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THE EUROPEAN

The European View

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Towards a European Foreign Policy?



REGENT'S COLLEGE
LONDON

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The European View

For a few weeks now Athenians have been demonstrating at the central Syntagma (Constitution) square, the Greek version of the indignados movement that started in Spain. They protest against the predicament they have found themselves in, they protest against the government, against its austerity plan and of course against the EU, which, together with the IMF, has imposed strict bail-out terms for the loans that it has offered the country.

But what do these protests mean, have the Greeks become anti-European, have they lost faith in the process of European integration? It would appear so, but that is a merely epidermal observation. If one gets closer and listens more carefully he or she can observe that their resentment is mostly targeted towards the economic policies that are the expression of a model of economic governance advocated mostly by those that inhabit the right wing of the political spectrum.

The body that decides on EU policy, the European Council, which is made up of member states' heads of State and Government, is dominated by Conservative and Christian Democratic parties. The same applies to the European Parliament, where the European People's Party (a collection of Conservative and Christian Democratic parties) commands a comfortable majority (it is worth noting though that the EP does not have a say on the bail-out terms). Similarly, the man who is heading the European Commission, the institution charged to execute the wishes of the EU member states, was a Conservative Prime Minister in Portugal before he took over as President of the European Commission. Hence the remedy subscribed to the Greeks, irrespective of whether one thinks it is right or wrong, is the product of conservative (or, according to some, neo-liberal) economic mantra, which is what the Greeks are really protesting against.

The odd thing is that very often the EU is seen as an entity with its own mind, just like a computer that remarkably developed its own, albeit artificial, intelligence, took over the world and destroyed it. Science fiction aside nothing could be further from the truth. The EU is a creature firmly controlled by those that govern it, its Member States. They set the direction the EU takes, the policies it pursues and the means with which it pursues those policies. Compromise rules of course and for many years the post war ideological consensus, a liberalised market with social protections, was at the heart of the few purely EU-level policies, like the Single Market and the Structural and Cohesion funds. But today the nature of the policies employed to deal with the sovereign debt crisis in the eurozone's periphery is the expression of the political ideology of those that make up the majority in the EU Council (and the Commission). If the balance was tilted in favour of centre-left parties, the policies applied could have easily been different. Left of centre parties in Germany and France, for example, have criticised the rationale behind the austerity measures the Greeks are asked to implement in return for financial help from the EU and the IMF.

One should also not discount the influence the IMF has on the terms of the bail-out deals offered to Greece, Ireland and Portugal. An institution with strong neo-liberal instincts whose expertise with situations like the one the eurozone periphery has found itself in is what has brought them in their equation and has allowed them to call the shots to a large extent when it comes to the technical details of the Greek (as well as Irish and Portuguese) bail-outs. The medicine they prescribe is rarely popular and public resentment in Greece has a lot to do with the IMF's role in the bail-out agreement and its implementation.

We ought to keep those parameters in mind when assessing what the Greeks are protesting against and when considering how to influence the direction EU economic policy takes in the future.

Petros Fassoulas

Interview with Herman Van Rompuy

Herman van Rompuy's appointment as the first full-time President of the European Council surprised many. His relative anonymity, his low-key style and his lack of exposure to high level international jobs were held against him. But in the time since his appointment those very qualities have served him well, helping him to facilitate with great craft the consensus necessary for the smooth operation of the European Council. In an interview with THE EUROPEAN Mr Van Rompuy gives a trademark sober account of what one of the most important jobs in the EU entails and some of the challenges he has faced since taking over.

The role of European Council President is one of the institutional innovations brought about by the Lisbon Treaty. As the post's first holder do you think that the Treaty improved the EU's institutional structures?

First of all it is worth stating that the role of the Council President was left largely unchanged by the Lisbon Treaty and continues to rotate among the Member States (except for the foreign affairs configuration of the Council where it is chaired by Cathy Ashton, e Vice President of the Commission and High Representative). Its role remains important in chairing the meetings of the Council and in negotiating compromises on legislation with the European Parliament.

What has changed is the Presidency of the European Council, the institution charged under the treaty with being the strategic body of the Union, "defining the general political directions and priorities thereof" (Article 15 TEU). It brings together the most powerful political figure of each member state and the President of the Commission.

Here, the innovation is significant. The old system of having a new president every second or third meeting of the European Council provided no continuity - neither internally nor in the external representation of the Union at this level. Having a President who was simultaneously the head of state or government of the Member State, unavoidably meant that he or she had limited time to devote to European issues. These two handicaps were of growing significance as the size of the European Council grew with successive enlargements of the European Union. They can now be avoided

What are the lessons that you draw from the eurozone crisis? Take us through the core of your proposals for the reform of European economic governance?

The Eurozone as a whole is not in crisis: it has returned to economic growth, it has a balance of payments equilibrium, it has lower deficit and debt levels than many of the major players outside the Eurozone and the euro has continued to strengthen in value on international currency markets.

What we have is a sovereign debt problem in some Member States of the Eurozone (which exists equally in

some countries outside of the Eurozone). And we have all learned how interdependent we are.

But the crisis has taught us some lessons as regards Eurozone governance. The rules that our Member States established for coordinating economic policies – The Stability and Growth Pact – were not fully respected and anyway proved insufficient in scope. We have responded by tightening up the Pact, both in its preventative and corrective phases, and by establishing macroeconomics surveillance (regarding competitiveness, bubbles etc).

On top of that, we have agreed another Pact (not that I am a fan of the name "Pact"!) which we have called the "euro plus Pact", whereby Member States voluntarily undertake to conduct national economic reforms that will enhance their competitiveness – and that of the Eurozone as a whole – and ensure that their pension systems are sustainable. All Member States of the Eurozone have signed up to this Pact, as have most of the non-members.

Has the current debt crisis in some eurozone Member States tested the limits of EU solidarity?

The Eurozone was founded on the principle that each member state was responsible for its own finances. This remains the case -- we have only provided loans, not grants, to Member States with payments difficulties and we have not assumed liability for their debts. Furthermore, these loans have been granted as a last resort in order to safeguard the stability of the euro area as a whole. That being said, there is an element of solidarity. There was, after all, no obligation even to give loans. We have given political support to governments undertaking difficult – sometimes courageous – reforms. There is also an understanding that the Member States experiencing difficulties are in quite different situations: in one it may be because of lax policies by a previous government, in another

because of a meltdown in its banking sector despite public finances being initially in order, and so on. Yet there is one common element -- our economies, especially within Europe, are now so interdependent that a crisis for one is a crisis for all. Jobs in every member state, whether in the Eurozone or not, can be lost in their thousands if things go badly wrong in another member state.

What is your impression of the British government's stance in the Council of Ministers?

Every Member State defends its national interests, as seen by the government of the day, in the Council, whilst realising that we do need to find common solutions to common problems. We are a group of highly interdependent countries, sharing the world's largest market. We find it beneficial to cooperate in non-economic fields as well: gaining extra leverage on foreign policy, pooling resources on research, cooperating on fighting international criminality, learning from and enjoying each other's cultures.

All governments realise this, and whilst arguing for their national interests, understand that one of the greatest national interests of all is to have a well functioning European Union. I'm very pleased to cooperate with the British government.

How important do you think is a fully engaged and committed United Kingdom for the future of the EU?

It is vital. The EU can only work with engagement and commitment from all its Member States, especially one with the talents, resources and history of the United

Kingdom, which, ever since it joined the EU, has played a central role in the definition of all its policies.

Is there a future for the European Social Model?

The impact of the financial crisis on European Union member states is difficult to overestimate. From the scenes of violence on the streets of Greece to demonstrations outside the Irish Dail, the financial upheaval of the past couple of years has sent shockwaves through Europe – and the European project. From a British perspective, it's only easy to assume that this is a Eurozone-only problem; the more farsighted however recognise that in an interdependent world, and in an interconnected union, these problems are our own, irrespective of whether a state is a Eurozone member or not.

But beyond the immediate concerns about bailouts, important though they are, there is a still-deeper concern amongst liberals and social democrats in Europe about the continuing viability of the European Social Model. These questions were present already, of course; whether or not Europe could continue to sponsor a vision – or, in reality, separate visions - of social and economic policy rooted in welfarism, protection of worker's rights and a high standard of living in the face of emerging new economic powers in the form of China and India. Yet the economic crisis which engulfed most of Europe after 2007 has made these questions more acute. As austerity packages are agreed and implemented in countries across the union – including Britain, which did not have recourse to a

bailout - many are understandably concerned as to whether we simply can't afford the European Social Model for simple economic reasons, the fundamentals of the state's bottom line.

They are right to worry. Much of the success of the European project has been predicated on the viability of a social model – or at least social models - which can incorporate distinctly European priorities apart from the strengths of American-style consumer capitalism. The European Union gains much of its legitimacy in member states from the extent to which it guarantees that states can pursue economic policies which benefit their citizens' standard of living; but the EU was unable to deal with the financial crisis alone, and now in harness with the IMF is compelled, under the Barroso Commission, to be at best more creative in terms of its relationship with member states and their fiscal management.

It is undeniable that the events of 2007-2011 have placed financial pressures on EU governments of unprecedented scale. And it is equally undeniable that aspects of the different social models offered by the constituent member states to their publics will have to change. In Britain, under a coalition committed to progressivism in social policy, we have already seen measures which have changed the relationship between state and society in the delivery of services. It's likely that this trend will continue. Yet the commonality in the European Social Models is their aspirations – for a good life, rooted in good health, security of employment and strong efforts at social

inclusion. We would lose that at our peril. There is a sense in which it is really Europe's comparative advantage. In a period of restraint (which ultimately will end), we should be careful not to throw the baby out with the bathwater.

Charles Kennedy

President of the European Movement in the UK and Liberal Democrat MP for Ross, Skye and Lochaber.

The European Parliament and foreign policy

On any objective measure there is no doubting that the political responsibility of MEPs has increased markedly in the past 20 years since the Maastricht treaty. The Lisbon treaty, however, has brought about a serious increase in MEPs' powers. Many Britons, and particularly those opposed to our membership of the EU, tend to deny the political importance of the European Parliament as they'd rather not think about the fact that 95 per cent of proposed EU legislation is subject to amendment or even rejection by the European Parliament. Post Lisbon Treaty the European Parliament is now co-legislator with the Council in almost all policy areas that are dealt with at EU level, including trade and agriculture, both of which are managed through common EU policies. Previously these were matters just for the Council and Commission, and subject to only an opinion of the Parliament.

My main area of policy interest in the European Parliament is Foreign, Defence and Security Policies and Human Rights outside the EU. Of course Britain is free to conduct its foreign policy as it wishes, including – if the government decided – to propose leaving the EU altogether, a procedure for which is outlined for the first time by the Lisbon treaty. Nevertheless, the Council's inter-governmental primacy on foreign policy does not mean the European Parliament has no

influence in this sector. In fact MEPs have considerable influence, given the fact that they cover all 27 member states and all conceivable shades of political opinion. The Committee on Foreign Affairs, on which I sit, comprises several former Prime Ministers and Foreign Ministers of their respective EU countries. The EP has a powerful voice in influencing the EU's Common Foreign and Security Policy and the Common Security and Defence Policy through resolutions, its committee work, its parliamentary delegations and other mechanisms such as debates and parliamentary questions. This is not only the case in direct matters of foreign policy but also the intertwined areas of aid, trade and human rights. MEPs in addition have formal rights and duties enshrined in the Lisbon treaty to be consulted and exercise democratic oversight and scrutiny of the CFSP and ESDP. For instance MEPs have control over the budget and the staff regulations of the new European External Action Service which supports the CFSP. They control the budgets of civilian CSDP missions such as the European Union Rule of Law Mission in Kosovo, known as EULEX. They control the administrative costs of military missions such as the highly successful anti-piracy Atalanta mission off the coast of Somalia, which is being run from Northwood. The European Parliament also ratifies – or rejects – all the EU's international agreements and treaties. One particularly interesting new function that MEPs now have is to hold de facto confirmation hearings for EU heads of mission in strategically important countries and EU Special Representatives.

Understanding foreign policy helps us to make sense of

the world around us. Today's world is more interconnected than ever before and globalisation has literally shrunk the planet. The age of 24-hour news and social networking means we can communicate with people instantly all over the world and access information about what's happening anywhere. The more we know about the world, the more we want to find out. Traditionally foreign policy was all about the relations between nation-states. It's true that the key actors in foreign policy are still nation-states – and Britain, with its former empire, its history as a trading nation and its strong military, has foreign policy interests in every part of the world. However, in today's world Britain's foreign policy is increasingly conducted multilaterally through the EU, the UN and structures like the G-20. The challenges we in Britain face are challenges that others European countries and our major economic partners globally face too – for example fighting terrorism and international crime,

managing migration flows, defending external borders, mitigating climate change and solving environmental challenges, energy security, arms control, nuclear proliferation and managing international development aid and trade disputes. Gone are the days when diplomacy was just about state-to-state relations. Today, foreign policy is a broad umbrella shaped by many interests that often coincide but sometimes conflict. UK MEPs are constructively engaged in all these challenging areas.

In conclusion, I favour Britain's membership of the EU as I believe it is in Britain's strategic national interest to be part of the world's largest single market. I also believe Britain can better respond to the challenges we face - from globalisation to terrorism, from climate change to economic reform - by being actively and constructively engaged in the EU. However, I support radical reform in the EU, particularly with regard to how the EU spends its budget in areas like the Common Agricultural Policy and Structural Funds. I also support bringing certain powers back from Brussels to Westminster such as employment legislation. I want to see the EU doing less and doing things better.

Charles Tannock

Conservative Member of the European Parliament.

The fall of DSK and what it means for the future of the Eurozone?

The accusation of sexual assault towards the former IMF leader, Dominique Strauss-Khan, has come as a thunderbolt to an already pressured global economic situation and caused mixed reactions from a public who, prior to the latest vicissitudes, were unfamiliar with the man the French refer to as 'DSK'. But who is Dominique Strauss-Khan? An able, competent and charismatic figure, who, born in Paris to a bourgeois family, had easy access to top French education and quickly advanced in the ranks of French politics. Minister of Finance under the Jospin's Government, he took the lead of the IMF in the midst of the financial crisis in 2007 and since then, many have said, changed the institution, restored its influence and credibility, and made its economic policies more attentive to inequality issues.

In Europe though, his name started to be more recurrent with the emergence of the Greek sovereign debt crisis and, in May 2010, when as Director the IMF, he pressured European governments to support an EU-IMF combined rescue package for Greece to contain the risk of contagion. To be precise, however, DSK has played a long-standing role in European affairs, when the IMF, in early 2008, took part in the emergency loans granted to Hungary, Latvia, Lithuania and Romania to prevent the meltdown of their banking sectors. With his charisma, DSK emerged as a key figure in Europe beyond French domestic politics.

One cannot ignore the coincidence of DSK's arrest and his increasing popularity as a potential Presidential candidate in the forthcoming French election. His stance against the predominance of the financial sector made him few friends among international bankers and his well-known Achilles-heel gained him

the reputation of 'le grand séducteur'. While only time will tell if the allegations have merit, it is certain that the timing of the event could not be more sensitive for the Greek's debt crisis and the stability of the entire euro-zone. Before he was arrested, DSK was, in fact, due to attend a Eurogroup meeting on May 16th, when, once again, eurozone Finance Ministers showed a lack of common vision on how to deal with the current debt crisis. The meeting discussed "reprofiling" along with debt restructuring and concluded with the ECB rebuking all options.

It is hard to speculate whether DSK would have prevented such a cacophony of indecision, but having one of the most competent negotiators away from the table was certainly not helpful. Thus speculation over Greece's ability to manage its debt is mounting even further along with increasing tensions among the victims of the austerity measures.

Mr Strauss-Kahn's departure leaves a gap wide-open at the top of the IMF and it will certainly not be an easy job to find his replacement. Rumours about his successor have already started and there are those who argue that it is high-time the tradition of reserving the post for a European was terminated in order to offer the role to leaders from emerging economies to better reflect the current balance of global economic powers.

The prospect of a non-European boss at the head of the IMF is, no doubt, daunting for the eurozone at a time when it needs somebody trusted by EU leaders, attached to the European project and a with a grand command of economics. Indeed, now is not the time to experiment with a fundamental overhaul of the IMF's governance, at least not until the eurozone's wellbeing has been secured.

Laura Bonacorsi

Towards a European Foreign Policy?

THE EUROPEAN EXTERNAL ACTION SERVICE

"The new pan-European diplomatic corps", as the media are beginning to call the European External Action Service (EEAS), describes rather more clearly, but less accurately, the service created some eighteen months ago by Member States intended to enhance the visibility and influence of the European Union on the world stage. There will be delegations headed by representatives with ambassadorial rank to many countries and to multilateral organisations such as the United Nations.

The delegations will for the first time be involved in political and security as well as economic policy. The EEAS is not a fully-fledged foreign ministry nor are its offices in third countries intended to be a substitute for Member States' own embassies. It has the task of supporting the activities of the newly created role of European Foreign Minister, as Catherine Ashton, the first incumbent is being called, or rather more formally and accurately "The European Union High Representative for Foreign Affairs and Security Policy" - a task which also includes chairing the EU's Foreign Affairs Council, the conduct of a Common Foreign and Security Policy when the Council members are agreed and the co-ordination of the European Commission's responsibilities in the field of external relations.

Those who approve of further European integration will find this initiative of high significance. Those who have reservations will want to understand just what all this leads to. Some 21 smaller EU nations may welcome it as an extension of a foreign policy role they have never before had, except perhaps towards their immediate neighbours. Larger EU nations may welcome the development of a European voice in world affairs or fear that it will lead

to "competence creep" by the new service, which could involve the EEAS in affairs beyond its original remit. It is too early to assess the development of the EEAS and whether the dual or triple role of the High Representative is "too much to be doable", according to one senior Spanish former politician and EU official. In a paper written by the Senior European Experts (SEE)* which was presented at the Institute of Contemporary European Studies at Regent's College, it was argued by Lord Hannay that among the benchmarks for the assessment in due course of the EEAS would be; value for money; policy coherence; reduction of turf -fighting between the Member States and Europe's institutions; the quality and professionalism of the staff of EEAS missions and successful outreach*.

Jean Monnet believed that "Europe se fait par petits pas." The next few years will show whether the EEAS and the post of High Representative are indeed small paces on the way to creating a United Europe and a European Foreign Policy. The jury will be out for some time.

The debate on the EEAS is of considerable importance as the European Union works its way to deciding, on behalf of the Member States, what sort of Foreign Policy it wants. In delivering this Policy, the European External Action Service will have a developing role to play.

John Drew

Jean Monnet Professor of European Business and Management, Regent's College

* A limited number of printed copies are available and electronic copies can be obtained on request from drewj@regents.ac.uk.

* The **Senior European Experts** group has no party affiliation and was established 11 years ago to provide high quality briefing papers on the European Union. Among its members are former UK ambassadors and senior officials of the European Institutions.

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