



CONFERENCE REPORT TEPSA Pre-Presidency Conference

A changed Europe? Crisis and Renewal during the Danish EU Presidency 2012

**DIIS Auditorium and Eigtveds Pakhus, Copenhagen
8-9 December 2011**

The Danish Pre-Presidency Conference took place on 8 and 9 December 2011 at the DIIS Auditorium and Eigtveds Pakhus in Copenhagen. It was organised by the Danish Institute for International Studies (DIIS) in cooperation with TEPSA.

WELCOME AND KEYNOTE ADDRESS: PRIORITIES OF THE DANISH EU PRESIDENCY

The conference was opened by the welcome remarks of Nanna HVIDT, Director of DIIS. Nanna HVIDT introduced the conference by describing the different steps of European integration and the different views on the European Union notably regarding political leadership and European scepticism. She mentioned that the Danish Presidency will attempt to address strong expectations. The challenges of the Presidency have been deeply discussed in all the conference panels composed mainly of members of the TEPSA network, and high-level speakers from Scandinavia.

The Keynote Address was given by Per FABRICIUS ANDERSEN, Deputy Head of Department at the Danish Ministry of Foreign Affairs, who replaced Minister for European Affairs Nicolai WAMMEN. Per FABRICIUS ANDERSEN pointed out that the Danish Presidency will face difficult times and to make crucial decisions to contribute to get the EU out of the crisis. Moreover the agenda of the Presidency is changing in a daily basis. He reminded that in order to tackle this tough period it is important to act together to confront the crisis. He notably emphasized that Denmark will continue to be strongly dependent on the eurozone, therefore he recommended the eurozone to be strengthened. He pointed out five main challenges: first the European Union needs to be economically responsible. The EU should implement new rules on economic governance, improving the procedure of monitoring the economy and stronger regulation. Sustainable economy will thus figure in the core of the programme.

Second, the Danish Presidency will step forward to progress on the new Multi-Annual Financial Framework (MFF). Although it will be challenging to finalise the negotiations they aim at progressing as much as possible. Then, it will be important to encourage and develop greening growth: the EU needs to engage in new initiatives. Given the rise of the BRICS countries there is a need to create new knowledge and upscale investment in green and energy efficiencies. Therefore the Danish Presidency will promote the green agenda.

Furthermore the need to create a more secure Europe is also part of the agenda. Given the pressure on the Schengen system it is now deemed necessary to improve cross-border cooperation and finalise a common asylum system. The Danish Presidency will work closely with the European External Action Service in order to support a common European approach. Lastly he insisted on the importance of the enlargement process and put the highlight on a foreign policy instrument.

After the Keynote Address, Brendan DONNELLY, Director of Federal Trust for Research and Education, presented the Recommendations from members of the TEPSA network TEPSA to the Danish Presidency. The recommendations focused on six policy areas: the governance of the eurozone, multi-speed Europe and the financial perspective, external policy – European External Action Service, enlargement and Eastern Partnership, environmental and climate negotiations and 'a positive Presidency'.¹

WORKSHOP I: REFORM OF THE COMMON AGRICULTURAL POLICY

The workshop was introduced by Graham AVERY, Honorary Member of the TEPSA Board. Mr. AVERY characterized the Common Agricultural Policy (CAP) as a rather neglected topic in European policy circles. Yet he emphasized that the European Union, its history and its political system cannot be fully comprehended without a necessary understanding of the CAP.

Mariann FISCHER BOEL, former European Commissioner for Agriculture, outlined the history of the CAP by stressing the shift from a mainly subsidiary policy to a current more market-oriented policy. The new CAP proposal, which was recently presented by the European Commission, aims to strengthen the competitiveness and the sustainability of European agriculture. According to FISCHER BOEL the proposal focuses on three key elements: economy, environment and rural development. She considered the proposed rules for direct payments to farmers, including the mandatory “greening” component to enhance its environmental performance as a first necessary step towards the envisaged more targeted payment and environmental policy. Yet the former Commissioner raised the critical question if the CAP’s “greening” efforts are ambitious enough? The European Parliament (EP) has a determining influence on the reform of the CAP, based on its gained equal decision-making status by the Lisbon Treaty. FISCHER BOEL criticized the missing common policy line of the EP and wished for a more global vision. She further doubted that the CAP reform would come into effect by 1 January 2014, as stipulated in the Commission’s proposal.

According to Louis-Pascal MAHÉ, Professor Emeritus at Agrocampus (Ecole d'Agronomie) Rennes, the current reform proposal retains the two pillars structure, production support (pillar I) and rural development (pillar II), implemented in accordance with the action program *Agenda 2000*. He stressed the envisaged reorganisations with regard to direct payments and defined the proposal as well dressed and sensibly justified. Yet, MAHÉ queried whether its environmental efforts would actually “green” the CAP or only “green-wash” it, and whether the presented proposal would pass the EP and the Council.

Henrik FRANDSEN, Deputy Chairman of the Danish Agriculture & Food Council (DAF Council), gave a short overview on the Danish agriculture and food industry and further outlined the work of the DAF Council. According to FRANDSEN agricultural production should be increased in a sustainable manner. He designated the Commission’s proposal as acceptable and in line with Europe’s 2020 strategy. Yet he argued for a needed simplification of the second pillar and stressed the limited financial support Denmark receives with regard to rural development as compared with other European countries.

Both Graham AVERY and Mariann FISCHER BOEL emphasized the essential need of transparency with regard to direct payments. AVERY concluded the workshop by raising the following two open questions:

- Will a reformed CAP still have a distinctive external effect, e.g. with regard to agricultural production in Africa?
- Will the current proposal create further problems with regard to the implementation of its rules?

^{1 1} The recommendations are available <http://tepsa.be/Danish%20recommendations%20finalfinal%20draft.pdf>

WORKSHOP II: DIFFERENTIATED MEMBERSHIP OF THE EU

The workshop on differentiated membership of the EU was chaired by Teija TIILIKAINEN, Director of the Finnish Institute of International Affairs. The first speaker was Ian MANNERS, Roskilde University. Speaking on the theme the Danish EU “Exclusions” and the Presidency, Professor MANNERS discussed a number of specific strategic policy areas of the EU system, where Denmark is excluded as a country and hence has no representation or influence, a situation which in his view may have unpleasant consequence for Denmark in her 6-months Council Presidency. He recounted Denmark’s exclusion from Common Defence and Security Policy of the EU; the Danish exclusion in the Justice and Home Affairs policy specially mentioning the country’s exclusion from European Asylum Support Policy, even though it is part of the Schengen Agreement and Denmark’s exclusion from the eurozone. In his view, Denmark’s absence or lack of influence in these strategic Council formations may prove challenging to her impending Council Presidency.

The second Speaker was Brendan DONNELLY. He began his submission by challenging the topic for the workshop. In his view, there is no differentiated membership; rather, there is differentiated disintegration or non-membership. According to him, the UK does not feel part of the EU and has never been fully part of the EU. UK’s association with the EU was to the Union as an instrument to balance against major powers at the time of joining it. He says, there is now a feeling in the UK that, the country has since lost its sovereignty to the EU than initially anticipated and that that is a shared mood among the British public as well as its political elites. Mr DONNELLY anticipates that it will not be long that the UK might withdraw its membership from the EU following the agreement between the current Conservative - Liberal Democrat coalition in the UK that bars the UK from joining the Euro area nor initiates any process to joining the euro. He says, there is now policy to call for referendum on any major EU policy that transfer further power to Brussels, which in his view, would always not pass due to the level of Euro-scepticism in the UK. He concluded his remarks that it is clearly evident that consistently the UK has sought to roll back its involvement in the European integration project and that the country’s actions are not of differentiation but that towards a non-membership.

The third speaker, Marlene WIND, Professor of Copenhagen University, recounted the different theoretical explanations on differentiated European integration. She discussed the classical European integration model; gradual and multi-speed integration of new members into the Union; integration in the form of variable geometry and Europe à la carte. She then discussed possible processes and consequence of forming a fiscal union as is widely being discussed. Contrary to previous speaker who thinks Denmark might be having daunting challenges ahead in her Council Presidency, Professor WIND believes that Denmark’s presidency would be a working presidency and that the provisions in the Lisbon Treaty would be helpful. She said Denmark as a smaller country in the EU without any grand ambition, will stick to the traditional functions of the Presidency while leaving other institutions to play their roles in accordance with Treaty provisions.

The last but not the least speaker of this workshop was Jaap DE ZWAAN, Professor at the Erasmus University Rotterdam. Coming from a legal background, his presentation reflected on the future trajectory of the EU. He queried the form and number of countries in the EU in the next ten to fifteen years and suggested how the Union could function effectively in its enlarged state. Professor DE ZWAAN said that the supranational function of the EU is crucial as such the Union may have to change unanimity procedure to Qualified Majority Voting (QMV) to speed up decision making. He postulated that for the Union to be effective and better off, its internal market should have QMV and integrated Common Foreign and Security Policy. Freedom and security, justice, border control, asylum and immigration policies should be integrated. On the resolution of the current eurozone crisis, Professor DE ZWAAN suggest Treaty change may not

be immediately necessary because provisions in Article 352 TFEU (granting special powers to the Council, Commission and the European Parliament) and Article 126 (on control of Member States governments deficits) could be used to take appropriate measures leading to resolution of the eurozone crisis. He ended his submission with recommendations that common currency should be complemented by common fiscal and economic policy.

PLENARY SESSION: THE EU BUDGET: A DRIVER FOR GROWTH AND EUROPE 2020?

Peder LUNDQUIST, Deputy Permanent Secretary of the Danish Ministry of Finance, discloses the starting point of the Danish in the discussions on the multiannual financial framework (MFF) negotiations "spending better, not more". The EU is facing severe economic and budgetary challenges. This leads to firstly a need for fiscal consolidation and secondly a need to accelerate growth and job creation within this first constrain. This implies for the EU budget a need to maximise the output, not the input. This can be achieved by optimizing value for money with allocation based on prioritization and excellence on quality, as well as a stronger focus on analysis and evaluation. Mr LUNDQUIST stated that the new priority areas of the proposal of the European Commission make sense. As a general rule the negotiations on the MFF last 18 months, it is not realistic for the Danish Presidency to expect to conclude the negotiations the coming six months. The goals of the Danish Presidency in the MFF negotiations are twofold. They want to achieve as much progress as possible. This will likely come down to drafting tables without figures yet. Secondly they also aim at drafting a 'negotiation box' which structures the final deal identifying all negotiation parameters. This should facilitate finalising the negotiations by the second half of 2012.

Göran FÄRM, MEP of the Social Democrats, talked about the involvement of the European Parliament in the MFF negotiations. Four main parties (EPP, ALDE, S&D and the Greens) have agreed on the priorities for the MFF as well as some methods to improve the EU budget. This broad agreement has given the EP a clear mandate for the negotiations. For the decision-making the consent of the EP is needed, which includes the possibility of the EP to veto the final deal of the Council. The EP will defend the EU budget and proposes an increase of 5%. The priorities listed include growth and jobs, climate change, external action and home and justice affairs. The Lisbon Treaty enhances the role of the EU in these areas and EU can create a lot of added value in these areas. On the CAP there is broad agreement within the EP on the need for reform according to the principle of "public funding for public goods". Also the Cohesion policy needs to be revised directing it more towards the Europe 2020 strategy. The EP will also focus on the quality of EU spending, control aspects and better implementation. While the presentations in the panel focuses on the expenditure of the EU, FÄRM also remarks EP's position on the need for an increase of EU's own resources. There is large convergence between the EP position and Commission proposal, which is shared by the majority of the member states as well. Mr FÄRM fears the dominance of net contributors that can take the negotiations hostage with their demands.

Andreas BRUNSGAARD, Adviser of Confederation of Danish Industry and BUSINESSEUROPE, considers the proposal from the Commission as a realistic point of departure but regrets that the overall budget structure remains untouched. From the perspective of businesses more growth oriented budget measures are needed. EU's budget is seen by Mr BRUNSGAARD as an important long-term investment tool. The priority of businesses is to have the EU budget to invest in the Single Market to unleash untapped economic potential, to invest in research, development and innovation to make Europe more competitive and to invest in the employability and adaptability of people. EU's regional policy can play an important role in closing the gap between regions.

Iain BEGG, Professor at the London School of Economics, recalls the Europe 2020 strategy, that includes five headline targets, seven flagship initiatives and is suppose to integrate the national and EU level. In short, the strategy is hugely ambitious. Looking at the current proposal for the



MFF CAP and Cohesion policy take 75% of the budget and only 11% is spend on growth and jobs. The proposal also introduces some welcome changes. Firstly there are efforts to focus on the added value of EU spending, though the operationalisation of the concept is still tricky. The idea for innovative financial instruments can also be especially useful for growth promotion, in the current proposal however it does not yet go beyond infrastructure. Thirdly, the new proposal also contains an increased stress on conditionality by promoting efficient spending but this risks to resort to macro-conditionality which can be counter effective. Lastly, another welcome change is the protection of the Social Fund with a link to the 'inclusive' pillar of Europe 2020.

There are three core dilemma's to be faced. Gridlock is a likely outcome because of the sheer numbers of actors. This will than lead to a continuation of the status quo. A second dilemma is the large number of demands and the very limited resources. Finally the lack of leadership is also problematic, combined with too much focus on "juste retour". BEGG concludes by underlining that the current budget proposal is only tangentially about Europe 2020. Much depends on the Cohesion spending for many of the Europe 2020 objectives. With its heavy range of thematic priorities the strategy proofs to be overloaded. Many member states (between 9 and 12) have already responded negatively to the Commissions' proposal. It can be regarded as a missed opportunity that no proposal is tabled for a 'green' own resource. It is likely that the negotiations on the MFF will be subject to the familiar battles of the CAP and rebates.

PLENARY SESSION: THE FUTURE OF THE EURO

The morning after the European Council agreed on increasing the financial resources to address the euro crisis in the short run and to improve in the medium and long-term by a new fiscal compact with new fiscal rules in the form of an intergovernmental treaty. Jakob VESTERGAARD, Senior Researcher at DIIS and chair of this panel, opens the session by making a reference to these new developments.

Finn ØSTRUP, Professor of Finance at the Copenhagen Business School, starts by saying that the EU faces two crises both potentially lead to the break-up of the euro, one is the debt crisis and the other one is the competitively crisis. Eurozone countries had the choice between two strategies for tackling the debt crisis. The first choice was to allow governments and large financial institutions to fail. The second choice required that debt obligations were honoured combined with the support for eurozone countries that have problems in meeting debt requirements. The eurozone countries chose the second option with rescue packages and purchases of government bonds, though strategy 1 now seems feasible only in the case of Greece. This predominant choice for the second strategy has caused several problems. In creditor countries there has been dissatisfaction with the solidarity within the eurozone. In the debtor countries on the other hand, there is dissatisfaction on the conditions for the support measures. The quarrels lead to a long-term loss of reputation for the euro cooperation and the choice may also be in breach with treaty provisions. ØSTRUP reckons that the debt crisis will probably not lead to the break-up of the euro as leaving the euro requires an explicit political decision.

The other observed crisis, the crisis of competitiveness might have a bigger impact. Eurozone countries faced with a loss of national competitiveness may look for different solutions. One solution can be the rise of productivity by structural reforms. Secondly a country may decide to have a long period with low wage growth. Another option is to reintroduce their own currency and regain competitiveness through currency depreciation. Lastly one can also resort to protectionist measures. According to ØSTRUP the last two options are most likely to be chosen by eurozone countries. He concludes with observing two mistakes in handling these crises by the EU. Firstly it would have been better to opt for the 'fail' strategy to solve the debt crisis.

Another mistake is to focus on budgetary discipline now, while it is needed to allow budgetary deficits in order to finance investments with long-term profitability (green investments).

Ansgar BELKE, Professor of Macroeconomics at the University of Duisburg-Essen, questions in his presentation whether it is doomsday for the eurozone area in spite of the ECB and the EFSF. He also remarks that looking back in history, debt crises have always been solved by inflation. In case Germany and France lose their AAA status it will make refinancing EFSF cheaper since there will be no alternative for bonds.

Ben ROSAMOND, Professor in European Politics at the University of Copenhagen, focuses his presentation on the politics of the euro crisis. He notes there exists rival interpretations of what the crisis exactly is. Is it caused by the fiscal irresponsibility of the South? Or a structural cause of liberal democratic capitalism? ROSAMOND favours the second interpretation and views it as a regional manifestation that markets and democracy not align. He notes four tendencies in the EMU that shape its design and limit its possible governance. The first tendency is technocracy, the rule by experts. This can be seen as a legacy of the 1950's foundations of the EU. Technocracy is often mistaken for neutrality but it has normative underpinnings. Another tendency is the democratic deficit that faces the EU and the EMU alike. The absence of real distributive politics on EU level fosters this deficit. The third tendency highlighted by ROSAMOND is intergovernmentalism as the joint decision trap. With the involvement of EU's highest political figures in monthly summits it can be seen as an extraordinary inefficient method of decision-making. The last tendency tabled by ROSAMOND is economic liberalism. This disciplinary mechanism is built into the EMU. All four tendencies are interconnected and form limits to the possibility of political reform of the EMU.

PLENARY SESSION: EU AND THE ARAB SPRING

This workshop was ably chaired by Ulla HOLM, Senior Researcher at DIIS. The first speaker, Haizam AMIRAH-FERNANDEZ of Elcano Royal Institute spoke about what is known and not known about the revolutions in the Arab world. He said the revolutions in the year have collapsed the erroneous impression of "Arab exceptionalism" to democracy. He recounted what is known about the revolutions as peaceful beginnings and non-ideological in nature. We also know that the revolutions have shown women empowered, al-Qaeda declined and that dictators do not last forever. But what is scary about the revolutions is what is not known; which he enumerated as the unknown intentions of new and emerging political forces in the Arab world and the nature of the regional balancing taking place in the region. He continued his speech about what Europe knew but had it wrong; that Europe could support authoritarian regime in exchange for security of Europe and its borders, that societies in the Arab world did not like freedom and needed to be controlled and that economic prosperity will translate into democratic reforms. He concluded his speech that EU has pursued inconsistent policies in the Arab world- policies that were reversible and fragile and that Europe a historic opportunity in the post-revolutionary period to support in nurturing democracies in the region.

The second speaker, Anna JARDFELT, Director of the Swedish Institute of International Affairs, on her part said EU left out pushing for democracy in the Arab world due to security interest by having a kind of gentleman's agreement, which she categorised as 3 Ms, namely: Money, Market and Mobility. In her view, the EU had traded Market access, Money and checks on Mobility of immigrants for democracy and human rights in the Arab world. The speaker reflected on the governance crisis in the EU now and wondered if the Union would be able to have a single voice in the region and projects its soft power.

Atila ERALP, Professor at the Middle East Technical University in Ankara was the third speaker. He collaborated with the first speakers and asserted that what is happening in the EU now poses a challenge for the union's external policy, especially regarding enlargement. In his view, the



widening and deepening of the European integration is on decline and that the EU now has “delivery deficit”, which decreases makes its attraction to the rest of the world. Touching on EU-Turkey relationship, he posited that a new kind of relationship is needed, one based on dialogue and mutual respect.

Finally, Michael EMERSON, Associate Senior Research Fellow at the Centre for European Policy Studies, spoke about history of world revolutions based on twelve typologies first given by Crane Brinton in 1938 and warned of any high expectations of the Arab spring.

CLOSING INTERVIEW SESSION: EUROPE’S CRISIS AND PROSPECTS FOR RENEWAL IN 2012

This session consisted in an interview setting chaired by Fabrizio TASSINARI, Senior Researcher at DIIS. The panellists of this session were Richard YOUNGS, Director General at FRIDE and Niels HELVEG PETERSEN, former Danish Minister of Economic Affairs and former Minister of Foreign Affairs.

Fabrizio TASSINARI asked how we should internationally respond to the crisis. Niels HELVEG PETERSEN started arguing that the split among Member States during the European Council of 8-9 December would have long-term consequences notably on external policy. The question on how to save the euro was therefore raised. The EU-17 need to create viable solutions. Richard YOUNGS advised to probably better step back in order to deal with the crisis more effectively at 27 and focus on economic interests. This way the EU should think more assertively to develop a long term strategy. So far it was difficult to agree on a multilateralism strategy, yet a coherence foreign policy is needed.

For international security it was stressed that since the defence’s budget has undergone cuts the EU will have more modest security aspirations. Nevertheless it should not prevent the EU to use a large range of instruments to set up a strategy. Europe managed to make the difference in Libya, it was thus advised that the EU should focus on some parts of the world and continue to play a role vis-à-vis North Africa and the Middle-East. The core values could be developed further while building global alliances. The promotion of democracy and human rights in external policy should then be more present. Yet the EU-17 is now in charge of an historic task, one should not underestimate the current situation.

CONCLUDING REMARKS

Nanna HVIDT and Wolfgang WESSELS, Jean Monnet Professor at the University of Cologne and TEPSA Chairman, presented their concluding remarks on the issues discussed during the conference. Nanna HVIDT thanked everyone for participating in the conference. She then highlighted the importance of this upcoming Danish presidency notably with the creation of the European External Action Service. Wolfgang WESSELS reminded some main historical stages and particularly recalled the Danish Presidency of 2002, when the ‘deepening’ of the European Union has started. Wolfgang WESSELS highlighted the economic changes and particularly the implication of the political power in this regard, which implies a change in the way of thinking. He also draw the attention to the ambitious Danish programme and to other main issues such as the accession of Croatia in 2013, as well as the own resources which should also be raised during the Presidency. Finally, he expressed his appreciation to all participants and thanked in particular the Danish organisers for the fruitful conference.