



**The contribution of 16 European Think Tanks
to the Polish, Danish and Cypriot Presidencies
of the European Union
15 June 2011 - Egmont II - Brussels**



**Report by Olivier Lewis
Programme
12 Recommendations**

The third edition of the *Think Global – Act European* (TGAE) report was made available to the public on June 15, 2011 online at: www.notre-europe.eu/en/tgae, and during a conference organized in Brussels the same day. This Report led more than 50 researchers from 16 European Think tanks to produce a pan-European vision of the main issues at stake on the economic, financial, environmental, migratory, diplomatic and military registers, during the next 18 months.

To celebrate the release, Notre Europe, the other editorial committee members (Egmont, demosEUROPA, the Danish Institute for International Studies and the Cyprus Center for European and International Affairs) and the 11 participating think tanks all took part in this conference, organized in Egmont II. The conference was introduced by Notre Europe's president Antonio Vitorino and composed of two panels: a first one entitled "Lisbon Treaty rules in a time of crisis: stress tests for European governance – The vision of the rotating presidencies", and a second one running under the headline "Prospects for European growth and implications for the EU policies." The panellists included notable figures, such as Pierre Vimont, Jan Tombinski, Claus Grube, Nicholas Emiliou, Pervenche Berès, Michael Clauß and Pierre Delsaux (see programme – appendix 1). This short synthesis presents the main outlines of the interventions and discussions which took place during the conference and panels.

INTRODUCTORY REMARKS BY NOTRE EUROPE

Notre Europe's President, António Vitorino, started the event by paraphrasing Mark Twain. "The news about the death of the rotating presidencies" was greatly exaggerated, he said. According to Vitorino, the rotating presidencies "run the machinery", promote the EU at the national level and bring a diversity of ideas to the EU. Yet, Vitorino said, this does not mean the current model is perfect. For example, he noted, the Trio Presidency/European Council Presidency relationship could be improved, as could the definition of the Trio in foreign affairs issues.

Elvire Fabry, the coordinator of this third edition of "TGAE" and Senior Researcher at Notre Europe, added that the Trio Presidency is vital to the EU as a global actor, but also as an "administrative leader" within the EU. Fabry also noted that, overall, the Trio is essential to maintaining the EU's "institutional balance". Fabry then presented the 12 key recommendations of the report, which are part of four main categories: "the completion of the internal market", "beyond on-going EU economic governance reform", "EU budget reform" and "the EU as a global player" (see appendix 2 for a quick resume and the TGAE Report for more details).

1ST ROUND TABLE

LISBON TREATY RULES IN A TIME OF CRISIS: STRESS TESTS FOR EUROPEAN GOVERNANCE

The first panel was moderated by **Baron Philippe de Schoutheete, a Member of the Board of Directors of Egmont**. Schoutheete underlined the fact that the panel was entirely composed of (be they former or current) permanent representatives of their respective countries.

The first panellist, **Jan Tombinski**, who is the Permanent Representative of Poland to the EU, said that although the Polish Presidency started preparing for its presidency two years ago, its establish agenda would most likely be replaced by an “imposed agenda”, following the needs of the EU’s ever-changing political life. For now, however, the largest issue, according to Tombinski, is the issue of public finances – an issue that will impact all other politics according to him. For Tombinski, public finances even affect mutual trust between Member States. Tombinski then said that the Arab Spring is the second big challenge for the EU, one that should be treated by ministries in each Member State. Here, Tombinski underlined the importance of *not* treating Arab states as homogenous or interchangeable blocs. To the contrary, Tombinski believes they all have their own history, culture, internal structures, etc. “And we have to acknowledge that they are subjects, not objects,” he said. Yet, Tombinski also noted that states to the south were neighbours of the EU, while states to the east were *European* neighbours. For Tombinski, the third big project for the Trio will cover institutional matters, especially implementing the Lisbon Treaty and communicating effectively on all things relating to the Multiannual Financial Framework (MFF) – concerning logistical rules and funding rationales, for example.

The second panellist, **Claus Grube**, the Permanent Secretary of State at the Danish Ministry of Foreign Affairs, said the EU and its leaders should not forget that “we have come a long way” since 10 years ago. According to Grube, the Danish Ministry hopes to inspire more confidence in the EU and for the EU to have more confidence in itself. On the topic of “administrative leadership”, Grube said the Danish Presidency also hoped to show some political leadership, on behalf of the Council of Ministers. Grube noted that the Danish government has been very impressed by the process of making the Trio programme. He said, “of course, we have had our differences – that is not a secret – but it is remarkable how it has been possible for us to reach agreement on a programme among three so different countries inside the EU. [...] I must say that it has gone much smoother than I had thought in the beginning.”

Grube noted that the Trio’s coordination work will be important for both the MFF and the Single Market. “Compared to 2005, these MFF negotiations will be much more complicated because all elements will be in play, both on the income side and on the expenditure side,” Grube said. “And it is also one of the areas where the Trio has a very important role to play, because no six-month rotating presidency will be able to handle negotiations from the beginning to the end.” Grube said there was also a lot of work to do to realise the full potential of the Single Market. For Grube, such an exercise, taking place on the 20th Anniversary of the Single Market, is technical, political and strategic. “We should not forget, and never forget, that a well functioning Single Market is the precondition for a well functioning euro and a stable euro area – and it is not the other way around,” he said. “That is also a precondition for playing a strong role internationally or globally, as we all wish the EU should be able to. Without money you cannot play an important part in international politics at the global level.”

The third panellist, **Nicholas Emiliou**, the Permanent Secretary of the Ministry of Foreign Affairs of the Republic of Cyprus, said dealing with the euro and the EU’s borders are currently the two largest “stress tests” for European governance – notwithstanding the fact that other, less predictable challenges could appear. “For the Trio, effectively addressing these issues is of primary importance, since they constitute issue that affect almost every Member State and almost each and every citizen within our societies,” he said. “And let’s be realistic. In any family, how you spend the family fortune,

and who you decide to let in the family, can be determining factors as to whether you may continue to function as a family.”

As regards the euro, Emiliou noted three steps for the upcoming Trio. “We hope to contribute to the ongoing efforts to improve economic governance in the EU by doing what is necessary, so that the Council agrees first to the necessary reforms that will help maintain financial stability within the Union, second improve the macroeconomic environment, and third, as a result, boost long-run growth and employment creation,” Emiliou said. Concerning migration issues, Emiliou noted that the Cypriot Presidency hopes to help complete the Common European Asylum System, but to also help improve cooperation with countries of origin. “It is important to strengthen the dialogue and cooperation with neighbouring countries of origin and transit concerning the management of migration flows, repatriation, and capacity building measures in a wider sense,” he said.

On the topic of implementing the Lisbon Treaty, Emiliou agreed with one of the TGAE articles that the role of the General Affairs Council (GAC) should be strengthened. “Cyprus believes the role of the GAC is vital,” he said. “The Lisbon Treaty gives to the GAC both political and horizontal supervisory roles in the architecture of the European Union – a political role because the GAC prepares the Summits and ensures their continuity; and a horizontal role because the GAC is required by the treaty to ensure cohesion in the work of the FAC configurations. Its sessions should provide added value to the president of the European Council and cannot remain limited to the formulation and revision of texts, but should become a forum for political debate.”

The fourth panellist, **Pierre Vimont**, the Executive Secretary General of the European External Action Service (EEAS), said he felt like a “trouble maker” in the panel because, as a consequence of the Lisbon Treaty, the EEAS has taken a great deal of foreign policy powers away from the rotating presidency. This said, he reminded all present that the role of the EEAS is to “make everything as smooth as possible”. On this subject, Vimont noted that many non-EU heads of state are happy now to often see the same EU representatives at international summits. They are happy “to know with whom they are going to talk,” Vimont said.

Still, according to Vimont, there is room for all in the new framework. “Even now that we have this different set of institutions, I have no doubt that the problem for us is not a problem of having too many people working on the same thing; it’s not doing the right coordination enough, that we need to do,” Vimont said. “I think the real problem we are facing is not that we are just trying to do the same tasks (all of us), but that we have many tasks to fulfil. If we agree on that the real question that we must always ask ourselves is a very pragmatic one: in the institutional framework that we have today, with all of its shortcomings and the needs to improve it, where are the needs?”

One example Vimont gave of this was the need for a Special Representative for the Southern Mediterranean. “We miss at the moment the right person who could be a sort of travelling ambassador, special envoys who can go there, explain what we are trying to do, listen,” he said. “I must insist on that one. Listen a little bit more to those countries; because what they are telling us quite often is that they seem, or they have the impression that once again, as in the past, we are somewhat lecturing them, and imposing upon them some of the usual instruments we have set up over the past 20 or 30 years, without much innovation in the world that is changing quite quickly.”

With regards to policy, Vimont made three comments. First, according to Vimont, all of the EU’s foreign policy credibility depends on what happens in relation to the euro. “If we are not able to

come out quickly and solidly and constructively from that euro crisis, the image, which means the credibility and the authority of the whole EU will be jeopardised in a very strong way,” he said.

Second, Vimont believes the entire international community – and not just the EU – does not know how to respond to the Arab Spring. Commenting on recent events, he said “look at Bahrain, look at Yemen, look at Syria – which is becoming very paramount in our attention in the last days – look at the way the Security Council for the last two or three weeks has been trying first of all, if only, to get a statement by the President of the Security Council on Syria and could not do it because they did not agree among themselves.”

Third, Vimont noted that one of the reasons the international community is having difficulty acting is due to intellectual confusion. “If you are not very careful in trying to avoid confusion, from an intellectual point of view, in the concepts you use,” Vimont said, “you get, very easily, caught in a corner – and in a very difficult situation where the Western countries, having started, I think, with a very good will to protect the population from Benghazi, are now in an awkward position where, more or less, all the Arab countries are moving, slowly, away, apart from a few others; where the African Union is becoming more and more critical; and where the need for the guarantee of the international community unity is becoming, more and more, the obvious task that we are doing.” Because the EU has assets in this field, Vimont feels the Union has a major role to play in this regards. “It has been promoting some values that are very there, at the centre of the whole issues we are facing,” Vimont said. “It has the means, whether financial, whether political or diplomatic or others, to help solve those problems. And I think it has the capacity, precisely if we do it well, to dispel some of the confusion that is there.”

Questions from the think tanks and answers from the panellists

After these speeches, the researchers from the think tanks asked a few questions, which were then answered by the panellists. Most of the answers focused on institutional affairs, the Arab Spring, the EU’s Common Security and Defence Policy (CSDP) and the Schengen Area. Vimont for example, commented on the relationship between the EEAS and DG Enlargement and on the criteria they use to divide respective tasks between themselves. “When you are talking about the enlargement negotiation, it is DG Enlargement; when you are talking about negotiations between Belgrade and Pristina, or the political situation in Bosnia, or what do we do after the Albanian local elections, then this is for us” Vimont said. “What is important and what has been working well so far is that at the level of pure administration, if only because many of us are working in the same building – the Charlemagne – we have managed to very good working relations, so far.”

Tombinski, however, gave a nuanced answer to this line of enquiry. “Concerning the ENP and Enlargement, Croatia was a very good example of how presidencies may be, because of their own activity, a decisive factor in bringing an exercise to an end,” Tombinski said. “Two countries are waiting for an avis from the Commission about being granted the status of a candidate: Serbia and Montenegro. This will be very good as a sign of the EU’s interest to engage (more) in the Balkans and to overcome the fatality of the past 20 years. The Balkans is still an open wound in the European continent. We are very committed to working together with all of the stakeholders in order to come closer to start, after granting the candidate status, negotiations. [...] We have also to look at enlargement as an opportunity for the EU to modernise structures.”

Emiliou noted, concerning the West Balkans, that Cyprus recently invited the Prime Minister of Serbia to visit Nicosia, which he did. During this visit, the Cypriot government explained its priorities concerning the West Balkans region. And as the debut of Cypriot Presidency approaches, the government will do the same with other West Balkan countries. In parallel to this subject, Emiliou said, "I want to underline very strongly the fact that Enlargement is a very inter-governmental process and that each of 27 Member States is major stake holder in this exercise."

As far as the Schengen Area is concerned, Grube said he was surprised by some Member States' reactions to Denmark's new legislation. He noted that the EU had greater problems to deal with and that such commotion is indicative of the unease currently in the EU and of Europeans' lack of self-confidence. "On the other issue in discussion, in relation to what is going on in the Kingdom of Denmark – where nothing is rotten, I can tell you – this will also, I am quite convinced, be solved in a very short span of time," Grube said. "There is an administrative agreement by the Danish government, of course of a political nature, to increase our efficiency in customs controls, only customs controls – no, it has nothing to do with Schengen rules as far as passports and persons are concerned – that is part of the debate around the agreement, but it is not part of the agreement as such. He went on to add: "We are creating 98 new custom officers by 2014, from actually 144 today, to cover our 25 border crossings to other EU Member States or Schengen Member States, except the UK. That is not a very big increase. It is also an increase that has been asked for by some of our neighbouring countries because they do not think that we have been efficient enough in our customs controls."

Regarding the Arab Spring, Vimont said the past 30 years of efforts by the EU have not been very successful and that, although there have been some good programmes, partners to the south have always felt something was missing in the EU's policies. "So we are having another try at this," Vimont said. "In order to not meet the same failures, we need to try to not hide from reality."

Tombinski, explaining what he had mentioned earlier, underlined the importance of acknowledging differences between countries. "We have to acknowledge that Tunisia is different from Egypt, and Egypt is different from Libya, Bahrain is different from Morocco, or Jordan is different from Syria", he said. "It goes together with the approach to the whole region – we have the common European Neighbourhood Policy, its common frame, but within the frame we have to adapt our policy to the individual needs of the respective countries."

Concerning the EU's CSDP, Tombinski said the Polish Presidency was trying to create a group of interested countries to then launch some initiatives – formal meetings are to be held in July and September 2011 with ministers of defence and foreign affairs respectively. "All governments are making cuts in spending, including military spending," Tombinski said. "And nobody is coordinating cuts in spending and in military spending on the scale of the EU. We may wake-up, three or five years from now, with much more limited possibilities to address the challenges. The way should be the contrary one: to be better coordinated, even if we are obliged to make cuts, but to make them in a more coordinated way and rather to look at more efficient spending for military needs – rather than dispersed efforts to make cuts in national budgets."

Concerning the GAC, Tombinski disagreed, to some extent, with some of the comments made prior. "I do not believe in an artificial creation for GAC by the Prime Minister being the President of the GAC," Tombinski said. "This is the substance which is creating the actors, and we have throughout the past months that suddenly two councils were the major actors of all dealings: ECOFIN and JH

Council, because of the subjects, the substance to be dealt with. Two years ago we were all focused on the work of the Energy and Environment Council, because of the climate package. [...] For the GAC in the next months we will have the MMF and the GAC is the major actor to deal with this issue.”

2ND ROUND TABLE

PROSPECTS FOR EUROPEAN GROWTH AND IMPLICATIONS FOR THE EU POLICIES

The second panel was moderated by Jesse Scott, Director for Energy and Climate at demosEUROPA. The first panellist, **Pierre Delsaux, Deputy Director of Internal Market and Services at the European Commission**, replaced Jonathan Faull, who was absent due to an illness.

Speeches by the panellists

For Delsaux, the issue of growth is fundamental in Europe like everywhere else. “If people are losing their jobs, this is perfect ground for populism, nationalism, protectionism,” Delsaux said. “One of the lessons of the crisis is that we live in a global world. If we want to maintain our welfare in Europe, we need to be able to compete. [...] The only way, if we want to face global competition, is to work together and gather our strengths and to be able to be more open and active on the global scene.”

Delsaux thinks the EU needs to act on three aspects: 1) public finance and fiscal consolidation, 2) reparation of the financial services sector, and 3) adoption and application of the 12 key measures of the Single Market Act. Commenting on these three objectives, Delsaux said: “Innovation is fundamental. We have no natural resources in Europe. Our strengths is what we can do with our minds. And from this point of view, the question of the European patent – a nightmare for so many years – is key. We need to lower the cost of our patents.”

Delsaux also argued that that Small and Medium Sized Enterprises (SMEs) are the basis of the European economy. “Most jobs are in SMEs,” Delsaux said. “We need to find ways for SMEs to grow. We need to look at the way of financing SMEs (as in the USA). We need to avoid red tape and we need to simplify the regulatory environment.” Finally, concerning the Single Market Act, Delsaux noted that after the 12 measures are implemented, more work will remain to be done. “The 12 measures are only a first phase,” Delsaux said. “After this, we will need to rid Europe of obstacles and we will need more integration at the European level. We should look at obstacles not only from a legal point of view, but also from an economic point of view – we are conducting research on this now, but we will also need the help from think tanks.”

The second panellist of this second session was **Pervenche Berès**, the Chair of the Committee on Employment and Social Affairs and Rapporteur of the Special Committee on the Financial, Economic and Social Crisis in the European Parliament. She started her speech by saying, “I do not think we have a crisis of the euro, or at least I do not think this is the sole factor of the situation we are in now. I also do not like to discuss European growth.” For Berès, growth is not an aim in itself. “This is not sustainable,” she said. “This crisis is about long-term strategy, sustainable in terms of the environment, the economy and in the social dimension – never forget this one, it is so easy to forget.” Berès continued discussing the concept of growth by commenting on some the key TGAE proposals. For example, she said that “we cannot get out of the mess we are in now if we do not allow some inflation, otherwise it will be a generation gap that we will not be able to solve.”

The third panellist was **Michael Clauß**, the Director General for European Affairs at the German Federal Foreign Office. According to Clauß, economic growth will come from developing the internal markets, structural reforms, and reducing high deficits and debts – as opposed to growth emanating from potential use of the EU budget. So, Clauß asks: “Still, what can the EU budget contribute to developing growth?” For Clauß, the answer is ‘not much’. “If the conclusion is that there will not be much room for manoeuvre, we will have to see if at least there is a possibility to provide inside the budget a little bit more for new challenges by maybe, if not by having dramatic cuts in CAP and Cohesion Policy, but at least to have a freeze (a real freeze) or even a nominal freeze, and to see that these funds go to innovative policies,” Clauß said. “This will prove to be quite ambitious and difficult. At home, our farmer lobby is not particularly supportive of this idea. Another idea would be to use the budget as a way to leverage money from third parties that would, maybe, decrease EU co-financing – something more appealing to older Member States. Loans could also substitute grants to a larger extent, which would bring in more private money than is occurring now. All this is to be thought about and discussed concerning the MFF.”

For Clauß this budgetary predicament is due to the fact that there is little hope that the next MFF will be very different from the current one. “The present EU budget: 43% of funds go to the CAP,’ Clauß said. “These are transfer payments that have no growth effect. 35% go to cohesion policy, which is especially useful for growth in new Member States. Otherwise, the balance is mixed. Funding to Greece, Spain, Portugal and Ireland has been procyclical and has contributed to the bubbles. Also, we see that this policy has not been effective in Greece, i.e. no growth effects. The remaining budget (Justice, Home Affairs, and External Action) does not really contribute to growth. This leaves us with heading 1A (about 9%) which we devote for competition, employment, and R&D. So, we can consider that does contribute to growth.”

Questions from the think tanks and answers from the panellists

After these presentations, **the think tanks’ researchers** once again asked a few questions, which were then answered by the panellists. The main themes addressed were growth, public debt, investments, the MFF, and how these topics are interconnected.

Delsaux addressed the growth/fiscal consolidation debate. “We all agree that growth is fundamental,” he said. “But how do we achieve this and what to do with this growth (i.e. who will benefit from such growth and who will be the winners)? It is true that growth is part of the solution to fiscal consolidation. But we also need to address the question of public finances, this way growth will be able to be used for other purposes.” According to Clauß, inflation is a solution *neither* for growth, *nor* for public debt issues. For him, the solution lies elsewhere. “We will need to increase competitiveness, which will take time,” Clauß said. “But it will allow us to climb down from this mountain of debt Member States have accumulated – not only Greece, but Germany also has a high debt ratio, like most Member States.”

One possible solution for growth is investment, but as before, the panellists held different views on this topic, notably in relation to the MFF. According to Delsaux, one lesson take from the crisis is that there is a need for long-term investment. “We cannot continue with short-termism, as we have done in previous years”, Delsaux said. “We need to have long-term vision. Concerning the budget, since we know the budget will not be a useful tool in the future (or, at least, not as useful as it has been), the question is: how can we still achieve something? We need other means to find solutions. Eurobonds

is one possibility. Another option is public procurement.” For Berès, long-term investment is paramount, but not if this means seeking funding for such investment through foreign loans. “I have one concern: when I wonder who is going to pay for the long-term investment strategy we need, some people are telling me, well, just use the Chinese savings, which would translate into the fact that we would be in exactly the same situation as the United States, and I do not think this is the right way forward”, Berès said. “I would like us to ask EU citizens to support their state and to raise the question of bonds being held by EU citizens, and this is a serious topic.” But Clauß noted that EU leaders will be so busy “saving the euro” that they will not have time to negotiate on new EU own resources. “It will be difficult to convince politicians to wage another battle on introducing innovative elements to the MFF, like an EU tax or new own resources or whatever you would like to call it”, Clauß said. “That is not only true for the German government. Most Member States do not want to touch upon this in this situation.”

According to Clauß, Eurobonds is an especially sensitive topic in Germany. “In German politics, Eurobonds is a taboo issue, which is not even being discussed in the parliament”, Clauß said. “When the Commission was proposing Euro project ponds, there was some confusion on whether that would be Eurobonds. Now that we were able to explain that it was two different issues, people are more relaxed and we are trying to see whether this would be at least an idea to increase the leverage of the budget. At the same time, we will have to see that does not create too many additional budget risks, which means that it will probably only be possible to make limited use of this, when it comes. We will also have to see that it does not put private companies out of business.”

Clauß noted that similar problems are tied to state intervention. “In the field of energy infrastructure and telecommunication different states have different traditions,” he said. “In Germany it is usually private enterprises that would do it, especially in the field of energy and telecommunication we have these giants, like E.On and Telecom and all of this, who would do it and there would be no need for the government. I know that it does look different in some Member States and we will have to see if it is clear that there will be no private funding. If that is not possible, then we will have to ask the EU to step in and help – especially in new Member States and the Baltic countries.”

Overall, the panellists seemed to agree that the budget for Cohesion Policy should not be reduced. “Cohesion Policy is necessary and it is clear that we cannot cut funds, especially for those Member States that are in dire straits already, like Greece and Portugal”, Clauß said. For Berès, the EU needs to overcome Margaret Thatcher’s “I want my money back.” “This will be in most people’s minds when we engage in the MFF discussions”, Berès said. “Concerning the Cohesion Policy, how can we say we do not need any more Cohesion Policy inside the EU? The Cohesion Policy has not allowed catching-up in the way that it should have done. But on top of this, inside the EU we have observed growing divergence among countries sharing the same currency. We knew this before August 2007 – already in 2005 and 2006 experts were already warning us about eurozone divergence. And so, we have to do something about this. Cohesion Policy is part of the answer, but the challenge is what kind of Cohesion Policy.”

The event, held to present the third edition of TGAE report, finished with speeches by two representatives of the report's editorial committee.

Andreas Theophanous, the Director of the Cyprus Center for European and International Affairs, said that in the EU's past, major breakthroughs often emerged in times of crisis. "The creation of the euro is an irreversible act", Theophanous said. "So how to move forward? The EU needs to work on three fronts: structural reform, institutional reform, fiscal consolidation. Solidarity is also a need, along with the need to increase EU spending, characteristic of a true fiscal union. These are times that require leadership, that of the Trio."

Fabrizio Tassinari, Head of Research Unit in Foreign Policy and EU Studies at the Danish Institute for International Studies, concluded on with the initial focus of the conference: the Trio. "The Trio's work follows the EU spirit", Tassinari said. "The imperfection of what we do in the EU should be taken as a potential. We need to both think and act European before we can be a global actor. [...] The world is changing, but we can aim for a small piece of a much bigger pie. Denmark as an "honest broker" will be a good match for the enthusiasm of the other two presidencies."

PROGRAMME



Think Global – Act European

The Contribution of 16 European Think Tanks to the Polish, Danish, and Cypriot Trio Presidency of the European Union

Directed by **Elvire Fabry**, Notre Europe

15 June 2011

Egmont II – Place du Petit Sablon 8 bis, 1000 Brussels

FROM 8.30 AM

Registration

9.00 – 9.10 AM

Welcome speech

Mr Antonio Vitorino President Notre Europe

9.10 – 9.20 AM

Key recommendations of the report

Mrs Elvire Fabry Senior Research Fellow, Notre Europe

9.20 – 11.00 AM

Panel 1

Lisbon Treaty rules in a time of crisis: stress tests for European governance. The vision of the rotating presidencies.

Moderator: **Mr Philippe de Schoutheete** Member of the Board of Directors, Egmont

Mr Jan Tombiński Permanent Representative of Poland to the EU

Mr Claus Grube Permanent Secretary of State at the Danish Ministry of Foreign Affairs

Mr Nicholas Emiliou Permanent Secretary, Ministry of Foreign Affairs of the Republic of Cyprus

Mr Pierre Vimont Executive Secretary General, EEAS

Questions from the think tanks' experts

11.00 – 11.25 AM

Coffee break

11.25 – 1.10 PM

Panel 2

Prospects for European growth and implications for the EU policies

Moderator: **Mrs Jesse Scott** Director for Energy and Climate, demosEUROPA

Mrs Pervenche Berès Chair of the Committee on Employment and Social Affairs, Rapporteur of the Special Committee on the Financial, Economic and Social Crisis, European Parliament

Mr Michael Clauß Director General for European Affairs, German Federal Foreign Office

Mr Jonathan Faull Director General, Internal Market and Services, European Commission

Questions from the think tanks' experts

1.10 – 1.30 PM

Concluding remarks

Mr Andreas Theophanous Director, Cyprus Center for European and International Affairs

Mr Fabrizio Tassinari Head of Research Unit, Foreign Policy and EU studies, Danish Institute for International Studies

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The Contribution of 16 European Think Tanks
to the Polish, Danish, and Cypriot Trio Presidency
of the European Union

12
SELECTED
RECOMMENDATIONS
TO THE PDC TRIO
PRESIDENCY

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Some of the proposals below lie beyond the Trio Presidency's responsibilities, as defined by the Lisbon Treaty; yet, via their coordinating role, the Polish, Danish and Cypriot governments should not hesitate to fully support these proposals.

COMPLETION OF THE INTERNAL MARKET

1 The EU should keep new Single Market legislation high on the agenda, notably by using the “package deal technique” – advocated by Mario Monti, albeit not taken up in the Single Market Act. This negotiating technique would facilitate trade-offs and would help avoid pick-and-choose tactics, which are capable of paralysing any ambitious project.

2 Specific attention should be given to making the new European financial supervision system reliable, in particular concerning banking regulation. Future stress tests must be more rigorous and provide for transparency, thus creating a solid foundation for the necessary recapitalisation and restructuring of banks in some Member States.

BEYOND ON-GOING EU ECONOMIC GOVERNANCE REFORM

3 For some Member States, particularly in the eurozone periphery, short term economic growth is likely to be anaemic. Given the tightness of fiscal policy at national level, the EU should consider practical ways to stimulate growth, through vital investment sectors, such as R&D, infrastructures and energy. Innovative financial instruments such as EU project bonds – mentioned in the Budget Review – should be given strong political support.

4 The European Stability Mechanism (ESM) will most probably not be able to provide for an “orderly default” for Member States that are insolvent and need debt restructuring. To make debt restructuring easier and more foreseeable in future cases, Member States should move beyond the current framework and set up the legal basis for a formal mechanism allowing the majority of creditors (private and other sovereigns) and the debtor to reach agreement in an orderly and swift manner.

5 Current and further EU economic governance reforms require strong public support. Thus, national actors should anticipate popular resentment and explain to their electorates that fiscal solidarity is in their long-term economic and political interest.

BUDGET REFORM

6 If the EU wants to deliver on challenges such as economic recovery / growth, the transition towards a low-carbon economy and EU cohesion – which all require substantial investments – it needs to align its means with its ambitions. In this respect, the Multiannual Financial Framework (MFF) should play a decisive role:

- On the one hand, MFF negotiations should focus on efficiency gains, which could be obtained by improving coordination between national and EU spending (in diplomatic services, defence or research, for example) and by rendering EU spending more responsive to economic fluctuations.
- On the other hand, new EU own resources, via a genuine EU VAT tax or an EU carbon/energy tax, would help increase the overall budget volume with independent sources of revenue. Such an initiative would be a first step towards diversifying EU funding, and should thus be taken seriously.

7 A way of avoiding a deadlock over CAP financing negotiations could be to simultaneously co-finance the first pillar of the CAP and deeply reform the policy, which would entail assessing, in conjunction with states and regions, an appropriate spending-level.

8 EU economic integration is at risk of running at a two speeds. To foster less developed Member States' competitiveness, EU Cohesion Policy should be turned into the leading EU development and investment policy, notably by equipping it with sufficient funds in the next MFF.

THE EU AS A GLOBAL PLAYER

9 The EU has a specific role to play in its neighbourhood's transition process. The EU should compensate for the slowness of its response to South Mediterranean countries' pro-democratic demands by now firmly involving itself in favour of democratic transitions. At the same time, the EU should not neglect its committed neighbourhood policy in the East and should therefore be determined to conclude far-reaching association agreements with Eastern Europe countries, making substantial commitments towards market-opening and regulatory alignment.

10 The EU needs to consolidate its immigration, border control and asylum policies. Schengen, one of the EU's main achievements, should not be weakened. At the same time asylum rules need to be looked at. The current "first safe country" principle could be replaced with a quota system where countries accept a set number of asylum seekers in proportion to their population size, available facilities and budget constraints. Those countries that do not reach their asylum quotas should accept some bone fide refugees from those that are over-burdened. Concerning labour migration, it should not be regarded as a security issue but rather as a way to meet sustainable growth objectives.

11 Coordinating external and internal EU policies would help avoid conflicting strategies. The EU has to produce integrated policy proposals by bridging traditional foreign policy with other issues, such as energy, migration, climate, security, development and trade concerns. As an illustration, to develop and strengthen the Union's external relations in the field of energy, a full set of EU foreign policy instruments should be used in a more coherent and multidisciplinary manner.

12 To develop strategic partnerships with major emerging powers and raise the EU's standing in international negotiations, the EU leaders should, for each specific partnership, prioritise the Union's interests and overcome the Member States' bilateral reflexes, which favour short-term national benefits over long-term European ones.

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