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Global, Social & Political Europe

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▶ ▶ ▶ European integration after the turn of the century

So much has already happened in Europe in this new century, providing enough material for both optimists and pessimists to develop their preferred scenarios. It all started with the introduction of the new single currency, surely the most important act of integration since the very beginning. It has worked remarkably smoothly and has also served as a laboratory for economists to test their theories. True, the economic performance of many eurozone countries left much to be desired during most of the period, while those that had willingly stayed out saw few reasons to change their minds. But these are still early years and there is much learning by doing for new European institutions and also for national players who gradually need to adjust to a very different economic and political environment. The governance of the eurozone is a big and still open question.

Regional integration has continued to expand in new areas following a trend established some decades back. New security challenges, strong push and pull factors leading to much higher levels of international migration, rapidly changing conditions in labour markets, as well as alarming trends in the global climate have all created new reasons for cooperation or joint action at the European level. They have also added more exceptions to the old and cherished (by some at least) Community method of decision-making. One of them is in the area of traditional foreign policy: intergovernmentalism remains the name of the game. Europe's common foreign and security policy has some concrete achievements that it can be proud of. The war in Iraq is certainly not one of them.

Several and different forms of further deepening of integration have combined with the biggest ever expansion of membership of the EU, otherwise known as widening in the Community jargon. Twelve new members have joined in the most ambitious ever exercise of extending *Pax Europaea* to new areas, thus trying to export peace, democracy and prosperity to countries that had not until then enjoyed those goods in abundance.

Continuing the peaceful revolution that began in Western Europe some fifty years back: a laudable objective to strive for. Only to discover soon that the process of Europeanisation of new members may be long and painful, that the wounds of totalitarianism do not heal so easily and have a high probability of developing into the well-known disease of populism, while the capacity for reform in former communist countries has limits that some may have wished away. Last but not least, that new members inevitably add to diversity – and there is so much diversity that a political system can take before it implodes.

Riding on the crest of big waves of optimism that still prevailed in the early years of the new century, European leaders tried to make another dash at radical treaty reform, having previously failed at both Amsterdam and Nice. But the highly ambitious project that began with the Laeken declaration and the European Convention leading to the constitutional treaty, itself an uneasy compromise as the name implied, crashed on French and Dutch territory, before ever reaching the lands of the usual suspects. This came as a shock to most political leaders and common observers who had conveniently chosen to ignore earlier signs of malaise among European citizens.

Is it a crisis, or just a hiccup, in the long process of European integration? And how important in terms of democracy, institutional efficiency and transparency are the changes provided for in the constitutional treaty? Opinions, of course, differ, and so do proposed plans for action.

► ► ► Identifying the problem

A simple diagnosis by the general practitioner would be that the Union (and its citizens) suffer from a bout of indigestion. Too much has happened in a relatively short period of time in terms of deepening and widening. While decisions are still generally perceived to be taken (mostly) by foreigners in distant places, not to mention that successive rounds of enlargement keep on bringing in new foreigners from countries that ‘we know little about’, the rapid pace of change through which regional integration begins to affect many aspects of the everyday life of European citizens has finally boomeranged. Such diagnosis might suggest that the patient needs to take it easy for a while and perhaps also resort to some simple medicine of subsidiarity to ease the discomfort.

The specialists dig further. Some argue that the EU suffers from a kind of mid-life crisis. It has succeeded in establishing a regional system based on democracy and the rule of law, open borders, shared sovereignty and solidarity among its members. No small achievement for a crowded continent, with a turbulent history and a wide diversity of cultures, political traditions and economic systems. A measure of its success is that it is now taken for granted, especially by the younger generations of Europeans. At the same time, it seems unable to generate much public enthusiasm. The EU looks boring and dated. Is it a question of freshening up and setting new goals better adjusted to its age and experience as well as to a new, rapidly changing environment? Or should it simply try to reconcile itself with limited pace and little action preparing for semi-retirement? Money surely helps in such cases: as long as the economic recovery lasts, mid-life crisis will be easier to handle. After all, support for European integration has always had a strong pecuniary dimension.

The continuous expansion in terms of membership and policy functions of the EU has stretched the limits of this elite-driven process.

We all know that European integration has been basically an elitist affair with good intentions and pretty remarkable results. It was good as long as it lasted. The continuous expansion in terms of membership and policy functions of the EU has stretched the limits of this elite-driven process. National elites have lost much of their legitimacy, while the permissive consensus on which the famous common European home was being built looks no longer solid enough. European citizens are not prepared to give their political leaders *carte blanche* on new initiatives.

The growing debate about borders is just one manifestation of this trend; strong disagreements about further liberalisation and the extension of the European single market is another. And the doubts or criticism are no longer confined to old-style Eurosceptics or Europhobes. They have spread much wider. Does Europe need a greater dose of democracy? If so, there are hardly any examples to follow. The uniqueness of European integration renders the task difficult but also extremely challenging.

The latest phase of regional integration has coincided with major economic restructuring. It has to do with globalisation and, arguably, even more so with the new technological revolution. We know from history that economic restructuring adds to overall welfare, though it has never been a bloodless affair. It creates winners and losers within countries more than between countries, and it also adds significantly to the precariousness of economic life by accelerating the pace of change. Generally perceived as a vehicle of change and liberalisation, Europe thus becomes a threat for those who consider themselves as losers or potential losers and hence turn to the old nation-state for protection.

In a world where the economic forces of globalisation hit against resurgent nationalism, Europe risks being uncomfortably squeezed between the two. And it also risks losing for good significant sections of the population who turn against it. Does Europe have a role to play in this rapidly changing global order? Two popular and contrasting views suggest that we should either try to hide ourselves from the world by erecting high walls of protection, or that we should just lie back and enjoy it – at least, those of us who can afford to do so. There should be a third option.

In a world where the economic forces of globalisation hit against resurgent nationalism, Europe risks being uncomfortably squeezed between the two.

This paper will concentrate on three important dimensions of European integration: global, social and political. It will briefly discuss some of the main issues currently facing the EU and alternative ways forward.

▶ ▶ ▶ Managing globalisation

European integration started basically as an inward-looking venture: the foundations for peace and reconciliation in Europe were laid while global order was taken as a given, shaped by external actors. Greater prosperity, through the elimination of economic borders, was added to the list of key objectives. The role of Europe as an external actor came later through trade; it has never been commensurate with internal integration. The experience of trade has proved difficult to transplant to other areas of policy. As a result, in most policy areas Europe's influence in the world has been less than proportional to its collective size.

Europe's relative share in terms of population, income and trade will continue on a downward slope in the foreseeable future due to a variety of factors, including demography and the rise of new powers in what we used to call the Third World. It is both improbable and undesirable that military might will compensate for the loss of European power in other areas. Individually, member countries carry relatively little weight, although illusions of power die hard. Their weight will be even less in the future. Until now, some have tried to reap extra benefits by following the leader. Others have acted as free riders. It is still an open question if and when Europeans decide that the best way to defend their interests and values is through common European action.

According to public surveys, the large majority of Europeans apparently believe that globalisation should not be left entirely to market forces or the United States to give it shape and form. The only way that Europeans can exert influence is by investing in their own unity. Collectively, they make a difference. It is about defending common interests and values in a world where size matters, assuming of course that what unites them is perceived to be more important than what divides them. This applies to matters of finance and energy as much as to those of trade and development aid. It is also about defending global public goods. The danger of dramatic climatic change calls for a European initiative and a leading role in developing global policies to deal with it. The Europeans are pioneers in this field, even though rhetoric sometimes runs ahead of action.

Effective external policies do not flow easily from intergovernmental structures, even less so from post-modern entities with fuzzy shape and ill-defined jurisdictions.

In an increasingly multipolar world, Europe can also provide the catalyst for a more effective multilateral system of governance. After all, Europeans have learned the hard way the lessons of managing interdependence through common rules and institutions. This is something worth exporting to the rest of the world.

Effective external policies do not flow easily from intergovernmental structures, even less so from post-modern entities with fuzzy shape and ill-defined jurisdictions. Effective external policies require instead (qualified or super qualified) majority voting and forms of

joint representation. Trade would be the example to follow. We may all have objections to particular aspects of European trade policies, but few people can doubt (free trade fundamentalists excepted) that Europe has helped to shape the world trading system – and for the better.

Global economic governance requires international institutions that are adjusted to present needs and are able to deliver the goods – and that means radical reform of the existing ones designed in the aftermath of the Second World War. Here again, Europe needs to be in the forefront, if it really means business. Single European representation should be an integral part of the reform of international institutions. Are eurozone countries ready to set an example at the IMF and the World Bank, thus also conveying an important message to the rest of the world? Who knows, one day the Security Council might follow...

Europe has developed a comparative advantage in different forms of soft power – making virtue out of necessity, the more cynical observer might remark. Without excluding recourse to military force as an instrument of last resort in a messy world where conflict and violence are, alas, expected to persist for long, the EU will continue to operate essentially as a civilian power – hopefully, a civilian power with a clear voice, more self-confidence and effective instruments at its disposal.

Single European representation should be an integral part of the reform of international institutions. Are eurozone countries ready to set an example at the IMF and the World Bank?

A common European foreign policy in the sacred realm of high politics can only be a slow and, often, frustrating process. The most divisive factor of all in the past has been the inability of European countries to agree on how far a common European policy can differ from that of the United States. Things have not been made easier after the recent rounds of enlargement. The transatlantic alliance needs to remain a key element of both American and European policies in the future. But a healthy alliance requires more equality between the two sides, and this would necessarily have to go through closer European unity. A common European policy vis-à-vis the United States is not the same as a policy against the United States. It is not about building a counterweight. It is about creating a credible partner who works closely with America, but whose interests and policies may sometimes legitimately differ.

The collapse of the Soviet empire brought about an era of unipolarity in international relations. Not since Rome has the world experienced such a concentration of power in one country. This state of affairs may, however, prove to be short lived. No country will be able to challenge American military supremacy in the foreseeable future. Yet, hard power on its own has many limitations: Iraq and Afghanistan provide ample evidence. Economic power surely counts; but so do old-fashioned manifestations of power, such as intelligence, credibility and diplomatic dexterity. In an increasingly multipolar world, it will be crucial for Europe to be able to pursue a common policy vis-à-vis Russia and China.

Defending European interests and values, managing globalisation and strengthening multilateral institutions could be a project that helps to mobilise many Europeans.

Defending European interests and values, managing globalisation and strengthening multilateral institutions could be a project that helps to mobilise many Europeans, even more so the young ones who are becoming increasingly alienated from the bureaucratic world of Brussels.

▶ ▶ ▶ Stabilising the neighbourhood

Successive rounds of enlargement have been Europe's most effective foreign policy. They have helped to export *Pax Europaea* to more unstable parts of the continent and they have also acted as a convergence machine for the economic periphery of Europe. The two latest rounds will be more difficult to digest. They have also, arguably, involved a loose application of the criteria for membership in some cases, which we are now discovering at a cost. There are more countries in the waiting room as eligible members; and others only too keen to secure a certificate of eligibility, even if it bears a distant date for eventual accession.

Further enlargement is likely to proceed at a slower pace. Most candidates are still far from being able to fulfil the criteria. The countries of the Western Balkans are next in line. But the dust has not yet completely settled in former Yugoslavia. More time will be needed. In the process of pacification and trying to minimise the risks of renewed violence, we run the risk of encouraging, or at least, acquiescing to the creation of unviable political entities that could have long-term destabilising effects for the region as a whole. It is not considered politically correct to raise such issues and, admittedly, the alternatives are not at all easy or obvious. But to believe that the European perspective somewhere in the future may be sufficient as a factor of stability for some of the countries (or entities) of the Western Balkans is to believe too much.

The EU apparently suffers from enlargement fatigue. It will take some time to recover. The debate on borders and identity has already begun: further enlargement is being politicised. And there is another debate also going on concerning the Union's capacity to integrate new members, linked in turn to the question of internal reforms. The capacity of the EU to continue expanding depends crucially on such reforms. There is a price for enlargement in terms of both money and institutions. It is not yet clear who are ready to pay; some pretend it is for free. The alternative scenario would be for further enlargement to take place in the context of an increasingly loose association of states with or without concentric circles and core groups. The effect of *Pax Europaea* would then be severely weakened.

At this stage, it is important that the door leading to the EU living room is not completely shut in the face of candidates. And since the waiting room will remain crowded for some time, it would make sense to try and make the waiting more comfortable, if not enjoyable. In other words, we may need to narrow the distance between membership and non-membership by offering better access to the European market and programmes to those who are not already members. And this should be done without prejudice to eventual full membership. Such an exercise will require both flexibility and generosity on behalf of the Union.

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There is also the wider neighbourhood to the east and the south of the Union, comprising many countries that do not expect to receive a certificate of eligibility and others whose hope for it lies beyond the foreseeable future. Can the EU influence developments in its neighbourhood and try to export some of the goods associated with *Pax Europaea* to countries that have no (clear) prospect of becoming members, while also protecting its own legitimate interests?

This is precisely the aim of the new neighbourhood policy: a triumph of hope over experience, another cynical observer might remark. The old privileged relationship with Mediterranean countries does not allow for much optimism. Trade, aid and political dialogue, as the main instruments used by the EU, have largely failed to act as a strong enough catalyst for much needed political and economic reform in those countries. How will 'shared values' and conditionality apply in the context of the new neighbourhood policy? And what can be the substance and added value of new initiatives, such as the proposed creation of a Mediterranean Union?

How effective are the carrots and sticks that the EU has at its disposal in trying to influence developments in an unstable neighbourhood where several countries still fail to enjoy the fruits of democracy, prosperity and security broadly defined? We are still in search of a common European policy with respect to energy and migration. Yet, these are key elements in trying to establish a mutually beneficial relationship with many of our neighbours. Instead, European councils produce declarations that often have little to do with the capacity of institutions to deliver. The credibility of the Union suffers as a result.

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Europeans have learned from bitter experience that instability easily crosses borders. There are still many sources of instability in the neighbourhood, including of course the biggest and most dangerous of all in the Middle East. Europeans understand, clearly better than the current US Administration, that a peaceful resolution of the conflict between Israel and Palestine is a necessary, albeit not sufficient, condition for peace and stability in the wider region. It should therefore be a top priority. Europeans understand this, but so far they show limited capacity to act or influence. Such may be the limitations and frustrations of a civilian or post-modern power in a world with still many pre-modern characteristics.

▶ ▶ ▶ Social Europe: a midsummer night's dream?

There has been much talk about the existence of a European model, often lacking in precision or clarity. In fact, two different kinds of models can be distinguished, different although interrelated. One is the model of integration: it does exist, and it has no precedent in history or rival in any other part of the contemporary world. The other is the European social model: it is much more controversial. The debate about it has always been ideologically loaded (how could it be otherwise?) and also extremely vague in terms of its policy implications. The French referendum on the constitutional treaty provides a good example.

The European social model refers, of course, to the existence of highly developed welfare states in post-Second World War Western Europe and the persisting emphasis on equality, redistribution as well as the provision of public goods and collective insurance against risk for individuals. In those terms, there is indeed a European social model: a model based on common values shared by the large majority of Europeans. However, those common values have been translated into a wide diversity of national social and welfare systems reflecting different institutions, political traditions and productivity levels. Those systems need to adjust to rapidly changing conditions, both domestically and internationally. What could be the European dimension of such an adjustment given that diversity sets limits to the prospects for EU coordination or harmonisation? There has always been a wide gap between rhetoric and action in this area.

A big challenge for European countries, individually and collectively, is to reconcile international competitiveness and internal structural reforms with the kind of politically stable and compassionate society that Western Europeans created during the *Trente Glorieuses*. Is it just daydreaming for old-fashioned social democrats? If so, public surveys would suggest that there is a majority of social democrats in Europe. Perhaps, more correctly these are values widely shared by Europeans – and this is, indeed, something that distinguishes them from the rest of the world.

Economic reform has been on the agenda for several years as an integral part of the Lisbon process. Unlike earlier experience with economic integration, the Lisbon process does not rely much on common laws and regulations. And rightly so, it can be argued, since it touches on many aspects of labour market and welfare policy where diversity and subsidiarity remain the name of the game; hence the emphasis on the role of the European Union as an external catalyst and facilitator rather than a law-maker.

We now know from experience that peer pressure, benchmarking and soft coordination have many limitations. The consensus on the general direction of economic reform has proved fragile: when the external catalyst collided with domestic political realities, it was the latter that almost invariably prevailed. Naming and shaming of those countries lagging behind in the implementation of measures solemnly agreed upon at the European level does not work unless the shaming part is internalised by national political systems – and this does not always happen, to put it mildly. Bureaucrats talking to other bureaucrats and writing reports for Brussels does not always have a discernible effect on policy, while giving Europe a bad image.

Instead of a catalyst and a facilitator, the Union has often served as a scapegoat for national governments, when those governments finally decided to take unpopular measures at home. There has been a general tendency in recent years for national politicians to appropriate for themselves any measures deemed popular, while passing the responsibility for difficult or unpopular decisions, involving short-term political costs, on to the EU and the Commission in particular. There has also been much double-talk: some political leaders speaking 'European' in Brussels, while continuing to use the national idiom for domestic political debates. And there has been little attempt to translate from one to the other. Public support for European integration has suffered as a result, and so has the credibility of the political class as a whole in several countries.

The EU can and should provide a useful forum for debate as well as a basis for comparing national experiences, and possibly also a soft version of benchmarking. At the same time, it can and should provide a broad policy framework, and hopefully no longer a scapegoat.

Flexicurity has become recently the guiding principle for labour market reform in Europe. It remains to be seen how much the experience of Denmark or Sweden can be transplanted to politically less fertile soil; hopefully, some lessons can be learned. An attempt has also been made to improve the effectiveness of the Lisbon process by establishing a direct link with the EU budget; in other words, through financial incentives and conditionality. Recipients of EU structural aid are, of course, much more susceptible to conditionality from Brussels.

There is, however, a wider political issue. Economic liberalisation and the growing international mobility of goods, services, persons, and even more so, capital have reduced the ability of the national state to regulate and tax. With the rise of global financial capitalism, the domestic political fundamentals have changed in Europe and elsewhere. There are, of course, winners and losers – and there is also growing uncertainty and risk in this brave new world.

An implicit division of labour had developed over the years between European and national institutions: the former concentrated on market liberalisation measures, while the latter retained the (near) monopoly of redistribution and welfare. In times when inequalities are growing within countries, this division of labour becomes politically less sustainable. For Europe to be an effective agent of reform, it should also be a reliable defender of collective interests and values with a stronger caring dimension.

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Easier said than done, the hard realist would object. And she may be right, though at the risk of allowing protectionist pressures and anti-European sentiments to rise dangerously in some countries. There is arguably greater scope for the adoption of minimum common standards at the EU level and also for exporting standards to the rest of the world. There is scope for some burden sharing among member countries as part of a common migration policy. And there is greater scope for the EU acting as a catalyst and pioneer in R&D and education with more money at its disposal. Programmes directed at European youth should be a worthwhile investment. Last but not least, there is more room for European measures that work in a complementary fashion to national ones, instead of the rather futile exercise of harmonisation in the context of wide diversity and the lack of a commonly agreed benchmark. The decision to set up the European globalisation adjustment fund linked to economic restructuring is an important step in this direction; if only, it would become more real than symbolic. For social Europe, we need less rhetoric and bureaucracy and more effective complementary measures at EU level.

▶ ▶ ▶ How much can we politicise?

The EU produces a great deal of policy that affects in many ways the everyday life of citizens. But there is still precious little democratic politics to back it up, mostly indirectly through member states. The gap between policy and politics has grown wider, despite efforts to introduce more democracy to the

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European political system. Direct elections to the European Parliament, coupled with more co-decision, have so far largely failed to create a European public space. The gap between policy and politics has also grown wider at the national level, although in the opposite direction: public debates usually take place as if the national state had much more autonomy of action

than it actually has. One result has been the growing feeling of disempowerment among citizens, together with the rise of populism.

The debate about further politicisation of European integration has been gathering momentum. In a nutshell, the argument runs as follows. European integration (and globalisation) is increasingly affecting and constraining national policies and social contracts. It is also having distributional effects. There are choices to be made at the European level concerning the management of the internal market and the single currency, competition and redistribution, the protection of the environment, as well as common policies vis-à-vis the rest of the world. These are choices that cannot be debated and dealt with almost exclusively on an intergovernmental basis. In other words, there is a mismatch between economic reality, broadly defined, which is becoming increasingly European and global, and the still predominantly intergovernmental nature of EU politics. This is another way to describe the gap between policy and politics.

On the other hand, there are still many people who believe that further politicisation of the EU is neither desirable nor feasible. They belong to different sub-categories, including those – many are to be found in Brussels – who yearn for the good old days when the initiated ran the show and the others followed. There are also those who argue that the issues dealt with by European institutions are not particularly salient among citizens and voters, and those who believe we are not ready for supranational democracy and thus any further move in that direction would act as a boomerang. See the declining rates of participation in European Parliament elections, they would add, the way European political parties function as loose coalitions at best, and the manifest lack of public enthusiasm generated by the constitutional treaty. A few go even further arguing that a key characteristic of the EU is precisely that it is boring, and it should remain so.

Of course, such arguments should not be easily dismissed. The EU is largely, although not exclusively, a regulatory state, and we know that most regulatory issues do not provoke active interest on behalf of ordinary citizens. This is true, but economic regulation is not distribution free. And there is much more to European integration than technical issues of economic regulation. It is true also that there is no previous experience with democracy beyond the national level, and hence there are no simple recipes to follow. The European journey continues very much in uncharted waters and the destination remains, as always, unknown.

But let us not draw the wrong lessons from earlier misadventures. New voting procedures in the Council and a reduced role for rotating presidencies, to mention two important changes introduced by the constitutional treaty, may be a step in the right direction of better delivery, but hardly the stuff that excites most people. Institutional changes for the most part, themselves the product of painful compromises and hence watered down in the process, were presented as a major political project, and they backfired – at best, they met with popular indifference. European citizens – far from being unique – are preoccupied with practical issues and problems that affect their everyday lives, including jobs and social welfare. Given the opportunity, they told us so. Their answer did not necessarily have much to do with the contents of the constitutional treaty or Europe more generally.

Sure, politicisation is not something ordered from above. There are European issues that have already become highly politicised. One example is the liberalisation of services personified by the well-known Polish plumber. Another is enlargement, and so is globalisation. All those issues offer plenty of opportunities to demagogues. Politicisation at the European level may indeed lend itself more to populist rhetoric. And this is a risk worth bearing in mind.

Politicisation at the European level may indeed lend itself more to populist rhetoric.

Perhaps, in the not too distant future, some bold politicians may begin to debate trade-offs between economic efficiency and equity, efficiency and stability, as well as the link between such trade-offs and the division of powers between European and national institutions in different areas of economic policy. And there are, of course, more than just economic trade-offs in real life. It should not be beyond the capacity of politicians to

translate the above into simple language and present them in the form of basic political choices understood by ordinary European citizens. This is what has been missing so far, with national debates going on their own independent (and increasingly unreal) way, usually as if the EU did not exist and individual member states had much more influence over global policy outcomes than they actually have.

European citizens need more information and choices. Choices do exist, although most politicians have so far failed to articulate them as choices that have both a European and a national dimension.

The Union needs a breath of fresh political air; politics means fights and faces. European citizens need more information and choices. Choices do exist, although most politicians have so far failed to articulate them as choices that have both a European and a national dimension. This is where the big failure lies. Perhaps, because there is still no elected office at the European level attractive enough to bring forward the best available talent from the left and right of the political spectrum, more or less green, new or old, and thus generate that kind of debate.

Some people have talked about establishing a direct link between the election of members of the European Parliament and that of the President of the European Commission as a way of further politicising the EU. It would surely make the EU less boring, and elections to the European Parliament as well. Such a development would also change the institutional balance within the EU, as well as the role of the European Commission. There are serious pros and cons. And there is the risk that we are still not ready for it. As the time approaches, the issue could become hot.

▶ ▶ ▶ The short- and medium-term

In the meantime, rescuing parts of the constitutional treaty will remain at the top of the European political agenda – unless, of course, unforeseen events take it over, as they often have the habit of doing. A ‘reform’ treaty, concentrating on key institutional provisions of its more ambitious but stillborn predecessor, now looks like a possible compromise between the majority of countries that have ratified the complete text (plus a few others who also claim to be friends of the so-called constitution) and the minority that consists of two very different groups: those who want to preserve the essentials and the others who would clearly prefer the whole thing dead and buried.

The agreement reached at the European Council of June 2007 constitutes a big step forward in this direction. Yet, the prospect of a new, albeit short and with a very narrow mandate, intergovernmental conference, followed by 27 national ratifications, is not without risks. Some referenda will be difficult to avoid, people are in a rebellious (and anti-establishment) mood in several countries, while political leaders are not always ready to take ownership of texts they have solemnly agreed to in European Council meetings.

Is it worth it? The answer, I believe, is ‘yes’. Sure, a common European foreign policy will not simply jump out of the head of the new High Representative, while nobody really knows what kind of a *modus vivendi* will develop between two Presidents and one High Representative in a rather narrow policy space. The ‘double majority’ rule, applied with considerable delay and coupled with less unanimity and more co-decision, will not turn the EU-27 (or more) into a model of democratic efficiency and transparency. And the same applies to new policy areas: they will require painstaking negotiations before a broad legal framework begins to translate into specific measures.

All this is true. But it is equally true that even a downsized version of the constitutional treaty, without the symbols and other paraphernalia that so much seem to bother national sovereignty diehards, would fit better a deeper and wider Europe in a rapidly changing global environment. Much political capital has been invested in this exercise, and the cost of failure would be high.

From a democratic point of view though, we find ourselves in an almost ‘no win’ situation. Trying to secure ratification through the parliamentary route of a shorter and less ambitious text that still preserves the essentials, risks being seen as an undemocratic fiddle bypassing once again European citizens. On the other hand, trying the direct democracy route, which has become identified in several European countries with EU treaty revisions, would be a guarantee for failure under the present system: there will always be at least one referendum lost for reasons that may have very little to do with the text in question.

Popular referenda on some big European issues could arguably make sense in the future, but only on the condition that they are pan-European referenda decided on the basis of European (and not national) majorities.

The combination of unanimity and national referenda leads unavoidably to deadlock. Will yet another treaty revision finally manage to scrape through, perhaps for the last time? Popular referenda on some big European issues could arguably make sense in the future, but only on the condition that they are pan-European referenda decided on the basis of European (and not national) majorities. Apparently, we are not all ready for them yet.

Linkages, as always, abound in a political environment where the need for broad consensus often leads to complex package deals. One of them is the linkage between treaty revision and further enlargement. Some of the leading proponents of the former are not at all keen on the latter, and vice versa. This could allow for a broad package deal extended over a long period: internal reforms and further deepening linked to the accession of new members. The formula has been tried before with varying success; it looks less promising today.

Differentiation has become the key word in an ever-enlarging Union with wide diversity and an expanding agenda. There are already several prominent examples of differentiated integration, including most notably the euro, Schengen and more recently the Prüm treaty. In the negotiations

leading to the constitutional treaty much attention was paid to provisions for ‘enhanced cooperation’. It will not wither away any time soon: ‘enhanced cooperation’ is intimately linked to extended membership of a political entity (or is it just a regional organisation?) in which differences among member states in terms of ambition for further integration, institutional capacity and economic development stretch very far indeed.

Differentiation, in fact, means different things to different people. Differentiation in the form of variable membership of particular policies, or cooperation initiatives, is one thing and broadly accepted; the creation of a core group of countries within the EU, with an institutional expression of its own, is

In the midst of much loose talk about core groups, there is, however, a specific and extremely important question relating to the governance of the eurozone.

another and highly controversial. The creation of a core group has in fact been sometimes employed as a veiled threat in order to secure the compliance of the more recalcitrant members of the Union on major political initiatives – it has been hanging in the air during current attempts at treaty revision. In other words, the prospect of institutionalised differentiation is being used as a lever to raise the lowest common denominator, although its effectiveness remains doubtful.

In the midst of much loose talk about core groups, there is, however, a specific and extremely important question relating to the governance of the eurozone, which constitutes the most advanced form of differentiated integration in the EU. We know that the institutional design of EMU is both inadequate and unbalanced reflecting what was politically feasible at the time of Maastricht. The Euro Group has developed in the meantime into an important, albeit still informal, institution. The constitutional treaty was intended to rectify this anomaly to the extent that it provided for an official status for the Euro Group. The relevant provisions will need to be rescued; could they be expanded?

Were Europeans politically ready for EMU? After the event, it is a dangerous question to ask. An effective management of the single currency calls for a more integrated euro area in both economic and political terms. If and when that happens, it is bound to have important consequences for relations between ‘ins’ and ‘outs’ within the Union. Should we therefore prepare ourselves for one Europe with the internal market in its core and another with the single currency and much more? And if so, where would foreign policy fit?

The EU, and its predecessors, has done remarkably well so far following the step-by-step approach to integration – the experts talk about ‘spill-over’ – while resorting to creative ambiguity with respect to the big, teleological questions, such as borders and the *finalité politique*. Such questions are likely to be raised with increasing frequency in the future, even in polite circles. The challenges facing Europe force upon it difficult choices, while the number of participants is testing the limits of existing structures and the gap between maximalists and minimalists remains wide. Some hard realists now argue that globalisation and enlargement have rendered such questions irrelevant. It may prove to be just wishful thinking on their part. The jury is still out.

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