latvia considers the promotion of democratic processes in its neighbourhood as one of the principal ways to develop and strengthen regional and world security. In the framework of the CFSP, Latvia intends to contribute to and participate in the development and strengthening of EU-Russia relations and the implementation of the European Neighbourhood policy.

In Riga, the CFSP and the ESDP are viewed as efficacious instruments for furthering both Europe's and Latvia's interests and security. In this context, Latvia considers NATO as the main guarantor of European security. What is more, strong and stable transatlantic relations and US participation in European security form a cornerstone for global security. At the same time, durable transatlantic relations depend on both sides contributing equals to international security.

Security challenges

Regarding security challenges, Latvia recognises that while the classical military threats to the territory of Latvia have declined, other security threats have increased. Like the rest of Europe, Latvia is facing such threats as terrorism, proliferation of weapons of mass destruction, regional conflicts, unstable states and corrupted regimes, organised crime, illegal migration, pandemics, and ecological disasters. Realising that its security is

intertwined with the security of other countries and regions, Latvia recognises that its contribution to the prevention of threats and strengthening of security abroad is an investment in national security. Latvia supports the strengthening of the EU military capacity in the context of the ESDP, but at the same time emphasises that the ESDP is not an alternative to NATO. The ESDP should be developed harmoniously with transatlantic relations and secured by close cooperation between the EU and NATO.

European Security Strategy

Concerning the further development of European Security Strategy, Latvia envisages the European Union as being able to contribute significantly to securing peace and stability not only in Europe but also in the world. For this the EU should use the instruments that it possesses and cooperate with the United Nations, NATO and other international organisations. Latvia supports in particular the promotion of democratic processes as an instrument enhancing European security.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Latvia supports in principle the further development of the CFSP and ESDP and the institutions and capacities that are needed. A fundamental caveat, not only related to this endeavour but the development of the EU in general, is the equality of EU member states; consequently, Latvia opposes the notion of a two-speed or core-and-periphery Europe. Other caveats have been stated above. The caveats for such development have been stated above. Consequently, Latvia can will endorse the European External Service, European Defence Agency and other new formations if it sees that they strengthen the CFSP and correspond to the interests of EU member states.

Iran problem

Concerning Iran, Latvia shares the concerns of the EU about the political developments in that country and the signs that Iran is striving to become a nuclear power.¹¹⁶⁵ Concerning the latter, Latvia expects Iran to abide by the (International Atomic Energy Agency (IAEA)

¹¹⁶⁴ For the full text of Latvia's Foreign Policy Guidelines for 2005-2010, see <http://www.mfa.gov.lv/lv/Arpolitika/arpolitikas-pamatvirzieni-2009/> (8.12.05). This document is the source for the other observations made in this section.

¹¹⁶⁵ See Latvia's position paper for the GAERC meeting of 7 November 2005, <http://www.mfa.gov.lv/lv/eu/Jaunumi/aktualitates/2005/novembris/pozicijas/>, latest access: 8.12.2005.

resolution of 24 September 2005. Latvia deplores the violations of human rights in Iran and would urge Iran to take advantage of the opportunity resume the dialogue with the EU and other international institutions on ways to resolve these problems. Latvia has voiced its criticism about the bellicose statements of the Iranian president over Israel and is concerned about Iran's influence on the region. At the General Affairs and External Relations Council (GAERC) meeting on 7 November 2005 in Brussels Latvia suggested that the EU should enlist the assistance and cooperation of other countries and organisations to deal with these complex issues.

Lithuania

Security challenges

The upcoming security challenges for the EU does not attract a lot of attention in Lithuania. It is interesting to note that only 1 Lithuanian out of 100 keeps the terrorism a relevant problem as the last Eurobarometer survey indicates¹¹⁶⁶. This can be explained by the fact that Lithuania has not faced the acts of terrorism yet.

European Security Strategy

The Lithuanian Parliament adopted a document "On the foreign policy directions of the Republic of Lithuania after becoming the member of NATO and EU" in 2004 in which a determination to involve actively into the making of EU common foreign, security and defense policy and into the implementation of European defense strategy is declared¹¹⁶⁷. Speaking in a discussion on the EU common foreign policy in the Parliament the Head of Lithuanian army V. Tutkus expressed his belief that even without the Constitution the matters of the European Security Strategy would move forward as far as there are few factors which would allow to indicate that everything will stop¹¹⁶⁸.

¹¹⁶⁶ Eurobarometras 63.4, 2005 m. pavasaris, šalies ataskaita: Lietuva [Eurobarometer 63.4, Spring 2005, A country report: Lithuania] www.europa.eu.in/comm/public_opinion (latest access: 23.11.2005).

¹¹⁶⁷ Dėl Lietuvos Respublikos užsienio politikos krypčių Lietuvai tapus visateise NATO ir ES nare [On the foreign policy directions of the Republic of Lithuania after becoming the member of NATO and EU], May 1, 2004, www.lrs.lt.

¹¹⁶⁸ The discussion "Common Foreign and Security Policy and its development" in the Parliament, May 11, 2005, www.eic.lrs.lt.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

During a discussion on CFSP in the Parliament the Chairman of the Committee on Foreign Affairs of the Parliament J. Karosas expressed his fear about the future of the Common Foreign and Security Policy if the EU Constitution is not ratified. The Secretary of the Ministry of Foreign Affairs A. Januška guaranteed that the intended CFSP reform would be continued even if the Constitution is not ratified¹¹⁶⁹.

Lithuania welcomes most of the provisions of the EU Constitution related with the CFSP and ESDP. It is in Lithuanian interest to strengthen not only the CFSP, but also the ESDP. The Chairman of the Parliament A. Paulauskas emphasised that by ratifying the EU Constitution Lithuania herewith expressed its interest to cooperate actively in the field of defense¹¹⁷⁰.

What concerns the European External Service, as the Secretary of the Ministry of Foreign Affairs A. Januška claims, Lithuania supports the European External Service project. According to him Lithuania would like to have such functions as the consular representation, defending the citizens' rights abroad and administration of the development aid delegated to this Service. Lithuania also has an interest that there would be a common consular politics in the EU. However, such a common policy is not foreseen and the EU is not yet ready to do that. Lithuania favours the selection of the staff of the agency on the principle of geographical balance and the funding of the Service from the EU budget. The European External Service would strengthen the EU role, improve the coordination of foreign policy and increase the possibility for the EU to speak with one voice¹¹⁷¹. The Head of Lithuanian army V. Tutkus is convinced that the project of the European External Service

¹¹⁶⁹ Round table discussion "Common Foreign and Security policy and European Security and Defence policy: the problems of formation and implementation", May 3, 2005, www.lrs.lt.

¹¹⁷⁰ Seimo vadovas ir Europos Sąjungos karinio komiteto pirmininkas aptarė ES gynybos politikos perspektyvas [The Chairman of Seimas and the Chairman of the EU Military committee discussed the perspectives of the EU defense policy], BNS, www.bns.lt.

¹¹⁷¹ The discussion "Common Foreign and Security Policy and its development" in the Parliament, May 11, 2005, www.eic.lrs.lt.

would not stop if the Constitution were not ratified¹¹⁷².

Speaking about the Foreign Affairs minister, introduction of such position is favoured both by Lithuanian government and the society. As the last Eurobarometer study shows 72 per cent of Lithuanians agree that the EU should have a minister of foreign affairs who could represent the common EU position¹¹⁷³.

Iran problem

The Lithuanian position how to deal with the Iran problem is not clearly defined.

Luxembourg

Security challenges

The Luxembourg government has always been committed to do everything in its power to boost European foreign security and defence policies, because stronger integration in these areas is in its immediate interest. As a partner in the Union, it has always been our ambition to be a pioneer of European integration. Luxembourg greatly admires those countries that want to turn Schuman's vision of a "larger and closer-knit community of peoples who have been separated by bloody divisions for a long time" into reality. The means to this end are mentioned in the preamble to the first European treaty: "institutions capable of shaping a future shared destiny."

Luxembourg still takes this mission very seriously. Luxembourg has always been among those countries that have encouraged closer cooperation. This was the case with the issue of monetary union, which led to the Euro, and the question of the free movement of goods, which led to the Schengen Treaty. And this was the case in 2003 with a proposal for European collaboration in the area of military cooperation in the security and defence policy, together with its neighbours France, Germany and Belgium. It is in the view of Luxembourg government that all nations in the Union should be part of this cooperation. Much has already

been done to achieve this aim, but a long way lies ahead.

European Security Strategy

Luxembourg Minister of Defence Luc Frieden explained Luxembourg's views on the European security strategy to the members of the Assembly of the Western European Union on June 13th 2005 by "telling that he would like to present an overview of the European Union's operations under the Luxembourg Presidency. The action of the ALTHEA operation in Bosnia-Herzegovina is contributing to achieving the European Union's long-term objective: the advancement of a stable, peaceful and multi-ethnic Bosnia-Herzegovina. The ALTHEA operation proved its effectiveness in the first six months of 2005. ALTHEA is a success for Europe, for the ESDP and for Bosnia. It supported the implementation plan of the United Nations High Representative, including organised crime control and the stabilisation and association process. Internal and external security go together, and Bosnia-Herzegovina is a perfect example. A destabilised Bosnia-Herzegovina is not in our interest, because it would export its problems and difficulties to neighbouring countries and to the European Union.

The ALTHEA operation demonstrated that the European Union and NATO are cooperating in an exemplary manner and are developing constructive synergies to manage international crises. Also allow me to express, in this context, our thanks to the countries that are not members of the European Union that took part in these operations.

Europe must help manage regional crises. We have a special responsibility in this respect in assisting with building the future of the Balkan countries. Our military, police and especially our diplomatic assistance, are crucial for a long-lasting stabilisation of these countries which are part of the European continent where so many unfortunate events have taken place over the past fifteen years.

But we must also look beyond Europe's borders and to Africa in particular.

In regards to Sudan, including Darfur, the Union will provide all the support possible to the military, police, and civilian efforts in response to the African Union's request. To help Sudan, the Union and NATO are working hand-in-hand. I have been heavily involved to

¹¹⁷² The discussion "Common Foreign and Security Policy and its development" in the Parliament, May 11, 2005, www.eic.lrs.lt.

¹¹⁷³ Eurobarometras 63.4, 2005 m. pavasaris, šalies ataskaita: Lietuva [Eurobarometer 63.4, Spring 2005, A country report: Lithuania] www.europa.eu.in/comm/public_opinion (latest access: 23.11.2005).

make certain that there is no competition between the two organisations, as many of our Member States are part of both of the international structures. That would in fact be ridiculous; what counts most of all is to help, to help the people who are suffering, to build stability in a highly complicated context. Toward this end, the EU and NATO have put an exemplary cooperation in place, highlighting the added value of each organisation. NATO-EU cooperation, in different forms in Bosnia and in Darfur, is a success and reflects our Presidency's line of conduct that I presented to you right here in November.

We will also be active in the Democratic Republic of the Congo (DRC). Last week the Union decided to launch a counselling and assistance mission to reform the security sector in the DRC. In close cooperation and coordination with the other players of the international community, this mission aims to provide concrete support to the appropriate DRC authorities in the area of security in their effort to integrate the army, whilst promoting policies consistent with human rights, democratic standards and the Rule of Law. This mission, which is the first of its kind, is a concrete example of implementing the action plan for the support provided in the ESDP context to peace and security in Africa. It complements the EUPOL Kinshasa police mission to bolster the efforts that the Commission and the Member States are already making in the area of reforming the security sector in the DRC.

These three operations in Bosnia-Herzegovina, in the Congo and soon in Sudan, are the concrete expression of the Union's willingness to act. To act to foster peace and stability, to act to contribute to conflict prevention and resolution. The European Union intends to act as a global player; to do so, it must continue to strengthen its political and diplomatic system and it must continue to develop the ESDP with more capabilities, greater coherence, and more partnership. The Luxembourg Presidency has worked in this direction. We have made progress and I am satisfied with it, even if there has been no shortage of problems, and the diversity of views in a Europe of 25 does not facilitate progress in an area in which unanimity is the rule.

The common foreign policy bases its authority on the existence of credible means. That is why the Luxembourg Presidency has gone to great lengths to strengthen the operational

capabilities, both military and civilian, of the ESDP, and to implement a strategy to fill the gaps. To deal with the challenges and to be in a position to contribute to the management of crises in the future, we have continued and strengthened the process of developing medium- and long-term capabilities."

Furthermore Luc Frieden is "very satisfied to see that the European Union will soon have a rapid response capability, based on thirteen national or multinational tactical units. Beginning in January 2007, the European Union plans to have full capabilities to undertake two rapid reaction operations concomitantly, involving a tactical unit, including the capability of being able to launch these two operations almost simultaneously.

But, to be able to respond quickly, it is necessary to accelerate the European and national decision-making and planning processes for the European Union's rapid reaction operations. At the European level, under our Presidency, we have just put in place rules to ensure that the decision-making process can be carried out within five days of the approval of the crisis management concept by the Council and the decision to launch an operation. At the national level, the Member States have committed to revising their procedures to be able to respond to the Union's request in the shortest amount of time possible. We must find rapid mechanisms while obviously maintaining prior national parliamentary control where it is required."

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Luxembourg still takes this mission very seriously. Luxembourg has always been among those countries that have encouraged closer cooperation. This was the case with the issue of monetary union, which led to the Euro, and the question of the free movement of goods, which led to the Schengen Treaty. And this was the case in 2003 with a proposal for European collaboration in the area of military cooperation in the security and defence policy, together with its neighbours France, Germany and Belgium. It is in the view of Luxembourg government that all nations in the Union should be part of this cooperation. Much has already been done to achieve this aim, but a long way lies ahead.

Luxembourg's tiny volunteer army, less than 1000 troops, is a member of NATO.

Furthermore Luxembourg's successive governments have always been among the strongest supporters of an extension of a Common foreign and security policy. As many other small and medium sized countries in Europe Luxembourg has virtually no possibility to define an independent foreign and defence policy. Therefore Luxembourg strongly supports Mr Solana's propositions and the European Defence Agency. Accused of not spending enough on defence, Luxembourg defence minister recently declared that he wants to rise seriously the military spending in his country even in difficult times of general budget cuts.

The ESDP's objective is to enable the European Union to expand its civilian and military capabilities to manage crises and to prevent conflicts on an international scale.¹¹⁷⁴ Thus, the ESDP contributes to keeping international peace and security. The Luxembourg defence minister Luc Frieden wanted to present this European security and defence policy as an essential component in the EU since "we are confronted with the globalisation of instability." The minister explained that "if a crisis occurs somewhere in the world, it has a risk of having an impact on the other regions of the world more than it did in the past." Thus, the European Union needs an external security and defence policy to address the different regional crises, but also to fight international terrorism. Luc Frieden stated that "the ESDP has a role to play, both in preventing and managing the consequences of a terrorist attack when civilians require assistance. We have a good example to explain to the citizens why we have to build a European defence." According to Luc Frieden, despite recent efforts, the ESDP is still a long-term effort that must continue to develop over the coming years. The Luxembourg Presidency would like to underscore three elements that it considers essential. First of all, the EU must continue to further develop its military and civilian capabilities. To do so, the minister of defence recommends a stronger political will by the Member States so that military and civilian capabilities can be developed. He emphasised that there are certain gaps to be filled so that this ESDP becomes effective. "There must be an army capable of responding quickly and in any place in the world," he said, adding that to do so, "it

¹¹⁷⁴ The paragraph refers to Luxembourg positions concerning CFSP/ESDP as explained by defence minister Luc Frieden to the members of the Foreign Affairs commission European parliament January 19th 2005.

is necessary to set up small military units." In addition to military capabilities, Luc Frieden underscored the idea that more civilian capabilities are needed because an "army cannot solve everything; they have to respond to a crisis situation, but after that it is necessary to combine the military aspect with the civilian aspect so that peace and the Rule of Law can take root." He added that our European strategies for external security and internal security should be more consistent because "what happens beyond our borders can have an impact inside our borders. By sending our police forces into the Balkans, to Bosnia or Macedonia, we are not just helping the people in these countries, but we are also preventing these problems from being exported to us."

Iran problem

Luc Frieden on a visit to Donald Rumsfeld explained the Luxembourg and thus European position on the Iran problem when he said: "Europeans are very clear, we have to prevent Iran from developing nuclear weapons capability, and we will have to define the mechanism to control whether Iran lives up to its commitments made to the E.U." Luc Frieden noted that "tough language is an important diplomatic means, and dialogue is important, but nothing can be achieved unless it involves the same language used by the U.S."¹¹⁷⁵. Luxembourg's tiny volunteer army, less than 1000 troops, is a member of NATO. Furthermore Luxembourg's successive governments have always been among the strongest supporters of an extension of a Common foreign and security policy. As many other small and medium sized countries in Europe Luxembourg has virtually no possibility to define an independent foreign and defence policy. Therefore Luxembourg strongly supports Mr Solana's propositions and the European Defence Agency. Accused of not spending enough on defence, Luxembourg defence minister recently declared that he wants to rise seriously the military spending in his country even in difficult times of general budget cuts.

On Defence and external security policy issues Luxembourg's position is factually identical with the Belgian position since Luxembourg has a very close military cooperation with its western neighbour e.g. in Kosovo and Afghanistan Luxembourg and Belgian troops

¹¹⁷⁵ Washington Post 2.2.2005.

are integrated in the same peace keeping units. On the American Iraq intervention and occupation Luxembourg had no choice but to adopt a similar position to France and Germany but without openly hurting Washington. No Luxembourg troops were sent to Iraq, but Luxembourg participates financially to share the burden of rebuilding new Iraqi security forces within the framework of NATO and EU. In Luc Friedens view "the European Union will not be able to carry out all of these battles on its own; it will have to do so with the United Nations, which continue to be one of the key instruments in crisis management, but also with NATO, since many EU States are NATO members."

Malta

Malta's strategic relevance in the central Mediterranean has led the country to pursue a comprehensive and proactive foreign policy in the Euro-Mediterranean region. The importance that Malta attaches to international security issues is highlighted by the prominent role that Malta has consistently played in security institutions such as the United Nations (UN), the Organisation on Security and Co-operation in Europe (OSCE) and the Euro-Mediterranean Partnership (EMP).

Security challenges

Malta is completely supportive of the EU's efforts to combat international terrorism and thus welcomes the introduction of a CFSP unit to combat this issue specifically. While supportive of a more coherent common foreign and security policy Malta remains a neutral state that is not prepared to participate in NATO related activities. When it comes to the Iran situation Malta has been supportive of the EU-3 diplomatic approach and believes that a peaceful compromise should be sought to the nuclear issue between Iran and the international community. Malta has condemned the more outspoken position adopted by Iran of late vis-à-vis Israel and advocated that the EU also condemn completely such an aggressive position in future.

Since joining the European Union a year ago Malta has consistently demonstrated the enhanced geopolitical clout it brings to international relations by promoting stability in the Mediterranean and peace in the Middle East. As an active and ardent proponent of

peace in the Middle East, Malta has long been a supporter of a two-state solution to the Middle East conflict between Israel and Palestine. As an EU member and thus party to the Quartet (European Union, United States, United Nations, Russia) that supports the Middle East Road Map peace proposal, Malta is continuously seeking to advance the quest for peace for peace in the Middle East through its foreign policy agenda.

In 2005 Malta has regularly advocated that the international community needs to extend its diplomatic support to Israel and the Palestinians to facilitate implementation of the Road Map as soon as possible. At a European Council meeting Malta's Minister of Foreign Affairs, Dr. Michael Frendo, has regularly insisted that the EU should not only be supportive of local elections in the Palestinian Territories as it had always done in previous declarations but make a specific reference to general elections.

Paragraph 33 of the European Council declaration stated: "The European Council endorses the short-term programme of action in the fields of security, reforms, elections and economy proposed by the High Representative (Javier Solana). It underlines in particular readiness to support the electoral process in the Palestinian Territories. The European Council calls on the Palestinian Authority to organise elections in accordance with international standards under the authority of an independent electoral commission and calls on Israel to facilitate these elections".

Malta is also playing a leading role in helping to identify the commonalities that exist in the Mediterranean so that co-operative relations can be developed upon such themes. Contrary to widespread misconceptions, commonalities do exist in the area and common socio-economic concerns might be one point of embarkation in this respect. Ultimately, enhancing the pan-Mediterranean co-operation is a fundamental necessity if the area is to benefit fully from the intra-regional opportunities that the Euro-Mediterranean process offers.

The EMP is certainly the most important regional process that currently exists in the Mediterranean as it brings together all of the European Union member states and ten Mediterranean countries which are Morocco, Algeria, Tunisia, Egypt, Jordan, Israel, Syria,

Lebanon, the Palestinian Authority, and Turkey.

Given the more indifferent patterns of regional relations that exist in the Mediterranean than those that existed in November 1995, it was no small feat that the second EMP meeting, the first ministerial meeting of its kind that took place in the Mediterranean, could take place. The high turnout of foreign ministers at the EMP meeting in Malta, particularly the presence of Syria, Israel and the Palestinian Authority, illustrates the importance that the participating countries attach to the process that offers the possibility of extending co-operative patterns of relations at several levels.

The fluid nature of contemporary international relations in the Middle East certainly offers the European Union with an opportunity to upgrade its influence in this geo-strategically proximate region. Malta's Minister of Foreign Affairs Dr. Frendo's regular insistence that the EU must spearhead the Middle East peace initiative and adopt an avant-garde policy in the Middle East together with the United States is essential if progress in peace talks is to be registered any time soon. The European Union must also formulate an external affairs strategy towards the Middle East that does not appear to be duplicating Washington's endeavours to broker a peace settlement in the region. Failure to adopt such a policy will only result in a wastage of already scarce resources and could also lead to a situation where the European involvement in the Middle East is regarded more through a competitive lens than a complementary one.

Only by creating an atmosphere that is conducive to peace in the Middle East can constructive steps be taken to settling the Israeli-Palestinian conflict. By contributing to the creation of such a context Malta is seeking to facilitate the task of implementing the Road Map. In the months ahead further acts of decisive diplomacy by the international community will hopefully follow in the Middle East so that the seeds of a permanent peace settlement are sown in the region.

The Middle East stalemate is not only detrimental to the region itself but is also having a negative impact upon regional relations across the Mediterranean area. International initiatives such as the MENA process and the Euro-Mediterranean Partnership that have attempted to spur intra-regional co-operation are being held hostage

as a result of the lack of progress in peace talks.

The time has come for the European Union to do more than simply accept its subordinate role in the region – it is a major economic player in the Middle East and should seek to play as important a political role. Given the direct bearing that Middle East regional relations are already having on the evolution of the Euro-Mediterranean co-operation, it certainly seems a logical course of action for the Europeans to consider at the start of the twenty-first century.

Malta's decisive foreign policy towards the Middle East through its bilateral and multilateral channels of diplomacy must thus be seen as an effort to secure peace in the region. Since the start of November 2004 a window of opportunity has started to open in the Israeli-Palestinian conflict as regional dynamics in this part of the world experience a profound change. Malta believes that all interested parties in the Middle East should take advantage of this opportunity by strengthening efforts of the Quartet to achieve the objective of the creation of a democratic Palestinian state living in peace and security with Israel. It is only by working together through Euro-Mediterranean diplomatic initiatives such as the Barcelona Process, the Five plus Five Forum which Malta currently chairs, and the EU's Neighbourhood Policy that a permanent settlement to the Middle East conflict will be achieved.

Netherlands

In the opinion of the Minister of European Affairs Atzo Nicolaï the role the EU wants to play in the world cannot go without a strong transatlantic cooperation. In a speech at the Johns Hopkins University in Washington he stated that "With a European eye for complexity and an American flair for action, we can change the world". He underlined strongly that both partners hold different views on how to operate for example when it comes to achieving regime change. He stated that "EU membership is our way of achieving regime change."¹¹⁷⁶ He explained how the prospect of membership works as a driving force behind economic and political reform in countries neighbouring the European Union. How

¹¹⁷⁶ Atzo Nicolaï, "1+1 is more than 2. The future of Europe and Transatlantic Relations", Johns Hopkins University, Washington DC (5 October 2005).

countries to be admitted to the Union first must become a European nation: a democracy which protects its minorities and respects the rule of law and human rights and which is able to hold its own amid competitive pressures within the EU and agrees to play by European rules. In other words the EU does not resort to force, but seeks peaceful means to stabilise its neighbourhood. He pointed out that this policy has even inspired peaceful revolutions in Serbia, Georgia and Ukraine. And that multilateralism is at the core of European foreign policy, whereas to the United States it might be one of the options. Multilateralism is strongly rooted in European history, where bloodshed of the past was overcome thanks to cooperation and integration. That is why the EU firmly believes that through multinationalism today's multinational challenges are countered best. And multilateralism runs parallel with another integral aspect of EU foreign policy: an eye for complexity. There are no simple solutions for today's problems. In the opinion of Nicolai multilateralism works and should be applied beyond the borders of the EU as well. Referring to European forces in the Balkans and Afghanistan he underlined that although the EU remains in its roots a peacemaker, bridge-builder and beacon of prosperity and stability today it must and will not hesitate from using military means to further diplomatic solutions.

Security challenges

The two major security challenges for the EU as mentioned by the government in their annual report on the state of affairs in the European Union are non-proliferation of weapons of mass destruction and the threat of international terrorism. On non-proliferation they list the results in the dialogue with Third Countries by the EU in 2004 like the non-proliferation clause in the Association Agreements with for example Syria. Also mentioned are the Union's efforts for global promotion of non-proliferation instruments as the Comprehensive Nuclear Test Ban Treaty (CTBT), the Chemical Weapons Treaty, the Biological Weapons Treaty, the Hague Code of Conduct against Ballistic Missiles and the International Atomic Energy Agency (IAEA) Additional Protocol. Finally pointed out are the workshops organised in 2005 with Mediterranean and Middle Eastern Countries and with China on countermeasures for proliferation and the expected EU policy in 2005 of continued diplomatic and financial

support for the IAEA, the OPCW, the Biological Weapons Treaty and a more policy related input in this respect. The latter is especially valid for the forthcoming Review Conference of Biological Weapons in 2006.

With regard to the threat of international terrorism the government lists the following achievements in 2004: the action plan on strengthening EU policies on counterterrorism; the enhanced cooperation with the Counter Terrorism Executive Directorate of the United Nations; the prioritising of counter measures to combat financial support to terrorism; the formalised cooperation between the Counter Terrorist Group comprised of the intelligence services of a number of member states and the Councils' Joint Centre of the Secretary-General (SitCen) leading to common analyses by SitCen and the closer cooperation between Europol and Eurojust. In 2005 the EU will further focus on recruitment and radicalisation for example by examining the role of mosques, schools and prisons and work on the combating of financial support to terrorist activities. Next attention will be paid to Chemical, Biological, Radiological and Nuclear-terrorism and a solidarity programme for better assistance among member states when a terrorist attack will occur.¹¹⁷⁷

European Security Strategy

With regard to the development of European Security and Defence Policy (ESDP) the government highlights the further operationalization of the policy through the start of a large number of missions of which the first EU Military Operation in Bosnia Herzegovina (EUFOR-Althea) was launched during the Dutch Presidency of the European Union in December 2004. Also mentioned are the EU police missions in Bosnia Herzegovina and Macedonia and the EU rule of law missions to Georgia and Iraq. They stress EU's decision to become more active in Africa within ESDP framework mainly by supporting the African Union's crisis management activities and mention in this respect two EU missions to Congo in the first half of 2005.¹¹⁷⁸ A further involvement in crisis management activities in Africa is certainly supported by The Netherlands, which has a longstanding tradition in development aid for African countries and whose military have participated

¹¹⁷⁷ 'Staat van de Europese Unie 2005-2006', p. 49-50.

¹¹⁷⁸ 'Staat van de Europese Unie 2005-2006', p. 50.

in numerous UN peacekeeping missions on that continent.¹¹⁷⁹

In their report on the State of Affairs in the European Union the government emphasises the importance to further develop the civil and military capacity for crisis management inside the EU in order to achieve the goals of the European Security Strategy. In this respect they mention the implementation of the Headline Goal 2010 and the establishment of the European Defence Agency in July 2004 to monitor the military capabilities gap. They also refer to the Military Capabilities Conference organised by the Dutch Presidency, which led amongst others to the creation of 13 EU Battle groups. They stress the importance of guaranteeing that those units will be fully operational in 2007. With regard to the civil capabilities the Headline Goal 2008 listing EU's future ambitions for civil crisis management is mentioned. Next, the government stresses the importance of a more coherent use of civil and military means and refer to the created civil-military unit within the EU Military Staff for planning and operational tasks. They consider the establishment of this unit a major step forward in the strengthened coordination of EU civil-military crisis management operations. They also welcome the increased attention for disaster response following the tsunami in South-East Asia and stress the importance of a good cooperation with the European Commission in this area. They praise the intensive consultations with NATO in handing over the military operation in Bosnia Herzegovina to the European Union and welcome the increased cooperation with the United Nations in civil-military crisis management.¹¹⁸⁰

The way ahead for CFSP/ESDP on the basis of the Nice treaty

In their annual report on the State of Affairs in the European Union the government is expressing the view that the continued working towards an effective, coherent and engaged external policy during the Council Presidencies of both the Netherlands and Luxembourg towards effective multilateralism will without doubt be carried on in 2005 and 2006 by the Presidencies of United Kingdom and Austria, especially since both countries already

announced that they will devote special attention to the role of the EU on the world stage. However, much will depend on the conclusion of the discussion of the reorganisation of category IV (external relations) in the EU's multiyear budget. In the view of the Dutch government the EU has settled on a new, much clearer structure for this category.¹¹⁸¹ With regard to the future of CFSP/ESDP on basis of the Nice treaty no real debate has taken place in The Netherlands yet. Moreover it looks like this discussion will not take place in the current period of reflection.

Iran problem

The Netherlands agrees with the new negotiations initiative launched by the three major EU Member States in collaboration with Solana in the second half of 2004. They welcome the efforts to overcome the deadlock in the negotiations over the nuclear dossier. However the government states that the EU should consider the possibility of redirecting the nuclear dossier to the UN Security Council if negotiations in the coming year should fail.¹¹⁸²

Poland

Security challenges

The set of questions related to the CFSP/ESDP reflects the widening gap between the perception of the foreign and security challenges the EU should meet from the perspective of the "old EU of 15" and the one of the new member states including Poland. None of the issues suggested has become a subject of the public debate in Poland in the context of CFSP/ESDP.

Neither the government nor the political parties, nor the civil society and the media, have adopted any genuine position on any of the problems mentioned. Nobody goes beyond the general declaration on the political desirability of fighting terrorism, developing CFSP/ESDP, or pressing Iran to give up its nuclear programme.

As far as *European External Service* is concerned the failure of the Constitutional Treaty practically ended the debate on that issue. The extreme pro-European party - *Demokracy.pl* suffered a complete defeat in the

¹¹⁷⁹ The Netherlands Armed Forces participated in the following UN missions in Africa: UNMIL, UNMEE, UNOMUR/UNAMIR, UNOMOZ, UNOMSA, UNOPS/UNAVEM/CMATS, UNTAG and UNOC.

¹¹⁸⁰ 'Staat van de Europese Unie 2005-2006', p. 50-51.

¹¹⁸¹ 'Staat van de Europese Unie 2005-2006', p. 22.

¹¹⁸² 'Staat van de Europese Unie 2005-2006', p. 45.

latest parliamentary elections having won ca. 2% of the votes and thus winning no mandates in the Parliament at all. The winners Law and Justice (PiS) and the Civic Platform (PO) will probably adopt the position based on the conviction that the subordination of the CFSP to the Presidency rather than to the EU Minister of Foreign affairs is more in line with Polish interests since the consecutive presidencies of Finland, Estonia, Latvia, Lithuania, Poland, Slovakia, Hungary and in the future Romania too will create better conditions to develop the Eastern dimension of the EU (as Finnish and Swedish presidencies did for the Northern one or Spanish for the Mediterranean) than the EU Foreign Minister that would probably be not from the new member states. European Defence Agency is not debated at all. One can guess a moderate positive attitude towards the idea should it prove its effectiveness.

The prestige of the CFSP is however in the course of destruction in Poland now. It is due to the demonstrative practical re-nationalisation of the French and German policy towards Russia and the lack of an effective reaction of the EU to the challenges that are perceived as the priority in Poland. It is not *Iran*, *"Solana plus"*, *ESDP/JHA* as a tool to fight terrorism, or *European Security Strategy* that are perceived as a real challenges for the CFSP/ESDP in Poland. The Polish list of the issues to be considered in 'The EU's role in the world'-chapter should be as follows:

*EU policy towards Belarus*¹¹⁸³

The EU only shows reluctant and minimal reaction to the challenge of lacking democracy in Belarus with the result of growing prosecution of the Polish minority there (the Commission granted 138,000 euro for *Deutsche Welle* to broadcast 15 minutes audition per day, 5 days per week in *Russian* ignoring Polish and Lithuanian offers to broadcast day long programmes in Belarusian to break the dictator's information monopoly).

*Northern Gas pipeline on the Baltic Sea Bed*¹¹⁸⁴

The project is perceived as a national German-Russian agreement ignoring the energy security interests of the Central European EU member states and aiming at the creation of the possibility to black mail them by Russia in the future. The transit character of Poland, Baltic States, Czech Republic and Slovakia, as well as Ukraine and Belarus prevent Russia to cut them off from gas supplies without cutting simultaneously Russian western partners the trade with who generates 40% of the budgetary incomes of the Russian Federation. The Northern Gas Pipeline will give Russia the chance to cut off Central Europe from gas supplies without cutting the Western one thus giving Moscow a powerful instrument of the political pressure on the new EU member states in the region. Russian-German agreement of September 8th is therefore perceived as a violation of the EU member states' solidarity and the lack of the reaction of the Commission has a destructive influence on the perception of the CFSP by the Polish public opinion.

*EU-Ukraine relations*¹¹⁸⁵

More energetic EU's action should be taken in relations with Ukraine. The European perspective for that country should be opened unless it is to slide back towards the authoritarian political model promoted by Russia.

Border Treaties

Moscow's refusal of the ratification of the border treaties between Russia on the one hand and Estonia and Latvia on the other and the lack of the reaction of the European Commission in defence of the borders of its member states that are simultaneously the external borders of the EU, combined with the promised visa facilitations for the Russian citizens – i.e. for the state that does not recognise the borders of the two EU member states – is perceived in Poland as a prove of the EU impotence in the defence of the basic legal interests of its member states vis a vis Russia.

¹¹⁸³ Minister of Foreign Affairs, Stefan Meller at the Polish Parliament's lower house, source: Polish Press Agency Europap Service [www. euro.pap.com.pl](http://www.euro.pap.com.pl), 9 Nov. 2005.

¹¹⁸⁴ Minister of Finance, Teresa Lubinska during the meeting of EU finance ministers in Brussels on 6 December 2005, source: Polish Press Agency Europap Service, [http://:www.euro.pap.com.pl](http://www.euro.pap.com.pl).

¹¹⁸⁵ Numerous statements by government officials and other partly leaders, comp. part on enlargement; most recently: Prime Minister, Kazimierz Marcinkiewicz during the meeting with Diplomatic Corps in Warsaw on 8 Nov. 2005, source Polish Press Agency Europap Service [www. euro.pap.com.pl](http://www.euro.pap.com.pl).

Transnistria

The EU more effective support for Moldavian, Romanian and Ukrainian efforts to solve the Transnistria problem first of all by assuring the EU's political support for Ukraine if it decides to close the border with Transnistria is supposed to cut off the roots of the economy of the mafia-governed separatist republic that is based on arms trade depending on trans border smuggle. Such a step which is encouraged by the EU would however lead to the possible Ukrainian-Russian tension and therefore cannot be taken without the EU effective political support for Kiev.

Conclusion

In Poland the majority of the problems indicated in question 5 concerning the EU's role in the world are therefore seen as theoretic ones and not much attention is paid to them at least in the context of the EU. Fight against terrorism and the Iranian nuclear problem are perceived as issues that will be treated (successfully or not) by the US and not the EU whose impotence in both issues is taken for granted. The lack of the EU effective (Belarus, Ukraine, Moldova) or any (Northern Gas Pipeline, Baltic states border with Russia) reaction¹¹⁸⁶ in the fields of the Polish priorities mentioned above could result with heavy prestige losses of the CFSP/ESDP of the EU and its final irreverence by the Polish government, political parties and public opinion.

Portugal

The European Constitution has brought new instruments and frameworks to the CFSP, such as the Foreign Minister. The uncertain future of the European Constitution brings most of those measures to a standstill. Nevertheless, some observers are quite sceptical of the role a European Foreign Minister could play or even if it will ever be created. In any case, the European Minister could not replace the national Foreign Ministries.

Portuguese support for CSFP and ESDP has usually been below the EU-15 and the EU-25 average. The figures, though, show that

national support for both policies is above the 50% threshold. According to the latest Eurobarometer (July 2005), 62% of the Portuguese people are in favour of a strong CFSP (in contrast with the EU-25 average of 67%). The support rises when it comes to the ESDP, with 71% in favour of the enhancement of the security and defence dimensions of the integration process (in face of a European average of 77%).

Security challenges

Notwithstanding the public opinion relative support for a strong EU foreign policy, there is a consensus among the major political parties, military and academic elites that the Portuguese foreign and security policy is nowadays totally embedded in a broader European security.

In terms of security threats, Portuguese perceptions do not differ significantly from those of most EU Member states. Terrorism, instability in bordering countries and the proliferation of WMD feature high among Portuguese security worries. Military sources increasingly believe that internal and external security are intertwined and in order to fight the new type of threats, a deeper integration of the various national defence policies is required.

The way ahead for ESDP on the basis of the Nice treaty

For Portugal, the enhancement of a European defence dimension is essential, not only for its own security but also as a way to promote the reform of the Portuguese Armed Forces. As the Portuguese Minister of Defence Luis Amado stated, the modernisation of Portuguese Armed Forces must be planned against the background of ESDP developments. There is a clear notion that, if it will ever happen, differentiated integration in the ESDP framework will be related to the Battle Groups (BG). According to a military official, the member states' prompt answer to the BG challenge is in sharp contrast with other ESDP initiatives like the ECAP (European Capacities Action Plan). Military observers also believe that for a middle-sized country like Portugal, a small participation in the Battle Groups set up effort is not enough, it must aim to have its own national BG. However, by October 2005, Portugal is still to propose a national BG. So far, it has joined the Spanish-Italian amphibious battle group, and has been contemplating the creation of a Luso-

¹¹⁸⁶ Most recently, the statements by the Prime Minister and the Minister of Foreign Affairs stress the need for more EU involvement in the Eastern Policy constituting one of priorities of Poland's foreign policy. See: notes 1 and 3.

Spanish land-forces battle group, (an idea strongly backed by army top officials) or, at least, a significant participation in one of the other battle groups to which Spanish land forces contribute.

For the Portuguese Armed Forces, the progressive framing of ESDP must go hand in hand with NATO. This is crucial not only as a fulfilment of the Atlantic dimension of Portuguese foreign policy, but also for reasons of pure resources management. With the creation of the NRF (NATO Reaction Force), Portugal becomes involved in two new international permanent forces, with clear benchmarks in terms of quality required. For the Minister of Defence, those forces must be compatible, so that Portuguese Armed Forces are not obliged to duplicate its spending.

Regional preferences

Should these forces enter into action, both politicians and military officials view rather favourably the development of an 'African dimension' for ESDP, especially in Portuguese speaking countries. Historical links with those countries, together with a deep know-how of operational activities in the field, should make Portugal a fundamental partner in future ESDP missions in Africa. As the Minister of Defence and military officials have recently admitted, Battle Groups fit the type of operations the EU may be called upon to carry out in Africa. As a matter of fact, the whole concept seems to have been designed based on the Artemis operation in Bunia, DRC in 2003.

Also the Mediterranean, and especially the Maghrib, is perceived by some military circles as a high priority region in what security is concerned. Portugal has for a long time now been a strong advocate of EU-Mediterranean relations, as shown by the various initiatives taken during the two EU Presidencies Portugal held so far. The recent visits by members of the Portuguese government to Southern Mediterranean countries (namely to Morocco and Lybia) and vice-versa show that the current executive sees the Mediterranean as a foreign policy priority, especially in the context of the EU.

Iran problem

The way the Iranian nuclear capacity affair is being handled by the so-called EU-3, is seen by the Portuguese political and military elites with a considerable level of preoccupation. The

fact that the High Representative for CFSP Javier Solana was involved only at a later stage only proves that the larger Member states will overstep the established EU foreign policy frameworks (such as the troika) when it is in their best interest. This perception of the Iranian case should be seen as an example of Portugal's overall rejection of a *directoire* logic in EU affairs. As the Portuguese Secretary of State for European Affairs stated, the key for an external action based on common values that can answer the doubts of our times resides, like in other areas of EU action, in the equality and trust between all the member States.

Romania

Romania's official position with regard to ESDP specifically is rarely substantial. That can be explained by several factors: there was little *acquis* to implement in the framework of Chapter 26 (only four items) and it did not pose any problems; the incipient stage of development of the ESDP; the intertwining of the NATO objectives and the ESDP ones, with the greater salience of the former due to specific conditionality and resource-commitments in terms of defence. Nevertheless, it can be considered that the cross-border challenges to Romania's security stand as challenges for the ESDP, too, also in view of the future accession to the EU. In this respect, the Romanian National Security Strategy, whose last version was released in 2002, acknowledges asymmetrical unconventional threats, among which biological and political terrorism, threats to international transport networks, and the destabilisation of the situation of the countries in the area. The only reference to ESDP at that point in time was its contribution to a progressive forging of an ESDP.¹¹⁸⁷

An interesting reference to the ESDP can be found in the Platform of Governance (2005-2008): the pro-active participation to the creation of a well-defined ESDP and the contribution to the Headline Goal 2010¹¹⁸⁸. The President Traian Basescu considers that a

¹¹⁸⁷ Ministry of National Defense, *Strategia de Securitate Nationala a Romaniei*, „4. Factorii de Risc la adresa securitatii Romaniei”, 2002, http://www.mapn.ro/strategia_securitate/stratrisec.htm (latest access: 17.12.2005).

¹¹⁸⁸ Government of Romania, *Programul de Guvernare*, „Capitolul 27 – Politica de Securitate Nationala, C. Participarea la Politica Europeana de Securitate si Aparare”, 2004, http://www.gov.ro/obiective/afis-docdiver_se-pg.php?iddoc=271 (latest access: 17.12.2005).

great deal of the threats to European security originate in the Black Sea area, ranging from frozen conflicts to the networks of organised crime and international terrorism. Consequently, he considers that a challenge for the Euroatlantic community is the development of a more coherent and structured approach to the Black Sea area.¹¹⁸⁹ Romania's position on cross-border security issues has been substantiated during the past couple of years also because of other obligations it has undertaken on the international scene, most notably the mandate of non-permanent member of the Security Council of the United Nations (2004-2005) and its involvement in Iraq. The fight against terrorism is one of the National Defence Policy objectives from the Platform of Governance (2005-2008). The position towards this issue has been reiterated in the condemnation of the terrorist attacks in Madrid and London and the necessity to strengthen cooperation between intelligence services in this respect has been underlined.

The area of Justice and Home Affairs (JHA) has a much higher profile, mostly because of the fact that border security is a problematic area for Romania's accession, reflected in its inclusion among the safeguard clauses that could delay Romania's joining the EU. Consequently, the Ministry of Home Affairs and Administration has elaborated a strategy for achieving the objective of secure borders until the 1st of January 2007.¹¹⁹⁰ Furthermore, illegal migration has been identified as one of the major challenges that Romania and the EU are going to face after the 1st of January 2007.¹¹⁹¹ According to probably the only systematic survey on the population's perception of Romania's foreign policy, carried out by the Institute of Public Policy, there have emerged several interesting results. To start with, 67% of the Romanians consider that there is no serious threat to Romania's security, while only

21% of them consider the contrary. Out of the former, nevertheless, the challenges identified are the following:

- development of terrorist networks (80%)
- development of international networks of organised crime (65%)
- spread of weapons of mass destruction (54%)
- conflicts in the Black Sea area, such as the one in Transnistria (42%)¹¹⁹²

In the field of JHA, 44% of the respondents have identified illegal immigration as a major threat to security (from among those admitting that there are threats to security). The importance of secure borders and cooperation with EU experts on the issue has been constantly highlighted by the press especially in the aftermath of the decision on the safeguard clauses and of the release of the Commission's Regular Report on Romania. In the Pre-accession Study entitled "The European Security and Defence Policy – A Factor of Influence on the Actions of Romania in the Field of Security and Defence" identifies three main threats to European security: international terrorism, the proliferation of weapons of mass destruction and the existence of failed states, that leads to an increase of organised crime¹¹⁹³. Consequently, the challenges identified are: ensuring stability and good governance in the neighbourhood, the creation of an international security system based on efficient multilateralism, and preparing a sound response to new types of threats¹¹⁹⁴.

As far as illegal migration to the EU and Romania is concerned, probably the European Institute of Romania carries out the only extensive study on the issue. This also identifies illegal migration as a major challenge for the near future for Romania after its joining the EU.¹¹⁹⁵

¹¹⁸⁹ Traian Basescu, The Black Sea Area: Advancing Freedom, Democracy and Regional Stability, Speech at the Council on Foreign Relations during the President's visit to the US, http://www.presidency.ro/?_RID=det&tb=date&id=6034&_PRID=ag (latest access: 17.12.2005).

¹¹⁹⁰ Ministry of Home Affairs and Administration, „Obiective prevazute a se realiza in prima faza de derulare a contractului cu EADS pentru asigurarea unui nivel inalt de control si supraveghere la frontiera la 31.12.2006“, <http://www.mai.gov.ro/Documente/Prima%20Pagina/Obiective.pdf>, (latest access: 24.11.2005).

¹¹⁹¹ Ministry of Home Affairs and Administration, „Migratia Strainilor Prin Romania - Fenomen In Posibila Ascensiune Dupa Aderarea Romaniei La Acordul Schengen“, 18th of January, 2005, <http://www.gov.ro/presa/afis-doc.php?idpresa=35340&idrubricapresa=&idrubricaprimm=&idtema=&tip=&pag=1&dr=> (latest access: 23.11.2005).

¹¹⁹² Institute for Public Policies, Perceptia opiniei publice din Romania asupra politicii externe si a relatiilor internationale, Octombrie 2005.

¹¹⁹³ Liviu Muresan, Adrian Pop and Florin Bonciu, The European Security and Defence Policy – A Factor of Influence on the Actions of Romania in the Field of Security and Defence, "The New International Security Environment", European Institute of Romania, Bucharest, 2004, p.15.

¹¹⁹⁴ Liviu Muresan, Adrian Pop and Florin Bonciu, The European Security and Defence Policy – A Factor of Influence on the Actions of Romania in the Field of Security and Defence, pp.18-19.

¹¹⁹⁵ Daniela Luminita Constantin, Valentina Vasile, Diana Preda and Luminita Nicolescu, The Migration Phenomenon from the Perspective of Romania's

European Security Strategy

There has been no official account with regard to the development of the European Security Strategy. Nevertheless, it was signalled by official representatives of the Ministry of National Defense that it is taken into account in their work and strategy-definition¹¹⁹⁶. This can also be noted in the overlapping of the risks identified both in the Military Strategy of Romania and in the European Security Strategy. The media coverage of the European Security Strategy has been confined exclusively to the take-over from the international media.

The way ahead for CFSP/ESDP on the basis of the Nice Treaty

The reactions at the official level after the rejection of the Constitution were mainly revolving around the impact that was going to have on Romania's accession to the EU. The declarations after the decision on the period of reflection have also focused on the hope that the ratification process would proceed at some point and there has been no hint to the support of a piecemeal adoption (as the European External Service and the Foreign Minister of the Union items could be). Both during the Convention and the IGC, Romania sided with the majority opinion of merging the two positions of HR for CFSP and the External Relations Commissioner into the resulting one of Minister of Foreign Affairs of the Union. Romania has also insisted on the importance of taking into consideration the transatlantic component, especially NATO in the context of the discussions on the ESDP Chapter of the Constitutional Treaty.

The authors of the aforementioned Pre-Accession Impact Study on the ESDP as an influential factor of Romania's actions in the field of security and defence recommend Romania's active involvement in the European Defence Agency, as well as the early joining of all strengthened cooperation initiatives on ESDP issues. However, given the fact that the latter is provided for by the rejected (for the time being) Constitutional Treaty, it is not possible until further progress on the Constitution will be achieved. An alternative solution for specific ESDP cases is put forward

by another Pre-Accession Impact Study: the cooperation under the Berlin Plus agreement. Romania's participation in this framework is suggested for the Transnistrian conflict's resolution.¹¹⁹⁷

Iran problem

Official position: There has been no official standpoint on the option of leadership as such. At the more general level, in the framework of Romania's chairmanship as non-permanent member of the UN Security Council of the Committee 1540 (non-proliferation of the weapons of mass-destruction), Romania supports the resolution by diplomatic means of the conflict and the reintegration of Iran in the international community. The Resolution that entailed the creation of the Committee in order to monitor the compliance with its provisions is a landmark one, being the first UN Security Council Resolution to hail the proliferation of weapons of mass destruction as threat to international security.

Slovakia

Security challenges

After the EU and NATO accession the Slovak Republic (SR) is the internal part of the European and transatlantic security community and its security interests should be realized within the framework of both organizations. Security challenges perceived by the SR as they are expressed in the main security documents (Defence strategy of the SR, Military strategy of the SR and Security Strategy of the SR) were recently up-dated to the European Security Strategy. The amended version of the Security strategy of the SR refers to challenges like the global terrorism, proliferation of weapons of mass destruction, failed states or international organised crime. The illegal migration is observed as a relatively new security challenge in a case of the Slovak Republic. Due to the EU enlargement, its outer borders are shifted also towards risk areas being a source of illegal migration. The Slovak Republic as a country with the EU eastern outer border can face such challenge.

Accession to the European Union, Romanian Institute of Romania, Bucharest, 2004.

¹¹⁹⁶ High official from the Ministry of National Defense during a working meeting for the Pre-accession Impact Studies, European Institute of Romania, October 2005.

¹¹⁹⁷ Adrian Pop, Gabriela Pascariu, George Anglitoiu, Alexandru Purcarus, Romania and the Republic of Moldova – Between the European Neighbourhood Policy and the European Union Enlargement Perspective, European Institute of Romania, forthcoming, p. 105.

European Security Strategy

The government position on further development of European Security Strategy (taking it as a document) has not been defined yet. In general, the attitude of the Slovak government stresses the necessity of interconnection of the ESDP and the NATO.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

Slovakia sees that the Foreign Minister of the Union or single European External Service creates the possibility for more effective and coherent decision making within the field of Common Foreign and Security Policy of the EU.

The Slovak Republic is a regular member of the European Defense Agency (EDA), which aims to improve the equipment of European armies and promote capability-based planning. Slovakia as a member of the EDA wants to create favourable conditions for the integration of the small and medium domestic enterprises to the European defence industry. On the other side, Slovakia offers its experiences and infrastructure for testing military technology.

The Slovak Republic had participated in the actions within the framework of the European Security and Defence Policy already as a candidate country. In 2010, Slovakia together with 4 other countries (German, Poland, Latvia and Lithuania) will stand up a Battle Group to intervene immediately in the case of crises. The Slovak contribution to the group will consist of elements of combat assistance and combat backing.

Iran problem

The Slovak Republic acknowledges the effort of the EU to proceed with the Iran problem. Regarding the leadership of these actions the Slovak Republic supports the EU-3 format however at the same time it requires to participate at least in the decision – making.

Slovenia

Security challenges and the European Security Strategy

The views of the Slovenian Government on the ESS, as well as coverage of coming about of the ESS in the media, are absent from the

2005 documents of the Government. However, in 2004 the Slovenian Government expressed its full support for the ESS. It sees it as an important step towards construction of a coherent ESDP and as one of the preconditions for the efficient CFSP/ESDP.¹¹⁹⁸ The implementation of the strategy, however, it is seen as of crucial importance. The Slovenian Government (and the Parliament) supported its implementation in the following aspects: fight against terrorism, non-proliferation of weapons of mass destruction, effective multilateralism, coherent policy towards Bosnia and Herzegovina and strategic partnership with the Mediterranean and the Middle East. Foreign Minister Rupel, speaking at a conference in Helsinki,¹¹⁹⁹ laid utmost importance on the principle of effective multilateralism and the close relationship between the principle of an effective multilateralism and co-operation and close partnership with NATO and the Russian Federation as well as with other forums, such as the United Nations, the Organisation for Security and Co-operation in Europe and the World Trade Organisation.¹²⁰⁰ Close co-operation with strategic partners is seen necessary for a solution of the Middle East crisis. Accession of the new EU member states to the Agreement on partnership and co-operation with the Russian Federation is highly prioritised and so is the support for a common European position towards reforming the UN.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

The official position of the Slovenian Government towards the solution to the crisis after the negative results of the referenda in France and the Netherlands is that the process

¹¹⁹⁸ STA (5 March 2004) Skupen nastop Slovenije in Avstrije v operaciji SFOR v BiH [Co-operation of Slovenia and Austria in the operation SFOR in Bosnia and Herzegovina].

¹¹⁹⁹ A speech by Foreign Minister Rupel, delivered at a conference "European Security Strategy - Next Steps" in Helsinki, 25 February 2004, available at <http://www.gov.si/mzz/govori/04022502.html>. The Foreign Minister stressed that "above all, the strategy can only be efficient and successful if it is coordinated and formulated in close cooperation with other international players in the region, particularly our transatlantic allies (worth mentioning is the idea of German Minister of Foreign Affairs Fischer expressed at the security conference in Munich)."

¹²⁰⁰ This view is shared by Slovenian Parliament (the National Assembly) as expressed in a Declaration, which the Parliament adopted at its plenary session on 12th May 2004 called "Deklaracija o stališčih za začetek delovanja Republike Slovenije v institucijah EU v letu 2004" ["Declaration on positions on the beginning of work of the Republic of Slovenia in the institutions of the EU in 2004"].

of ratification of the Constitutional Treaty must continue and that any premature debate on institutional arrangements as set in the Constitutional Treaty would affect results of ratification process in those member states, which still plan referenda on the Constitutional Treaty. Slovenian Government supports further development of European External Service and the post of European Foreign Minister; however, these developments should take place on principle of equal opportunities to take part for all the member states.¹²⁰¹

Iran problem

Slovenian Government believes the EU-3 to be efficient and that there is no need to change this format. It also believes that in order to assure credibility of the International Atomic Energy Agency (IAEA) and the integrity of the system of non-proliferation, the Iranian abuses of the Paris Treaty and of the relevant IAEA resolutions, should be reported to the Security Council of the United Nations.¹²⁰²

Spain

Security challenges

There are a set of factors in play that make Spain the scene of a wide range of challenges, risks and threats to security. These include traditional ones, new ones (international terrorism, weapons of mass destruction, etc) and also so-called 'functional' threats, related to the concept of human security, such as infectious diseases, accidents, natural disasters and the collapse of basic infrastructures. The fact that Spain is on the southern periphery of the European Union and geographically very close to North Africa and the Middle East, with extra-peninsular and island territories in North Africa, presents us with even more problems and more interests to defend than many other member states whose borders are within the perimeter of the Union. It is unquestionably a fact that among the so-called 'new' threats, hyperterrorism has already hit Spanish society hard (the 3-11 attack in Madrid). Illegal immigration, illegal trafficking in drugs, arms, explosives and human beings are problems that have to be dealt with every day on Spain's borders. This delicate situation reached a crisis point during

the past few weeks on the border of the Spanish cities of Ceuta and Melilla, with the final outcome of 11 sub-Saharan people dead in confused circumstances.

These issues, which are normally a priority for the Spanish Government, are now at the very top of the Spanish agenda. Spanish Prime Minister Jose Luis Rodríguez Zapatero proposed, at the informal meeting in Hampton Court (27 October), a new immigration programme that will be officially presented at the European Council in December. Zapatero's plan is a joint French-Spanish initiative drawn up between French Prime Minister Dominique de Villepin and Mr Zapatero himself at a bilateral meeting in Barcelona earlier this month. It will cover guidelines for surveillance of the EU's exterior borders and push for pan-EU re-admission agreements with transit countries close to the continent as well as more distant Sub-Saharan states where many illegal migrants originate. According to the Plan, the EU should also increase development aid to the Sub-Saharan region, with the new €400 million aid package being double what the EU is spending today on immigration policy.

In this framework, Spain was one of the member states to strongly support the creation of the European Agency for the Management of Operational Cooperation at the External borders of the member states of the European Union which took up its responsibilities on May 2005. Its Deputy Director will be a Spanish representative.

Apart from the new instruments and initiatives that may be implemented, it would also be advisable to finish implementing the measures included in Tampere I, as well as putting into practice the Hague Programme. Besides, Spain is playing a leading role in the fight against terrorism, both in foreign relations and technical support as in designing a strategy against the recruitment of terrorists. By and large, a top priority for Spain is the improvement and broadening of cooperation and coordination, and even integration, in the European Space of Freedom, Security and Justice.

European Security Strategy

With reference to the sensitive issue of the forthcoming security challenges, Spain has a wider spectrum of concerns. The new type of threat does not distinguish between the outer

¹²⁰¹ Ministry of Foreign Affairs in answers to the survey, (questions sent: 12.9.05, answers received: 23.9.05).

¹²⁰² Ibid.

and the inner dimensions, between civilian and military targets or between the public and the private sectors. Consequently, and in the opinion of the Secretary of State for Europe, Alberto Navarro, the answers to these challenges must combine all the available resources, including military, police and judicial responses at the European level.

In the Spanish case a series of factors have combined to create a scene of ample and diverse challenges to security, both traditional and new, as well as so-called functional ones. In relation to threats of a conventional type, Spain relies on its autonomous defence capabilities (on which there is agreement in Prime Minister Zapatero's Government and in the Socialist and Popular parties). However, as mentioned in the new Defence Directive (1/2004), Spanish National Security is unavoidably linked to the security of the European continent; i.e. it is a shared security. "We are Europe and our security is indissolubly linked to that of the continent (...)", "Spain will promote and foster a true European security and defence policy, back initiatives aimed at achieving a common defence".¹²⁰³ As mentioned above, Spain offers its full support to the development of a European Security and Defence Policy. Furthermore, Spain promotes the accomplishment of the goals of the European Security Strategy, as well as the immediate implementation of some of the initiatives included in the Constitutional Treaty.

According to the Secretary of State for Europe, Alberto Navarro,¹²⁰⁴ the Zapatero Government is fully convinced of the necessity of providing the EU with a real defence dimension without which the European integration project would not be complete. Nevertheless, the Government will continue to promote a close and fruitful cooperation between the European Union and NATO. Spain understands that the Atlantic Alliance continues to be essential for Europe's defence. The Spanish Government believes that the relation between Europe and the United States will be stronger and more balanced if Europe is willing to assume greater responsibilities in the management of its own security and in the search for international peace and stability. In this context, Spain has given its support to all ESDP operations,

specifically in the Althea Mission, which has been deployed in Bosnia-Herzegovina since 2 December 2004, with a contribution of 500 troops of the more than 6,000 present in the theatre of operations. Furthermore, and in relation with the battle groups, Spain will provide two of the 13 groups: one of them is the Spanish-Italian amphibian unit, and the second will be mainly national with a minimum contribution from France and Germany.

The way ahead for CFSP/ESDP on the basis of the Nice treaty

The European Defence Agency (EDA), that became operational at the start of January (2005), had the support of the Spanish Government (both Prime Minister Aznar's and the current Zapatero Government) from its inception. It is considered an important instrument for transforming our armed forces and for acquiring new capacities. According to the declarations of the Popular Party's (the opposition party) spokesman in the European Affairs Commission of the Spanish Parliament, Mr. Soravilla Fernández, this agency is one of the most important elements of European Defence, and especially for the European defence industries in which Spain has strategic interests. For that reason, Spain must have a relevant position in the management of the Agency. According to the Popular Party's spokesman, the weight of Spain in this area is not suitably represented because there are only three Spaniards on the Agency's staff and they are on the third and fourth levels.

In relation with the creation of the position of EU Foreign Affairs Minister and, particularly, the appointment of this person as a Vice-president of the European Commission, it is believed at the Government level that it would improve coherence in CFSP/ESDP affairs. Spanish public opinion also supports (64%) the creation of this new post.¹²⁰⁵ Regarding these issues and according to Eurobarometer 63, Spanish public opinion believes that the biggest problems the country is facing are terrorism (46%) and immigration (30%).

In the latter case, Spanish concern has increased by 6 points in comparison with the 2004 Autumn Eurobarometer. The September 2005 barometer of the Centre for Sociological Studies (CIS) indicated that unemployment was the principal concern of Spanish public

¹²⁰³ Spanish Defence Directive 1/2004.

¹²⁰⁴ Declarations of the European Secretary of State, Alberto Navarro González at the Commission of European Affairs of the Spanish Congress, 15/VI/05. Diario de Sesiones del Congreso de los Diputados (DSCP), www.congreso.es.

¹²⁰⁵ Eurobarometer 63, http://europa.eu.int/comm/public_opinion/archives/eb/eb63/eb63_nat_es.pdf, September 2005 (latest access: 12.12.2005).

opinion (55.7%) followed by international and national terrorism (35.9%) and immigration (32.8%). The Elcano Royal Institute Barometer (BRIE)¹²⁰⁶, a periodic survey, has reported the following results related to the perception of threats: international terrorism is considered a fundamental threat by 95% of the interviewees, Islamic fundamentalism by 91% and the increasing number of illegal immigrants and refugees by 80%. In addition, and according to Eurobarometer 63, Spanish citizens believe that a top priority for the European Union should be the fight against terrorism (41%). In fourth, fifth and sixth positions we find the following issues: maintaining peace and security in Europe (33%), fighting organised crime and drug trafficking (20%) and fighting illegal immigration (18%). On CFSP/ESDP issues, Spanish public opinion backs a common foreign policy (68%) and there is more support for a common security and defence policy (70%).

The Barcelona Process is another focus of interest for Spain's European policy. With the 10th anniversary of the Barcelona Mediterranean Conference, Spain has promoted a major commitment by the European Union in the region. Spain should continue encouraging the EU to adopt instruments and policies that contribute to the welfare, progress and democratisation of the region. Specifically, we can mention initiatives such as the creation of solidarity funds for countries including Morocco and Algeria, whose stability is essential to Spanish and European interests.

Iran problem

Spain gives its full support to the EU-3 initiative related to the Iran problem and, in accordance with José Luis Rodríguez Zapatero's proposal of an 'Alliance of Civilisations', any initiative to solve the Iranian problem should respect international legality.

Sweden

The government departs from the position that the EU has a number of instruments at its disposal, and that it has been successful and important in many cases in the ESDP area, despite its novel character.¹²⁰⁷ It welcomes the

rather fast developments in the ESDP field, "which have enabled the EU to become an active global actor".¹²⁰⁸ Among the opposition parties in the Parliament, the Greens and the Left maintain a radically different position, framing these developments as aspects of militarization of the EU, which needs to be halted. The government, for its part, seeks to develop primarily the civilian side of the ESDP.¹²⁰⁹

It is argued, however, that there is problem in getting coherence among the different aspects of the EU foreign policy complex. Also, the government has in particular stressed the risks for a "Fortress Europe" if more restrictive policies regarding asylum and migration are adopted (rather a unitary framework based on solidarity and humanity should be aimed at). In the trade area, moreover, the foreign policy needs to entail liberalization of EU trade rules, not least regarding agricultural products (open, fair and legitimate conditions).¹²¹⁰

Furthermore, the government (and all major Swedish interests agreeing) promotes the United Nations as an arena and tool for cooperation, and in consequence seeks that the EU is an active promoter of UN work and reform. The realisation of the UN Millennium Goals and the fight against poverty are particular concerns in this field.¹²¹¹

In the work program for the near future, Africa and the Middle East are named as two other priority areas for the external relations of the EU.¹²¹²

Turkey

Turkey is ambivalent about its role within the CFSP and ESDP. This ambivalence is primarily created because of the attitude of the European Union to Turkey on these issues. The EU at this point is not certain to include

¹²⁰⁸ The government's work program for the fall of 2005, at www.regeringen.se ("Regeringens EU-arbetsprogram för hösten 2005").

¹²⁰⁹ The government's work program for the fall of 2005, at www.regeringen.se ("Regeringens EU-arbetsprogram för hösten 2005").

¹²¹⁰ Prime Minister's information to the European Affairs committee, 2005-10-26, www.regeringen.se/sb/d/1122/a/52165.

¹²¹¹ Publicly argued in joint article by the Swedish and British Foreign Ministers and Foreign Aid Ministers, 2005-04-03, www.regeringen.se/sb/d/1365/a/41742.

¹²¹² The government's work program for the fall of 2005, at www.regeringen.se ("Regeringens EU-arbetsprogram för hösten 2005").

¹²⁰⁶ See http://www.realinstitutoelcano.org/barometro_eng.asp, latest edition June 2005 (latest access: 12.12.2005).

¹²⁰⁷ Speech by Foreign Minister Laila Freivalds in Canberra, 2005-11-08, www.regeringen.se/sb/d/5003/a/52757.

Turkey within the CFSP and ESDP while Turkey is a candidate country. The basic approach of the EU is to wait until Turkey becomes a full member of the EU. As a result of this ambivalent nature of the relationship the Turkish governing elite still attaches a great value to its relationship with NATO and remains a staunch NATOist in its security culture. However, one should also mention that there is a change within the governing elites in their approaches to the emerging security architecture. The Turkish governing elite recognises the significance of the European security architecture and supports the development of CFSP/ESDP. But, at this point it is mainly a concern of the possible detachment of the ESDP from NATO because of the ambivalent nature of the EU towards the Turkish role within the emerging European security architecture. At the beginning the Turkish governing elite was quite stubborn to keep the European security and defence identity to develop within NATO. This attitude has changed in time. The Turkish governing elite now realises that the ESDP is developing within the institutional structures of the EU, but, it is concerned that it should develop in linkage with NATO.

Turkey in recent years is increasingly aligning itself with the European Union's foreign policy orientations. This alignment can easily be seen in the changing Turkish policies regarding the Middle East. Turkish foreign policy is getting closer to the European Union's foreign policy orientation on Iraq, Syria, Iran and the Arab-Israeli conflict. We can witness a change both in terms of the content and also the style of foreign policy making regarding these critical issues. Like the EU, Turkey emphasises multilateral approaches and the utilisation of diplomatic and economic tools related to the main conflicts in the Middle East.

An important change in Turkish foreign policy could also be seen in its approach toward the Cyprus problem. Turkey has followed a more cooperative foreign policy approach regarding the Cyprus issue and tended to modify its previous line of thinking on this issue, bringing it more in line with those who attempted to establish a linkage between the resolution of the Cyprus question and the possible inclusion of Turkey into the EU as a full member.

The alignment of Turkish foreign policy with the CFSP of the EU is also reflected in the previous progress reports of the European Commission. In the most recent report, it is

pointed out that there is an increasing alignment of Turkish foreign policy with the EU. According to some estimates this alignment with the CFSP is as high as 90%.

There is an increasing discussion in Turkey whether Turkey could contribute to CFSP and ESDP while Turkey has started to negotiate with the EU. There is an expectation that Turkey should not wait until full membership to have a role within the CFSP and ESDP process. For example, the well-informed observers among the Turkish elite wish Turkey to be a part of the emerging European Defence Agency. Turkey could also contribute more to the emerging "neighbourhood policy" of the EU. At this point Turkey is neither a target country for this policy nor a partner. There is no desire, however, for Turkey to be a target country of this policy because it could lead to the substitution of full membership perspective. But, there is an increasing tendency to be a partner within the emerging neighbourhood policy. Turkey with its economic, cultural and political relationships in the Caucasus, Black Sea and the Eastern Mediterranean region could contribute positively to the EU's neighbourhood policy. Turkey within the accession process of the EU will be better able to engage its neighbours in activities and projects aimed at building confidence, regional interdependence and stability. A sub-regional security regime, WMD free zone, a common regional agricultural development network, joint regional institutes of education, water, energy and petroleum research networks, a regional anti-terror cooperation scheme may all come within this range.

In addition to issues related with CFSP and ESDP Turkey faces major challenges regarding Justice and Home Affairs.

Geographical Limitation: In respect of Turkey's asylum and refugee policies, the geographical limitation has been a crucial element regarding its existing regulations and implementations. Due to the EU harmonisation process Turkey has to lift the geographical limitation. Turkey started the one year Twinning Project, 'Support for the Development of an Action Plan to Implement Turkey's Asylum and Migration Strategy' on March 2004, in cooperation with the United Kingdom and Denmark. The aim was to align Turkey's asylum and migration legislation and implementations with the EU *acquis*. The partner institutions were the Foreigners, Borders and Asylum Department within the

General Directorate of Security branch of the Turkish Ministry of Interior, the Danish Immigration Service and the UK Immigration and Nationality Directorate. The outcome of the Project was Turkey's first National Action Plan (NAP), which was on asylum and migration. It consists of an extensive analysis of the present legal and institutional environment in Turkey, the reforms that have been made until the time and the plans for the future.

Readmission Agreements: Some progress has been made with signing and concluding readmission agreements with third countries. A readmission agreement was signed with Romania in January 2004. In March 2004 Turkey agreed to start negotiations with the EU for a similar agreement. Negotiations are in motion with Bulgaria, Libya, Ukraine and Uzbekistan. The agreement with Kyrgyzstan has not yet been implemented.

Illegal/Irregular Migration: Although Turkey is still a major country of destination and transit for illegal migratory flows, illegal migration via Turkey is declining. The authorities have pointed out that, following stronger efforts and initiatives to combat illegal migration, international migration routes began diverting away from Turkey in 2002 and 2003. In October 2003, Turkey ratified the agreement on the prerogatives and privileges of the International Organization for Migration, which now has its own legal status under that agreement. Turkey has also continued to participate in the activities of the Centre for Information, Discussion and Exchange on the Crossing of Frontiers and Immigration.

Harmonisation of Visa Regimes: Another Twinning Project has started in September 2005, concerning visa policy and practice as well as human trafficking. Regarding the visa policy, Turkey has introduced the requirement of visas for nationals of Bahrain, Qatar, the United Arab Emirates, Kuwait, Saudi Arabia and Oman since 2002. In 2003 the exemption from the visa requirement was abolished for nationals of thirteen other countries. Turkey has pursued its efforts to align its blacklist with the EU list, introducing a visa requirement for nationals of Azerbaijan. On the white list side, the Turkey-Brazil visa exemption agreement entered into force in July 2004. In respect of the control of external borders, Turkey has set up new border posts and sea patrols in the recent years and continues to reinforce its infrastructure and equipment. In March 2004 Turkey and Bulgaria signed a border

management cooperation protocol. The Bulgarian border police and the Turkish coastguards accepted to work together in order to prevent violations of the two countries' territorial waters and exclusive economic zones. In June 2004 the Ministry of Interior decided to set up an integrated border management directorate that will be responsible for implementing projects for the establishment of a border police force in Turkey. In addition, Turkey made efforts in respect of the alignment with the Schengen *acquis*. In March 2004, Turkey set up a national bureau in the Interpol department of its directorate-general for security which will act as the central authority for Schengen purposes and as the Europol and OLAF contact point.

Immigration Regulations: There are important legislation changes concerning the harmonization of the EU *acquis* with the national legislation. The inter-ministerial working party on immigration and asylum has produced a strategy for alignment with the EU *acquis*. In February 2003 the Turkish Parliament passed legislation on foreign nationals' work permits that provides for a central system of work permits for foreign nationals entering Turkey legally. From now on, only the Ministry of Employment and Social Security will issue work permits, rather than a series of different bodies. The new Act, which came into force in October 2003, allows foreign nationals to work on the same basis as Turkish nationals, which was not possible under earlier legislation. It also aligns Turkish law with the provisions concerning refugees in the 1951 Geneva Convention. In June 2004 Turkey ratified the UN Convention for the protection of the rights of all migrant workers and members of their families. The Turkish Nationality Act was amended in June 2003 to outlaw marriages of convenience.

United Kingdom

The way ahead for CFSP/ESDP on the basis of the Nice treaty

The UK government is reticent as far as reform of EU foreign policy is concerned. Due to political pressure from the opposition and the media, it would be difficult to implement without treaty revision some of the significant reforms contained in the Constitution. Moves to establish a European External Action Service

or a 'Solana plus' would thus probably not be welcomed by Britain.

Iran problem

Unsurprisingly, the UK is in favour of EU-3 leadership on the Iran issue. With Iraq still a major issue of public debate in the UK, the government stance on the Iran problem is

observed by the media in the light of the likelihood of future military action. Both in the government and in the public, there seems to be little appetite for any sort of military involvement, however. Nevertheless, Tony Blair has been trying to convince the public that a strong stance on Iran may be necessary, given the potential threat it could pose.

6

Upcoming issues and events in your country

- ***What are major political events that will impact on EU-policy / policy making in your country?***
 - *(such as upcoming elections etc.)*
- ***Which are the four or five priority issues that emerge on the national policy agenda?***

Austria

Major political events

The Austrian EU Presidency will start in January 2006 and the next national parliamentary elections will be held in autumn 2006. The latter is already expected to be contested particularly fiercely, considering that the Austrian government will be measured by its performance during its EU Presidency and due to the latest internal split of the junior coalition partner and its recent poor election results in the Viennese polls.¹²¹³

Priority issues on national policy agenda

The priority issues on the national policy agenda will be active employment, security and education policies. With regards to the Austrian presidency the policy agenda will comprise: debate on the future of Europe, its culture and identity; economic growth and employment, sustainability of social systems – see Lisbon strategy; enlargement (continuous negotiations with Turkey and Croatia, setting the final date for Romania and Bulgaria) as well as perspectives for the Western Balkans; financial framework 2007-2013; science and research, negotiations for the 7th framework programme for R&D; EU directive on services and Latin America.¹²¹⁴ At the meeting of the EU Green Party in Kiev in October 2005, it was formulated that the Austrian government should, during its EU Presidency, push for an EU-wide initiative for an exit from nuclear power until 2020 and the promotion of alternative energy and technology policy.¹²¹⁵

Belgium

Major political events

Presently only communal and provincial elections are coming up in the second half of 2006. National elections are only due to take place in 2007, but some argue that the government could resign when a number of

issues (reforms regarding the financing of the pension system, an agreement on nocturnal flights over Brussels) would be blocked. Regional elections do not take place before 2009.

Priority issues on national policy agenda

In its policy declaration the federal government stressed on the following issues:¹²¹⁶

- Financing of the Belgian welfare state and the pension system by keeping people at work during a longer period of their life;
- Safeguard the social security system through other means than by taxing labour;
- Fight unemployment and delocalisation by reducing the costs on labour;
- Reduce income taxes and reform certain taxes (i.e. company tax);
- Finalisation of earlier reforms in justice and home affairs.

Bulgaria

Bulgaria's pre-accession efforts will focus on one domestic and one foreign policy objective. First, the country will aim at catching-up preparations for the implementation of the *acquis* in the specific sub-sectors indicated by the Commission, in time for the next monitoring report (12 May 2006). Second, it will unfold diplomatic activities to secure the timely ratification of the Accession Treaty in all current 25 EU member states.

A major event on the domestic political agenda in the autumn of 2006 is the organisation of the next regular presidential elections. Given the entry of a nationalist party ("Ataka") in politics at the last parliamentary elections, it should be excluded that "Europe" could form part of the pre-electoral debate. The parliament will also have to take an important political decision (and adopt the respective law) on the first direct elections for the European Parliament, which should be held in 2007.

¹²¹³ Viennese elections were held on 23.10.2005; poll results from 24.10.2005; Social Democrats (SPOe): 49.03% (+2.12%), People's Party (OeVP): 18.75 (+2.36%), Freedom Party (FPOe): 14-88 (-5.28%), Green Party (Die Gruenen): 14.67% (+2.22%), The Communist Party (KPOe): 1.46 (+0.82%) and the current coalition junior partner Buendnis Zukunft Oesterreich (BZOe): 1.15%. 60% of the electorate went to the polls, that is 6.63% less than in the elections in 2001.

¹²¹⁴ Interview with the OeVP, October 2005.

¹²¹⁵ 24.10.2005, *Der Standard*.

¹²¹⁶ "Federale Beleidsverklaring van de Eerste Minister", 11/10/2005, available at <http://www.belgium.be>.

Croatia

Major political events

The major event on the political scene was a recent arrest of the Croatian General Gotovina in Spain and his extradition to the Hague Tribunal in early December 2005. This was the only remaining unresolved issue in the political relations' agenda with the EU. Putting this case *ad acta*, the future events on the political scene will now focus mainly on more regular problems. Namely, it is expected that the negotiations agenda on the future membership with the EU, which was opened in October 2005, will predominantly shape future policy making in Croatia.

The negotiations were awaited for a long time and brought a considerable degree of frustration by the public as was reported in public opinion surveys. The actual progress in the negotiations on specific chapters will very much colour the practical pre-accession policy making in Croatia. The screening process started in October with chapter 25 (Science and Research) and was followed by several other chapters (8 in total). Croatian commentators gave positive judgements on the preparation of the negotiation teams. The real negotiations will start in early 2006.

On the other hand, in the internal political power scene, a possibility of pre-scheduled parliamentary elections has been reduced by the leading HDZ (Croatian Democratic Union) efforts towards improving the relations with the right wing opposition party HSP (Croatian Party of the Right) especially in Osijek, Slavonia. This move has somewhat neutralised the opposition activities of several right-oriented HDZ members led by Branimir Glavas who in the summer of 2005 have left the HDZ and organised the independent regional party in Osijek, Slavonia. However, since the Government has such a thin majority in Parliament and having in mind also the continuous problems that the HDZ Government has with the coalition Pensioners Party, the realistic possibility still exists that the Government might lack a majority when adopting some of the key reform policies ahead.

Most of the press polls¹²¹⁷ in September 2005, when the opening of the negotiations with the EU still looked very uncertain, have shown a

significant decline of public support to the leading Croatian Democratic Union – HDZ party (17.5%) and for the first time after the elections give the primacy of the support to the Social Democratic Party-SDP, the leading opposition party (27.5%). However, after the negotiations with the EU have opened in October, recent polls reported in daily and weekly press¹²¹⁸ show the significant increase of the public support to the Government and a leading HDZ party, which now takes the lead again (25%). After the arrest of General Gotovina, the leading HDZ party is again witnessing decline of popularity by most of the daily press polls¹²¹⁹.

Priority issues on national policy agenda

Croatia needs to continue to address the present *macroeconomic imbalances* (primarily government deficit, current account deficit and external debt) as well as structural challenges, especially to speed up privatisation and enterprise restructuring¹²²⁰. There is a need for a shift to private sector-driven growth through rationalisation of the public sector, the establishment of a supportive investment climate and macroeconomic sustainability¹²²¹. Key areas of concern are the growing external current account deficit (that reflects the widening trade deficit), poor fiscal performance, and high public expenditure particularly in social sectors, infrastructure, subsidies and the public sector wage bill).

Speeding up *structural reforms* is necessary in order to catch up with the advanced transitional countries. They include primarily continuation of reforms related to the enterprise efficiency and competitiveness through continuation of privatisation process and development of entrepreneurship especially through enhancing the innovation and technological progress of SME sector. This should be accompanied by the restructuring and better regulation of provision of the infrastructure and communal services; administrative services and government institutions.

Increasing *competitiveness* of the Croatian industry and trade on the international market is needed. Trade liberalisation measures need

¹²¹⁷ Nacional, (political weekly), no. 514, 19.9.2005.

¹²¹⁸ Nacional, (political weekly), no. 518, 10.10.2005.

¹²¹⁹ Such as polls done by the dailies *Jutarnji list*, *Vecernji list*, mid December 2005.

¹²²⁰ European Partnership with Croatia, 2004.

¹²²¹ World Bank, Country Assistance Strategy for Croatia, 2005 (www.worldbank.hr).

to be accompanied by efficient structural reforms, and fiscal policy measures. The country is recording continuous decline in competitiveness. The reasons for it could be found in unproductive public spending, low efficiency of public administration and judiciary, inadequate efficiency of financial market and still present corruption¹²²².

Development of *capacities for implementation* together with *institution building* is the key issue at the moment, meaning that it is crucial for Croatia at this phase to move from technical adoption of legal acts to its real implementation and development of policies.

Judiciary and public administration reform are priorities of continued attention and necessary for the future effective implementation of the *acquis*. An inadequately functioning judiciary, an uncompetitive business environment and soft budget constraints on enterprises have limited enterprise restructuring and new business creation and thus had negative impact on growth.

Cyprus

Major political events

In May 2006, Parliamentary Elections will be held in the Republic of Cyprus. We do not expect these elections to have any *direct* impact on Cyprus' European Policy. The issues we expect to predominate in the political discourse concern domestic policy areas and, inevitably, the anticipated developments on the Cyprus Issue. Thus, in view of the current stalemate regarding the resumption of negotiations for the settlement of the Cyprus problem, we predict an intensification of the debate on this topic.

Priority issues on national policy agenda

The Cypriot Government is primarily preoccupied with the following issues:

- the resumption of the negotiations for the settlement of the Cyprus Problem;
- the implementation by Turkey of the Protocol Extending the Ankara Agreement to the ten EU member states in 2006;

¹²²² Annual Competitiveness Report 2004. National Competitiveness Council, 2005.

- the further stabilisation and strengthening of the Cypriot economy;
- the implementation of the Stabilisation Pact which will allow Cyprus to join the EMU and adopt the euro as the national currency in 2008;
- the constant improvement of the Republic of Cyprus' status among the EU member states. Special attention will be given to gaining increasing support over the Government's aims for a fair, viable and lasting settlement of the Cyprus issue, according to the UN Security Council Resolutions and "*in line with the principles on which the EU is founded*".¹²²³

Czech Republic

Major political events

A major political event which will influence the Czech EU policy is the next election to the Chamber of Deputies (lower chamber of the Czech parliament) which is expected to be held in June 2006. If the Social Democrats win the upcoming election and form the government, the present strongly pro-European course of the government policy will most probably continue. A Social Democratic government would, however, have to rely on either tacit or explicit support from Czech Communists who definitely do not belong to the most enthusiastic supporters of European integration. If, on the contrary, the government will be formed by the Civic Democratic Party, we can expect a considerable shift towards euroscepticism. Yet again, this shift would be moderated by Civic Democrats' pro-European voters and their potential coalition partners, such as the Christian Democrats.

Priority issues on national policy agenda

One of the main issues, if not the most important one, is the reform of public finances which is linked to the country's preparations for joining the Eurozone in 2010. In addition, this rather general reform includes many partial reforms and it is closely linked to pension reform and reform of the health system.

¹²²³ See European Commission, Proposal for a Council Decision On the Principles, Priorities, and Conditions contained in the Accession Partnership with Turkey, Brussels, 9 November 2005, COM (2005) 559, p. 10, where it is stated explicitly that Turkey should "Continue to support efforts to find a comprehensive settlement of the Cyprus problem within the UN framework and in line with the principles on which the Union is founded".

Another high priority issue is a functioning housing market which is connected with the deregulation of rents – a highly sensitive political issue.

Denmark

Major political events

One major political event has dominated the national political landscape in Denmark in 2005. In February, the Liberal-Conservative government was convincingly re-elected after an election campaign dominated by debates on welfare reforms and whether or not to go on with the so-called 'tax stop' and the relatively hard line in immigration policy. In response to their relatively poor showing in that election, the Social Democrats elected former member of the European Parliament, Helle Thorning-Schmidt, as their new leader. At present the political scene is stable and nothing foreseeable seems to impact on the Government's or the opposition's main EU policy.

Priority issues on national policy agenda

First, it is worth mentioning that the Government has decided on a reform of the structure and tasks of the local and regional governments, which is to be implemented from 2007. The overall purpose with the reform is to merge municipalities and regions into bigger units, and to redefine competences between local and regional governments. The overall structure has already been decided upon, and in November 2005 the election to the new regional and local governments took place.

Second, the Government has established a welfare commission to analyse the future challenges of the Danish welfare system. The commission presented its work in December 2005, after which a major political debate between the Government and the opposition parties on future welfare reforms has taken place – and is expected to continue in 2006.

Finally, it should be mentioned that the Government has established a so-called Globalisation Council. The Council is expected to finalise its work in spring 2006 when the Government will present a strategy for Denmark in the global economy based on its results.

Estonia

Major political events

Local elections took place on October 16, 2005. The results did not produce major surprises, and the effects on EU-policy making are minor. Presidential elections will take place in the fall of 2006. Next parliamentary elections are scheduled for 2007.

Priority issues on national policy agenda

Preparations for the adoption of the Euro: Estonia has realistic chances of becoming one of the first new member states to adopt the common currency (possibly as soon as January 2007). The government has adopted a national plan for the changeover to the euro.¹²²⁴ Practical preparations for the euro changeover started after the Cabinet meeting of 15 January 2004, when the Government set the goal of being technically ready for the introduction of the euro by the middle of 2006, which would enable transition to the euro on 1 January 2007. In May 2004, the Government approved Estonia's first convergence programme, which reflects Estonia's economic policy on the way to the euro. The EU Council of Ministers approved the programme on 5 July 2004. On 28 June 2004, Estonia joined the Exchange Rate Mechanism II. On 20 October 2004, the European Commission and the European Central Bank (ECB) published their next convergence reports, which evaluated the economic and legal convergence of the 10 new Member States and Sweden with the Euro area. According to the report Estonia was positively assessed in respect of macroeconomic convergence indicators. The only shortcoming was meeting the exchange rate criterion, since Estonia had not been a member of ERM II for long enough. Estonian legislation was not yet in conformity with the requirements for the introduction of the Euro. The next convergence report is likely to be completed in May-June 2006. However, Estonia's ability to meet the inflation criterion may depend on factors beyond Estonia's control, such as global oil prices.¹²²⁵ Public opinion regarding the changeover to the Euro is divided: 47% of voting age inhabitants of Estonia supports the adoption of the Euro while 48% are against.

¹²²⁴ Estonia's National Changeover Plan, 1st version, 22 August 2005, available in English from the Ministry of Finance website www.fin.ee (eurointegratsioon).

¹²²⁵ Cf. recent opinion poll conducted by Emor, Euroopa Liidu seire, <http://www.riigikantselei.ee/?id=372>.

Relations with Russia: the border treaty: Optimistic hopes that Estonia's accession to the EU would lead to an improvement in Russian-Estonian relations have now collapsed. In spring, it seemed like the ice was moving: after a decade of delay, the two countries signed a border treaty on 18 May 2005 in Moscow. The treaty was ratified by the Estonian Parliament on 20 June 2005. A few months later, Russia decided to void the treaty. The order for Russia's withdrawal from the treaty was signed by President Vladimir Putin on 1 September. Moscow decided that the preamble to the treaty as ratified by the Estonian Parliament in the middle of June was "unacceptable" because it makes references to other legal acts, that (according to the Russian interpretation) could allow Estonia to claim land from Russia. At the same time, the Estonian side has repeatedly assured that it has not linked any new issues to the border treaties and has given up territories belong to it under the Tartu Peace treaty of 1920. From the Estonian perspective, Russia's behavior shows a lack of will to maintain (or rather, establish) normal bilateral relations. Leading Estonian politicians (above all, Toomas Hendrik Ilves, Estonian MEP) have expressed frustration with EU's inactivity and lack of political support. Even though the issue concerns a nearly 350-km section of the EU's external border, the Council has avoided the question and Solana has repeatedly refused to comment on the issue.¹²²⁶ Another problem in bilateral relations is related to repeated Russian violations of Baltic airspace (the crash of a Russian fighter plane in Lithuania being a recent dramatic example).

Competitiveness: The recently published government's action plan for economic growth and employment will become another hub for policy-making activity over the next few years. This document was discussed in greater detail above (see the section of the report dealing with the Lisbon Agenda).

Schengen: Estonia plans to join the Schengen space in 2007. However, it is having significant problems with absorbing EU assistance under the Schengen Facility programme. Even if preparations are substantially stepped up, it is likely that Estonia will lose most of the 1,2 billion kroons allocated to it under the programme.¹²²⁷

¹²²⁶ Erkki Bahovski, „Salatsevad eurokoridorid pelgavad Eesti-Vene piirlepet” Postimees, 22.10.2005.

¹²²⁷ Priit Rajalo, "Euroopa Liidu miljardiabi ähvardab Eestil käest libiseda", Postimees, 21.09.2005.

Finland

Major political events

Finland will assume the EU Council presidency for the latter part of 2006, prior to which it will see presidential elections in January 2006.

Priority issues on national policy agenda

The government's official strategy plan for the year 2005¹²²⁸ presented Finland's policy priorities in the following way:

In terms of economic policy, the Government aspires to create employment for 100 000 people before the end of its term. At the moment, it seems to lag behind this goal quite considerably, due to, among others, the 1% drop in the country's economic growth caused by the paper workers' extensive strike in the spring and early summer of 2005.

When it comes to social policy, the Government is struggling to develop its regional policy in order to even out the unbalances in the regional development. The biggest single policy area in this regard is the reform of the Finnish municipal structure. Centre party, being the biggest party in the government, is facing considerable opposition from its predominantly rural electorate in reference to the proposed overhaul of the current system, set to unite what is currently a vast number of municipalities into a few dozen "regional municipal units".

In the field EU policy, the biggest challenges lie in the preparations for the upcoming EU Council presidency. In its preliminary strategy for the presidency, the Finnish Government lists the competitiveness of the European economy, improving the EU's role in the world, working on the proposed constitution and the next round of WTO talks, the enlargement, and finishing the EU budget talks as its top priorities.¹²²⁹

¹²²⁸ Available in Finnish at <http://www.valtioneuvosto.fi/tiedostot/pdf/fi/93153.pdf> (latest access: 15.11.2005).

¹²²⁹ Available in Finnish at <http://www.valtioneuvosto.fi/tiedostot/pdf/fi/96303.pdf> (latest access: 15.11.2005).

France

Political events

There will be no elections in France until the Presidential elections in May 2007. European integration will probably be an important issue during the campaign, given that June 2006 is the date set by the European Council to open the re-examination of the Constitutional Treaty.

Priority issues that emerge on national policy agenda

The main priority issues that emerged during the campaign for the referendum are likely to remain on top of the agenda. First issue: employment and buying power. Second issue: de-industrialization and industrial relocation. Third issue: the French social model and its viability. Globalisation and international governance is also a major theme. Immigration is likely to continue to be a major issue.

Germany

Major political events

In Germany the major and unexpected political event of the year 2005 clearly were general elections of September 2005, one year before the end of the normal term. Chancellor Schröder called for these elections because he felt that he could not rely anymore on a stable parliamentary majority to push through his reform agenda called "Agenda 2010". Unexpectedly for most observers and actors also in EU partner countries the opposition of CDU/CSU and FDP did not win the majority of seats. The near stalemate result between CDU/CSU and SPD¹²³⁰ is in itself a sign of the prevailing status quo orientation of the German citizens. They voted for a balance between more economic competitiveness, flexibility, efficiency and individual responsibility on the one hand and a comprehensive social security and welfare system on the other.¹²³¹ It remains to be seen whether the parties constituting the grand coalition will back the government's reform agenda and whether the compromises

¹²³⁰ The CDU/CSU finished ahead of the SPD by less than 1% (35,2% to 34,3% which translates into 225 and 222 seats in the Bundestag respectively). On the side of today's opposition parties the FDP achieved 9,8% (61 seats), the Leftist Party 8,7% (54 seats) and the Greens 8,1% (51 seats).

¹²³¹ Tagesspiegel: „Angela Merkel ist extrem geschwächt“, Interview with the political Analyst Jürgen W. Falter on the outcome of the elections, 19.09.2005.

will rather than just entail the lowest common denominator actually have an impact and lead to renewed economic success, especially in creating more jobs and a more optimistic and positive thinking through German society.

In 2006 five elections will take at regional state level (Baden Württemberg, Rhineland-Palatinate, Mecklenburg-Vorpommern, Berlin Saxony-Anhalt): At the end of March in the big and economically strong state of Baden Württemberg, currently ruled by a Christian-democratic/Liberal government; on the same day elections are held in Rhineland-Palatinate, presently under a Social-Liberal government and in Saxony-Anhalt, with the Christian democrats and the Liberals currently at the top; in autumn elections will take place in Berlin and Mecklenburg-Vorpommern, both states governed by a coalition of Social democrats and postcommunists (PDS). The outcomes of these elections will be interesting because they normally also reflect (dis-) satisfaction with the national government and its leading figures. The constellation of the grand coalition might either lead to a minor role of the second chamber and a reduced importance of the party power constellations there. However, some Prime Minister of the German Länder might feel encouraged to pursue a more independent line from the Merkel government and central party level and might even try to challenge her position as leader of the party and Chancellor.

An important upcoming issue is the EU presidency in the first semester 2007 as well as the G8 summit that will also take place in Germany. Preparations for both events are underway.

Another major event is the soccer world cup in Germany in June/July 2006. This event shall give a boost to the economy, promote a positive image of Germany throughout the world and inject an upbeat atmosphere into a largely discouraged society.

Priority issues on national policy agenda

Based on Chancellor Merkel's first declaration before the parliament and according to the

coalition agreement the following issues rank highest in German politics over the next years.¹²³²

- budgetary consolidation, in order to fulfil the obligations of the Maastricht criteria and the stability and growth pact from 2007 onwards;
- reform of German federalism in order to streamline legislative processes, reduce veto positions, clarify competences of the different levels, and reorganise the financial order between the levels;
- labour market reforms for more flexibility and lower non-wage labour costs;
- reforms regarding the pension and long term care insurance systems (for example through raising the retirement age to 67 from 2012 onwards or creating a capital-funded reserve to take account of demographic changes regarding the care insurance);
- support for a more family friendly environment and infrastructure.

There are also plans for reforms regarding the health system, however, the two parties in government still have very different proposals and preferences.

Greece

Major political events

EU matters are not a main object of Greek domestic politics: it is not to be expected that they will play a central role in either local or national elections (local elections are set for October 2006, national ones normally for March 2008). There is a national consensus in favour of the EU with the exception of the Communist Party (+/-5% of the national vote).

Priority issues on the national policy agenda

The priority issues of the national agenda, related or potentially related to EU politics, are the Cyprus issue, Greek – Turkish relations, the FYROM, and the financial perspectives.

Hungary

Major political events

The major upcoming political event in Hungary is that the year 2006 will be (similarly to many other EU Member States) a year of both parliamentary elections (to be held in spring) and local authorities elections (in autumn). The uniqueness of the Hungarian internal political landscape is that sixteen years after the systemic change the parliamentary spectrum is practically melting down to two parties. One must underline that both big parties, the ruling MSZP (Hungarian Socialist Party) and FIDESZ-MPSZ (FIDESZ Hungarian Civic Alliance, currently in opposition) are pro-European forces. Their politicians are also active Members of the European Parliament in their respective political groups. Nevertheless, if a change of government should take place in 2006, FIDESZ-MPSZ might pursue the same if not a stronger strategy of representation of national interests at the EU level, while they pledge to improve Hungary's performance as a Member State (e.g. in issues such as introducing the euro, or providing the incumbent direct payments to the Hungarian farmers in due time). In general however, no major changes vis-à-vis the EU might be expected in either case. Hungary has always been and will continue to be a reliable partner not blocking, but seeking consensus for the sake of the proper functioning of the EU.

Priority issues on national policy agenda

One of the permanent priority issues on the national policy agenda is the situation of the Hungarian minorities abroad. Due to the heritage of past historic events, there are nearly three million Hungarians living in the neighbouring countries. Hungary believes that the peaceful re-unification of the nation can only take place in the framework of the European Union where the borders are eliminated. This is the reason why Hungary is supporting the integration efforts of all neighbouring countries and in the long run would like to see all of them in the EU.

Another priority issue is the debate on the introduction of the euro and all the internal fiscal problems related to it. Hungary has twice been warned by the European Commission because of its excessive public deficit, as well as because of the government's failure to provide correct data on the state of the public budget. This has been a very serious issue

¹²³² Deutscher Bundestag: „Lassen Sie uns mehr Freiheit wagen“, Policy-Statement of Chancellor Angela Merkel in the German Bundestag; Plenarprotokoll 16/4, pp.76-91.

echoed in the media as well. Of course, this sparked a big debate on the public budget involving different interpretations of the parties.

Another important issue in Hungary is unemployment and even more worryingly, the mentioned low activity rate of Hungarians on the job market. This is a further issue for political discussion, embedded in the discourse on the social model as a whole.

As a fourth topical issue the heated debate on privatisation can be mentioned. While the present government (primarily for budgetary reasons) seeks to sell the remaining pieces of public property, the opposition (supported by a considerable part of the population) would like to slow down this process and ask for more transparency and accountability in this respect.

And finally, environmental protection and the publicising of green values emerged recently on the political agenda. Namely, the president of Hungary launched the initiative of building up the network of "green presidents" and to do everything heads of states can in order to strengthen joint efforts to save our environment.

Ireland

Major political events

The next Irish elections are more than likely due to take place in 2007 so they will not directly affect EU-policy currently. If there is a downturn in the economy (e.g. house price collapse), attitudes to the Euro and the EU's budget might become more negative. Current trends show that this is unlikely. If the numbers of immigrants from the newly acceded member states increased exponentially, attitudes towards any further enlargement and the accession of Turkey in particular might become more negative. Currently, according to the Summer Eurobarometer, two thirds of Irish people support Turkish accession to the EU.

Priority issues on national policy agenda

- Economic growth and competitiveness
- Infrastructure (National Development Plan)
- Consumer protection (rip-off Ireland)
- Immigration
- Health
- The Northern Ireland Peace process

Italy

Major political events

In spring 2006, general elections will be held in Italy. After five years of the centre-right government coalition led by the Prime Minister Silvio Berlusconi, surveys predict a probable victory of the centre-left coalition headed by the former President of the European Commission Romano Prodi. While, Italian foreign policy after the end of the second world war was based above all on Europe and its developing institutions, and, secondly, the United States as a guarantor of security, the Berlusconi government has, in some important cases, preferred the relationship with the United States to Italy's traditional European partners (such as France and Germany). Some aspects of Italy's participation in the European project, moreover, have been strongly criticised at times by the Northern League (for example, vis-à-vis the Euro). If, following the general election of 2006 the centre-left coalition is to lead the country, the new government will be expected to maintain a greater balance between the European and Atlantic pillars of Italian foreign policy.

Priority issues on national policy agenda

In 2005, Italy's major concern was its poor economic performance. As already mentioned, the sense of insecurity related to the high level of unemployment represents Italians' most serious concern for the future (for 36% of Italians, according to the last Eurobarometer), followed by the uncertain economic situation. These two major concerns are reflected by Italians' attitude towards immigration. Fears of the negative consequences of immigration on the labour market are widespread throughout the country and represent the third concern. The prolonged economic stagnation has also fuelled growing fears of foreign competition. During the increasing competition facing the Italian textile industry (following the expiry of the WTO Agreement on Textiles and Clothing on January 1 2005), these fears are mainly directed against the low-cost production of China and India.

As for foreign policy, finally, the issue that is likely to play the greatest role in the upcoming political elections is certainly Italy's participation in the "peace" mission in Iraq and the withdrawal of Italy's troops.

Latvia

Major political events

The major event to influence policy-making related to the EU will be the parliamentary elections in autumn 2006. Sparring among politicians, members of the parliament and candidates for office and the realignment of political forces will be accompanied by heated public debates. The leftwing opposition parties are likely to blame most of Latvia's problems on its having joined the European Union and NATO in 2004. Nonetheless, Alfreds Rubiks, former leader of the pro-Moscow Communist Party in Latvia has already stated that he wants to become a member of the European Parliament; this means that he wants to stage a political comeback on the European arena, since his opposition to the Latvia's efforts regain its independence preclude him from becoming a members of the Saeima. This feat has already been achieved by Tatyana Zhdanoka, a leftwing deputy at the European Parliament; like Rubiks, she opposed Latvia's independence after January 1991.

Priority issues on national policy agenda

The priority of immediate importance is the adoption of the EU budget for 2006. Among the other important issues on Latvia's current national agenda are the following:

- Strengthening Latvia's energy security within the EU; this includes a variety of topics, such as the supply of energy and steeply rising prices and the German-Russian accord to construct a gas pipeline under the Baltic Sea – seen by all three Baltic States as a very unwise decision;
- EU's enunciated policies of a single market and free movement of labour and services and their implementation; in this regard, Latvia is following closely how the EU will resolve the dispute and awaits the decision of the European Court of Justice;
- Reduction and control of inflation, a precondition for the adoption of the Euro;
- Fulfilment of the Schengen requirements. Latvia is redoubling its efforts to finish the preparations for the implementation of the agreements. In this context, it should be noted that Moscow has once again refused to sign a border treaty. Here Latvia expects active EU involvement;
- A common EU policy toward Russia.

Lithuania

Major political events

The major forthcoming political event in Lithuania is the election of the municipality councils. The elections should be held either in the end of 2006 or in the beginning of 2007. During the last elections in 2002 Lithuanian Social democratic party got the majority of seats (332 out of 1560), the Homeland union (the conservatives) got 193 seats and the Farmers and New Democracy union got 190 seats. In the forthcoming elections the Labour union, created in 2003, should get a big share of seats as can be predicted from the results of the last parliamentary elections which were won by the Labour union (the Labour union got 39 seats out of 141).

Priority issues on national policy agenda

One of the most important issues is the introduction of Euro in Lithuania foreseen on January 1, 2007 as everyone will face the consequences of this event directly. The introduction of euro attracts more and more attention not only by the state officials but also by the society. The Prime Minister of Lithuania A. Brazauskas keeps on repeating that the introduction of Euro stays the most important task of the Government¹²³³.

There is quite a wide consensus between the state institutions and business representatives that Euro should be introduced as quickly as possible and there are no objective reasons to delay but the society is not that convinced. There have been even several proposals to organise a referendum on the introduction of Euro in Lithuania both of which have failed and the referendum on euro will not be held. A survey, conducted by „Baltijos tyrimai“ in May 2005 demonstrates, that 45 per cent of Lithuanians favour the introduction of Euro while 40 per cent of Lithuanians evaluate negatively the introduction of Euro¹²³⁴. The most important reason for the rejection of Euro is the fear of rising prices and the decline of welfare (51,9 per cent of Lithuanians indicated this motive). The second most important reason indicated - 14 per cent of Lithuanians treat the national currency as the symbol of independence and are afraid of loosing it.

¹²³³ Press release of the Government "Vyriausybė įsitikinusi, kad euro įvedimas atneš daug naudos Lietuvai" [The Government is convinced that the introduction of euro will bring benefit], September 5, 2005, www.lrvk.lt.

¹²³⁴ Nacionalinis euro įvedimo planas [National plan for the introduction of euro], www.lrs.lt.

The second very important issue emerging on the national agenda is the repurchasing of the stocks of "Mažeikių nafta" ("Mažeikiai oil") from the bankrupting "Yukos" ("Yukos International U.K. has 53,7 per cent of "Mažeikių nafta" stocks and Lithuanian government has 40,66 of them). This issue raises a lot of discussion in Lithuanian society especially when there are several Russian companies which have expressed their wish to purchase the stocks. This fact makes the politicians and the society discuss the possible Russian influence and the threats to national security. The Lithuanian government has decided to start the negotiations on the purchasing the stocks primarily with the concern TNK-BP, but that should not prevent Lithuanian government from negotiating with other companies. "Lukoil" is striving to compete with this concern as it also wants to buy the stocks of "Mažeikių nafta" half-and-half with the American company "CoconoPhilips". "Mažeikių nafta" earned the biggest profit among the Lithuanian enterprises in 2004.¹²³⁵

Another important issue in Lithuanian politics is disorder in the Liberal and centre party, which is one of the most important opposition parties in Lithuania. There are suspicions that the mayor of Vilnius city, the chairman of the party A. Zuokas has been taking bribes for making favourable for the private interests municipality decisions¹²³⁶. The President V. Adamkus indirectly and some Liberal and centre party members expressed their distrust in A. Zuokas and suggested that he resigned from a post of Vilnius city mayor. However, A. Zuokas only temporarily suspended his position as the party leader. The party got divided into the opponents of A. Zuokas and the supporters of the leader. All this resulted in some opponents of A. Zuokas being removed from the party, some having suspended their membership and a separate political group of those supporting A. Zuokas being established in the Parliament.

Recently a disorder has started in the ruling coalition between the biggest members of the ruling coalition, that is the Lithuanian labour party and the Lithuanian socialdemocratic

party (the socialdemocrat A. Brazauskas is the Prime Minister). Lately a leader of the Labour party and a former Minister of Economy V. Uspaskich has declared that A. Brazauskas has made a lot of mistakes and that the Labour party is discussing a new candidacy of a prime minister "instead of the leader of socialdemocrats A. Brazauskas who fell into a controversy because of his family business"¹²³⁷. V. Uspaskich also did not conceal his ambitions to form a new government and maybe even to hold early parliamentary elections¹²³⁸. He also said that if A. Brazauskas resigned he would suggest his candidate to the position of the prime minister. Nevertheless, the President V. Adamkus said that it is too early to share the power¹²³⁹. The Chairman of the Parliament A. Paulauskas also remains optimistic. According to him the prognosis of V. Uspaskich can remain only declarations and as far as the ruling coalition trusts in A. Brazauskas, he can continue his job¹²⁴⁰. This disorder is not the first disorder in this ruling coalition.

Luxembourg

Major political events

Politicians of all parties promised to hold early national elections to separate the dates of national and European elections and have a proper debate on European issues, this was before the outcome of the referendum was known.

There is a strong support to require the incompatibility of national and European parliamentary candidacies in order to prevent the European parliament to become a "container for retired or useless national politicians". More recently, in October Christian democrats seem to renounce to their pre-referendum promises to separate national and European elections. The Liberal party denounces this a political trick.

¹²³⁵ Prezidentas šeštadienį spręs, ar pasirašyti įstatymą dėl "Mažeikių naftos" [The President on Saturday will consider whether to sign the law concerning the "Mažeikių nafta"], ELTA, October 26, 2005, ELTA, www.elta.lt.

¹²³⁶ A special parliamentary commission is investigating this issue.

¹²³⁷ Uspaskichas kol kas neketina siekti premjero posto [Uspaskich does not intend to seek the prime minister position yet], ELTA, October 28, 2005, www.elta.lt.

¹²³⁸ Ibid.

¹²³⁹ Uspaskichas: partija galėtų pasiūlyti savo kandidatą [Uspaskich: a party could suggest its candidate], ELTA, October 28, 2005, www.elta.lt.

¹²⁴⁰ A. Paulauskas: Premjeras gali dirbti toliau [A. Paulauskas: the Prime Minister can continue his work], ELTA, October 28, 2005, www.elta.lt.

Priority issues on national policy agenda

- Employment policy – stimulation of the economic growth and rise of the occupation rate of Luxembourg residents
- Intensification of the industrial diversification policy
- Rise in public investment in public transport and education infrastructures
- Strengthening and diversification of the finance sector
- Support for medium sized businesses in order to create more jobs

Malta

Major political events

Introduction of the EURO currency in January 2008 has already been announced by the Government of Malta. This has caused a widespread reaction in all circles of society with a range of views being debated that include a positive reaction to a more skeptical perspective. While no major stakeholder in society is against the introduction of the single currency, the main opposition political party, the Malta Labour Party have questioned the timing of the decision as being too soon to be able to adjust to such a decision. A poll of public opinion on the matter has found that a very large majority of Maltese (over 80 per cent) believe that the introduction of the Euro will result in a rise in prices across the board (inflationary indicators will go up).

The next general election is scheduled to take place by no later than September 2008 with most pundits forecasting an election in the first half of 2008. There is little doubt that the introduction of the Euro and the track record of the Government when it comes to managing Malta's political and economic sectors vis-à-vis EU membership will be the main issues dominating the next general election.

Priority Issues on national agenda

The main issues dominating the national policy agenda are illegal immigration, the introduction of the Euro, the energy security issue (due to the increasing price of oil) and restructuring of the public sector. The arrival of more than a thousand illegal migrants throughout 2005 has raised this as the main national priority issue. Located in the centre of the Mediterranean, Malta finds itself in the precarious position of largely being a country of transit in the ever-

increasing flow of human beings moving from the southern shores of the Mediterranean to Europe. Realising that such a dramatic increase in illegal immigration is quickly becoming a major source of instability at a local, regional and international level, Malta has started to implement a comprehensive foreign policy strategy to raise awareness and also take the necessary action to deal more effectively with this new form of human slavery that dominates the contemporary transnational Euro-Mediterranean security agenda. Malta's enhanced foreign policy strategy concerning illegal immigration is evident from the 17 point document that Malta's Minister of Foreign Affairs Dr. Michael Frendo presented to all EU ambassadors accredited to Malta in early July 2005. The document illustrates clearly the "unique and critical dimension" faced by Malta in dealing with the phenomenon of illegal immigration" given that Malta is the smallest and most densely populated country in the EU and the second most densely populated country in the world. The policy document also highlights the current severe strains that the arrival of as many as three thousand illegal migrants since 2002 is having on Malta's health, employment and social services, and its internal security and public order. The document also makes it perfectly clear that Malta has been one of the most generous, just and humane actors in this regard, accepting the highest rate of refugee and protected humanitarian status illegal immigrants in the entire EU.

When it comes to a plan of action the policy document emphasises that the principles of solidarity and burden sharing which lie at the heart of the EU need to be applied in such an instance. Specific recommendations of action include support for repatriation in those cases which have been rejected by Malta's Commissioner or Refugees through the sharing in arrangements to return illegal immigrants to their countries of origin, support in the resettlement of those who have been given asylum or protected humanitarian status, and assistance to provide adequate logistical and other facilities for the reception and efficient administration of illegal immigrants. Malta also supports strengthening cooperation in maritime security through an enhanced naval presence along the EU's southern borders. Momentum in communicating clearly Malta's illegal immigration foreign policy agenda was further strengthened in mid July when Foreign Minister Michael Frendo appealed to his European counterparts at the

EU foreign ministerial meeting in Brussels to provide both more aid and understanding in light of the particular difficulties Malta is facing with regards the issue of illegal immigration. The concerted effort Malta is launching to address the issue of illegal immigration in a more coherent manner is also apparent from the wide-ranging nature of policy pronouncements that has already taken place. The topic of illegal immigration was the subject of a joint non-paper presented by Malta and Libya at the Malta meeting of the Western Mediterranean Dialogue, also referred to as the 5 + 5 Dialogue, at the end of June 2005. The issue was also the main item on the agenda in a series of meetings between Dr. Frendo, and the EU Justice Commissioner, Franco Frattini in which Malta's Foreign Minister has reiterated his appeal to the EU to act on illegal immigration urgently in a concerted and holistic manner.

Malta's strategy to deal with the issue of illegal immigration in a more comprehensive manner also includes a long-term perspective with the mapping out of an international agenda which includes the holding of conferences in Tripoli early next year and Malta later in 2006. Looking further ahead, in its communication to the EU Council and the European Parliament in light of the tenth anniversary of the Euro-Mediterranean Partnership, the European Commission recommended that a Euro-Mediterranean conference of Justice and Home Affairs Ministers, with the participation of local authorities, should be held in 2007 to discuss management of migratory flows and social integration. This will certainly be another occasion to further elaborate upon an international policy mechanism that will seek to reduce the negative dimension of human trafficking.

Netherlands

Major political events

In March 2006 the local elections for the municipality and provincial council will take place and in May 2007 the parliamentary elections will be held. In the meantime the government is in the process of preparing a bill to amend the election law with the goal to strengthen the position of the parliament and to enhance the involvement of citizens with national politics. In short this will mean that every voter will be offered the possibility in the parliamentary elections to cast an additional

vote for a regional candidate next to the traditional vote for a candidate on the national party list.¹²⁴¹ The local elections will most probably have no major impact on European policy making, but could have a major impact on the power basis of the ruling coalition considering the low level of trust among citizens in the current government. In general the outcome of the referendum has shown an overall lack of trust of citizens in politics. Although it is too early to make any safe prediction regarding the outcome of the forthcoming parliamentary elections in 2007 it seems quite likely that the ruling coalition will not serve another term. Any new coalition including the biggest opposition party, the social democrats, will change European policy making because of the expected focus on social policy in line with their strong criticism on the alleged breakdown of the social system by the current government. Although the start of the election campaign is still far away the leader of the social democrats has already announced at a recent party congress that he will run for prime minister in the next elections.¹²⁴²

Priority issues on national policy agenda

In her speech from the Throne on the next years' governmental policies the Queen listed four main objectives in domestic policy: greater national security; more people in the workforce; fewer rules and higher quality in public services; and more mutual respect in our society.

To enhance safety and security in society the government will amongst other measures strengthen cooperative relationships between ministries and between the police, the justice system and the security services, and it plans to merge the Dutch police into a single organisation. It will strengthen measures for combating potential terrorists and toughen measures to counter violence, drug dealing, antisocial behaviour and degeneration. The police, the public prosecution service and the judiciary will deal with cases quickly and carefully.

¹²⁴¹ Dossier Nieuw Kiesstelsel at <http://www.regering.nl/actueel/dossieroverzicht/index.jsp> (latest access: 17.12.2005) and Planning verkiezingen 2006-2007 at http://www.kiesraad.nl/ietem_verkiezingen/data_verkiezingen(latest access: 17.12.2005).

¹²⁴² 'Wouter Bos wil premier worden', 10/12/2005 at <http://pvda.nl>.

The Government strives to have more people in work and will therefore focus on strengthening and modernising the country's economic base, on promotion of innovation and knowledge exchange, and on working towards sufficient flexibility in the labour market. Mobility of labour force will be supported by investment in personal skills at every level and to meet this need the Government will make available additional resources for education and knowledge. Next to that the options for combining work, care and education for working people will be expanded and more over the Government intends to limit the financial burden borne by citizens and businesses.

Apart from limiting financial burdens the cutting back on rules will make the economy more dynamic and improve the quality of the public services. In this respect the Government wishes to create an optimal climate for entrepreneurs in the service sector, industry and agriculture and will therefore further reduce the corporation tax and limit the administrative burden on companies. Special attention will be devoted to reducing rules and procedures for professionals working in the educational system and care sector with the primary aim to enhance the quality of both care and education. The health insurance system will be unified and simplified, and the Government will make additional resources available for nursing homes and youth services next year. With a diverse population the right of every person and every organisation to preserve its own identity is fundamental to the legal order in The Netherlands. That right is based on the conviction of having respect for others and it leaves no room for discrimination, extremism or violence. At the same time it is of utmost importance to acknowledge that with these rights come obligations arise. In order to foster a tolerant society, the Government will strive for continued attention to social cohesion; it will continue to pursue its civic integration policy and will combat radicalisation. Understanding the importance of culture, art and sport to strengthen social bonds the Government will support the preservation of the national heritage and will make additional funds available to promote participation in sports. Apart from this the Government will also present additional proposals to parliament for strengthening the relationship between voters and elected representatives.¹²⁴³

¹²⁴³ Speech from the Throne by the Queen at the Opening of the Parliamentary Year, (20 September 2005).

Poland

Major political events

The most important political event that will impact EU-policy and policy-making in Poland have been the double elections: presidential and parliamentary ones and consequently the creation of a new Polish government. On 28 October the new Polish government was established. It is a minority government, mostly composed of politicians from PiS (Law and Justice). There is no coalition with PO (Civic Platform). Most probably PO will stay in opposition with Samoobrona (Self-Defence), PSL (Polish Peasants Party) and LPR (Polish Families League) – contrary to the expectations of most Poles for the new government being created as a coalition between PiS and PO. The programme of the new government comprises postulates for reducing administrative expenses and for increase of expenses for economic development. Additionally, in this programme we can find a postulate for simplification of management of the structural funds¹²⁴⁴ to use them more effectively.

As far as European Union is concerned, Polish Prime Minister Kazimierz Marcinkiewicz declares support for the Nice Treaty and greater solidarity between the Member States. "After rejection of the Constitutional Treaty by France and Netherlands, there is no sense to discuss it", he said on the TV1 Channel. Additionally, the Prime Minister assured that "the government will not interfere in the private life of homosexuals", but it will protect the Constitution, family and human rights"¹²⁴⁵. He also declares most rigorous penalties for criminals, but with full respect for the Constitution and EU norms.

The Polish government and the new President-elect, Lech Kaczyński of PiS, are in position that it is necessary to defend the Polish *raison d'Etat* more within the European Union system¹²⁴⁶. According to the President-elect, the European Union should not be "a close organisation", should not have a common foreign policy, but simultaneously the EU has to elaborate co-ordinated Eastern policy¹²⁴⁷.

As far as the Euro is concerned, Prime Minister confirms that during the next 4 years Poland

¹²⁴⁴ PAP, 24.10.2005, Warszawa.

¹²⁴⁵ PAP, 25.10.2005, Warszawa.

¹²⁴⁶ PAP, 24.10.2005, Warszawa.

¹²⁴⁷ PAP, 24.10.2005, Warszawa.

will fulfil in a natural way the Maastricht criteria, but he does not indicate the possible date of entry into the Monetary Union¹²⁴⁸. On the contrary, the President-elect declares the possibility of a referendum in 2010 on the accession of Poland into the Euro-zone¹²⁴⁹, because “the question of euro has to be decided by way of referendum”. He said that it is necessary because acceptance of common currency will mean partial resignation from national sovereignty”. In turn, PO is of the opinion that accession of Polish zloty into the Euro-zone and ERM 2 would be preferable in order to avoid the danger of excessive consolidation of zloty as well as to assure the sustainable conditions for economic growth¹²⁵⁰. It should be added that the integral part of the Accession Treaty is obligation for eventual adoption of Euro.

The President-elect declares the readiness of Poland to play an active role within the European Union system and decision-making process and he declares as well attempts to improve the relationships of Poland with Germany as well as with Russia. The President-elect declares also that the strategic aim of his presidency in the area of international affairs will be strengthening of the Poland’s position in NATO and the EU. The relations of Poland to the United States are of particular importance. He considers the USA and the Vatican as his first foreign visits.

Priority issues on national policy agenda

In current – post-electoral – situation it is not easy to formulate priority issues in the national policy agenda. It should be underlined that the first priority seems to remain the aim of achieving an agreement on EU financial perspective for 2007-2013 and the preparation of European and national programming documents for regional and cohesion policy. Here, a very important point is maintaining solidarity as a governing principle of the EU.

Another priority is the problem concerning the reform of the Common Agricultural Policy, and in particularly the sugar market organisation. An important issue is also the elaboration by the European Union of coherent programme for Eastern policy, especially vis-à-vis Ukraine and Belarus.

¹²⁴⁸ PAP, 24.10.2005, Warszawa.

¹²⁴⁹ PAP, 24.10.2005, London.

¹²⁵⁰ PAP, 17.10.2005, Warszawa.

Also important is attainment of the European Internal Market with the genuine single market in services and labour.

It should be stressed that – in accordance to the last public opinion poll – 60% of Poles are satisfied with Poland’s membership in the European Union. Only 9% of Poles have negative attitudes towards the presence of Poland in the European Union. These results seem to suggest good perspectives for Polish membership in the coming years.

Portugal

Major political events

After the parliamentary elections at the beginning of the year and the formation of the new government, no other political events are expected to have an important impact on the handling of EU affairs. The next Presidency of the European Council will happen only on the second half of 2007. Preparations are underway, especially ensuring some degree of coordination with the countries holding the Presidency before (Germany) and after (Slovenia).

Portuguese voters will elect a new President of the Republic in January 2006. According to the Constitution, the President does not have direct powers over European or foreign policy, even if his function of external representation of the Portuguese state means he/she usually expresses his/her views on the evolution of European affairs and the role of Portugal in the process. The two main contenders – Aníbal Cavaco Silva (former Prime Minister from 1985 to 1995) and Mário Soares (former President from 1986 to 1996) – are both pro-Europeans, very much in line with the views of current President Jorge Sampaio.

Priority issues on national policy agenda

National political priorities are basically those of economic policy. After four years of very low economic growth (and even stagnation), the government has won election on a promise to revive economic activity, attract more foreign investment and counter the current trend of growing unemployment. The challenge becomes even more daunting if one considers that measures to achieve those objectives need to be combined with controlling public accounts and reducing the budget deficit from record figures of 7% estimated for 2005. The

recently announced national budget for 2006 includes a number of very unpopular cuts in public expenses, tax raises and the reduction of civil servants' privileges.

Other political priorities are essentially a continuation of previous governments' policies, namely the reform of the highly inefficient health and justice sectors; the improvement of civil protection national capabilities and the investment on new major infrastructures, such as the high-speed train.

Romania

Major political events

In Romania, 2004 was an electoral year (at national and local level) and, at least theoretically, the next election year will take place in 2008. However, in the first part of the 2005, the President Basescu announced his intention to organise early elections. "I think immediately after we sign the Accession Treaty, in May, June, no later than September, we must organise early elections", Basescu told Reuters in an interview¹²⁵¹. Due to the conflicts between the Prime Minister and the President, the resignation of the Prime Minister (announced and then withdrawn), and the humanitarian campaigns after the floods in different regions the subject of early elections has not been yet of interest. There were also debates on the various procedural mechanisms related to the change of the two Social-Democratic Presidents of the Houses of the Parliaments but at present also this subject has been postponed.

Priority issues on national policy agenda

According to the Romanian Government Program¹²⁵² the fundamental options for Romanian Government are the following:

- consolidation of the rule of law and of democracy in Romania;
- redefining the state role through restraining its intervention in economy and strengthening its functions as guarantor of legality;

¹²⁵¹ Interview with Romanian President Traian Basescu, „Traian Basescu wants snap election by September“, Bucharest, March 1, 2005, Reuters, available on http://www.presidency.ro/index.php?_RID=det&tb=date&id=5992&_P_RID=ag.

¹²⁵² Government Program, Government of Romania, <http://www.gov.ro/obiective/afis-docdiverse-pg.php?iddoc> (latest access: 17.12.2005).

- strengthening the individual liberties, increase of citizens and family security;
- guaranteeing and development of private property, integral restitution of properties abusively confiscated by the Communist regime, equal treatment of property;
- instauration of functional market economy;
- stimulation of the enterprise spirit;
- social and economic cohesion, reduction of poverty and social exclusion;
- equality of chances;
- respect of the minorities' rights;
- Romania's full integration within Euro-Atlantic economic and security structures.

Slovakia

Major political events

Slovakia is scheduled to hold its next parliamentary elections in the fall of 2006 and the result of these elections could obviously alter the makeup of the present government under the leadership of Prime Minister Mikulas Dzurinda who is now by far the longest serving Prime Minister in the post-communist era of Visegrad countries. Dzurinda has been in office since the fall of 1998 and has headed two different coalition governments thus far. At the moment Slovakia has a minority government that depends largely on the votes of independent MPs in the country's parliament.

In the latter part of summer 2005 there was a serious question mark about the survival of this minority government following the dismissal of the Minister of Economy Pavol Rusko from the government. However, by November 2005 the situation appears stable enough for the government to serve its full term of office until the next parliamentary elections. In this context in the coming weeks it will be interesting to watch especially the parliamentary debates and the final vote on Slovakia's national budget for 2006.

Priority Issues on national policy agenda

In October 2005 Prime Minister Dzurinda presented a comprehensive report on the first year of Slovakia's EU membership to members of the parliamentary Committee for European Affairs in which he outlined the country's next big national priorities in the context of the European Union. These include an agreement on the EU financial perspective for 2007-2013,

the realisation of the programme Minerva plus the incorporation of Slovakia into the Schengen regime (expected to take place in 2007) and the introduction of the euro (scheduled for 2009)¹²⁵³. In the last point, according to a report by the European Commission presented by Commissioner Joaquin Almunia on 4 November Slovakia is well advanced in practical preparations for the adoption of the euro even when compared to countries that are expected to introduce the common currency before Bratislava does so.¹²⁵⁴

In more specific policymaking terms Slovakia has brought to the EU level some distinct national agenda. Two areas have been particularly notable. First, Slovakia's set of neo-liberal economic reforms that have included the introduction of a flat tax set at 19 percent have made the country a part of vocal opposition to attempts at harmonising taxes within the Union as well as to relinquishing national control over social policy. Clearly, Slovakia's transition process puts the country in a position when it both needs and seeks tailor-made answers to complex challenges of future economic success.

Second, individual members of the coalition government have articulated an unambiguous stance against the harmonisation of family law. Reflecting especially the social conservatism of the Christian Democratic Movement within the ruling coalition, Slovakia's Justice Minister Daniel Lipšic and Interior Minister Vladimír Palko (both KDH) have repeatedly refused to support mutual acknowledgment of court decisions across EU member states. Their fear is that such acknowledgment may lead to indirect legalization of homosexual partnerships on Slovakia's territory. Conversely, Justice Minister Lipšic has argued that the content of family law should be decided by Slovakia's national parliament. Yet, although placing discernible limits upon judicial integration, in December 2004 Lipšic backed the proposal to introduce an EU-wide registry of criminal records.

¹²⁵³ "Premier: Slovensko je spolutvorcom politik EU", *SME*, 20 October 2005.

¹²⁵⁴ "V priprave na euro sme prvi", *SME*, 5 November 2005.

Slovenia

Major political events and priority issues on national policy agenda

Since the financial perspective was not adopted, Slovenia will have to start negotiations on the *regionalisation* of the country at the NUTS-2 level in order to assure itself the best possible position in further negotiations which are due to be completed by the end of the year 2005.¹²⁵⁵ Since the outcome of these negotiations is uncertain, the consensus among the political actors on whether to propose partition of Slovenia into two or into three regions has not yet been reached. Until now, the entire Slovenia is one statistical region. If it remains as such, the calculations, made by Dr. Mojmir Mrak, the main negotiator regarding the financial aspects of Slovenian accession and membership in the EU, show that it would be eligible for up to 40 per cent less funding from the EU cohesion funds, compared to a situation where the state would manage to get partitioned into more regions.¹²⁵⁶ Dr. Mrak also points out that after the failed Luxembourg compromise Slovenia has two options: the state can continue the regionalisation as it goes, which is financially predictable, or it can stay one region as it is at the moment until the very end of the financial perspective negotiations; the latter would be financially unpredictable and very risky, since Slovenia would have to reject the whole financial perspective in case it would not agree with the cohesion policy item.¹²⁵⁷ The

¹²⁵⁵ Golob, Saša (2005) Janša: Slovenija v pogajanja o delitvi na statistične regije (zbirno), STA, 18 June 2005.

¹²⁵⁶ Dr. Mrak, has come to these conclusions on the basis of three models he calculated according to three possible scenarios; one, two or three statistical regions. There is a possibility of either two or three regions to be founded, where the higher eligibility goes in favour of three regions; 10 per cent more people would be eligible for EU cohesion funds compared to a partition into two cohesion regions. Though the partition into three statistical regions would be most profitable for Slovenia in terms of eligibility for funding from the EU cohesion funds, Dr. Mrak sees the partition into two regions as the only realistic option, shall the negotiations on the next financial perspective end by the end of this year. Furthermore, the concentration of EU funds in two regions would also be much better attained than in case of only one or three regions. If the state gained more drawing from EU funds, this would on the other hand mean more efforts for domestic economic policy to assure co-financing, claims Dr. Mrak (Pogovor z Mojmirom Mrakom [Conversation with Mojmir Mrak], *Odmevi*, 11 July 2005, available at <http://ava.rtvslo.si/ava/media?action=play&mediald=2232102> (10 August 2005).

¹²⁵⁷ Pogovor z Mojmirom Mrakom [Conversation with Mojmir Mrak], *Odmevi*, 11 July 2005, available at

regionalisation of Slovenia seems at a glance a far-reaching mission impossible, since the EU rules for NUTS-2 classification are clear; minimum 800.000 inhabitants per region and Slovenia has a few less than 2 million. But its position is a bit alleviated, since in March 2005 the state obtained by great effort a declaration, that in the light of doubts Slovenia had expressed, the European Commission is – if necessary in an appropriate moment – prepared to re-investigate regional classification of the state on the basis of the regulation on NUTS. This declaration passes for a step forward in the EU's stand, since the institution has up to then persistently been rejecting any new classification of the state on the NUTS-2 level.¹²⁵⁸ Therefore in mid June the Government has quickly passed a motion on sustainable regional development, proposing to partition Slovenia in two cohesion regions.¹²⁵⁹ Immediately after that the left-to-centre oppositional parties (Liberal and Social democrats) responded with indignation and discontent, demanding that Slovenia should nevertheless strive for partition into three regions.¹²⁶⁰ Since there was no consensus on the issue, the Prime Minister organised a 'consultation on regionalisation of the state', where it was decided that since the data on which the eligibility for cohesion funds in the new financial perspective will be taken into account only from next year on, Slovenia will up to then stay one region.¹²⁶¹ In late September all the political parties agreed that the Slovenian standpoint on the number of

statistical regions will be formulated by the Government in a regulation.¹²⁶²

According to the 2004 December European Council decision Slovenia was scheduled to *preside over the Council of the EU* in the first group of states, together with Germany and Portugal, with Germany starting the joined 18 months presidency and Slovenia taking the lead in the first half of 2008. Preparations for the presidency remain one of the priority projects of the state in 2005 and in the two following years.¹²⁶³ Due to the changes in the schedule of ratifications/entering into the force of the European Constitutional Treaty, Slovenia will be the first new member state to preside over the EU in the beginning of 2008, but not in a group as foreseen by the Constitutional Treaty, but alone as it is the practice so far. Following the decision on taking part in the first group and thus presiding over the EU in the first half of 2008, did not seem such an immense burden, since Portugal and Germany declared their interest in doing the bulk of the work. The situation has changed, however, and Slovenia will have to do all the work alone.¹²⁶⁴ The unexpected solo-presidency has changed the timing of preparations and the scope of the work. The Foreign Ministry has already started with the necessary preparations: assuring financial resources, followed by purchasing of premises needed for the functioning in Brussels and the protocol promises at home, setting up a calendar of events, organising promotion and logistics programmes; and the most urgent – reinforcing the human capital.¹²⁶⁵ The Government's office on European Affairs has already published a document on Slovenian presidency of the EU.¹²⁶⁶

<http://ava.rtvlo.si/ava/media?action=play&mediald=2232102> (10 August 2005).

¹²⁵⁸ STA/B.P./T.B. (19 July 2005) Opozicija za tri regije [Opposition for three regions], available at http://24ur.com/bin/article.php?article_id=2059243 (10 August 2005).

¹²⁵⁹ RTV SLO (23 June 2005) Vlada podprla delitev na dve regiji [The Government has supported the division in two regions], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=1&c_id=80308 (10 August 2005).

¹²⁶⁰ The opposition was claiming that proposing two regions would deteriorate Slovene negotiation position and that the idea of three regions is not impossible to achieve and that Slovenia would be no exception in the EU, having less than 800.000 inhabitants per region, that it is the best solution for the widest possible eligibility for funds, saying that two regions would deteriorate Slovene negotiation position and furthermore arguing. RTV Slovenija/STA (27 June 2005) LDS: Odločitev za dve regiji slaba [LDS: The decision for two regions is poor], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=1&c_id=80720 (10 August 2005).

¹²⁶¹ STA/V.V./T.B. (20 July 2005) Zaenkrat ena regija [For now one region], available at http://24ur.com/bin/article.php?article_id=2059261 (10 August 2005).

¹²⁶² RTV Slovenija (22 September 2005) Soglasno za vladno uredbo [Consensus for the government regulation], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=1&c_id=88635 (23 September 2005).

¹²⁶³ Declaration on Slovenian activities in the EU in 2005.

¹²⁶⁴ RTV Slovenija/STA (17 June 2005) Premier Janez Janša o pogajanjih v Bruslju [Premier Janša on the negotiations in Brussels], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=16&c_id=79766 (10 August 2005).

¹²⁶⁵ RTV Slovenija/STA (1 June 2005) Priprave na predsedovanje EU-ju [Preparations for the EU Presidency], available at http://www.rtvlo.si/modload.php?&c_mod=rnews&op=sections&func=read&c_menu=16&c_id=78121 (10 August 2005).

¹²⁶⁶ Služba vlade RS za evropske zadeve [Government's office on European Affairs] (29 July 2005) Priprave Slovenije na predsedovanje Evropski uniji [Preparations of Slovenia for the EU Presidency], available at <http://www2.gov.si/svez/svez.nsf/0/f3ed0219d95a0002c1256fcc00730772?FILE/GRADIVO.pdf> (17 August 2005).

Slovenia took over the *OSCE Chairmanship* in a time of political crisis, extended into the budgetary crisis, of the OSCE. In its programme of Chairmanship Slovenia declared its goals in the slogan of revival, reform and balance. Search for consensus, the smallest common denominator that still allows the OSCE to function, was recognised as a central focus in order for the OSCE to perform its functions as a coherent actor. The question of balancing the Russian ideas about the reform of the OSCE within the general tenure of the organisation was raised in the very beginning of the Chairmanship. Simultaneously doubts about the capacity of Slovenian diplomacy and its capability in terms of human and material resources to manage such project were expressed.¹²⁶⁷ The very preliminary assessments of Slovenian Chairmanship to the OSCE, on the basis of the analysis of statements and coverage in the media (Slovenian and foreign; mostly Slovenian citing Russian, American and Austrian media) of relations with Russia during the first half of the term shows that the mediating role was diminishing, diplomacy was not able to be inclusive. According to sources within the Ministry of Foreign Affairs, consultations with the Council of Ministers and the Secretary-General Javier Solana were not envisaged. Nevertheless these assessments are still not inclusive and the final result of the Slovenian Chairmanship will in every aspect have to be assessed especially on the basis of the conclusions on the meeting in December.

Spain

Major political events

General elections are still far off (spring 2008) and the Government coalition is stable. The same can be said of important regional elections, which also lie well ahead. Therefore, there are no major pressures stemming from the domestic agenda. This means that the Government can enjoy an ample margin for EU policy-making both when it comes to unpopular decisions, such as the foreseeable budgetary cuts which 2007-13 will entail, economic reform measures or further liberalisation efforts (services, Doha etc).

Priority issues on national policy agenda

According to national polls¹²⁶⁸, the main problems that citizens face are unemployment, terrorism; immigration, and housing. The political agenda, however, is mostly centred on Constitutional reform, the distribution of power between the Government and the regions and the high level of tension between the Socialist Party (in power) and the People's Party (in opposition) due to the unexpected defeat of the People's Party in the 2004 general election.

Sweden

The major political event in the year to come is the general election to the Riksdag in September 2006. There are a number of interesting aspects from an EU perspective. First, the four parties currently in opposition (the Liberals, Moderates, Christian Democrats, and Centrists) formed an election alliance some time ago to level a coordinated (even unitary) strike at the Social Democratic government. So far, most opinion polls actually point to a victory for the alliance, but the figures are, of course, very preliminary. Still, it may be that there is a dramatic shift in government in Sweden next year. In terms of EU policy, however, the changes would not be monumental.

Second, a party called the June List is to participate in the election. This party is hard to place on a traditional left-right scale of politics, but is rather critical and hesitant when it comes to EU matters (opposing further integration). The June List participated successfully in the latest elections to the European Parliament (gained three seats), and just recently decided to move into national politics. If it were to attain an important role in the Swedish political landscape after the election, it may have some effects on the rather pro-EU policy of the Social Democrats and the opposing alliance.

A third interesting development concerns the Green Party, which is now formally in opposition but together with the Left party supporting the Social Democrats in the Riksdag. The Greens adopted a new election platform in July 2005, with a view to get 10 per cent of the votes in the next election and aiming at forming a coalition government with the Social Democrats (and possibly the Left Party). The Greens here downplayed its EU

¹²⁶⁷ Ivo Vajgl, former Slovene Foreign Minister in Delo (15 January 2005).

¹²⁶⁸ 'Barómetro de septiembre', Centro de Investigaciones Sociológicas (CIS), 2618, September 2005, item 5, <http://ww.cis.es>.

opposition (having for a long time argued for leaving the EU) and has signalled willingness to compromise also on EU issues. The Greens would like to see a referendum on the constitution, as discussed above, which the Social Democrats are opposed to; here is an unsettled issue. But since the Swedish decision now is postponed indefinitely, a red-green coalition would seem possible.¹²⁶⁹

Turkey

Major political events

The general election for the Turkish National Assembly is due for November 2007. But there is already some speculation in the Turkish press and media that there can be an early election in 2006. One source of speculation is the fact that the term of office of the President of the Republic is to expire in May 2007. Since the present government holds a majority in the parliament large enough for electing a future President of the Republic, the parties in opposition have already started to challenge the government for calling an early election so that a newly elected Parliament can elect the new President. However, the present government seems to be in no mood to do so, hence the fuelling of the speculations that the present Prime Minister is interested to become the next President.

In any case, the composition of the Parliament after the next election is not likely to produce a majority that might impede the continuation of the accession negotiations with the EU.

Priority issues on national policy agenda

Presently, the internal political agenda is dominated by the following issues which are mentioned without implying any order of priority:

- *Questions of national identity:* The Prime Minister's recent remarks in this regard caused a row among the major political parties which, in turn, brought into question the nature of the citizenship regime in the country. Closely related to this issue, of course, is the question of the status of the Kurdish speaking citizens of the Republic of Turkey. That is to say, implicit in the debates centering around this issue is the question of

whether the recognition of cultural rights may lead to further demands for the political recognition of the Kurdish speaking citizens as a minority; thereby undermining the territorial integrity and the national sovereignty of the Republic.

- Closely related to the above mentioned issue is that of the future of Turkey's Southeastern neighbour *Iraq*: The possibility of dismemberment of the Iraqi state and the emergence of an independent Kurdish state across the southeastern border is being perceived by many among the political establishment as a cause of concern.
- *Democratisation:* While this issue is generally discussed more in relation to the questions of national identity and religious freedoms, it is imperative that the social and economic rights become an integral part of the EU's agenda of reforms in the course of the accession negotiations.
- *Economic issues*, especially the fragility of the Turkish economy due to its soaring current account deficit and the risk of a yet another financial crisis that might ensue in due course, are bound to gain political significance, given the increasing dependence of the stability of the Turkish economy on foreign savings in the form of portfolio investments.
- No less salient is the inability to propose effective solutions to the continued persistence of high rates of *unemployment* and widening income inequalities, given the rigid strictures of the IMF stand-by agreement which prioritises the maintenance of a very high public sector primary surplus. Reform of the social security system which is pending as an integral part of the IMF stand-by agreement is also likely to raise the political temperature in the near future.
- *Question marks over the Future of the Cyprus Problem:* Given the intransigence of the Greek Cypriot government, the chances for achieving a comprehensive settlement of the Cyprus problem within the UN framework looks rather dim for the foreseeable future. In this regard, the fulfilment of Turkey's obligations under the Association Agreement and its Additional Protocol extending the Association Agreement to all new EU Member States continues to be a source of potential friction among different political parties.

¹²⁶⁹ Svenska Dagbladet 2005-07-05, www.svd.se.

United Kingdom

Major political events

This year, Britain held its general election as well as holding the rotating Presidency of the G8 and, in the second half of the year, of the EU. With no referendum in sight, there do not seem to be any major political events in the near future that could have a clear direct impact on EU policy-making.

Priority issues on national policy agenda

However, Mr. Blair has said that he will step down before the end of this Parliament. The next election is due by 2010 at the latest, though most expect it will be held in 2009. As a result, there are about two to three years left in Mr. Blair's premiership, and it seems that he may be turning into something of a lame duck. On 8 November, he was lost a vote in the House of Commons for the first time in his premiership. Then, the issue was the strengthening of internal security in response to the bombings in London in June. Specifically, the government had proposed the lengthening of the period in which suspects could be imprisoned without trial.

Mr. Blair's government is currently working on several reform programmes, for example in education and the health service, which are controversial within his own party. Given his defeat on the terror bill, it seems therefore possible that Mr. Blair will have to either water down his proposals or accept further defeats.

This new situation may well hasten the changeover of power to Gordon Brown.

It is widely accepted that Mr. Brown is more sceptical towards European integration than Mr. Blair, and he has often attacked the sluggishness of economic reform in Europe. Indeed, it is said that Mr. Blair did not agree to the budget compromise proposed in June 2005, as he was not sure he could sell the agreement to his Chancellor. As Wolfgang Münchau argues in the Financial Times on 14 November, 'With Mr. Blair gone, the divisions in the EU could get worse, for example if the task of negotiating Britain's EU budget rebate falls to Mr. Brown – a prospect considered more likely now than a few weeks ago.'¹²⁷⁰ It seems that the EU may have a less conciliatory negotiating partner at its hands when Mr. Brown becomes Prime Minister.

Finally, the political landscape in Britain is currently undergoing significant change following David Cameron's election to the head of the Conservative Party on 6 December. His supporters believe that he will be able to reform the party and move it to the political centre, enabling it to win again at the polls. Indeed, recent opinion surveys show that Cameron is making the Conservatives more popular than they have been for a long time. However, his policy on the European Union is little different from that of his predecessors. Thus, he has named William Hague, a noted Eurosceptic, as the shadow foreign secretary and has pledged to take the Conservatives out of the European People's Party.

¹²⁷⁰ Wolfgang Münchau, "The prognosis is poor for EU integration", Financial Times, 14 November 2005.

7

Priorities and perspectives of the EU 2005-2009 (“lifetime of Consent”)

- ***Constitutionalisation / institutional reform***
- ***Policies (which?) – to cope with globalisation***
- ***‘Delocalisation’ as a high salience issue***
- ***Reinventing the European social model – what does it mean, what direction?***
- ***Strengthen EU as international actor***

Austria

Constitutionalisation / institutional reform

The governing People's Party has not formulated a detailed position on the issues yet, however, they are currently under review under the general preparation for the upcoming Austrian EU Presidency between January and July 2006.¹²⁷¹ The Austrian Society for European Politics stresses that any institutional reforms will have to be done with uttermost care and only in small steps.¹²⁷²

Policies to cope with globalisation

General priorities and policies are the enhancement of economic growth and employment which incorporates an intensive dialogue between the Euro-zone and the European Central Bank in order to stimulate the economy, contributions from the European Investment Bank to increase the EU's budget for education, research and innovation and the expansion of trans-European networks, strengthening of the dialogue between the EU social partners and a debate on the future of Europe with regards to subsidiarity, European identity and setting a new pace for the European project.¹²⁷³

The Austrian Society for European Politics makes the point that a realization of the Lisbon agenda will enable the EU to cope with globalisation.¹²⁷⁴ The Green Party argues that the politics of the WTO contradict the its principles of fair, environmentally friendly and social trade. Hence, a meaningful democratic control over the WTO must be established.¹²⁷⁵

'Delocalisation'

In order to ensure that national companies stay in Austria rather than relocate to other countries, but also to set incentives for international companies to invest or to set up subsidiaries in Austria, the Austrian government has implemented several fiscal (tax reform) as well structural economic incentives.

¹²⁷¹ Interview with the Oesterreichische Volkspartei (OeVP), October 2005.

¹²⁷² Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005.

¹²⁷³ Interview with the OeVP, October 2005.

¹²⁷⁴ Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005.

¹²⁷⁵ Interview with Die Gruenen, September 2005.

The Green Party is in favour of a change in the structure of tax revenues, which would reduce the tax burdens on labour and increase taxation on capital income and on the use of non-renewable resources.¹²⁷⁶

Reinventing the European social model

The Austrian Chancellor Schuessel acknowledges the need to adjust and slim down the Austrian social model as well as making it more effective, a process other EU member states have already undergone. Nevertheless, he stresses that the EU social model must be effective but also provide the necessary protection to its people.¹²⁷⁷

The Social Democratic Party notes that the EU social market economy has, in the most important areas such as economic growth, employment level, productivity, social security and income distribution proved to be successful. However, in order to take on the challenges of the future it must be improved particularly in the area of social issues.¹²⁷⁸ It also welcomes the recent approval of an increased financial budget for PROGRESS¹²⁷⁹ by the EP. The Green Party points out that one of the basic pillars of European political culture, the social market economy, has not even been mentioned in the EU's treaties until now.¹¹⁰ Furthermore, the EU needs to work out its position on equal opportunities, full employment, the fight against social exclusion and poverty, welfare systems and general public services.¹²⁸⁰

The Austrian Society for European Politics refers to the Constitution, which encompasses important provisions relating to questions of EU-wide social problems. Nevertheless, the first and foremost responsibility for addressing and finding solutions regarding social models will have to be dealt with by the individual EU member states – i.e. their governments and NGOs. Issues regarding the implementation of EU-wide minimum standards will remain on the agenda.¹²⁸¹

¹²⁷⁶ Interview with Die Gruenen, September 2005.

¹²⁷⁷ 22.11.2005, www.bka.gv.at.

¹²⁷⁸ 29./30.11.2004, *Startklar für Oesterreich; Analysen-Details-Materialien zum Wirtschaftsprogramm der SPOe*, at the 38th Federal Party Convention, p. 74.

¹²⁷⁹ Community Programme for Employment and Social Solidarity, 28.09.2005 and 20.10.2005.

¹²⁸⁰ Ibid.

¹²⁸¹ Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005.

The EU as an international actor

The Austrian Chancellor Wolfgang Schuessel pronounced in his Churchill lecture¹²⁸² that Europe tends to play down its position in the international field and appeals that it must position itself and intervene appropriately. However, he emphasises that Europe can only successfully achieve its goals in cooperation with other significant democracies, such as the USA. As an example of this so called "think big" policy of Europe Schuessel refers to the EU's prospective foreign policies in the Balkans - which is on the agenda of the Austrian EU Presidency - promoting greater economic and political integration in the region and showing benefits to citizens in the region, as well as with regards to economic partnership programmes with neighbouring countries.

The Austrian Society for European Politics points out that the EU has proven to be competent and objective with regards to international issues and problems. However, it seems that the EU fails to convert its views into actions.¹²⁸³ The Institute for the Danube Region and Central Europe believes that the EU should be a strong political and economical force that can articulate its interests towards the USA, Russia and China and other important players.¹²⁸⁴

The Green Party calls upon EU members' governments to take a decision in the Council to endorse entirely and unanimously a UN reform plan. A united EU can play a decisive role in the implementation of such reforms. Additionally, through this debate, the EU can also finally get a common EU seat on the UN Security Council.¹²⁸⁵

Belgium

Constitutionalisation / institutional reform

The Flemish government would like to obtain recognition for the Flemish region as a particular constitutional region within Europe. This should be translated within the European structures and more particularly with regard to the decision making in the Councils of

¹²⁸² 11.11.2005, www.europa.gv.at.

¹²⁸³ Interview with Ambassador i.R. Dr. Wolfgang Wolte, Member of the board of the Oesterreichische Gesellschaft für Europapolitik, October 2005.

¹²⁸⁴ Interview with the Institut fuer den Donauraum und Mitteleuropa, October 2005.

¹²⁸⁵ Interview with Die Gruenen, September 2005.

Ministers, access to the early warning system on subsidiarity, and a direct access to the Court of Justice. The Flemish Government, as it did in the past, continues to aim at obtaining a proper direct vote for matters falling within its competence (split-vote).¹²⁸⁶

According to the Prime Minister a choice has to be made between a strong political Europe or nothing more than a free trade area. This includes discussions and choices not only about the budgetary perspectives, including new resources, but also, and even more important, discussions and choices on economic and social strategies, CFSP and defence policy, and the European area of freedom, justice and security. The members of the Euro-zone, and those wanting to become part of it, can serve as platform for structural (and not *à la carte*) closer cooperation among those wishing to become an avant-garde within the EU. The Prime Minister is convinced that this should be the subject of a Summit of Heads of State and Government in 2006. Such an avant-garde should however consist of those members having a similar idea about what the Union should become.¹²⁸⁷

Jean-Marc Ferry, Director of the centre on political theory at the Université Libre de Bruxelles, is against the idea of a Constitution at this time. A constitution should only come as a last phase in the European construction, after the establishment of structured civil society, and a political society that links up the national and the European parliament and that leaves space for public debate.¹²⁸⁸

Policies to cope with globalisation

Prime Minister Verhofstadt supports the idea of a globalisation fund but, but remains very critical since he does not understand the final objective of it.¹²⁸⁹ He estimates that the Union's policy in this should be more offensive. He is in favour of putting in place a method of convergence that determines the minima and maxima criteria about a large number of socio-

¹²⁸⁶ "Regeerakkord 2004-2009 van de Vlaamse Regering: XV Vlaanderen in Europa en in de Wereld", available at <http://docs.vlaanderen.be/buitenland/index.htm> (latest access: 28.12.2005).

¹²⁸⁷ Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹²⁸⁸ "Jean-Marc Ferry, directeur du Centre de théorie politique à l'Université libre de Bruxelles: "l'Union est devant un triple choix: sur sa nature, son rôle dans le monde et sa façon de procéder"", *Le Monde*, 17/6/2005.

¹²⁸⁹ "EU-top: Verhofstad staat achter Europees Energiebeleid", *L'Echo*, 28/10/2005.

economic issues, but that leaves the necessary room to each member state to evolve in between these criteria.¹²⁹⁰ State Secretary for European Affairs, Didier Donfut, believes that a strong internal market is the best response the EU can have towards the process of globalisation as long as the member states do not compete among each other since social inequality would decrease Europe's competitive strength in the long term.¹²⁹¹ According to Professor Sapir there is a need for an economic system that allows a certain flexibility, but that does not bring into danger the level of social protection. The discussion should focus not how much social protection, but on the quality of the social protection.

'Delocalisation'

Minister of Economics, Marc Verwilghen, is personally convinced that the costs of labour, administrative charges and the costs of energy are major factors that can play a role in reducing delocalisation. Compared to its neighbouring countries the cost of labour is a major handicap for the Belgian economy, and thus should the wages be reduced, should the charges that employers have to bear decrease, and finally, should the productivity increase. As to energy, Minister Verwilghen thinks that the liberalisation of the gas and electricity market, along with a guaranteed energy production, will create greater price stability, and certain government measure should allow the reduction of companies' energy costs.¹²⁹²

A working paper¹²⁹³ by the Belgian Federal Planning Bureau¹²⁹⁴ examined the determinant factors for localisation within the multi-sector federation of the technological industry ('Agoria'), and identified as the five most determinant factors for international delocalisation: cost of wage, quality of labour, socio-economic stability, available infrastructure, and distance to the market.

¹²⁹⁰ "Verhofstadt: "Le débat ne devrait pas se limiter à notre futur économique", *L'Echo*, 28/10/2005.

¹²⁹¹ "Une dynamique sociale pour relancer l'Europe: discours du Secrétaire d'Etat Donfut lors des Journées diplomatiques", 7/9/2005, available at <http://www.diplobel.fgov.be>.

¹²⁹² "Belang van ondernemerschap" available at: <http://www.marcverwilghen.be>.

¹²⁹³ B. Hertveldt, C. Kegels, B. Michel, B. Van de Cruyce, J. Verlinden & F. Verschuere, 'Déterminants de la localisation internationale avec application au secteur Agoria', *Working Paper 16-05*, Bureau fédéral du Plan, Brussels, Sept. 2005, available at: <http://www.plan.be>.

¹²⁹⁴ This is a public interest organisation that conducts policy relevant research on economic, socio-economic and environmental issues.

With regard to R&D activities, which, because of their influence for a country's innovative strength, have an impact on competitiveness and potential growth of the economy, the determinants are somewhat different. They most important criteria are cost and availability of R&D personnel, possible networking with universities and research centres, customers and suppliers.

Reinventing the European social model

André Sapir, Economics Professor at the Université Libre de Bruxelles (ULB) pointed out the weaknesses in the European economic situation and the need for reforms. He believes there are four main European social-economic models, from which two – the Mediterranean and the continental – are considered inefficient and/or unjust and will have to undertake reforms either towards the Anglo-Saxon or towards the Scandinavian model. This does not mean that the Mediterranean or the continental model would disappear, since they are the result of a historical, a political, an economic and a sociological history, but rather that they would be reformed by integrating elements of the other two models. Like for example with regard to flexibility, where there is a difference between the Scandinavian idea of flexibility and an English perception of flexibility.¹²⁹⁵

The Belgian Prime Minister, with regard to the different social systems of the member states, does not believe, contrary to the European Commission, that those systems can peacefully coexist. Rather he is in favour of a "code of convergence". This should create corridors where there is room in which the economies of the different member states can evolve. They should include career duration, level of labour protection, but also the part of government implication should be included. Besides that, Prime Minister Guy Verhofstadt is in favour of reforming the tax-system which would consist of moving from a direct to an indirect based taxation.¹²⁹⁶

The EU as an international actor

According to the Belgian Prime Minister in the future there will be no longer a unipolar world but a multipolar world with, besides the U.S., China, Japan and India. Not only economically

¹²⁹⁵ "André Sapir: "Flexibilité et protection", *Le Soir*, 27/10/2005.

¹²⁹⁶ "EU-Commissie reageert terughoudend op top van de Eurogroep", *Belga*, 21/10/2005.

but also politically and militarily. Therefore, if Europe wants to have anything to say on the international scenery in the future, further integration is indispensable. If possible with all the member states, if not, than at least with those by their nature belonging together, in particular the Euro-group. Working on the basis of the Euro-group also contours the problem of the participation of France and the Netherlands since they are already belong to the Euro-group.¹²⁹⁷

The Minister of Foreign Affairs believes that the lack of interest among member states with regard to a number of specific foreign policy issues is one of the most underestimated obstacles for a European foreign policy. This lack of a common interest for foreign policy issues that are not at the top of the international agenda can be explained, among others, by historical, geographical, economic or other reasons, which only motivate a limited number of member states to conduct an active policy.

Such passivity by way of the EU thus creates disappointment and frustration among those member states that are genuinely interested in the matter. He therefore suggests a mechanism that allows a functional specialisation and a division of labour, by creating so called "EU core groups" for specific foreign policy issues. These groups should consist of the High Representative, members of the Commission, the Presidency, and a group of member states that is capable and willing to make extra diplomatic efforts in a specific part of the foreign policy. The full membership of these EU-institutions would guarantee that these core group's activities do not go against the interests of the other member states.¹²⁹⁸

Bulgaria

The 2005-2009 time frame coincides with the mandate of the current coalition government. Apart from (and after) EU accession, its mid-term EU-related priorities include¹²⁹⁹:

¹²⁹⁷ Réunion commune du comité d'avis chargé de questions Européennes et de la commission des relations extérieures", *Chambre Com 717*, 19/10/2005.

¹²⁹⁸ "Je wint het debat met concrete resultaten: toespraak van Minister De Gucht in het Europees Universitair Instituut te Firenze", 6/7/2005 available at <http://www.diplomatie.be>.

¹²⁹⁹ Lecture of Mr. Sergey Stanishev, Prime Minister of the Republic of Bulgaria, on Bulgaria's foreign policy priorities, delivered before the Bulgarian Diplomatic Society and the

- the second stage of preparation for implementing the Schengen acquis, which would aim at abolishing border controls on external borders, and initiating the formal procedures of accession to the Schengen agreement;
- preparation of accession to the Economic and Monetary Union;
- fostering administrative capacities for the absorption of EU structural and cohesion funds.

Croatia

Constitutionalisation / institutional reform

Achieving consensus about the new EU constitution will remain among high priorities which will ensure a sustainability of guaranteed equal positions in the EU by all its members, new and old. For Croatia as the candidate country for the new round of enlargement, another priority will be adjusting the institutional framework for the functioning market economy fully compatible to the EU and able to cope with the competition coming from the internal market.

Policies to cope with globalisation

The week implementation of the Lisbon Agenda 2010 goals has led the member states to revise the strategic priorities and adopt a new Community Lisbon¹³⁰⁰ Programme. The result is to focus on fewer priorities among which three policy areas to cope with global competition got special attention: a) make EU attractive place to invest and work; b) Increase Research and Development to create knowledge and innovation for growth; and c) create more and better jobs through investing more in education and skills of human capital.

These three priorities and especially the one on R&D should also be addressed within Croatia in order to make the final accession to the EU smoother. The first meeting between EU and Croatia in Brussels on 20th October dedicated to the screening process for the chapter on science and education has indicated that orientation.¹³⁰¹

National Association of International Affairs, Sofia, 4 November 2005.

¹³⁰⁰ "Common Actions for Growth and Employment: The Community Lisbon Programme", Brussels, 20.7.2005, COM(2005) 330 final.

¹³⁰¹ See the official government web site on negotiations with the EU: www.eu-pregovori.hr.

Reinventing the European social model

This is an important policy priority also from the Croatian perspective. The government is aware of it but an official direction has not been taken. Such debate is opened in the academic circles.¹³⁰² The analysts believe that policy efforts should be taken towards reinventing the social model which very much distinguished Europe from the rest of the developed world. The difficulty is seen in the high market competitiveness pressures which stress the economic efficiency more than social security.

The EU as an international actor

The official viewpoint is that strengthening an active involvement of the EU in finding solutions to the political crises not only on its own continent but elsewhere in the world will strengthen EU position as an important international actor. In order to achieve that the EU has to work more on common foreign policy and security structures. The war on the Balkans in the 1990s has pinpoint strongly towards this direction.

Cyprus

Constitutionalisation / institutional reform

The majority of the political parties in Cyprus support the constitutionalisation of the EU. On the other hand, AKEL, the socialist party (33%) rejected the Constitutional Treaty, on the ground that it did not go far enough in direction of protecting the working class' rights¹³⁰³. However, AKEL like most other Cypriot parties, would be prepared to contribute to the debate proposed by the Commission with "Plan D" on the future of Europe.

The dominant opinion of Cypriot analysts and political elites regarding institutional reform tends to believe that the relevant debate has come to a temporary halt after the Constitutional Treaty was rejected in France and the Netherlands while the UK has postponed the ratification process. These circles, however, took also note of the fact that,

besides the Republic of Cyprus, 13 more Member-States have approved the Treaty.¹³⁰⁴

Policies to cope with globalisation

Cypriot bureaucrats argued during our interviews that, in the long run, the interest of the EU lies in a strong internal market, which would constitute the best answer to the challenge of globalisation. On the other hand, they stressed the problem of cohesion and asymmetric development across the enlarged EU-25. This asymmetry may breed concerns and objections over an ever-stronger internal market.

'Delocalisation'

Depending heavily on services -primarily tourism and shipping- and having no significant industrial capacity, Cyprus is not truly concerned with delocalisation. As a member of the EU, however, Cyprus is indirectly affected by the problem of delocalisation.

Reinventing the European social model

Cyprus considers its own social model as a successful one. More generally, Cypriot bureaucrats have argued that "the EU should be able to accommodate different, yet successful, social models".¹³⁰⁵ Therefore, considering the different levels of economic capacity as well as the distinct socio-economic challenges and even political-cultural idiosyncrasies among the EU-25, these bureaucrats have suggested that there may be no need for a homogeneous EU social model.

The EU as an international actor

Cypriot diplomats told us that "the interest of the small EU member states lies in a strong EU in both internal and external aspects". The Republic of Cyprus is a fervent supporter of a stronger EU as an international actor. Cyprus, however, does not favour the creation of core groups inside or outside the EU over CFSP/ESDP matters. Cypriot diplomats have argued that a cardinal goal of the Union should be to maintain its unity so as to avoid loose integration that might lead to disintegration. On the other hand, Cypriot diplomats insisted that the Republic of Cyprus is open to suggestions

¹³⁰² See for instance Paul Stubbs and Sinisa Zrinscak (2005): *Extended Social Europe? Social Policy, Social Inclusion and Social Dialogue in Croatia and EU* in: Katarina Ott (ed). *Croatian Accession to the European Union: Facing the Challenges of Negotiations*, Institute of Public Finance, Zagreb, pp. 161-185.

¹³⁰³ See "AKEL will say No to the Constitution", Phileleftheros 19 May 2005.

¹³⁰⁴ By November 2005, 14 Member-States had ratified the Treaty, while two had rejected it, eight had postponed their decision, and Belgium's ratification process was not yet complete.

¹³⁰⁵ Interviews in Brussels, 27 October 2005.

over enhanced/structured cooperation. They underline, however, that this kind of cooperation should be open to all Member States. They expressed some concern over the possibility of ending up with sub-divisions within the EU, an outcome that would affect the unity of the Union.

Finally, we must record the significant levels of respect for the EU's role in the world expressed by the Republic's citizens: "Most recognise the positive role played by the European Union in the protection of the environment (80%), world peace (74%), the fight against terrorism (64%), growth of the world economy (65%) and the fight against poverty (64%). At the same time, the majority of citizens of the Republic of Cyprus consider that the international role of the European Union has grown in significance over the past five years (66%)".¹³⁰⁶

Czech Republic

Policies to cope with globalisation

Policies which are supposed to cope with globalisation have not been a very important issue in Czech academic or political circles so far.

'Delocalisation'

This question can hardly be considered a high salience issue in the Czech Republic.

Reinventing the European social model

Most Czech economists are convinced that if the European "Sozialmarktwirtschaft" is to survive, it must be radically transformed. Czech liberal and centre right wing economists refuse the present European social model as such and believe that it must be completely abandoned. Czech centre left wing economists linked to the Social Democrats defend the view that the European social model should continue to exist but it must be adapted to new conditions. Low flexibility of the labour market is generally seen as the main problem of the present European social model. Among the most influential advocates of the European social model belongs the Czech member of the European Commission Vladimír Špidla who is in charge of employment, social affairs and equal opportunities in the European

Commission. Špidla is convinced that economic growth in Europe brings an increase of standard of living in general, and not only the growth of differences between the elites and the rest of society. He also believes that the social dimension and permanent environmental sustainability are not in contradiction with economic efficiency.¹³⁰⁷

The EU as international actor

At the moment, less than two years after the entry into the EU, this has not yet become a top priority issue for the Czech Republic. The Czech Republic pays much more attention to strengthening its own role inside the EU and to the defence of its national interests within the Union than to strengthening the EU's external dimension.

Denmark

Constitutionalisation / institutional reform

Leaders of the Danish government and opposition parties have expressed serious doubts as to the future of the Constitutional Treaty, and, as mentioned in response to question 1 of this questionnaire, this has entailed general silence with regard to constitutionalisation or institutional reforms of the EU. Ideas of a 'Constitution Light' have generally not been dealt with in any great detail. There is broad political support to use the period of reflection to actively engage more citizens in the process of integration, which seems to preclude set ideas about the nature of the outcome.

Policies to cope with globalisation

Both the Government and the main opposition parties focus heavily on the importance of concrete policy results as the key to inspiring a renewed impetus surrounding the EU debate in Denmark. With regard to the Danish government's own perspectives on the desired direction of the EU, five issues have been proposed as input to start off the public debate: Discussion on the requirements posed by globalisation on the EU; the issue of competencies; the ability to speak with one voice in foreign affairs; the role of national parliaments; and the question of the borders of

¹³⁰⁶ Eurobarometer 63.4, p. 8.

¹³⁰⁷ Špidla, V., Evropský sociální model je lepší než americký (The European social model is better than the American), Lidové noviny, 7 October 2005.

the EU (issues discussed elsewhere in the questionnaire).

Coping with pressures from globalisation is thus a central concern in EU debates in Denmark. The Danish business and corporate sector fears that the EU's period for reflection may place the European economy in an even lower gear. International competition with China, India and the US is mentioned as something which in particular requires explicit attention. Business representatives have encouraged EU leaders to use the period of reflection to work towards ensuring growth, in order to create jobs and increased welfare. EU legitimacy is seen as contingent on the effective fulfilment of such concrete tasks.¹³⁰⁸

Prime Minister Anders Fogh Rasmussen also identifies the economic challenges posed by globalisation as a crucial EU task to take onboard, and concedes that major reforms are necessary to conform to today's international competition and requirements about social sustainability.¹³⁰⁹ As reflected by the response to Question 4 of this questionnaire, the perspective by the Danish government is that the EU should focus on research, education and the development of high technology, while gradually demolishing subsidies and trade restrictions.¹³¹⁰ A discussion of the requirements posed by globalisation on the EU was moreover identified by the Danish government as one of the five central points for discussion in the period of reflection.

The development of the EU's policy on combating terrorism, as well as its asylum and immigration policy, is a related, central point in Danish debates about dealing with globalisation-related issues.

'Delocalisation'

The issue of delocalisation was of high salience prior to the EU's Eastern Enlargement, where public fears about the influx of large numbers of East European migrants were voiced. Generally, the protection of employees is of high priority in Denmark. Focus is on avoiding a situation where employees of different member states are forced into unfair competition with each other

¹³⁰⁸ For instance: Skov Christensen, Hans (2005), Welcome note at the conference at the Confederation of Danish Industries: "Europe, What Now?", September 27th.

¹³⁰⁹ Fogh Rasmussen, Anders (2005), "EU i arbejdstøjet", Feature article, Politiken, September 27th.

¹³¹⁰ Ibid.

due to variations in the levels of social protection. Denmark enjoys a high level of social protection as well as a long tradition of collective agreements between employers' and workers' associations. The model is cherished as the 'Danish model' or the 'flexicurity model'. A characteristic of the model, the general absence of laws to regulate the labour market, is simultaneously seen as a strength and a potential possibility for abuse in a globalising world.

There exists a concern about the outsourcing of Danish jobs to low-wage countries in the Far East as the result of a more specialised division of labour internationally. In this regard, workers' organisations, such as the Danish Confederation of Trade Unions (LO), the 3-F (the semi-skilled workers' unions, formerly the SiD,) have criticised policies seen as rewarding companies for outsourcing.¹³¹¹ However, the debate has also been characterised by arguments that in Denmark the experience with outsourcing of manual jobs creates more high-skilled jobs.

Reinventing the European social model

It is, to begin with, rather unclear in Denmark to what extent a common European social model exists today. Again, the Danish debate on this issue is largely centred on the Danish labour market model and the 'flexicurity' system, which has recently achieved European recognition. The model is widely supported in Denmark – the Confederation of Danish Employers and the Danish Confederation of Trade Unions even produced a common paper on the future of the European welfare model to the European Convention.¹³¹²

The Danish model is suggested both by the labour market parties and by Danish politicians¹³¹³ as a model worth adopting by the EU.

It is important to stress that Denmark is generally among those member states reluctant to enhance supranational cooperation on social policy issues. The Danish strategy is that member states should seek inspiration

¹³¹¹ See for instance LO: http://www.lo.dk/smcms/Nyheder/Pressemeddelelser/5897/Index.htm?ID=5897; Sid: http://www.eufagligt.dk/index.php?page_id=29&data_id=2&sel_content_id=376 (latest access: 28.11.2005).

¹³¹² See http://www.eufagligt.dk/index.php?page_id=34&data_id=42 (latest access: 28.11.2005).

¹³¹³ For instance former Prime Minister Poul Nyrup Rasmussen (Social Democrats), now Member of the European Parliament: www.nyrup.dk.

from one another, as opposed to extensive harmonisation.

The EU as an international actor

The ability of the EU to speak with one voice on the international scene was one of the five central questions identified by the Danish government as input to the EU's period of reflection, entailing a discussion of how the EU should act faced with conflicts in other countries, faced with the spread of weapons of mass destruction and faced with breaches on human rights. There is general consensus in Denmark that the EU has both an obligation and an interest in responding to global problems, and that this requires that the EU is able to formulate and follow a common line in the Common Foreign and Security Policy.¹³¹⁴ Moreover, a strong EU on the world scene has increasingly become a point of consensus for the Danish Socialist People's Party, previously very divided on EU-issues, as it is seen as a way to counter dependence on the United States.

Estonia

Policies to cope with globalisation

Estonia's position is easy to summarise: Europe does not need protection from globalization. „We like globalization,“ said Prime Minister Andrus Ansip after the informal Council meeting at Hampton Court Palace in October.¹³¹⁵ Indeed, Estonia does not perceive itself as suffering from competition and greater openness. In fact, a public discourse about the evils of globalization is virtually non-existent. This can be attributed to the fact that globalization and post-communist transition have been parallel processes. Opening up to the world has been Estonia's key societal objective over the past 15 years. Protectionism is associated with the Soviet past and the memories of the dysfunctional closed economy and society are still fresh. As a result, a fear of openness is regarded as an old member-state problem; expressions of sympathy are rare, and the prevalent attitude can be summarised as „get over it.“ The realization that in many old member states, the fear of globalization actually translates into a

resentment towards Eastern Europeans, adds to this lack of empathy.

Reinventing the European social model

The government's position on the European social model is equally clear: in a Union of 25 member-states, it is not possible to create a single social and economic development model for all countries, nor is it necessary.¹³¹⁶ This position is shared by most right-of-the-centre parties (Reform Party, Respublica). Other political forces, such as the opposition Social Democrats, have been critical of the government's social and economic model and advocate Scandinavian-style welfarism. These parties might be more open to a discussion of European social values – although they have not, to date, explicitly linked their political platforms to the broader debates going on in Europe.

Finland

Constitutionalisation / institutional reform

There is a consensus in the Finnish Government that the enlarged European Union requires novel political structures in order to function smoothly. The parties in the Government are generally in favour of the proposed constitution and would like to see it adopted. Of the opposition parties, the right-wing National Coalition Party has supported the constitution, while the Left Alliance and the Greens have been more sceptical. The debate is not about whether institutional reform should be implemented or not. All the parties agree that it should. The debate is structured more on what should be included in the constitution and how it should be ratified.

As to the future, the Finnish Government will present a parliamentary brief, which will then consequently be discussed in the Parliament. This will be the first time the Constitution is taken up after the French and the Dutch referenda. The purpose of this discussion is to engage the Finnish politicians in a debate on the underlying issues of the EU, including questions concerning the institutional reform of the Union.

¹³¹⁴ Fogh Rasmussen, Anders (2005), „EU i arbejdstøjet“, Feature article, Politiken, September 27th.

¹³¹⁵ *Krister Paris*, „Andrus Ansip: Euroopa majandusedu võtmeks avatus,“ Eesti Päevaleht, 28.10.2005.

¹³¹⁶ See Government's press releases and PM's interviews following the Hampton Court Palace meeting.

Policies to cope with globalisation

Finland supports the Lisbon strategy of making the EU the world's most competitive information society by 2010. The tools with which Finland believes the EU can succeed in this task are similar to those taken to be essential to the success of Finland's own economy in the future. Finland would like to see the EU invest more in Research & Development, education and more generally in the knowledge-based economy.¹³¹⁷ This reflects Prime Minister Vanhanen's belief that globalisation offers an opportunity for Europe to benefit from its core competence – information technology.

President of the Central Organisation of Finnish Trade Unions, Lauri Ihalainen, has stressed that in order for Europe to cope with globalisation it has to invest in human capital.¹³¹⁸ In his view, Europe should not engage in a race-to-the-bottom with the low-wage regions, but should instead channel energies into those areas in which it can be competitive.

The Finnish National Fund for Research and Development recently published a report on the future of the EU. This report argued that the EU should concentrate on those aspects of promoting competitiveness in which there exists a consensus among the member states.¹³¹⁹ Developing the CFSP towards a better ability to affect the development of globalisation is, the report argues, such an aspect. Similarly, the report calls for strengthening of the European Central Bank and harmonisation of taxation, in order to increase the competitiveness of the EU's internal market.

Overall, the Finnish policy is somewhat ambiguous. On the one hand Finland seems to believe that the EU should follow the example of Finland, who continuously manages to top the world's competitiveness rankings. On the other hand, Finland wants to maintain the EU's high-level spending on agriculture. These trends seem to be fundamentally opposed to each other, something that has led Prime

Minister Vanhanen to call for a re-nationalisation of agricultural policy.

'Delocalisation'

Although the Finnish economy has clearly benefited from globalisation, the Finnish public and political debate treat it first and foremost as a challenge. Loss of jobs to low-wage countries has traditionally hit those sectors of the economy that base themselves on manual labour. With the growing expertise of competitive Asian economies such as the NICs, India and China in Information Technology, there are growing concerns that Finland faces tougher competition in the sector in which its core competence lies. The Government commissioned a report on how these emerging IT economies affect Finland's economic and employment strategy. The report argues that "jobs will probably be lost in low-competence and low-productivity sectors as a result of increasing international competition".¹³²⁰ It recommends that Finland concentrate on creativity and design. It sees the creative sectors as providing an opportunity to compete with the emerging Asian economies whose rapid rise is largely based on standardised production and application of existing knowledge. The report also points out that employment in the creative sector is growing faster than the employed labour force as a whole in Finland.

Reinventing the European social model

Of the three social models in Europe – the Anglo-Saxon, the Continental European and the Nordic one, Finland represents the latter. Having often been chosen as the world's most competitive economy, and enjoying above-par economic growth, Finland naturally has faith in its social model. None of the political parties questions the utility of the Nordic welfare state model. Instead, the dividing lines are located in the way in which the different parties believe the welfare state can be maintained. The political debate in Finland is focussed predominantly on this.

As to how whether or not there should be a common European social model, Finland thinks that instead of harmonizing the different social models the EU should now concentrate

¹³¹⁷ See "Finland's competence, openness and renewability - The final report of the 'Finland in the Global Economy' project" (available in English at <http://www.vnk.fi/vn/liston/vnk.lsp?r=89838&k=en&old=954>).

¹³¹⁸ Lauri Ihalainen, speech at "Finland in the World Economy" – seminar 16.4.2004.

¹³¹⁹ Peter Ekholm, "EU vuonna 2020", Sitra report series 42, SITRA (the Finnish National Fund for Research and Development), 2004.

¹³²⁰ "Finland's competence, openness and renewability - The final report of the 'Finland in the Global Economy' project" (available in English at <http://www.vnk.fi/vn/liston/vnk.lsp?r=89838&k=en&old=954> (latest access: 15.11.2005), p. 148.

on setting benchmarks against which different social models can be measured. However, Finland stresses that Europe can benefit from globalisation only when it invests in human capital, including high education and innovation. Based on its own experiences, Finland argues that economic efficiency, competitiveness, and high social welfare are not contradictory.¹³²¹

A much-discussed report by the Finnish Business and Policy Forum EVA argues that the European social model is both its weakness and strength in the global competition.¹³²² On the one hand, social stability and collective bargaining measures ensure the stability of the business environment. On the other hand, inflexible labour mobility and high taxation act as disincentives for the business sector. The report recommends that the Nordic EU countries, which have succeeded best in the global competition, use their collective bargaining to influence the EU's globalisation strategy and its social policies.

The EU as an international actor

Finland would like to see the EU progress in strengthening itself as an international actor. Finland sees the EU's advantage in this regard being in the ability to combine civilian and military crisis management in a way which allows for a more comprehensive approach to a crisis response. Finland also sees the EU as a significant actor in global governance, such as human rights promotion.

However, in Finland's view the EU can have a significant role globally only if it remains economically and socially strong. The EU must work to influence the structures of global governance so that the European values and principles are better reflected. This, Finland argues, can only be achieved through coordinated common effort. In this regard, Finland sees a window for more improvement, even within the current institutional framework.¹³²³ With the de facto stagnation of the constitutional treaty, Finland would like the EU to concentrate on the areas of consensus. The CFSP is seen as such.

¹³²¹ Finnish position in Hampton Court on 27.10.2005, available in Finnish at <http://www.valtioneuvo.fi/tiedostot/pdf/fi/97546.pdf>, (latest access: 15.11.2005).

¹³²² in Finnish at http://www.eva.fi/files/944_SuomiEUuEtujoukkoon.pdf (latest access: 15.11.2005).

¹³²³ Finnish position in Hampton Court on 27.10.2005.

France

Constitutionalisation / Institutional reform

The new consensus today in France is that Europe should concentrate on policies rather than on institutional issues. Indeed, in the public debate, institutional reform of the EU has almost completely disappeared. It is widely accepted that if Europe is to win back the hearts of the French people, it has to produce results¹³²⁴. Expectedly, those who had been involved in the drafting of the Constitution tend to insist more on the need for institutional reforms¹³²⁵.

Policies to cope with globalisation

Among political parties, there are many differences in the solutions proposed. However, the issues identified as priorities are the same. De-industrialization and industrial relocation have a very high salience. The French government supported the idea put forward by Commission President Jose Manuel Barroso to create a globalisation fund to soften the impact of globalisation on workers. This idea is also popular on the left.

Reinventing the European social model

The French social-model is another issue. Jacques Chirac has always presented himself as a great champion of this model, but his actions have rarely matched his words. Within the UMP, the main right-wing party, many people want liberalisation and strong reforms. Nicolas Sarkozy, UMP chairman, explicitly said during the campaign for the referendum that he expected the European constitution to have such an effect on France. It would accelerate reforms and contribute to "destroy" the French model.

The socialists, of course, have a very different approach. They want more social policies. Jacques Delors, long-time advocate of a "social Europe", insisted that it would be possible to create a "progressive social minimum" which would progressively improve social welfare throughout Europe¹³²⁶.

¹³²⁴ See, for instance, Jean Pisani-Ferry, « La légitimité passe par la croissance », *Les Echos*, 17 June 2005.

¹³²⁵ Alain Lamassoure, "Des pistes pour relancer la machine avant les élections de juin 2009", *Le Figaro*, 13 June 2005; Hubert Haenel, interview in *La Croix*, 28 June 2005; Pierre Lequillier, "Qui a vraiment gagné le référendum du 29 mai?", *Le Figaro*, 22 June 2005.

¹³²⁶ Jacques Delors, *Entretiens*, Paris, Michel de Maule, 2005.

The EU as an international actor

The French always pay lip service to “l’Europe puissance”. It is not sure, however, that they are ready to make it possible. Today, the importance of the “Franco-German couple” is underlined by almost everybody. It is, in part, the result of the fear that France may lose its influence in Europe because of the “no”. Referring to the Franco-German couple is a way to revive memories of past successes. The German elections were the source of intense interest, largely for that reason. There is a general feeling that, tomorrow as in the past, Europe will progress only if France and Germany are able to show the way.

Germany

Constitutionalisation / institutional reform

The constitutionalisation of the political order of the EU will remain on the agenda, with or without the TCE. The primary concern is to enhance the efficiency and legitimacy of the enlarged EU. That is why the government and all relevant parties in the Bundestag support a continuation of the ratification process of the EU. The German presidency in 2007 is set to give new impetus to this endeavour,¹³²⁷ expecting that (with elections in France and the Netherlands) in 2007 new opportunities will occur. There is a particular interest in the early warning system and the stronger involvement of the Bundestag and all national parliaments.¹³²⁸

Policies to cope with globalisation

Globalisation is *the* buzz word and big topic. Nearly everything is now linked to this process and used as an argument for taking one or the other policy choice. With regard to the EU globalisation is identified with the Lisbon process but also with the position of a strong Euro on the financial markets and in world economy as well as with a global role for the EU in CFSP/ESDP. For the German government and politics in general it will be key to emphasise the welfare gains of the past and

future Germany enjoys from global economy. It must likewise prove that global processes can be governed according to the preferences of the EU and its member states so that European states are not only pawns in the game of invisible international powers. “Any policy which aspires to shape globalisation – and this claim must be raised, even if many people got the impression that politics lack corresponding capabilities – cannot neglect international institutions, but has to enable international institutions to shape globalisation.”¹³²⁹

‘Delocalisation’

The debate on delocalisation and its incentives will probably continue as long as the programme to reform the system of direct and indirect taxes in Germany is not clearly outlined and effective. The coalition agreement argues in favour of a minimum tax to avoid unfair tax competition (dumping) and even threatens to cut EU structural funds if dumping occurs. Given Germany’s long border with new member states it argues that the difference between support levels for old and new members in border regions shall not exceed 20 per cent.¹³³⁰

Reinventing the European social model

Debate on the European social model or more clearly its various types will be a top issue. Of course there is an implicit tension between the liberal preferences of Chancellor Merkel and the ideas of reform of the social security system as developed by the social democrats. While one can learn from best practices and experiences in other countries, e.g. Sweden or Denmark, the job has to be done and a consistent programme for reform developed at national level in Germany.

The EU as an international actor

The need to strengthen the EU as an international actor is an undisputed priority issue in Germany. If the TCE is going to fail the German government will probably try to establish an avant-garde with like minded countries and do everything that can be done

¹³²⁷ Koalitionsvertrag zwischen der CDU, CSU und SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (latest access: 18.12.05), p.148.

¹³²⁸ Gesetz über die Ausweitung und Stärkung der Rechte des Bundestages und des Bundesrates in Angelegenheiten der Europäischen Union, Bgbl. Vol. 2005, Part I No.71, Bonn, 25.11.2005, pp.3178-3180.

¹³²⁹ Deutscher Bundestag: „Lassen Sie uns mehr Freiheit wagen“, Policy-Statement of Federal Chancellor Angela Merkel in the German Bundestag., in: Plenarprotokoll 16/4, p.91.

¹³³⁰ Koalitionsvertrag zwischen der CDU, CSU und SPD: Gemeinsam für Deutschland. Mit Mut und Menschlichkeit, 11.11.2005, http://www.spd.de/servlet/PB/show/1589444/111105_Koalitionsvertrag.pdf (last access: 18.12.05), p.27.

at a practical and also intergovernmental level to make CFSP/ESDP more coherent, proactive and effective.

Greece

The current direction European integration is taking points to a danger of stagnation. The EU misses the opportunity to play a role of world leadership, while Russia comes with new vigour to the fore, while China and India are emerging. The *priorities* are the following:

- Imperative need of *institutional reform*, otherwise decision deadlock; at the same time, urgent need for public opinion to understand what is really at stake.
- Absolute need of new common politics essentially in research, development and technology and other advanced areas.
- '*Delocalisation*' was not considered a real danger in Greece until in mid-2005 the wider public opinion realised the extent of jobs losses (especially in Northern Greece, mainly in textiles).
- *Enlargement* to the Balkans and even Turkey should not be viewed negatively. The EU needs vital space, demographic equilibrium and relatively developed surroundings.
- The *European social model* must be revised in order to eliminate the assertion that all countries should come to the same level before any liberalization of the markets. This, of course, is easier said than done.
- If EU does not become a real *international actor*, it is condemned to stagnation and decline.

Hungary

Constitutionalisation / institutional reform

The Constitutional Treaty should not be revived hastily, and most importantly should not be re-opened with the aim of picking just some elements of it. Nevertheless, in the medium run the document's innovations and values should be part of a potential later debate. In any case, the issue of institutional reform will remain on the agenda due to the Nice Treaty's upper limit of EU-27. The accession of further candidate states will necessarily require the reform of the institutions and decision-making and the reform debate might then merge into a re-

design of the Treaties and might lead to the revival of the constitutional process.

Policies to cope with globalisation

The most important issue for the EU in the context of globalisation is the double challenge to become more competitive (e.g. the genuine completion of the Internal Market is needed with the four freedoms implemented) while preserving the most important elements of European social values. The European Commission is making considerable efforts to assist the Member States in their choices but a lot needs to be done to harmonise major interests in this regard.

'Delocalisation'

Delocalisation of investments and of economic activities in general seems to be closely linked with the competitive background of a country. At the same time, foreign direct investments are also being attracted by countries with a high-level social care (e.g. Scandinavia). This draws attention to the fact that firms are not only interested in low labour costs, low social standards and tax holidays, but they are also interested in highly qualified labour force, reliable infrastructure, political and social stability. This leaves a room of manoeuvre for the EU countries (especially the old Member States) to attract capital e.g. by lowering taxes or rendering the domestic labour markets more flexible – without however being "obliged" to abolish their national social values. On the other hand, one must not forget that relocating firms are re-directing parts of their profits as well as taxes to their home country thus contributing to the national economy and public budget of the given country.

Reinventing the European social model

There is no such thing as a European social model. There are different co-existing models, although they usually share the same basic principles (such as caring for the poor or intergenerational solidarity). The existence of the different competing social models (such as the Scandinavian, the Anglo-Saxon, the continental, the Mediterranean or the post-communist ones) can play a catalyst role for the Member States to compare and exchange best practices (as is already the case with employment policy). The EU can provide an added value in promoting social values common to European countries without requiring strict harmonisation from the Member States. This would all the more be impossible,

since the EU does not collect taxes from the EU citizens and does not deliver any social services to them.

The EU as international actor

In the Hungarian view the role of the EU as an international actor should be strengthened. First of all the EU must remain an area of peace and solidarity which should have a stabilising impact on the whole continent or even on the farther “neighbours”. Similarly, the EU should continue to participate in peace-keeping or even peace-enforcement missions around the World, and should also continue taking the lead in helping the third World. It would be ideal if one day the EU became one of the permanent members of the UN Security Council which would indicate a very substantial step towards acting with one voice on the international stage. Taken all these priorities together it is more than relevant to introduce a new headline in the EU budgetary framework for 2007-2013 (namely that of the EU as an international actor) and to spend the necessary amount of money on these goals.

Ireland

The Irish priorities ranking is as follows:

Policies to cope with globalisation

On globalisation, the Irish view is that the EU needs an agreed collective approach to the challenge of globalisation and to harness the economic and social benefits which flow from the immense strength of the single market.

Constitutionalisation / institutional reform

The need for the EU to upgrade its institutional framework to enable a union of twenty eight or thirty members to function effectively is why member states agreed to the European constitution. A legal framework is necessary to guarantee the political nature of the EU and to ensure that Member States can continue to take decisions effectively and in the interests of all.

Reinventing the European social model

The Irish view is that there is no uniform social model that is applicable to all of the Member States, however, there is, throughout the EU, a high degree of social solidarity and a strong commitment to balancing the forces of the

market with workers’ rights. Despite differences in emphasis, there is no perceived deep division between the different social systems of the Member States. Although the constitution has not yet been adopted it provides a reasonable template for future development.

‘Delocalisation’

Delocalisation is a challenge and Member states often behave as if competition between the member states is on a level with the external competitive challenges from China, India and Brazil. Ireland’s status in the EU has changed dramatically in the last ten years and its national policy approach to issues on the EU agenda will reflect its changing interests such as R&D expenditure and innovation, dealing proactively with the economic and social dislocations that globalisation brings in its wake, retraining and developing new skills as Ireland moves up the value added chain and developing active labour market policies.

The EU as an international actor

The EU is a profound force for good both in the continent of Europe and in the wider world. In the face of trans-national challenges such as climate change, terrorism and regional conflicts and poverty, the Union will have to project its shared fundamental values on to a wider canvas and continue to promote peace and stability in Europe and the wider world. Developing a strong voice on major global issues will be essential in the period in question.

Italy

Constitutionalisation / institutional reform

The Italian government supports the institutional reforms proposed by the Constitutional Treaty and is in favour of bringing the text into force. Italy does not want the “pause for reflection” proclaimed at the June European Summit to prolong the situation of uncertainty caused by the two referenda.

Policies to cope with globalisation

Immigration, cohesion, foreign policy. Immigration, in particular, represents Italian’s third reason of concern for the future. Italy expects to share with the other European partners problems and expenditures related to

the growing illegal immigration towards the Union.

'Delocalisation'

Prolonged economic stagnation has raised fears in Italy of strong external competition. During the current year, these fears were mainly directed against low-cost production from the Far East, China and India. In 2005, some political leaders of the Northern League as well as Economy Minister Giulio Tremonti made calls for defensive measures to reduce the massive Chinese exports to Italy that threaten Italy's textile sector.

The EU as an international actor

Italy is traditionally a strong supporter of further developments in the field of European Foreign, Security and Defence Policy. Italy's main interests are the continuation of the enlargement process towards Bulgaria, Romania, Croatia and Turkey. In addition, Italy supports the stabilisation process and future membership of the Balkans in the EU and is in favour of a greater EU involvement in the Mediterranean region.

Latvia

Constitutionalisation / institutional reform

Concerning the priorities and perspectives of the EU in the years from 2005 to 2009, Latvia feels that the efforts toward adopting and working under a constitution were fundamentally slowed down by the refusal of the French and Dutch electorates to endorse the EU Constitutional Treaty. This has resulted in a pause of indefinite duration. This should not necessarily be bad, because the time can be used to mull over the status quo and draw some conclusions about how to proceed. After all, when the Constitutional Treaty was endorsed, the momentum of activity stemming especially from the EU enlargement was not conducive to careful contemplation of the Constitutional Treaty. As for other institutional changes, these should be considered case by case, since not everything needs to be tied to the Constitutional Treaty.

Policies to cope with globalisation

Concerning the challenge of globalisation, Latvia believes that EU should focus on the opportunities presented by the liberalisation of

the market; the EU should raise its competitiveness in the global market. Latvia's initial reaction toward the proposed globalisation fund is rather sceptical, but this is not a final judgement of the proposal.¹³³¹ As for the notion of 'delocalisation' in the context of globalisation, it has not been the focus of debates by public officials.

Reinventing the European social model

In Latvia, the older members of the EU are not perceived as a homogeneous entity with a single social model, but as individual states with their own social models. A common and fundamental element of these models is that they have fostered a high standard of living for the population – something that Latvia is also striving for. Latvia believes that the most effective way to achieve and maintain a high standard of living is through economic competitiveness, a recipe also prescribed in the Lisbon Strategy for all EU member states. This would translate also into the promotion of free movement of goods, labour, capital and services throughout the European Union. This might also entail a reassessment of the prevailing policies and models that hamper competitiveness and the implementation of certain changes. But it does not mean acceptance of dumping, social or otherwise.

The EU as an international actor

Latvia fully supports the idea that the role of the EU as an international actor should be strengthened. This is reiterated in the Declaration on the Intended Activities of the Cabinet of Ministers announced on 1 December 2004.¹³³² One way to do so would be for all EU member states to speak with one voice on important international issues, whether political or economic. This can best be achieved if the development of the EU is based on the principles of solidarity and equality of all member states. EU's role in the international arena could also be strengthened by greater engagement in the neighbouring countries.

¹³³¹ See Latvia's position paper for the GAERC meeting of 7 November 2005, <http://www.mfa.gov.lv/iv/eu/Jaunumi/aktualitates/2005/novembris/pozicijas/>, latest access: 8.12.05.

¹³³² For the full text, see <http://www.mfa.gov.lv/en/policy/declaration/>, latest access: 8.12.2005.

Lithuania

Constitutionalisation / institutional reform

The institutional reform of the EU was set as a Lithuanian priority while defining the priorities of Lithuanian participation in the EU decision-making process¹³³³. It is generally agreed that the Nice treaty is not a perfect legal basis for the functioning of the enlarged EU and the EU Constitution is said to bring the necessary institutional reform. However, if the EU Constitution is not ratified there should be a way to implement certain constitution provisions, especially the ones securing the more effective EU decision making process.

Policies to cope with globalisation

In his speech delivered at the plenary session on the most important EU issues in the Parliament the President V. Adamkus said “Considering the rapid processes of globalization and new challenges we have to be flexible and open for changes, which would secure the growth of our competitiveness. We should treat globalization as a possibility, not as a threat”¹³³⁴. Speaking on the other occasion he has named globalization as one of the most important reasons why the EU should conduct an active and sovereign foreign policy in the neighbourhood and in the world¹³³⁵. However, a clear Lithuanian position how to cope with the globalisation is not yet defined.

‘Delocalisation’

The question on the ‘delocalisation’ does not attract a lot of attention and the Lithuanian position on this question is not yet defined.

Reinventing the European social model

Lithuanian position on the European social model is not clearly defined and the discussions on the European social model are just starting in Lithuania.

¹³³³ Lietuvos prioritetų ES sąrašas, jų nustatymo procedūros [The list of Lithuanian priorities in the EU, the procedures for setting them], www.euro.lt.

¹³³⁴ The speech by the President of the Lithuanian Republic delivered at the Parliament plenary session on the most important EU questions on October 20, 2005.

¹³³⁵ The press release of the Office of the President “Prezidentas priėmė užsienio valstybių diplomatinį atstovybių vadovus” [The President welcomed the heads of the foreign states diplomatic missions], July 7, 2005, www.president.lt.

The EU as an international actor

Lithuania supports the strengthening of the EU as a global actor. As the President of Lithuania at interim said “Our vision is a bigger, stronger and more open Europe”¹³³⁶. However, the ways to achieve that are not clearly indicated. Some Lithuanian officials and politicians hold that the strengthening of the EU foreign policy is the best way to achieve that. As the Minister of Foreign Affairs A. Valionis declared “we have an interest that the European Union foreign policy would be stronger and more united”¹³³⁷.

Luxembourg

Constitutionalisation / institutional reform

During the referendum campaign on the European constitution the politicians promised the citizens a more intense debate on European subjects. A disconnection of national and European elections was promised. Luxembourg was supposed to be the “saviour of the European constitution treaty.”

Most recently after the October 2005 municipal elections these “Sunday speeches” have been forgotten. Business as usual is again on the top of the agenda. The perspective of disconnection of national and European elections in order to intensify the debate on European subjects has been postponed by the leaders of the parties in power. Concerning the constitution itself the Luxembourg government, against its own announcements, has meanwhile given up its own believe that the constitution will be ratified any way. The subject after having been in the main focus of interest of the government for a month before July 10th has totally disappeared from the political agenda. The Luxembourg government seems to have adopted a “wait and see” strategy.

Policies to cope with globalisation

The economic success of Luxembourg in particular and Europe in general is rooted in the internal market, to believe Jean-Claude Juncker. It brought the older states prosperity

¹³³⁶ The speech of the President at interim A. Paulauskas “The new Lithuanian foreign policy” delivered at Vilnius university.

¹³³⁷ The speech by the Minister of Foreign Affairs A. Valionis delivered at the Seimas plenary session on the most important EU questions on October 20, 2005.

and offers the new one the same opportunities. The Luxembourg government wants well-functioning markets hand-in-hand with social justice and balance. This is the European model that can guarantee long term prosperity for European citizens. Only together will European nations be able to hold their own in competition and successfully negotiate with countries like the USA, but also with China and India which have a demographic weight of 1.3 and 1.15 billion and growth rates of 9 and 8.5 %. Only an economically strong Europe, united in solidarity, can shape the forces of globalisation and give globalisation the social dimension we deem necessary. In Jean-Claude Juncker's eyes Europe can provide a model for the whole world.

'Delocalisation'

Delocalisation, social dumping and high pressure on wages are the most feared consequences of the EU-enlargement as well as from the globalisation. If delocalisation for economic reasons means the strong will to bring together potential customers and new markets it is understandable. If Luxembourg's businesses and industries would neglect this they would inevitably lose jobs. If, on the other hand, they benefit from the potential of these new markets, the economy, fed at the total level, will enhance a growth in the Grand Duchy.

Reinventing the European social model

European economy has to become in the view of the Luxembourg government more competitive and more innovative like it was decided on the 2000 Lisbon summit. But the European social model has to be maintained as well. It is one of the mightiest pillars of European identity. It can't be sacrificed on the altar of globalisation to strengthen EU as international actor.

Jean-Claude Juncker affirms that France, Germany, Luxembourg and some others which feel concerned with Rhenish capitalism, did know to combine economic freedom and social responsibility. Of course the European social model is not perfect, but its promoters made a success story of this marriage. Even if the model is sometimes too slow to adapt to new challenges. According to Jean-Claude Juncker, those who think that one needs only to flexibilise endlessly the labour laws, to destroy the basic laws which protect the employees rights, to introduce a total liberal hire and fire

legislation are misleading the public. If one eliminates the labour protection laws, one eliminates not only the right to work, but also the work itself. In certain countries where the right to lay off was softened, the first reflex of the economic capacity was not to recruit new employees but to lay off more. In Jean-Claude Juncker's eyes, the equation according to which flexibility equalises more employment has never been verified. But Luxembourg's prime minister adds also that a country which does not breathe at the rhythm of the economic changes will lose contact with the front runners and hence delay or even jeopardise its economic growth and development.

Malta

Malta believes that institutional reform of the EU and adoption of the Constitution are necessary so that the EU and its member states are able to cope with the changing nature of demands that globalization is unleashing. A credible EU that is able to take effective action in all sectors is essential to the future well being of its member states.

The creation of a Ministry for Competitiveness and the introduction of a National Reform Programme for 2005-2008 reflecting the goals of the Lisbon Strategy of the EU are priorities that Malta has already started to implement. Reinventing the European social model so that the increasing number of senior citizens are able to benefit from sufficient pension schemes is also a priority that has started to be debated in Malta.

When it comes to international relations, Malta's active participation in the Euro-Mediterranean Partnership offers it another opportunity to further promote peace, security, and stability across the Euro-Mediterranean geo-strategic region, including the Middle East.

As a European country with a Mediterranean personality, Malta is ideally located to assist in realising the overriding objectives of the Euro-Mediterranean Partnership process, that of increasing stability and promoting prosperity in the region. Malta's social, economic and cultural Euro-Mediterranean characteristics also help to explain its specific commonality of interests with the other thirty-four Euro-Mediterranean partners.

Netherlands

Constitutionalisation / institutional reform

The Netherlands' Minister of Foreign Affairs Bernard Bot stressed that the period of reflection should not be used to revive the rejected European Constitutional Treaty and that the Dutch government certainly will not ask the parliament once again to approve the current Constitutional Treaty.¹³³⁸ In general the debate focuses rather on the underlying reasons for the rejection of the constitution than on the constitution itself. This whole issue has led to a number of advisory reports on the nature of the impact of 'Europe' on national state institutions and on the Dutch citizens. The report by the Council of State has sparked the debate on the European policy coordination by its advice to give the Prime Minister and his office a more prominent role in order to achieve a better integration of national and European policy making.¹³³⁹ In the end the Minister of Foreign Affairs Bernard Bot, the former Permanent Representative to the EU, won his plea that the Foreign Ministry should maintain its leading role in EU policy making despite the resistance by the liberals in parliament.¹³⁴⁰

Policies to cope with globalisation

In its annual report on the State of Affairs in the European Union the government expresses its conviction that the challenge of globalisation can be best met through the revitalised Lisbon strategy focused on enhancing economic dynamism and capacity for growth. In their opinion the long-term challenges Europe is facing – an ageing population and internationalisation – should be tackled by a sustainability strategy promoting long-term economic, social and environmental development in Europe.¹³⁴¹ This view is echoed in an earlier report by the Committee of Social-Economic Expert called 'With Europe more growth'.¹³⁴² In the opinion of the experts

¹³³⁸ Bernard Bot, 'Liever hoop dan angst in Europa', Volkskrant, 25/10/05.

¹³³⁹ 'Referendum Europese Grondwet. Advies Raad van State en Nader Rapport', Kamerstuk 2005-2006, 29 993, nr. 22.

¹³⁴⁰ 'Regie over Europa moet bij premier', Volkskrant, 9/11/2005; Sophie van Bijsterveld en Pieter de Goede 'EU beleid vraagt om regie premier', NRC, 10/11/2005 and 'Wij nemen voortouw in Europa. Minister Bot over advies om Algemene Zaken grotere rol te geven', NRC, 26/10/2005.

¹³⁴¹ 'Staat van de Europese Unie 2005-2006', p. 16-17.

¹³⁴² 'Samenvatting Rapport "Met Europa meer groei"', Commissie Sociaal-Economische Deskundigen, SER (mei 2004) at <http://www.ser.nl>.

the added value of EU-policy is in a better functioning of the market through: the completion of the internal market including harmonisation of fiscal systems, the European labour market and one single European knowledge space.

The government welcomed the informal summit of Heads of State and Government at Hampton Court organised by the UK Presidency on the challenges of globalisation and the commissions document "European values in the Globalised World" prepared for this occasion. The government subscribes the statements made by Blair and Baroso that the EU needs to reach agreement on its future directions in this respect especially on the balance between its competitiveness and social solidarity. On how to address the growing competition from countries like China, India and the USA on the one hand and on the other to find solutions for high unemployment, non-flexible labour markets and the aging of Europe. At the meeting the Prime Minister stressed the value of the European model in the way it strives for balances for example between competitiveness and social justice. He also asked special attention for the theme of sustainability in relation to EU's competitiveness and welcomed the special attention by the commission for the dialogue with the social partners. He strongly supported the Commissions' approach at the WTO negotiations. On the proposed Globalisation Adjustment Fund by the European Commission The Netherlands like other member states had strong doubts and are looking forward to the follow up discussions on this matter at the European Council in December.¹³⁴³

'Delocalisation'

In its Lisbon National Reform Programme 2005-2008 the government stresses the importance of focusing on economic growth and employment. Key challenges mentioned in this respect are increasing the labour participation and the labour productivity through knowledge, innovation and better facilities to combine work and child care.¹³⁴⁴ This policy line is amongst others based on the report 'With Europe more growth' of the social-economic expert committee in which they

¹³⁴³ 'Brief Minister van Buitenlandse Zaken en Staatssecretaris voor Europese Zaken', Kamerstuk 2005-2006, 21 501-20, nr. 295.

¹³⁴⁴ Nationaal Hervormingsprogramma Nederland 2005-2008, 4-6.

plead for a better allocation of labour through increased labour participation, labour productivity and labour mobility within Europe in order to stop for example the brain drain of highly educated workers to United States. The experts do not expect a massive delocalisation of enterprises to new member states because of the lower enterprises taxes. The geographic location of The Netherlands inside the EU will counter balance such a trend in their opinion.¹³⁴⁵

Reinventing the European social model

In the discussion with parliament on the Lisbon Strategy the Minister of Finance Mr. Gerrit Zalm stated that the Dutch Social model is just and efficient. He referred to the background paper for the informal EcoFin Summit in Manchester the 9th of September by Prof. André Sapir of the Bruegel Institute on the need of reforming the European labour market and social policy to meet the challenges of globalisation. He distinguished four social models in Europe versus the American model: the Nordic model; the Anglo-Saxon model; the Rhineland model and the Mediterranean model. A model is efficient if it contains enough incentives for work and leads to a relatively high labour participation and a model is just if it has a relatively low chances on poverty. The Netherlands was considered to have a Nordic model.¹³⁴⁶

The EU as an international actor

The Netherlands is in favour of an active role for the EU on the world stage in close cooperation with the United States of America, which is well illustrated by a speech of the Minister of European Affairs Mr. Atzo Nicolaï at Hopkins University in Washington DC. In this speech he stated that “The EU is an established economic power. It is also a rising political power in a world in the midst of enormous changes.” and that “If there was ever a time for cooperation, it is now. The EU and the US complement each other. With a European eye for complexity and an American flair for action, we can change the world.” He also stressed that multilateralism will always be at the core of European foreign policy. And that nowadays with European forces in the Balkans and Afghanistan the EU, although in its roots a peacemaker, bridge-builder and beacon of

prosperity and stability, must and will not hesitate from using military means to further diplomatic solutions.¹³⁴⁷

Poland

Constitutionalisation / institutional reform

These issues are unlikely to be the Polish priorities now and it is difficult to imagine that this could change in a medium term horizon. The Nice Treaty basis is perceived as the well fitted ground for the continuation of the current integration status.

Policies to cope with globalisation

The globalisation problems are perceived in the twofold perspective: on one side the Lisbon strategy, which refers deeply to this issue, is highly supported. On the other – globalisation is perceived through global terrorism and regional preoccupation lenses. These issues, in the Polish case, are very much related to the role of the EU at the international arena. Among the priorities, which might probably come with the new government and president, the external relations – and more generally the strengthening of the global EU actorness – are issues of the expected increase of interest. Within the current configuration crucial decisions concerning the shape of Poland-EU and Poland – US relations may become the most urgent matters. One could see also the growing role of the Baltic Sea co-operation as one of the arising issues, which may gather more substantial prioritisation.

‘Delocalisation’

Delocalisations are generally perceived as “marginal” effects of the positive process of optimal reallocation of resources within the liberal perspective. Postulated, well-implemented solidarity instruments are perceived as sufficient tools to cope with the disparities. Positive effects of the first period of membership support this positive perception.

Reinventing the European social model

The issues of the reinvented European social model are present in the public debate although not in its centre. There are high expectations concerning the reduction of the gap, which exists between its current state in

¹³⁴⁵ Samenvatting Rapport “Met Europa meer groei”, 19 and 25-30.

¹³⁴⁶ ‘Sociaal model Nederland rechtvaardig én efficiënt’, Actueel, 21/10/2005 at <http://www.minfin.nl>.

¹³⁴⁷ Atzo Nicolaï, ‘1+1 is more than 2. The future of Europe and Transatlantic Relations.’

Poland compared to the European average. However one should not forget that the key reforms of the health care system, pensions and other elements which compose the shape of the current Polish social model are basically accomplished. During the process of their implementation they appeared to be the most intensively debated issues. Now the general context of the disparities between member countries is perceived as the result of the differentiated effect of the development delay of Poland.

The post-election situation seems to evolve towards the more welfare-state oriented approach than it had been during the last, more liberal approach driven decade.

The EU as international actor

Poland's priority is and will be the EU-Russia axis. There is a great interest in the development of a cohesive EU policy towards this neighbour. The gas pipeline case seems to play an important role in the crystallisation of the geopolitical configuration.

Romania

Constitutionalisation / institutional reform

The Prime Minister Tariceanu considers that the EU should not remain only a single market but go further and consolidate its institutions so that, besides the common agricultural policy that could be considered today the only common policy, to have other policies in common fields, at European level¹³⁴⁸.

An EIR's impact study entitled "The required directions for EU's institutional development (deepening) related to its horizontal development (enlarging)" states that the socio-economic system of the EU determines not only its economic performance but also the ability to reform its own institutions, especially the political ones. A prediction on how the economic and social system of the EU will be like is also difficult because the economic and social systems prevailing in the main member states of the EU are heterogeneous enough and the choice of the EU's social-economic system follows the rule: the national states

¹³⁴⁸ Prime Minister Calin Popescu-Tariceanu, speech at the Conference Vienna Economic Forum – Investment Opportunities in Romania, Government of Romania, Press Office, 20.06.2005, <http://www.gov.ro/engleza/index.php> (latest access: 17.12.2005).

tend to prefer the system that copies their own system¹³⁴⁹.

Policies to cope with globalisation

According to a Report of the Romanian Group of Applied Economics (GES), since the relative worsening of the EU competitiveness is not non-controversial it would be a mistake to be satisfied with the current trends in most of the old EU member states. The Lisbon Agenda is an attempt by the EU member governments to respond to the new challenges posed by the globalisation against the backdrop of the new information and communication technologies (ITCs). What is spectacular is the large variety of policy effectiveness among the EU member states: some of them, especially the Nordic countries (Denmark, Sweden, and Finland) show spectacular results, while others (such as France, Germany or Italy) are lagging significantly behind, as far as the Lisbon Agenda is concerned. It is clear that both market-oriented reforms and more effective public policy involvement are needed in order to cope with the challenge of competing in the world economy¹³⁵⁰.

'Delocalisation'

The Prime Minister, Mr. Calin Popescu Tariceanu, used to say at the "Annual Meeting of Romania's Ambassadors and General Consuls" that one aspect largely discussed and argued at this hour in Europe is that of "the capitalization of the European industrial relocation process by Romania", underlying the Romanians' attractive offer, appreciated by some of the most important European companies and the fact that this appreciation should not be lost because of the lack of reaction or of bad promotion of the Romanian economic environment¹³⁵¹. According to Prime Minister Tariceanu Romania goes towards an open economy but this can not limit itself to supplying cheap raw materials and labour force to other states. "Romania needs

¹³⁴⁹ Paul Fudulu, Anton Comanescu, Dragos Negrescu, Petre Prisecaru, The required directions for EU's institutional development (deepening) related to its horizontal development (enlarging), Pre-Accession Impact Studies III, Study 8, European Institute of Romania, December 2005.

¹³⁵⁰ D. Daianu (coordinator), Romania. An Assessment of the Lisbon Scorecard, The Group of Applied Economics (GEA), March 2004, p.3.

¹³⁵¹ Prime Minister Calin Popescu Tariceanu, The Annual Meeting of Romanian's Ambassadors and General Consuls", Government of Romania, Press Office, 29.08.2005, <http://www.gov.ro/engleza/index.php> (latest access: 17.12.2005).

responsible capitalists, good citizens that can consolidate the economy of the country and understand the corporate interest in conjunction with the public one”, Mr. Tariceanu said.¹³⁵²

Reinventing the European social model

The latest Report of Group of Applied Economics (GEA) stated that in the years to come, a major issue in the public policy agenda will be which model the Romanian economy would evolve to. The EU represents a certain social and economic model which stresses the need of preserving social cohesion and virtues of social solidarity. The EU project does influence national public policies by spreading common standards and imposing common rules of policy-making and Romania has to adopt EU rules. However, Romania needs to do it in such a way that the economy will steadily improve its performance and the catching up process becomes reality. Both the Romanian labour costs and overall productivity are significant lower than in most EU member states and therefore the question which “European model” is evolving represents a relevant issue for Romanian policy-makers¹³⁵³.

The EU as an international actor

In a interview for Forward Magazine, President Basescu presented both what Romania brings to the EU and what Romania is expecting from the EU. On the one hand, President Basescu underlined that, on medium and long term, Romania will contribute to the accession of Ukraine, the Republic of Moldova, Croatia, Turkey, etc. “We mainly want to regain our place in Europe, where we used to be part of until World War II, at a time when Bucharest was still called “Little Paris”¹³⁵⁴. On the other hand, Romania will bring to the EU a security plus: “Romania is at the Western border of the former Soviet Union. The country is a buffer between Europe and the Black Sea, which shelters many frozen conflicts. Let’s take for instance Transnistria, Nagorno Karabah, Ossetia...Even more so, we can bring a

¹³⁵² Ibid.

¹³⁵³ D. Daianu (coordinator), Romania and the Lisbon Agenda. Sustaining Growth and Fostering Jobs in an Emerging Economy, 3rd Report, Group of Applied Economics, October 2005.

¹³⁵⁴ „Investing in Romania today is a good business and an operation with no risk”, interview with President Traian Basescu, Forward Magazine, April 2005, available on http://www.presidency.ro/?_RID=det&tb=date&id=6136&_PRID=ag (latest access: 17.12.2005).

cultural contribution to the EU. We have a rich culture and history, well-educated people... Think of the many young people working for Microsoft in Europe...”¹³⁵⁵.

The Ministry of Foreign Affairs, Mihai-Razvan Ungureanu in an interview published in the Romanian newspaper Adevarul, has explained the statement of President Basescu concerning the Romanian foreign relationships and its position in a Washington-London axis: “It is obvious that we deal with a concept that Mr. President wished to express in a mostly clear way, and at the same time, in a mostly accurate manner. In no way this would imply excluding any European capital cities. The emphasis on London is meant to make it clear to any receptor of foreign policy that Europe is a whole – this is the meaning of the relation between Romania and the European Union as the President sees it – it is not the kind of Europe where there are only two or three partners; it is Europe connected to the United Kingdom, playing an important role in the trans-Atlantic relation with the help of the United Kingdom itself. The fact that Washington is mentioned so emphatically should not be a surprise to anybody. The axis Washington – London, as his excellency calls it, is meant to be a vector of interest. We are interested in London, we are interested in Washington and, I repeat myself, it does not mean that we are not interested in Paris or Berlin, Rome, Madrid or any other European capital city. The President highly values the strategic partnership between Romania and the United States and considered it necessary to bring that clear touch to Romania’s foreign relations. Again, it was not meant to have an exclusive dimension”¹³⁵⁶.

Slovakia

Constitutionalisation / institutional reform

After the constitutional failure Slovakia has focused its energies on other priorities like the EU financial perspective and EU enlargement (especially the decision on Croatia). Since the country’s parliament approved the text of the EU Constitution, there has not been any real public debate on alternatives to EU Constitution. Hence the issue of institutional

¹³⁵⁵ Ibid.

¹³⁵⁶ Interview with Mihai-Razvan Ungureanu, the Foreign Minister, Adevarul, 1.08.2005, available at <http://www.mae.ro/index.php?unde=doc&id=10031&idlnk=2&cat=4> (latest access: 17.12.2005).

reform has not been a central priority in the latter half of 2005. Rather, Slovakia has been keen to adjust to the existing structures and rules of the EU and to focus on the aforementioned strategic decisions of EU widening and EU financing.

Policies to cope with globalisation

Slovakia's domestic policy priorities center on the challenges of domestic reform and the country's modernization. While Slovakia is keen to preserve the principle of solidarity in EU financing and to complete the 2004 enlargement through successful adoption of the euro and a smooth entry into the Schengen system, the country has thus far placed clear limits on the degree of integration in tax and social policy as well as in the area of justice.

'Delocalisation'

Slovakia is keen for other EU member states to open up their labor markets pointing to the positive experience of the member states that have already done so.

Reinventing the European social model

There seems a broad political and expert consensus that the best way of reinventing 'European social model' is to pursue thorough domestic reforms in the area of tax, social and labor market policy and to invest more resources into education and research to help establish a knowledge based economy.

The EU as an international actor

Slovakia is interested in strengthening the EU role as an international actor, especially through the successful completion of enlargement to the Western Balkans and a more active engagement in the post-Soviet space; these are the country's geographic priorities. In institutional terms many Slovak officials privately acknowledge that despite the constitutional failure a number of changes are already under way and can be carried out (such as the establishment of the external action service) that can help enhance the Union as an international actor.

Slovenia

Constitutionalisation / institutional reform

As indicated under point 1.3. Slovenia has already ratified the Constitutional Treaty and has therefore taken a stand to support additional ratifications. The state's position is to start further debates of possible scenarios after the 20th ratification is obtained.

Policies to cope with globalisation

The propositions of economic reforms which have been put on the table in October include measures for implementation of the Development strategy goals, which are in full consistence with the Lisbon strategy. These goals are based on achieving higher economic growth and competitiveness by creating a more friendly business environment for the development of enterprises (e.g. simplification of tax policies by abolishing the income tax rate, attracting new foreign investments). Other policies include reform of the higher education system and a higher budget for research and development.

'Delocalisation'

Delocalisation as the macro-economic perspective of re-allocation of economic activity is not used or much present in the media. The micro-level perspective, using the term 'outsourcing', is, however, much debated by the experts on international economic relations as well as by the financial and business specialised media. Slovene companies have been outsourcing mainly their low value added production (textiles, food industry) to South-Eastern European markets for quite a few years, partially also due to business links from the times of the former common Yugoslav state. At the time a much harsher challenge is coming on the table of Management Committees, namely a possibility of outsourcing a higher value added production to Eastern markets (Russia, India, China). Some bigger multinational companies (Kolektor, Gorenje, Krka, Iskra Avtoelektrika, Iskratel) are already taking concrete steps in that direction.

Reinventing the European social model

The state and all the political parties agree on the continuation of achieving a well functioning welfare state. In political arena, more debate is centred on the Slovenian social model; whereas general views on the shape of a European social model are not present. The state looks up to the northern European states in practical implementation measures; these are included in the described Propositions for the Economic and Social reforms currently in discussion. The Government proposes that the welfare state in Slovenia is in some respect too 'friendly', e. g. the welfare support for unemployed is so high that it is unprofitable for the low wage workers to have a job and work. Therefore the reform also has to take into consideration to find measures which will motivate people to be employed and further on produce more value added.

The EU as an international actor

When speaking about the role of the EU as a global actor, it seems Slovenia still concentrates on EU's role in regional affairs. The state vigorously supports strengthening of the role of the EU in a sense of stabilizing the Balkans and implementing its Neighbourhood policy (relations with the Mediterranean and Eastern European states).

Spain

Constitutionalisation / institutional reform

European policy and the Treaty establishing a Constitution for Europe are a key priority for the Socialist Government. Following the positive referendum in Spain on 20 March 2005 and the negative referenda in France and The Netherlands, the Government has decided to 'wait and see': it will refuse any premature attempt to bury the Constitution or reopen constitutional or IGC negotiations until the outcome of the presidential elections in France in 2007 is clear.

Policies to cope with globalisation

The Government advocates a two-track policy: on the one hand, it fully supports the Lisbon Agenda, the liberalisation of the services, trade and labour markets and the reform of welfare systems so as to make them more competitive. On the other hand, it would like to see the Union progressing further along the path of economic governance, including more fiscal and social harmonisation.

'Delocalisation' as a high salience issue

Delocalisation is on the rise on the Spanish agenda. Foreign investment (FDI) has already peaked and is on a declining trend; Spain's export capacity is negatively affected by the poor economic situation in France, Germany and Italy; inflation differentials in Spain are higher and are therefore affecting Spanish competitiveness; and an increasing number of firms are moving East to take advantage of the new EU member states' comparatively lower labour costs.

In some specific cases, the industrial base of some regions (e.g., Catalonia) might be very hard hit by these moves (e.g., the motor vehicle industry), which may unleash negative feelings towards the EU and the new members. Besides, the next financial perspective for 2007-13 may well mean that Spain becomes a net contributor to the budget sometime around 2010.

Reinventing the European social model

Spain is satisfied with its social model. The sustainability of its public pension system is assured due to the increasing levels of employment, which have reached a historic high, and the new affiliations to the social security derived from the process of regularisation of immigrants. Therefore, although social expenditure in Spain is still low on average compared to the EU, and reforms are needed in order to safeguard its efficiency, no complete overhaul is needed and the public does not consider the system to be under any immediate threat.

The EU as an international actor

This is an area in which Spain would like see the EU progress substantially over the next few years. This is because both its foreign policy portfolio is wide and complex (Latin America and the Mediterranean) and its geographical position implies an over-exposure to threats and risks which are common to the EU but for which Spain constitutes the front line (especially as regards immigration, Islamic fundamentalism, regional instability, etc).

Spain will actively push for a renewed Mediterranean policy and for giving the EU the instruments necessary to play a wider and more efficient role in issues related with both

external (ESDP) and internal (Area of Freedom, Security and Justice) security.

Sweden

Among the top priorities not discussed above in any detail is certainly the EU's relationship with Russia. The government recently stated: "Our main vehicle to achieve [intensified cooperation with Russia] is to work through the European Union. We will seek to involve Russia in all EU initiatives to enhance regional economic integration in the Baltic Sea region. We will work with Russia to ensure that the four roadmaps adopted at the EU-Russia summit meeting earlier this year will yield concrete results."¹³⁵⁷ The focus on Russia as a priority area is supported by many other parties, for instance the Liberal Party.¹³⁵⁸

Connected to the focus on Russia (and the Baltic Sea) is another Swedish priority, that of environmental protection and improvement and a strategy for sustainable development (which contains not only environmental issues but a broad integrated complex concerning among other things health issues and demographic challenges). This is in close connection to the Swedish perspective on the Lisbon agenda.¹³⁵⁹ This is an area where Sweden has a long-standing interest in international cooperation, and an area where all major actors in Sweden believe the EU to be an important arena.

Turkey

Constitutionalisation / institutional reform

It will be interesting to observe the extent to which the debate on constitutionalisation will be dominated by those who argue that institutional reforms could be a widely acclaimed substitute so as to prevent a constitutional crisis. That is to say, it will be interesting to see whether the debate about the constitutional crisis will increasingly be a redundant topic during the upcoming years.

¹³⁵⁷ Speech by Prime Minister Göran Persson at the opening of Baltic Development Forum, 2005-10-17. www.regeringen.se/sb/d/1122/a/51693.

¹³⁵⁸ Liberal Party platform, www.folkpartiet.se/Templates/QuickFacts.aspx?id=20483&pID=5128; also see their "Faktablad 44/03-04 at the party homepage.

¹³⁵⁹ The government's work program for the fall of 2005, at www.regeringen.se ("Regeringens EU-arbetsprogram för hösten 2005"); speech by Prime Minister Göran Persson at the opening of Baltic Development Forum, 2005-10-17. www.regeringen.se/sb/d/1122/a/51693.

Policies to cope with globalisation

Certainly, there is a need to develop alternative policy frameworks which will give priority to strengthening social and economic rights of the working people on the one hand, and cushion the economies from the adverse effects of vagaries of the international financial markets. In this regard, employment and taxation are bound to remain issue areas which will necessitate much more concerted efforts to develop adequate policy frameworks to cope with globalisation to the extent that the latter continues to be predominantly characterised by the processes of financial liberalisation. There is also the need to develop appropriate exchange rate and monetary policies that will lessen the tensions between the competitiveness of exports and maintaining the convertibility of the currencies, taking into consideration the different structural features of the Euro-zone economies and new members of the EU as well as those of the candidate countries.

Reinventing the European social model

There is an ongoing debate about the implications of the Lisbon strategy for the European social model. In particular, the tension and/or trade-off between competitiveness and solidarity is likely to remain on the agenda for sometime to come without the protagonists of the debate reaching a mutually satisfactory compromise. Put differently, a revitalization of the Lisbon Agenda and the reinvention of the European social model do not promise to be objectives which could easily be simultaneously accomplished.

Reinvigoration of the European social model is also going to be determined by the emergence a political will on the part of the member states to discontinue their present tendency to treat social policy issues as an illustration of the principle of subsidiarity.

The EU as an international actor

The informed public opinion in Turkey would like to see a stronger EU as an international actor. A stronger EU is important in the turbulent international system to create a more conducive environment for international stability and in enhancing its ties of cooperation in the adjacent regions to Europe such as the Middle East, the Caucasus and the

Black Sea region. In order to strengthen its role as an international actor, the European Union should focus more actively on the issues of a wider Europe and the neighbourhood policy. On these critical issues the European Union should work on creating a better and functioning relationship with the United States, provided that the US administrations avoid unilateral interventions, disregarding the sensitivities of the international community. While an increasing rift in the transatlantic relationship would not be conducive for the creation of both international stability as well as regional stability in the turbulent regions around Europe, it is also imperative that the US administrations pay serious attention to the principles of territorial integrity and national sovereignty. In that regard, the EU could play a constructive role which could, in turn, enhance its capacity to act as an international actor. Moreover, the EU could also play a much more constructive role in facilitating efforts to reach a resolution in regional conflicts such as the Cyprus problem if it undertakes the necessary initiatives to encourage the parties to the conflict to seek a fair and long lasting solution.

Without any doubt the EU could also develop initiatives in the sphere of international economic relations which will take into account the concerns of the developing countries. Recent examples of providing debt relief for the poor countries of Africa and/or of trying to find compromise solutions in the context of WTO trade negotiations could help in this regard so as to strengthen EU as an international actor.

Turkey has the potential to contribute to the enhancement of international stability as well as regional stability in the turbulent international system. She could play a more active role in the emerging neighbourhood policy with her economic, political and social ties in the Black Sea, the Caucasus and the

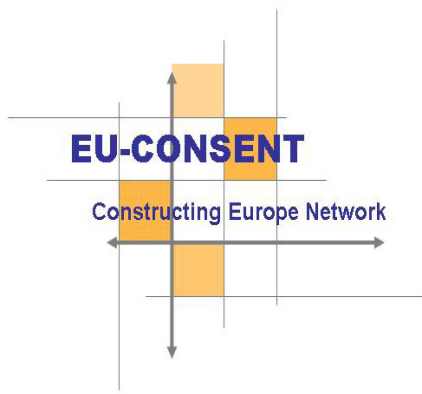
Middle East regions. To activate this role, Turkey should be brought into the neighbourhood policy as soon as possible. There is a need for a working relationship between the EU and Turkey on issues of wider Europe.

United Kingdom

Looking towards the next five years, there seem to be two clear priorities in the UK. First, institutional reform should be off the agenda. The Constitution is widely seen as dead, with little hope for any revived form finding broad acceptance in Europe, especially in referendums. For the UK government, it seems that the EU should not use more time in trying to achieve internal reform, and this includes attempts to introduce parts of the Constitution in a more informal, piecemeal fashion.

Second, the British government wants to prioritise economic reform in Europe. This means that the emphasis of EU action should be put on deregulation and economic flexibility. This would supposedly have two beneficial effects, one direct and one indirect: first, economic growth in Europe would increase, thus lowering unemployment and reducing other social problems; second, a deregulatory agenda would increase the popularity of Europe as citizens realise that the EU can provide economic well-being without the regulatory 'meddling' that it is often accused of.

On the whole, there is little public debate in Britain on the future of the EU, and the opposition parties do not provide a clear alternative view of what the priorities for the EU should be. However, there seems to be broad consensus on the success of the British model in providing economic growth and low unemployment as well as little desire to re-start the constitutional process.



WIDER EUROPE, DEEPER INTEGRATION?

Coordinator

Prof. Dr. Wolfgang Wessels
University of Cologne
Department for Political Science and European Affairs
Gottfried-Keller-Str. 6
D-50931 Köln
Tel: + 49-221-470-4131
Fax: + 49-221-940-2542
wessels@uni-koeln.de

Project Manager

Funda Tekin
coordinator@eu-consent.net

Steering Group Members

Attila Agh, *Corvinus University, Budapest*
Iain Begg, *London School of Economics and Political Science*
Edward Best, *European Institute of Public Administration, Maastricht*
Gianni Bonvicini, *Institute of International Affairs, Rome*
Ettore Greco, *Institute of International Affairs, Rome*
Gunilla Herolf, *Swedish Institute of International Affairs, Stockholm*
Maria Karasinska-Fendler, *European Institute, Lodz*
Brigid Laffan, *University College, Dublin*
Barbara Lippert, *Institute for European Politics, Berlin*
Lenka Rovna, *Charles University, Prague*
Álvaro de Vasconcelos, *Institute for Strategic and International Studies, Lisbon*
Wolfgang Wessels, *University of Cologne*

www.eu-consent.net

Contact: coordinator@eu-consent.net

EU-CONSENT is a network of excellence for joint research and teaching which stretches across Europe.

EU-CONSENT explicitly addresses questions related to the **mutually reinforcing effects of EU deepening and widening** by analysing the integration process to date and developing visions and scenarios for the future of the European Union. The thematic focal points of the network are organised in four thematic “Work Packages”:

- 1. Institutions and Political Actors**
(responsible: E. Best/T. Christiansen)
- 2. Democracy, Legitimacy and Identities**
(responsible: M. Karasinska-Fendler)
- 3. Economic and Social Policies for an Expanding Europe**
(responsible: I. Begg)
- 4. Political and Security Aspects of the EU’s External Relations**
(responsible: G. Bonvicini/A. de Vasconcelos)

The network involves 48 institutional partners, including 25 universities, approximately 200 researchers and 80 young researchers from 22 EU member states and three candidate countries. The project started working in June 2005 and is scheduled until May 2009.

The results of the network’s activities will be incorporated in the following **special EU-CONSENT products**:

- **EU-25 Watch**, an analysis of national debates on EU matters in all 25 member states as well as four candidate countries (responsible: B. Lippert).
- **WEB-CONSENT**, the project’s website at www.eu-consent.net, containing all relevant information and announcements (responsible: M. Cricorian).
- **EDEIOS Online School**, presenting a core curriculum of conventional and virtual study units on EU deepening and widening (responsible: W. Wessels).
- **a PhD Centre of Excellence**, consisting of integrating activities for young researchers such as six summer/winter PhD schools (responsible: A. Agh).
- **an E-Library**, containing resources and papers available online as well as literature lists for all thematic focal points of the project (responsible: W. Wessels/M. Cricorian).

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