

# **Where does Europe stand on the eve of the German Presidency?**

Speech given by

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Ladies and Gentlemen,

Let me start by thanking the Technical University of Munich for inviting me to talk to you today.

I would like to congratulate you on being chosen as one of the three 'elite' universities of the Federal Republic in the "Exzellenzwettbewerb". The future of Europe depends on our ability to succeed in advanced research and innovation.

In three weeks time Germany will take over the Presidency of the Union. Appropriately enough, Germany, a founder member of the

Union, will be in charge of the celebrations of the fiftieth anniversary of the Treaty of Rome in March.

There is a series of important issues on the agenda of the German Presidency. These include immigration, the future of world trade following the suspension of the Doha Round in the WTO, the debate on energy and climate change as well as our relations with Russia.

I am encouraged by the fact that recent German Presidencies have been crucial in the development of EU policies. As a former Polish Minister for Europe, I know well the achievements of the last two German Presidencies: the 1994 summit at Essen introduced the pre-accession programme for my country and proposed the White Paper which would help us on the road to aligning our legislation with that of the Union. 1999 saw the Berlin summit at which the green light was given for the Agenda 2000 reforms and the current Financial Framework, both of which were essential to allow my country and nine others to enter the Union as full members in 2004.

Today I would like to focus my speech on three policy challenges the Union is facing:

- maintaining the efficiency and effectiveness of the Union to serve its citizens. This includes the debate on the future of the European Constitution.
- the question of enlargement of the Union and economic reform

- and how we can reconnect with our citizens

### ***The future of the European Constitution***

I should probably start by saying why Europe needs the Constitution, why the text of the Constitutional Treaty is important and what would it change in your life.

The Constitution consolidates in a single text the achievements of fifty years of European integration. For the first time the Constitution sets out explicitly the values on which the Union is built: human dignity, freedom, democracy, equality, the rule of law. It incorporates the Charter of Fundamental Rights and gives its provisions a binding legal force.

It improves the transparency and the openness of the European Union and of its institutions, clarifies the distribution of competencies between the Union and Member States and simplifies procedures. It enhances the democratic legitimacy of the system by involving in its functioning the national Parliaments as well as the European citizens.

By creating a Union Minister for Foreign Affairs, the EU's profile in the World can be reinforced.

Last but not least, the Constitution radically simplifies the Union law and makes it more easily accessible - not only to practitioners but also to ordinary citizens.

New solutions proposed in the Constitution could positively influence developments in areas which are of utmost importance for our citizens in the global context: energy, security, health or human rights.

For all these reasons, it would have been good to have this new Treaty in force.

As a member of the Polish government I was involved in the works of the Convention which discussed and prepared the text of the Treaty. The process of preparing the Treaty, involving national governments and parliaments – from member and candidate states, the European Commission, the European Parliament as well as the social partners, was a great example of open, transparent and democratic discussion. It was a unique way of reaching consensus over the final shape of the Treaty among those who would be its beneficiaries.

But last spring, while already ten member states approved the Constitution, the citizens of France and the Netherlands rejected it. The reasons for "no" were complex and, as you might know, not necessarily related to the Constitution as such.

That is why heads of States and Governments called for a period of broad debate with citizens, civil society, social partners but also national Parliaments and political parties.

By the way, this period of reflection, as we call it, did not stop the process of ratifications: two days ago (5 December) Finland, as

16<sup>th</sup> member state, ratified the Constitution. With Bulgaria and Romania joining the Union on 1 January 2007 there will be already 18 member states which have said "yes" to the Constitution!

Last June, the European Council made assessment of national debates and reached consensus on the need to continue with the process of reform – on the one hand with delivery on the policy priorities set out by the Commission and, on the other hand, to pursue institutional reform.

We are now at the stage of getting ready to reopen the discussion on the future of the Constitutional process.

The Commission fully supports the principles, the values and the substance of the Constitutional Treaty. That is why we believe that the political substance of the Constitutional Treaty should be preserved and it should serve as a basis for working out an acceptable solution.

Last week the Commission services prepared an analysis on the costs of non-constitution. It presents in a concise form the areas where the action of the Union would be more efficient, more democratic and simpler, if we could make use of the innovations provided for by the Constitution.

This document does not only relate to the institutional mechanisms, such as the application of co-decision to new areas or the new mechanisms for the counting of a majority vote in the Council. It also touches upon policies where progress would be

possible. In brief, we have tried to present the areas where the work of the Union would suffer from not having a Constitution.

As this document indicates, we need to solve the challenge at the heart of the institutional question: to ensure that the EU becomes more efficient, more transparent, more cohesive in its external action, and more democratic. To achieve that, the Commission is ready to fully support Member States' efforts, in particular the German Presidency during the next six months.

### ***Enlargement and economic reform***

Let me now turn to my second item: enlargement and economic reform. The German Presidency will also cope with the negotiations for membership with Croatia and Turkey. And it will have to manage this in a climate for further enlargement which has deteriorated over the past few years. We need to ask why this deterioration has come about.

My answer is that it is above all for economic reasons.

Unfortunately, enlargement of the Union to the countries of central and eastern Europe took place at a time when the economies of some of the core states of the Union were passing through a period of low growth and high unemployment. Many citizens felt that any change in the Union which increases competition in the goods, services or labour markets might be to their own

disadvantage. Enlargement has therefore suffered a loss of support amongst the public in the Union.

The truth however is that enlargement has brought considerable benefits to the whole Union. The new Member States brought to the Union so badly needed dynamism, growing at a much higher rate than the rest of the EU, extending the benefits of the Single Market and opening up new business opportunities. The German industry has significantly benefited from the development of markets for German goods and services in the new Member States. This is not to mention the gains in security for Germany in losing its external land frontier of the Union, a responsibility now taken on by new Member States.

The real problem is that the Union has been slow to adjust to the unprecedented pace and scale of global economic change. China, India and the other emerging countries – due to their enormous and cheap labour resources – have simply out-performed the rest of the world including the European Union over the last couple of years. As a result there is a need for continuous restructuring.

This is the reason why we have declared the Lisbon reform agenda for more jobs and growth as our main objective in Europe. We need to reform our economies and promote education, research and innovation if we want to remain competitive. We need to find ways to convert our research and development into new products, patents and jobs. We need to unlock the business potential of our SMEs by increasing their access to finance. And

we need to reduce administrative burden that businesses face both at EU and national level.

The continuous pressure to adapt has created a feeling of insecurity in our societies. It has also created misplaced demands. Some of our citizens want the Union to become a protecting shield and remedy against global change. The opposite is required. The Union can only improve the quality of life of its citizens if it remains open and if it adjusts to global change. Progress in European integration – both in terms of widening and deepening – is essential to enable us to respond to globalisation.

Through enlargement and the Lisbon reform agenda we can make Europe more attractive and more powerful globally. Joining the Union is however not just a political act. New member states have to share the fundamental values of the Union. They include not just democracy, human rights and the rule of law but also matters like gender equality and religious freedom.

New Member States also have to fulfil strict economic conditions which involve the complex and difficult problems of adopting and implementing the *acquis communautaire* as well as ensuring macro-economic stability and the capacity to join monetary union and to adopt the Euro.

Finally, the area of justice and home policy plays a crucial role in determining whether a country can join the Union. Subjects like the fight against international crime and corruption are at the forefront of decisions on integration.

## ***Reconnecting Europe with its citizens***

Let me briefly turn to the question of how to reconnect with our citizens. We certainly do have a problem here, in spite of the fact that in some countries, like my own Poland, support for European integration appears as strong as ever.

There are a number of key challenges. Let me just mention one of them:

The result of the trends we can observe today is the demand by many citizens to have things which affect them decided locally and not by distant authorities, be it in Brussels or even national capitals. There is a need for empowerment giving our citizens a sense of control over their lives and work careers. That is why it is essential to take Europe down to the ground, to the local level where real life takes place, where I believe Europe is generated. We need not only good information, communication and dialogue but also direct participation of people.

In my own portfolio area, regional policy, we are taking Europe down to local and regional level, involving people in the design of development strategies for their region empowering them through the subsidiarity mechanism.

Why do we pursue this partnership approach? Because European renewal can come from the local and regional level. It cannot be built from outside, through top-down strategies. If innovation is to become the true driver for growth and competitiveness, we must

free, exploit and engage the local and regional potential of knowledge, expertise and cooperation – businessmen, researchers, local authorities and financial institutions. Proximity of actions matters more than ever. And this is precisely why the local and regional levels have a clear advantage in generating innovation. And it shows. If there is one place where we can find today plenty of examples of successful coping with rapid economic change it is the local and regional level.

European regional policy can make a difference because it mobilises regional and local partners. People can easily see the concrete benefits of this policy in their region and in everyday life. And most importantly, this is the approach which citizens need and want since it is the only Community policy which, ultimately, is run by local people.

This is only one example, but I feel that similar efforts are required to bring European policies closer to the citizens and prove their added value in areas that touch their daily lives.

### ***Conclusion***

All these changes will not be achieved in the six months of the German Presidency of the Union. However Germany can ensure that we take the right road, even if it takes many Presidencies to achieve our objectives. This is what we have experienced in previous German Presidencies and so there is a level of expectation in the Union, which I am sure will not be disappointed.