

**HEC EUROPEAN EXECUTIVE CAMPUS**

**"DOES EUROPE HAVE THE NECESSARY MEANS  
FOR ITS AMBITIONS?"**

BRUXELLES – 23 FEVRIER 2006

INTERVENTION DE NOËLLE LENOIR  
PRESIDENTE DE L'INSTITUT DE L'EUROPE

## **DOES EUROPE HAVE THE NECESSARY MEANS FOR ITS AMBITIONS?**

First of all, please let me thank you all for your kind invitation. It's a real pleasure to have the opportunity to talk about Europe in front of such a distinguished audience.

I'm also very happy to be present here today with one of our most distinguished Commissioners. Indeed, as everyone knows, Dalia Grybauskaitė has largely contributed to the agreement on the Financial Perspectives which was, finally, reached between the Member states last June. After the double no vote on the Constitutional treaty, this agreement came as the first real positive signal from Europe. And I can personally testify that, at the time, such a positive outcome was far from predictable.

As Dalia Grybauskaitė just said, Europe certainly needs additional money to match its ambitions. There is another aspect of the question of Europe's needs and means that I would like to address. What kind of legal and/or institutional means are needed to allow Europe to meet its objectives ?

**These goals have not fundamentally** changed since the creation of Europe 60 years ago. But, today, we live in a new global order. Without trying to know whether we live in a "unipolar" or in a "multipolar" world, one has to acknowledge that the distribution of power and wealth may indeed be growing more plural, with significant consequences for Europe worldwide. (1)

Given globalization, **Europe's means have to adapt dramatically.** In my view, in this respect, Europe is unfortunately not sufficiently prepared to face its new challenges (2).

### **I. WHAT ABOUT EUROPE'S GOALS IN THE NEW GLOBAL WORLD?**

#### **1. Peace and democracy**

Peace is the key word. Behind Europe's inception, lies the idea that military rivalry between European states could only be prevented by the institution of supranational political structures. Moreover, democratic nation states were meant to be prevented from going to war with each other. That is undoubtedly a success.

Even if, for the current generation in power in Western Europe, World War II is history rather than personal, peace remains the main purpose of the EU's inception. In Eastern Europe, fresh memories of the cold war make it easier to understand why Europe is so essential to all Europeans.

#### **2. Growth and employment**

The second goal that needs to be mentioned is "growth and employment". Contrary to what the French sometimes believe, the single market not only concerns

shareholders and profits and the “CAC 40”. It has also always been conceived of as the best way to stabilize the European democracies through the improvement of growth and welfare via a fair competition.

The fact that these goals are now explicitly part of Europe’s political project is new. This was the purpose of the Lisbon strategy launched by Member states in 2000. This strategy’s aim is to make Europe the most competitive and dynamic knowledge-based economy in the world by 2010! It involves the liberalization of services, including financial services, more investments in R and D and higher education, a more flexible labour market, a high employment rate and a high degree of protection of the environment.

I don’t think I’d be wrong in giving you what is a gloomy picture of the current state of the Lisbon process. Although the adoption of the services directive by the EU Parliament, a few days ago, shows that the process is not dead, its pace is much too slow. Emerging countries, such as China, India, Brazil and Russia are strong competitors and the risk is a rapid de-industrialization of Europe. More generally, the EU is still lagging behind the US in almost all areas that are vital to strong growth and full employment. It is therefore all the more urgent to re-invigorate Europe’s economy and to boost employment if we want to prevent citizens from losing faith in Europe.

## **II. WHAT MEANS SHOULD BE PROVIDED TO ALLOW EUROPE TO KEEP ITS MOMENTUM?**

1. Give teeth to the Lisbon strategy
2. Create a European tax
3. Enlarge Europe’s scope of competence to meet new challenges in a global world
4. Deepen Europe’s political integration in order to give the EU’s governance further means of action.

### **1. Give teeth to the Lisbon strategy**

Many countries in Europe, for instance Scandinavian countries, have performed very positive reforms which allow them to be more competitive. But, they would still have carried out these reforms had the Lisbon strategy never been launched. By and large, this strategy has not been able to encourage coordinated macroeconomic reforms at the EU level. It would be hard to disagree with the Kok report when it stated that the Lisbon strategy is in danger of becoming the “*synonym of missed objectives and failed promises*”. At present, the Lisbon strategy is mainly intergovernmental, and it doesn’t work. That’s why I favour the idea of putting a pressure on governments through the well proven Community method.

## **2. Create a European tax**

The recent budgetary crisis shows how urgent it is to improve the EU budget decision-making process. I'm convinced that the time has come to engage in a reflection process on the creation of a European tax. This tax would be directly allocated to the EU budget. It would prevent the EU budget procedure from being simply a bargaining exercise. The adoption of the financial perspectives should focus on expenses to be allocated to the diverse policies rather than on the Member states' individual contributions ("I want my money back"). Austria, Belgium and France are apparently quite favourable to such a reform.

## **3. Enlarge Europe's scope of competence**

This proposal has nothing to do with the creation of a superstate as it has sometimes been alleged. On the one hand, Europe mustn't be too intrusive and yet still deal with each and every detail. I'm pleased to see that the Austrian presidency is organizing a public debate on the application of the "*subsidiarity*" principle. On the other hand, it's obvious that Europe's scope of competence and financial means must reflect the new challenges it faces in this time of globalization. We must find a way to give Europe the necessary means – institutional and financial – to be much more proactive in the field of R and D. I'm also convinced that it's time to set up a common policy on energy. This has to do with the safeguard of Europe's sovereignty.

## **4. Deepen Europe's political integration**

This is the purpose of the Constitutional treaty. Without such integration, the risk is to see European institutions paralysed. In particular, the decision-making process of the Council of ministers (as a legislative body) must be improved. I see two solutions:

- Either, the unanimity voting process is maintained as it is, and, in this case, the best way to go ahead would be to accept a multispeed Europe (Europe with variable geometry);
- Or, the scope of the majority voting process is extended and all the 25 or 27 Member states will be able to reach the necessary agreements and overcome their national divergences.

Paradoxically, the majority-voting process is quite efficient, but very rarely effectively used. It's essentially an incentive which pushes Member states to go on bargaining until they reach a workable compromise. What matters is that the Members are willing and able to make concessions to each other until they reach a balanced agreement.

Europe, as one author said, "*is a bazaar with the rules of a club*". This is a way of highlighting how efficient the European institutions may be in reaching compromises.

But another question still has to be raised. This concerns democracy rather than efficiency: how to turn this club into an open and genuine democracy readily understood, close to its citizens and that they can relate to?

Noëlle Lenoir  
President of the European Institute, HEC  
Brussels, 23 February 2006