



The State of Europe: Escaping the Doldrums

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Beating the crisis: Could demands for “fairness” re-landscape EU politics?

Image problem

In his opening remarks to *Friends of Europe's* annual State of Europe roundtable, **Andreas D. Mavroyiannis**, Cyprus Deputy Minister to the President for European Affairs, pointed out that the EU is not perceived very positively in most member states and that this is because it has failed to deal convincingly with the economic instability and political uncertainty caused by the financial crisis. As a result, its legitimacy is being questioned, leading to growing populism and euroscepticism.

Europe needs to sort out its own problems, he added. “No-one will come from outside to help us. There is no *deus ex machina*. We need to find the solution ourselves. We need to find a way to fill in the gaps that separate us.”

Making Europe fairer is one way to bridge the gap between the EU and its citizens and it is one way to make Europe more relevant than it has been in the past, he added.

Fairness is one of the key values at the core of the Union, said **José Manuel Barroso**, President of the European Commission. “Fairness is the glue that holds our society together,” he added. “We cannot have the kind of economy we want without strong values and principles. The real strength of our societies is the opportunities they create for the more vulnerable.”

While some people have written off the social model, the Commission President pointed out that some of Europe's most competitive economies have strong social models.

However, the crisis has highlighted new divisions in Europe – where there used to be an East-West divide, now there is a North-South split. “We have to make it clear that we are in this together and only together can we overcome this crisis,” he said.

Frank Vandenbroucke, Professor at the University of Leuven, Trustee of *Friends of Europe* and Former Belgian Deputy Prime Minister, agreed, but pointed out that the countries that have been least affected by the crisis are those that have been successful in investing in human capital and education and in introducing labour market reforms. “Those that are in trouble – and they are mostly in the South – have been less successful in this. But they will not be able to deliver the necessary reforms without more solidarity from those countries with more room to manoeuvre.”

“Governments have been more open to giving the EU institutions more competencies to deliver budgetary discipline and control than they have been to giving us effective instruments for solidarity and social cohesion,” he said. Solidarity is needed not just on the grounds of fairness – while there must be a balance between solidarity and discipline, without solidarity there will be no discipline.

“That is why our rescue packages come with conditions,” Barroso said, adding: “We are asking member states to show solidarity not just because it is a good principle, but because inequality is not sustainable. We have imbalances and we have to correct them. That is why redistribution at a European level makes sense.”

Barroso stressed that there is no alternative to a period of retrenchment but Harry Van Dorenmalen, Chairman of IBM Europe, warned that “you cannot cost-cut your way to progress”.

No alternative to austerity

No-one wants austerity on its own, Barroso said, but what is the alternative? “Does anyone really believe that telling countries to spend more will allow them to go back to the markets? Debt is one of the most anti-social things there is. Every euro of debt is a euro not being spent on public health or helping future generations.”

He argued that the painful adjustments that are needed as a result of excessive leverage have recessionary effects in the short term and will therefore only work if national governments explain and support them. It is also important that the measures are fair and equitable, he said, which is why the financial system should play its part – having been on the receiving end of a great deal of solidarity over the past few years.

People in the street do not care whether the austerity comes from the EU or national governments, said **Bernadette Ségol**, General Secretary of the European Trade Union Confederation (ETUC). “It provides them with no solutions. Austerity does not work.”

The Commission had predicted a cut in GDP in Greece of 2.6% that turned out to be 6.9%, while a predicted 1.1% increase in jobs in reality was a 5.7% drop in employment, she added. “There is a gap between people and the institutions. We have to remember this is at the root of the problems we have now.”

While there is a strong focus on making the eurozone more competitive, competition on wages and working conditions is not acceptable, she continued. And while public accounts need to become more balanced, “it is not possible in such a short period. We need a much more gradual recovery period.”

Austerity without structural change is a dead-end, agreed Jermyn Brooks, Member of the Board of Directors and Chair of the Business Advisory Board of Transparency International (TI). “We are seeing reductions in social benefits but they must be linked to administrative efficiency – this is very important because this inefficiency goes hand in hand with corruption. That makes business less prepared and other governments less prepared to help.”

Yannos Papantoniou, President of the Centre for Progressive Policy Research and Former Greek Economy, Finance and Defence Minister, pointed out that Greece is facing a decade of low or no growth because of this very problem. “The government has preferred to impose ‘horizontal austerity’ spreading the pain to everyone, rather than implementing the structural reforms that are needed,” he said.

One solution is for the Commission to have its own budget, Barroso said. “The Multi-Annual Financial Framework (MFF) is THE mechanism to deliver growth. I don’t understand why governments say we need more investment and growth but when it comes to a vote on the one instrument that can do this, they vote against it.”

Strategic imperative

Jaap de Zwaan, Professor of European Union Law at Erasmus University, Rotterdam and Former Director of the Netherlands Institute of International Relations (Clingendael), pointed out that all the measures to deal with the crisis have been carried out on an ad-hoc basis. "We need a future strategy to deal with crisis," he asserted.

Measures such as the MFF have more chance of success if they can be explained in the context of a vision for the future, Barroso agreed. But this requires member states to "leave their comfort zone" and make the case for Europe. Any actions to tackle the crisis have been agreed unanimously by national governments, not the Commission or the Troika, he asserted.

Yet some governments have been telling their citizens that "they" are imposing measures, whether "they" are in Brussels or at the ECB in Frankfurt. "This is simply not true," the Commission President stressed. "If you are a prime minister and you tell your people that these measures are not something we need but they have been imposed on us, of course they will object."

Heather Grabbe, Director of EU Affairs for the Open Society Foundations at the Open Society Institute (OSI), suggested that there is a difference between solidarity within a country and solidarity between European countries, "yet we tend to talk about them as if they were the same thing and as if citizens see them as the same thing. That is not the case."

While no-one denies the need for adjustment, said Stefano Micossi, Director General of Assonime, Trustee of *Friends of Europe* and Former European Commission Director General for Industry, the Commission's Growth Compact, agreed in June, is already subject to member state backsliding, while Georgi Georgiev Pirinski, Vice President of the Bulgarian National Assembly, said a new approach is needed to deal with the challenge of growth that does not create jobs. "Don't you think there should be a greater emphasis on the Growth Compact?" he asked.

Jobless growth is useless growth, stated Enikő Györi, Hungary's Minister of State for EU Affairs. "People will never be able to love austerity and we will never get them on board for the necessary reforms unless we create jobs. This should be our guiding principle."

Sometimes there is a "delivery gap", Barroso stated, "but it is critical that decisions taken in Brussels are followed through by national governments. We need to have member states on board."

Commitment-shy countries

Mo Ibrahim, Chairman and Founder of the Mo Ibrahim Foundation, said there was a lack of commitment among eurozone members, many of which "want to be half-pregnant. You cannot be half-pregnant and you cannot be half in and half out of the euro – you are either in or out."

He suggested that Germany should "lead or get out. The German people really need to understand what it means for them to be in the euro and what it means for them to be out."

However, Barroso pointed out that member states are under heavy pressure, even those that are not bearing the biggest burden of readjustment. “It is difficult for them to explain why their citizens have to bear this burden [of supporting other states].

“All the decisions taken in Germany in relation to the crisis have had overwhelming support in the Bundestag,” he added. “We are living in democracies and democracy takes time.”

Germany may be a difficult negotiating partner, added Mavroyiannis, but the stakes are higher for it than for anyone else. “They are fully committed to trying to find a solution – tough, of course, but we should not try to create scapegoats in Europe. Even countries where there is a variation in vision, such as the UK, it does not mean that they are anti-European in their policies.”

Mikael Hagström, Executive Vice President Europe, Middle East, Africa and Asia Pacific for SAS and Chair of the Executive Committee of the American Chamber of Commerce to the EU, pointed out the importance of a good investment climate so that Europe can prosper. “The EU is the major driver of the foreign investment that we need for innovation, growth and job creation. A well-functioning single market is essential to attract foreign investment. Building the single market could help boost EU GDP by 4%.”

The EU needs to invest in the digital agenda, he said, and it must see data as the new asset class that it is and attract the investment needed for a low-carbon economy. Central to these developments are the free movement of goods, services, capital, data and people. “We have to stop trying to answer the questions of the future with the tools of the past,” he added.

Europe's place in a globalised world: Keeping up with the new kids on the block

On the right track?

The European Union has been through a few turbulent years, “but people realise we are heading somewhere now,” said **Herman Van Rompuy**, President of the European Council. “Even if the exact destination depends on many factors, there is a growing confidence in the future of the Eurozone. We are on the right track.

“Shaping these changes together is the driving principle behind the actions of our European leaders and the difficult but courageous reforms taking place in the member states. These reforms are designed to adapt to the changing economic landscape and the ageing population – and to set Europe on the path to growth and jobs,” he added.

These adjustments have taken longer than expected, but then some member states’ economies have been mismanaged for years or even decade, while the EU lacked the tools to deal with the crisis. “Now we know what we have to do to reach our goal and we have an action plan – the Compact for Growth and Jobs. Our absolute priority is implementation and action. The paper commitments to the Compact must turn into real results. This is especially important when it comes to the single market.”

Creating growth and jobs will only come through a restoration of economic confidence, the Council President said, and the key to that is restoring trust in the euro.

Reforms in Spain, Portugal and Ireland are bearing fruit in improved export performances, increased competitiveness and the balance of payments, he said, but “we must ensure we are equipped to overcome short-term shocks. The European Stability Mechanism is the ‘Crown Jewel’ in our toolkit.”

In the midst of efforts to complete the single market, progress has been made on measures to ensure that taxpayers are protected from bearing the burden of banking failures, while the financial framework will help alleviate the fragmentation of financial markets and overcome the credit drought that has hit Southern Europe, he said. “It is as if we were doing a sprint on banking reform in the midst of an EMU marathon.”

However, Ian Traynor, Europe Editor of the Guardian, pointed out that van Rompuy’s urgency, particularly on banking supervision, is not shared by Wolfgang Schauble, Germany’s finance minister.

Meanwhile, Ana Maria Gomes MEP, Member of the European Parliament Committee on Foreign Affairs, said that the European Commission is “living in cuckoo land if it thinks Portugal is a good example of what should be done. The new kids on the block are buying us up on the cheap.”

Some 87% of Portuguese are disillusioned by democracy, she added and “in Portugal, democracy means the EU”. Van Rompuy responded that the EU is presenting its social model in a longer-term perspective and showing solidarity through the provision of hundreds of billions of euros of taxpayers’ money. “It was not easy to do but we delivered it,” he added.

Implementing the “two-pack”, two regulations applicable to Euro-area member states only and aimed at further strengthening the surveillance mechanisms in the Eurozone, is important. However, strengthening discipline alone is not enough, Van Rompuy said, and other options may be needed to complement the two-pack.

Fiscal capacity

He proposed the idea of a “fiscal capacity” to stabilise the Eurozone by helping countries to “absorb asymmetric shocks and to limit costs and unemployment”.

However, he was quick to stress that this fiscal capacity should not be confused with the EU budget. “The objectives are different and the timeframe is completely different. We have an EU budget providing European public goods. But we have a currency union with no central fiscal capacity. One reason for this is that we do not have a stability function to put a floor under a recession and safeguard jobs and growth in the case of a shock such as an economic downturn,” the Council President added. “It is part of every currency union.”

But is it a Eurozone budget, Traynor asked, while Alexander Nuno Alvaro MEP, Vice President of the European Parliament, asked how it would be funded and what need it would fulfil. He voiced concern that such a fund could enhance divisions between euro and non-euro members.

Van Rompuy also argued in favour of “contractual arrangements for structural reforms aimed at increasing growth and jobs, which could be supported by targeted, temporary financial incentives”. However, he recognised that ideas such as these could “affect the balance of power between nations and the EU”.

He called for closer political union, but stressed that “we should not mix up the goal and the means. The goal is not political union for its own sake. The goal is to make the euro stable financially, economically and politically.”

Elisa Ferreira MEP, Member of the European Parliament Committee on Economic and Monetary Affairs, welcomed Van Rompuy’s comments as a vision for the medium and long term, based on fiscal union, economic union and democratic accountability but she pointed out that economic and fiscal union is currently not sufficiently developed in the EU.

However, **Hannes Swoboda** MEP, Chairman of the European Parliament Group of the Progressive Alliance of Socialists and Democrats (S&D), took issue with much of what the Council President said. “He said we are on the right track. But Greek unemployment has just passed 25%. Meanwhile the World Bank and the IMF have said that they were using the wrong multipliers, meaning that the effects of austerity are more devastating than previously calculated. They and the European Commission should apologise to people who are in an impossible situation.”

Attracting investors

Robin Niblett, Director of Chatham House’s Royal Institute of International Affairs, said that at a time when banks and governments have limited resources to push growth, foreign investment is going to be a key driver. How, though, can Europe be sure it harnesses more investment from Asia? Europe is already one of the most open economies in the world, Van Rompuy replied, but the best way to attract investment is to ensure a stable currency.

Europe has lost much of its standing and global influence as a result of the crisis, which is having global implications, said co-moderator **Shada Islam**, Head of Policy at *Friends of Europe*. “How do you convince the wider world that your reforms are taking effect?” she asked.

“We will only convince people by results – and the results are now clearer than they were even a few weeks ago,” Van Rompuy replied. “A few months ago, the discussion was not about *if* the Eurozone would break up but *when*. We don’t hear a lot about this now.” Spain, Italy, Belgium and France have seen their bond yield spreads fall by 2 percentage points compared to their highest levels last year, “a very clear signal that we are moving in the right direction”.

However, Emma Bonino, Vice President of the Italian Senate and Former EU Commissioner, said: “I don’t think we can continue to be so self-congratulatory. Just outside this room, people think that we are not on the right track.”

She added: “Our weaknesses are totally political. We do not look at ourselves as a whole but from 27 different points of view. If we do not accept this kind of analysis, we will continue saying we have done wonderful things but people will not believe us because it is not true.”

Europe’s relative share of the world economy is shrinking, but in some ways this is a good thing because it reflects the increased prosperity of other regions. However, the EU is growing too slowly to sustain its social model, the Council President pointed out. “We cannot live with structural growth rates of 1%-1.5%. So we have to emphasise structural growth.”

Europe has nothing to fear from other countries becoming more prosperous and everything to gain, asserted **Matthew Kirk**, Member of the Executive Board of Vodafone.

However, Ziga Turk, Slovenian Minister of Education, Science, Culture and Sports and Former Secretary General of the Reflection Group on the Future of the EU, warned that “innovation patterns are such that job destruction and job exports are happening faster than job creation through innovation. “What kind of policies can the EU put in place to reverse this trend and make Europe friendlier to job-creating innovation?” he asked.

Kirk provided one possible example of this problem in the telecoms sector, where investment in the European industry lags behind the US and Asia. The mobile sector, which comprises almost 100 players compared with China’s three and four in the US, needs to consolidate, he said. “Unfortunately, the Commission’s formula for competition and the investment community’s formula for competition are completely different.” Brussels wants to see cross-border champions while investors currently see little value in this, unless accompanied by consolidation within individual markets. The key to growth is the completion of the single market “which will unlock the ability of SMEs to market themselves across the much wider market of the EU and beyond”.

He also pointed out the importance of more investment on research and development, another area where he said Europe lags behind. “Is the priority to preserve the legacy of a successful past or to create the legacy of a successful future?” he asked.

Implement agreed measures

Carsten Hess, Vice President and Head of Corporate Representation at Deutsche Post DHL, said that “we have been discussing a digital single market for ages and no-one has taken it seriously. If you really want to increase the competitiveness of European industry and trade, you have to roll up your sleeves and implement what you have agreed.

“The single market is under attack not from China or Russia. It is under attack from us inside Europe. The signal that it sends, not just to SMEs but also to pan-European companies, is that you will be better off investing outside Europe.”

The digital single market is crucial, agreed Kirk, but “it is a lot of very hard, boring, technical work looking at where regulations conflict with each other. No-one seems willing to get on with this. Vodafone is a child of the single market and it is very frustrating that we do not have the same dynamism to push forward that there was.”

How can Europe be competitive if it is destroying the social fabric of many countries, asked Swoboda, citing the growth of the far right in Greece as one consequence of this destruction. He also pointed out that austerity has been applied without implementing market reforms, which should have been the starting point.

There is a danger of a three-speed Europe, warned Zoltán Cséfalvay, Hungarian Minister of State for National Economy. The core EU countries are very successful because they have made reforms in the last decade, while Central and Eastern European states are carrying out reforms that will make them competitive very quickly, but Southern Europe is struggling because the pace of reform is so slow.

Focus on your strengths

Vladimir Chizhov, Ambassador of the Russian Federation to the EU, pointed out that there is more to Europe than the EU, adding that we live in a world that is not just more globalised, but more interdependent as well. The EU should focus on its strengths as well as its weaknesses, he said. “Human capital is one of your main assets and you have vertical solidarity within society that prevents rifts between the rich and the poor but also horizontal solidarity between nations that are equal partners.”

EU-Russia relations are at a turning point, he said. “We may be driving in different vehicles, but we are on parallel courses and we have to turn together otherwise we will either collide or head on to different paths.”

Apichart Chinwanno, Ambassador of Thailand to the EU, highlighted the EU’s importance as a major partner in trade, education, technology and know-how. “We are very concerned about the European debt crisis, which has ramifications for us. It is important that Europe restores confidence so it can emerge stronger. We all want the European integration process to be a success. It has inspired ASEAN to bring peace and stability to South East Asia.”

The 10 countries of ASEAN will soon become an economic community of 600m people, creating a single market that could be worth \$2 trillion by 2015, he pointed out. Meanwhile, rising tensions in the South and East China seas require cool heads and ASEAN would like to see more engagement from the EU, with a special representative accredited to the ASEAN secretariat.

Summing up the session, **Viscount Etienne Davignon**, President of *Friends of Europe*, said that “there is a strong feeling across Europe that what is being done is exerting a price that is unjust, unfair and not working. There is a lack of trust, not just in politicians but in the academic community, entrepreneurs, large companies and the financial sector.

“We are sorely lacking a vision. If you can explain where you are going and how you will get there, people are willing to accept that it will take time.”

"More Europe": What does it mean and what do headline-makers think?

Lack of vision

Introducing the final session, co-moderator **Giles Merritt**, Secretary General of *Friends of Europe*, referred to the title of the summit: Escaping the Doldrums and the recent collapse of the proposed deal between BAE Systems and EADS. "That seems like rowing back into the doldrums, not out of them. It's a symptom of European shortsightedness and the lack of an industrial policy of any sort. No-one seems willing to talk about how we escape from the doldrums," he said.

What does "more Europe" mean and should we have it, he asked **Androulla Vassiliou**, EU Commissioner for Education, Culture, Multilingualism & Youth. "The question is not so much about more Europe," she replied. "The big question is what type of Europe do we need?"

Yet while there is a lot of talk about what EU citizens need, "we don't ask what they want," said co-moderator **Peter Spiegel**, Brussels Bureau Chief for the *Financial Times*. "In Ireland, for example, people voted in the recent referendum against what they thought were their own interests."

Some 60% of people in Ireland voted for the Fiscal Compact, many with a heavy heart because they did not believe the measures are sufficient to get us out of the mess we are in, agreed **Dominic Hannigan**, Chair of the Irish Parliament Joint Committee on EU Affairs. But he added that "often in referenda, the issues being debated do not reflect what is in the actual referendum. Politicians use the system to further their own ends."

People do not want more Europe, they want a functioning Europe, he added.

What people want is more jobs, asserted **László Andor**, EU Commissioner for Employment, Social Affairs & Inclusion, but at times of crisis, they are difficult to provide. It is not the EU's role to provide jobs, he said, but it can help by having a better-functioning employment policy. "However, you cannot expect it to work better without more European integration and closer economic governance at an EU level."

Germany is possibly the only AAA-rated Northern European country that does not have an anti-EU movement, but this partly reflects the caution of the mainstream parties, said **Manuel Sarrazin**, Spokesman on the Affairs of the European Union Greens/Alliance 90 and Member of the German Bundestag EU Affairs Committee. "Merkel is both pro-European and pro- those who are not so keen on transfers," he said. "Politicians have to be clearer in telling people what they have decided."

The situation in Germany is not easy, said Andor. "Possible solutions to the crisis do not enjoy as great support as you would expect. The level of support for the EU is not just about the presence or absence of extremist views. It's also about the approach of mainstream political forces to possible responses to the crisis."

This summer there were 4 million jobs unfilled in Europe, 700,000 of them high-tech jobs, said Merritt. "Is the austerity strategy going to make this mismatch worse?" he asked.

Reducing the mismatch is a Commission priority, said Vassiliou, but the challenge is how to create jobs in countries that have not prioritized vocational education and training. “Even those countries with full austerity programmes should have ‘smart’ fiscal consolidation to boost growth-enhancing investment,” she added. Portugal, Spain, Greece and Cyprus are all cutting education budgets. “It is a vicious circle and we have to change the mindset of governments.”

Zanda Kalniņa-Lukaševica, Chair of the Latvian Parliament EU Affairs Committee, said that her country had cut salaries and pensions during its successful restructuring but it is now increasing education spending, teachers’ salaries and research spending. “It is the only way to compete and grow,” she said.

Ease austerity

Asked if austerity has now been taken too far, Andor said: “The cohesion of social policy should be a much more serious topic. Austerity is to do with the structure of monetary union. If we want sustainable monetary union, it needs the flexibility to adjust but also a lot more solidarity, mechanisms to support each other and mutualisation of risk.”

Many Germans believe that greater solidarity means they will have to pay more to bail out the rest of Europe, Sarrazin said. Few people are against risk mutualisation measures such as Eurobonds, but only if they are accompanied by structural changes. “The South has to know that we will never agree Eurobonds without changes to bring more discipline.”

“If we are to guarantee people’s debt and cannot tell them how to spend the money, where is the legitimacy?” asked Carl Schlyter MEP, Vice Chairman of the European Parliament Committee on the Environment, Public Health and Food Safety.

“We need common rules and nation states need to be more ambitious,” Sarrazin added. “We also need to put European institutions at the forefront. Not everything that has happened in the last 60 years has been bad.” However, there is a question of legitimacy. The Irish believe they have no say any more because they cannot vote out Merkel, for example.

The European Commission is also seen as lacking legitimacy, he added. However, Vassiliou said that the Commission has been dismissed in the past, so this is not an issue. Rather the real problem is one of communication. “If we speak in language that people do not understand, of course that will damage legitimacy.”

There is a social crisis developing alongside the financial and economic crises and it must be addressed, Vassiliou said. But she added that “we see double language from politicians and the media when it comes to Europe and that is not fair”.

Double-talking governments

It is easy to blame Europe for whatever bad happens and take credit at a domestic level for successes, said Kalniņa-Lukaševica, a phenomenon that she described as “nationalisation of gains and the Europeanisation of losses”.

Communication is an issue, said Hannigan, but the Commission’s legitimacy could be improved by allowing citizens to vote for their Commissioner. “People do not feel they have any input at all into the choice of Europe’s top politicians.”

Appointing commissioners is seen as a bureaucratic process done behind closed doors, said Riccardo Perissich, Trustee of *Friends of Europe* and Former European Commission Director General for Industry. "It is to do with the process rather than the result." However, he warned that nationally-elected commissioners would reinforce the idea of commissioners as national representatives.

"Commissioners are not here to represent their countries," agreed Sylvie Goulard MEP, Member of the European Parliament Committee on Economic and Monetary Affairs. "If we're going to have elections, let's have them throughout Europe."

However, Hannigan warned that "on many occasions, candidates campaign on how they are going to stop Europe doing something rather than how to do more in Europe. I would like to see parties mobilise across Europe with a European campaign."

Sirpa Pietikäinen, Vice Chairwoman of the European Parliament Committee on Internal Market and Consumer Protection (IMCO), said she would prefer commissioners to be expert civil servants so that they were under less pressure of political gaming.

Barroso has already indicated that commissioners could be elected without a treaty change, said Vassiliou, but Commission appointments are already subject to the scrutiny of MEPs. However, she added, "I do not object to more direct elections, which would be considered more legitimate."

Yet Andor warned against over-estimating the importance of the issue, pointing out that in the UK, for example, one of the most eurosceptic EU members, voters cannot elect the head of state and the head of government is elected indirectly yet they enjoy huge legitimacy.

The EU's most important institution is the European Council, said Baron Philippe de Schoutheete, Member of Board of Directors of EGMONT, Royal Institute for International Relations, Trustee of *Friends of Europe* and Former Belgian Permanent Representative to the EU. "All members of the Council have undisputed legitimacy in their own country, so why do they not have more when taken collectively?" he asked.

Yet the Council's decisions can be seen as less democratic because countries that have money have the destiny of other countries in their hands, argued Goulard. "We will have real political debate when the European Parliament has the ability to raise taxes. At the moment, we have representation without taxation."

Money talks

Legitimacy means responsibility for budgets, added Jerzy Buzek MEP, Former European Parliament President and Former Prime Minister of Poland. "Member state budgets are 30 times the size of those of all the European institutions. All sensitive budget issues depend on the legitimacy of member states."

The Commission's lack of legitimacy is more about the fact that "we are in a big crisis and the EU has failed to solve it," said Monica Frassoni, Co-President of the European Green Party. János Martonyi, Hungary's Minister of Foreign Affairs, supported this view, saying that the EU's "outcome legitimacy" has been high apart from the last three years. "We are lacking legitimacy based on results." This is not because of a lack of measures to tackle the crisis but because few of them have been implemented.

It is difficult for member states to give away their powers to European institutions, said Buzek, but that does not mean that the EU should be blamed for the crisis when it was caused by excessive sovereign debt and by banks.

“We need a long-term vision but first we have to stabilise the euro and have a stronger Europe with deeper integration,” Martonyi added. “We are very much for more Europe, but very much against more than one Europe. Do not put up barriers to people joining [either the EU or the euro]. It creates a two-tier or even three-tier Europe.”

The EU’s effectiveness, and thus its legitimacy, suffers from a fundamental structural error, said summit chairman Viscount Etienne Davignon, President of *Friends of Europe*. “Directives are European legislation that has to be implemented over time rather than immediately. As long as you have that, the implementation problem will remain. I cannot understand why the European Parliament, now that it has co-decision, still accepts Directives in this form.”

He also argued that the EU suffers from a perception problem and that “perception is reality. Once perception creates an environment, it is very difficult to prove that what will happen will be different to what the perception is. There is a perception that Europe does not care, even though all the decisions that have been taken imply that we do care.”

Friends of Europe – Les Amis de l'Europe
Bibliothèque Solvay
137 rue Belliard, B-1040 Brussels, Belgium
Tel.: +32 (0) 2 737 9145 – Fax: +32 (0) 2 738 7597
Email: info@friendsofeurope.org – Website: www.friendsofeurope.org