



Think Global - Act European

The contribution of 14 European think tanks
to the Spanish, Belgium and Hungarian
Trio presidency of European Union

Launching event report

Egmont II - Brussels
4 March 2010



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Think Global – Act European

The Contribution of 14 European Think Tanks to the Spanish, Belgian and Hungarian Trio Presidency of the European Union

Directed by Elvire Fabry and Gaëtane Ricard-Nihoul, Notre Europe

4 March 2010

Egmont II – Rue des Petits-Carmes 24, 1000 Bruxelles

FROM 8.30 AM

Registration

9.00 – 9.15 AM

Welcome Speeches

Tommasso Padoa-Schioppa President of Notre Europe

Gil Carlos Rodríguez Iglesias Director of the Real Instituto Elcano

9.15 – 11.00 AM

Panel 1

**The Priorities of the Lisbon Treaty
Implementation for an Increased EU Efficiency**
*New role of the Trio, common programme priorities,
external influence*

Mr Olivier Chastel Secretary of State for Foreign Affairs
of the Kingdom of Belgium

H.E. Mr Gábor Iván Head of the Permanent
Representation of Hungary to the EU, Former Secretary
of State for European Affairs

Mr Diego López Garrido Secretary of State for the EU of
the Kingdom of Spain

Mr João Vale de Almeida Director-General for External
Relations, European Commission

11.00 – 11.15 AM

Coffee break

11.15 – 1.00 PM

Panel 2

**EU-2020: New Synergies between Economic,
Environmental and Social Policies**

*Post-Lisbon Strategy, climate issues,
economic governance*

Mr Enrique Barón Crespo Former Member of the Spanish
Parliament and Former President of the European
Parliament

Mrs Edit Herczog Hungarian Member of the European
Parliament

Mr Hervé Jouanjan Director-General for Budget at
the European Commission, Former Deputy Secretary-
General of the European Commission

Mr Mario Monti Member of the Reflection Group on
the Future of Europe 2020-2030, former Commissioner
entrusted by Commission President J.M. Barroso with
the report on the re-launch of the single market

Mrs Odile Renaud-Basso Deputy Head of Cabinet of the
President of the European Council

1.00 PM

Conclusions

Etienne Davignon Chairman of Egmont

András Vértés President of GKI

The think tanks will be addressing questions to the speakers.

Registration required

inscription@notre-europe.eu



Key issues addressed by the speakers*

*Please note that due to other commitments Mr. Hervé Jouanjean was not able to participate at the event. He was replaced by Mr. Michel Servoz, Director of Better Regulation and Coordination Directorate at the Secretariat-General of the European Commission.

Introduction

In order to open the event, the President of *Notre Europe*, **Tommaso Padoa-Schioppa** drew attention to the fact that the TGAE report comes at a very special moment in the history of the EU. There is a new institutional foundation following the entry into force of the Lisbon Treaty, plus a new European Commission and a newly elected European Parliament. At this particular moment, when the EU and the global economy has to face a serious crisis, a special effort is necessary on behalf of the European institutions to take advantage of the strengths of the EU (sounder financial system, social safety net to cope with recession) and to compensate for its weaknesses (lack of specific instruments to deal with crisis at the EU level, fragmentation of the market) in the face of that crisis.

The TGAE report is a good opportunity to build a network of think tanks in order to foster cooperation and discussion on current European issues.

Panel 1: *The priorities of the Lisbon Treaty – implementation for increased EU efficiency*

The role and functioning of the Trio presidencies

According to **Diego López Garrido**, Spain's Secretary of State for the EU, the new model of rotating trio presidencies has a relevant role in the new institutional structure. It proposes the new political programme of Europe for the next year and a half, which must be approved by the 27 member states. It coordinates all the formations of the Council (mainly through the General Affairs Council). It needs to strengthen the new institutions, using political visibility, accountability and capacity to represent the EU.

Olivier Chastel, Belgium's Secretary of State for the EU, pointed out that the concept of the trio already existed at the time of the Treaty of Nice but was hidden in the internal rules of the Council. Today it is present in the text of the Lisbon Treaty.

The new institutional context has given a new role to the trio. The objective of the new trio is to ensure more continuity between the different presidencies.

In May 2008, **Gábor Iván**, Head of the Permanent Representation of Hungary to the EU, presented a memorandum on the functioning of the Spanish-Belgian-Hungarian Trio presidency with some key elements like a common logo to give a common symbol to their cooperation. The Trio developed the programme for the presidency, composed of a strategic framework and an operational program by anticipating the entry into force of the Lisbon Treaty. For the first time there was a real osmosis between the 3 members of the Trio, who drew up one common document instead of three to be summarised by the Council. That is the basis for the Belgian programme as well.

Mr Chastel emphasized that the aim of the presidency is to be at the service of the Council but to be attentive to all member states. It has to be a facilitator of the transition towards the new structure created by the Lisbon Treaty. Like Mr Garrido, he also stressed the importance of continuity between the rotating presidencies.

Question of **Piotr Kaczinsky (CEPS)**: How should be the role of the rotating presidency be envisaged after the Spanish presidency? For the moment we have the impression that the operation of the system lacks of visibility, and the presidency has become the Council's chairmanship.

Gábor Iván added that even if most media coverage is given to the European Council, the presidency has still a function and input (political and management tasks). There are still 370 Council working groups chaired by the rotating presidency. We have to determine the way that the rotating and the permanent presidency can work together.

Mr Garrido reminded that one of the main changes of the 21st century was that member states are much more involved in the functioning of the EU. The rotating presidency ensures the efficient coordination of member states' interests ("bottom-up" approach), while the European Council is based on a top-down approach. In the architecture of the Lisbon Treaty there are three main axes: 1. the permanent representatives and strengthened institutions in Brussels (e.g. President of the Council, HR and the European Parliament); 2. the member states (rotating presidency); 3. the European citizens (citizen's initiative, national parliaments, etc.).

Adam Balcer (demosEUROPA) was wondering how the presidencies will work together to contribute to the debate on the enlargement process and if they are envisaging its relaunch.

Mr. Iván confirmed that the enlargement of the EU is in the focus of the trio presidency and they would like to follow the line defined by the consensus reached in 2006. That gives a clear set of strong criteria that must be respected. The presidencies don't envisage any change to this. The Hungarian presidency has a special interest in enlargement issues due to its geographic position (many applicants are neighbours) and because of a question of timing. In 2011 the EU has to formulate a more concrete approach vis-à-vis applications coming from the Western Balkans. Hungary would like to play a role in the negotiations with Iceland as well.

Priorities of the Spanish presidency

Mr Garrido described the priorities of the Spanish presidency in the context of the changes brought by the Lisbon Treaty. The Spanish presidency is a presidency of transition, concentrating on the implementation of the new institutional machinery.

The Spanish presidency, in collaboration with its Belgian and Hungarian colleagues, also intends to promote 3 major institutional issues: 1. the European Citizens' Initiative; 2. the accession of the EU to the European Convention on Human Rights; 3. and the European External Action Service.

The new role of the European Council and the Council of General Affairs (CAG)

According to Mr Garrido, the European Council should decide and discuss the main strategic and political guidelines of the European Union mainly in economic and foreign affairs issues. It must formulate an exit strategy from the crisis and play a major role in the launching of the EU 2020 strategy.

Mr Iván pointed out the importance of understanding the nature of the issues the EU has to address now. Managing the economic crisis requires measures (structural reforms, education, R&D, labour market, industrial policy, etc.) that fall within the competence of member states. Therefore, if we want to achieve something in that field we need the political power of heads of states, and thus the European Council. President Van Rompuy clearly understood that these issues have to be addressed by those who have enough powers to implement the structural reforms in the member states, which complicates the everyday running of the Council. Traditionally decisions are made following a bottom-up approach (working groups, Coreper, Council and European Council). Now major political decisions are taken following a top-down approach and made by heads of states and governments. The task of the different Council formations is to implement them.

Filippa Chatzistavrou from the Greek think tank **Eliamep** has pointed out that in the new institutional framework there is a multiplication of institutional functions. That can be both a positive and a negative thing, since it has to be clear how these positions will function and what will be their specific function. Therefore, the CAG won't be the same as before. The question is how the new CAG can become a motor to boost the elaboration of politics within the European Council. It has to be ensured that there will be a real debate within CAG on controversial topics of "high-politics" (e.g. economic coordination, taxation, etc.). It should try to keep a more trans-sectoral approach of European politics.

In response to that question, Mr Garrido clarified that the multiplication of functions is only a transitory problem. In 2-3 years there will be only the President of the Council and the HR who will be in charge of the external affairs of the Union. The aim is to reflect the unity of the EU externally. In reality it will lead us to the "unification" of the functions in the EU in order to speak with one voice on the international stage. The representation of the EU will be ensured by the President of the Council (external affairs, PESC) and the President of the European Commission (article 17 of the Lisbon Treaty). The role of the rotating presidency

will then be to ensure the coordination between the external representatives of the EU (Van Rompuy, Barroso, Lady Ashton, other institutions of the EU and the member states). These kinds of contacts should be handled by the rotating presidency and the CAG. The major role of the CAG is to coordinate all the other formations of the Council.

An example for that coordination is the adoption procedure of the Strategy EU 2020. The Council meets in different formations and approves some informal conclusions. The Spanish presidency will send to the CAG the opinions and recommendations adopted by the different Council formations and the CAG will summarise them and prepare the agenda of the 2-day European Council meeting.

Mr Chastel added that the CAG has also a role in all horizontal and vertical domains (important debates, institutional and financial questions, enlargement). We should give a real political role to the CAG. Perhaps it will develop into a Council supporting the work of the permanent president of the European Council.

The external action of the European Union

Mr Garrido said that traditionally, the Council is considered as a leader of the foreign affairs policy of the EU. The Lisbon Treaty created a new institutional architecture to deal with foreign policy by establishing a European External Action Service and a High Representative for Foreign Affairs and Security Policy.

Spain would like to have a strong External Action Service and give support to the High Representative as well as to the Commission and the Council.

Mr João Vale de Almeida, Director-General for External Relations at the European Commission, made some specific comments about the external dimension of the new treaty. He is sceptical about the idea that it would bring a “historical change”. Distance and time is needed to evaluate the real importance and substance of the change (incremental or qualitative). With regard to the general context of the change, an external and internal aspect can be distinguished. The external context consists of a paradigm change due to the fall of the Iron curtain and the end of the bipolar world; Now we are living in an a multipolar world characterised by a shift of powers and an ideological debate around the thesis of “the end of the history”. The internal context is the new treaty with new actors and a new external service.

After a long period of Eurocentric introspection (9 years since the Laeken Declaration) today there is a new system with new instruments. To use a metaphor, we could say that the new treaty, the articles and institutional changes are the “hardware”, but hardware is not enough; “software” is also necessary for the system to function. The software is the connection between the different institutions and actors, taking into account the increased powers of the European Parliament and the Commission and the creation of the external action service, which will be a major tool of that software. Properly functioning software requires the political will of the member states, and time. The Lisbon Treaty is the result of a 9-year “pregnancy”, from 2001 to 2010. People who are already criticizing the Treaty should

allow the treaty at least the time of a normal 9-month pregnancy before drawing conclusions.

Olivier Chastel added that the High Representative doesn't have all the necessary instruments to do her work. The Belgian presidency intends to help the HR in her job, so she could rely on the rotating presidency. The External Action Service will only function if the member states wish it to function; therefore they have to be encouraged to adopt that new system.

Thomas Klau from **ECFR** raised some issues concerning the necessary time to evaluate the real importance and functioning of the External Action Service. He also asked a question concerning how the EU should change its behaviour with regard to the emerging new powers, like China or Brazil.

Mr Vale de Almeida thought that an optimal date for stocktaking could be the end of 2012, which has already been planned in the conclusions of the European Council of October 2009.

The implementation of a functional external service takes time, as well as the recruitment of highly qualified diplomats from member states. The whole network of EU delegations in the world has to be upgraded in order to be able to fully cooperate and coordinate with national embassies. How Lady Ashton will play her role in cooperation with foreign ministers sharing the foreign affairs Council, with Van Rompuy and Barroso, will also need to be clarified in the coming months. The first step will be to define what the service should look like. An agreement has to be found between member states, the Council, the Commission and the European Parliament. On this question the Parliament's support is very important, since it has indirect powers over the External Action Service (on staff rules, financial questions, etc.). The second step should be to manage the transition from today's system and create a proper integrated service to support the High Representative.

According to Mr Vale de Almeida, two threats have to be avoided: 1. intergovernmentalism; 2. a Eurocentric approach from the EU institutions.

The return of intergovernmentalism is a major threat. The failure of the Copenhagen summit is a good example of how difficult it is to work on a strictly intergovernmental basis. The EU has enough instruments (*acquis*, "*méthode communautaire*") to work properly and those methods must be preserved.

With regard to the relations with emerging countries, Mr Garrido added that the EU doesn't have enough alliances with those countries. This prevents action on important issues like climate change (Copenhagen summit).

Panel 2: EU 2020 – New synergies between economic, environmental and social policies

Economic governance within the EU and the economic crisis

The second part of the debate started with a question from **Daniela Schwarzer (SWP)**. Weaknesses of the eurozone were already identified 2 or 3 years ago. In the first TGAE report there were already some interesting contributions on economic governance. The issue moved to the forefront of political debate only as a consequence of the crisis. The trio presidency and the EMU governance have to address several malfunctions (regulatory problems, functioning of the financial markets). There are weaknesses in the supervision of member states as well. The issue was for a long time considered a fiscal problem. However, in several contributions and even in the EU 2020 strategy we argue that it is both fiscal and economic policy, and does not concern only the eurozone. The external representation of the eurozone is at stake as well. There is a question of substance: how far do you see a specific need to strengthen the governance of the eurozone, in the wider context of the EU 2020 strategy? She thinks that the full potential of the currency union is not used and it requires a stronger political identity and coordination (macroeconomic coordination with structural reforms). There is an external dimension as well: the Eurogroup should have an external representation in the institutions or forums of world economic governance.

Odile Renaud-Basso, Deputy Head of Cabinet of the President of the European Council, confirmed that one of the main priorities of Mr Van Rompuy is the question of economic governance. His commitment was reflected by the calling of an informal summit on economic strategy in general and on questions of governance. Issues concerning the eurozone could be handled within the European Council. The current situation of the eurozone and economic crisis confirm what has already been identified in different studies: the internal fragility of the eurozone in terms of differences of competitiveness and inflation. These issues are not entirely integrated into the economic policy, which is mainly based on the Stability Pact. Ten years after the introduction of the common currency we must admit that budgetary supervision is not sufficient, and that participation in monetary union – whether as a member of the eurozone or only the European system of exchange – has general implications for the conduct of economic policy, compensation policy and for workplace relations. The Greek crisis revealed that these topics need better coordination. The Lisbon Treaty offers new instruments and foresees the application of specific measures in the eurozone. It is important that heads of states understand that these are issues going beyond the simple conduct of economic policy and concerns social policy and structural policies as well.

The external representation of the eurozone is a difficult question. But it should not be a taboo. Informal measures exist already – for example at the G7, while representation at the IMF is under discussion.

Edit Herczog, Hungarian Member of the European Parliament pointed out that in the last five years the social-policy group at the European Parliament has proposed financial supervision bodies (e.g., report of Mr Rasmussen). Their propositions, accused of being “not free-market”, were rejected. The same thing happened in the case of tax havens.

Everyone has now recognized that this is not a socialist issue. It is not against the free market but for the amelioration of the internal market. The stabilisation of the eurozone after the crisis happened at a cost to non-eurozone countries. It was not necessarily planned, but the EU had no tools to avoid it. Socialists stressed out that the EU has to propose a solution for member states which are not part of the eurozone.

Following the latest enlargement, the EU has become extremely heterogeneous. If it is not able to manage this there won't be a real solution for the long term.

Elvire Fabry, Research Associate at Notre Europe and coordinator of the TGAE project, added that the fact that the next Trio presidency will be composed of non-eurozone member states will be an interesting situation.

Enrique Barón Crespo, former President of the European Parliament, stated that history shows that monetary union doesn't last if there is no political will. Numerous positions have been created with external dimension (HR, President of the European Council, and President of the Commission) but the EU doesn't have a "Minister of Economy" who could guide the economy. A more common economic culture needs to be created in order to avoid situations similar to La Fontaine's tale about the cicada (e.g., Spain, UK and Greece) and the ant (e.g., Germany).

Mario Monti, member of the Reflection Group on the future of Europe 2020-2030, confirmed that the EU needs to strengthen the governance of the eurozone. He made three specific comments relating to that point:

1. Governance within the eurozone has to be strengthened with regard to public finance and the underlying real economy. These are bottlenecks that hold back competitiveness. It is difficult to imagine that without public finance discipline there could be a catching up in Greece's competitiveness. The angle taken by the EU 2020 strategy, looking more into these structural aspects, is very important.
2. Greece is not a perfectly competitive economic system. The single currency (the "M" in the EMU) was meant to be the "cherry on the cake". The cake refers to the single market. The cherry is actually there, behaves well, but the cake is not really there and sometimes risks vanishing. The paradox is that many countries within the eurozone behave less well in terms of putting the single market in place than countries outside the eurozone.
3. The economic crisis brings to our attention a more thorny issue: the role of government deficit in the crisis. Cicadas are not only coming from the public sector but also from the private sector. There is a slight schizophrenia in the European system with regard to this point: article 345 TFEU (ex article 295 EC) stipulates the perfect neutrality of the EU as regards public or private ownership of companies. Even public companies have to deal with competition and state aid rules. In terms of imposing discipline on financial behaviour we only care about the public sector. The implicit policy stand of the EU is that government indebtedness is bad, even in those cases when it is going to finance sound investments, whereas we don't care about

private indebtedness. In that interpretation, private indebtedness of consumer spending is more virtuous than government indebtedness for sound investments.

The EU 2020 Strategy and the achievement of the internal market

Michel Servoz, Director of Better Regulation and Coordination Directorate at the Secretariat-General of the European Commission added that during the creation of the Lisbon Strategy decision-makers didn't deal with certain problems. The crisis has changed the situation in many senses and now there is a feeling of urgency. Previously, economic coordination was seen as optional and there was no coordination between the Lisbon Strategy and the Stability and Growth Pact. Now it is more seen as an obligation. Member states have to understand that measures taken by individual governments to handle the crisis have mutual impacts. It shouldn't be surprising within an internal market. The EU 2020 Strategy has to be clearer on these topics and should emphasize the importance of coordination. The central role of the European Council should be underlined. It should give more impetus to the synchronization of the Stability Pact with the EU 2020 Strategy, and reinforce the coordination between the economic and fiscal policies.

Ignacio Molina (Elcano) made some comments on the possible role of the CAG in that coordination. Will it have a strategic role in the coordination vis-à-vis the ECOFIN? What should be the role of the European Commission in the implementation of the strategy (one commissioner in charge or shared responsibilities)? Should the EU 2020 Strategy be an ambitious unified holistic strategy or should it have a more restricted scope and concentrate on some specific objectives (e.g. innovation, structural reforms).

Mr Monti, mandated by the President of the European Commission to prepare a report on the relaunch of the single market, is convinced that the completion of the single market could offer answers to a number of existing problems.

He pointed out that the Kok Report of 2005 on the Lisbon Strategy already affirmed that "the internal market programme is felt to be yesterday's business and doesn't receive the priority it should." Mr Monti thinks that that is a fatal policy error.

All previous reports on that issue have listed numerous measures necessary to complete the single market. Mr Monti thinks that this is not helpful enough. In his report he tries to outline a new strategy which combines two elements: initiatives to relaunch the single market; initiatives to make the relaunch of the single market acceptable. Acceptability is a key factor, otherwise it won't progress because of "integration fatigue" (e.g., services directive, French referendum in 2005, etc.).

The Commission has a major capacity to push the initiatives which could relaunch the single market. For instance: further improvement in implementation, enforcement; further opening up the markets for services, digital economy; aspects of the single market for citizens (e.g. those listed in the Lamassoure report); or initiatives to make the relaunch acceptable. Reflection is needed on social and industrial policies, policies on tax cooperation and the reinforcement of the external dimension of the single market.

The Monti report even aims at giving some answers on an intellectually unresolved issue as well. The aim of the Lisbon Treaty is to build a highly competitive social market economy, but do we even know how to handle a social market economy? We don't know. We know how to handle a social market economy in a national context since the Freiburg School and Ludwig Erhard, but we don't know how to handle it in an international, integrated context.

If we believe in the single market as a pillar of EU integration then we have to make sure that the deepening of the single market will not create unintended "by-products" which may be perceived as obstructing social policy at the national level. The Monti Report, in consultation with the member states, the European Council, the Spanish presidency, the ECOFIN, the European Parliament and other stakeholders, tries to respect that principle.

Mr Servoz underlined that we should stop criticizing the things we have achieved (euro, internal market, etc.). Before creating new instruments we should take a glance at the instruments already available and use them as best possible.

The completion of the single market should be one of the core instruments to realise the objectives of the EU 2020 Strategy.

The European Council and its President should have a key role in the implementation of the strategy. The other formations of the Council (e.g., CAG) should have mainly an executive function. The ECOFIN will have a more important role with horizontal and central responsibilities. It should ensure that the implementation of the political priorities respect the fiscal framework. The role of the Commission will not change considerably. It has to control the implementation of the strategy and make a better use of available instruments.

With regard to the Lisbon Strategy, Mrs Herczog pointed out that there existed major criticisms on the substance of the strategy. The EU 2020 Strategy marks a step forward: the next ten years have to be smart and low-carbon. The new strategy is far more targeted and focused. However, the Lisbon Treaty can be a cause for optimism, because the energy and telecoms packages were adopted. If Europe wants to be "smart" it has to deliver on the digital agenda as well. It seems that new member states are better able to deliver on the internal market than old ones. As one of the governors of the European Internet Foundation, Mrs Herczog is aware of the main challenges the EU has to face in this field. The speed of the digital technology development is faster than our legislation. The establishment of a European Observatory Agency on Privacy and Counterfeiting and the forum on counterfeiting and privacy in the European Parliament, as well as the Small Business Act aiming to protect SMEs against giants of the high-tech industry, are all good initiatives but they are insufficient. Action has to be taken against the huge loss of intellectual property rights. The only legislative act (Software Patent Directive) was rejected by the Parliament.

Mr Barón Crespo expressed his fears about the new role of CAG and the ECOFIN. He fears that the outcome will be more power to Coreper. The EU should follow the example of flexicurity (the Nordic way). A combination of intelligent policy of applying the carbon tax and financing job creation through this tax and VAT could be envisaged, but times are not right for this.

He also added that the TGAE report lacks a contribution on digital strategy, which is a main source of progress and job creation.

Mr Servoz added that climate change has to be one of the main axes of the EU 2020 strategy as well. It has to be demonstrated how it contributes to increasing competitiveness (renewable energies, energy security) and how it is good for consumers and enterprises, etc. For example in the car sector there has been overproduction for years. That overproduction should be transformed into the production of green cars.

He joined the position of Mrs Herczog concerning the importance of the internal digital market. It is a fundamental element in terms of competitiveness.

Bruno van Pottelsberghe from Bruegel expressed some questions with regard to the competitiveness of Europe. For the moment our technology companies are essentially focusing on the United States and not on the European market. Among the numerous priorities concerning the internal market, is there any which stimulates the creation of new enterprises? For example the system of patents is a real obstacle to the creation of enterprises.

Mr Monti argued that the real integration of markets is a necessary precondition for monetary integration to deliver and for stability. Since it is a strong precondition for the functioning of the EMU, the single market does not need to be a boring list of individual achievements. We need other policies (e.g. on patents) to create preconditions for the single market to be more interesting. If we want a single market based on pluralism, a price has to be paid (demonstrations of national “pride” should be avoided).

Mr Barón Crespo agreed that the member states should resist the temptation of patriotism.

Mrs Renaud-Basso underlined that we need further progress on the mobility of labour as well.

Mr Servoz pointed out that the question of the Community Patent has been on the table for years, so now there is a real urgency to act.

European budget

Fabrizio Tassinari (DIIS) was wondering how the EU can be more effective in taking on financial commitments towards third countries. How could these financial commitments persuade emerging countries to curb emissions?

Mr Barón Crespo insisted that the EU was the only party to come up with a proposal at the Copenhagen summit. China and the United States were not able to deliver. Maybe the EU failed internally but it also failed because it was not able to deliver anything.

With regard to third countries, they also have an interest in modernising their economies.

Mrs Herczog stressed that CO2 emissions levels will only change with the implementation of new technologies. A new industrial revolution is expected in that field. The legislative part has already been done (energy and climate package, Third Energy Internal Market Package) and it gives us space for growth. However, money is lacking in the budget. One of the biggest challenges of the EU at the moment is whether to wait for the next multi-annual financial framework to get some financial resources, or to examine it already in 2009-2013. The latter would be the better option.

According to Mrs Renaud-Basso, with regard to climate change talks, Europe has to decide how to pursue negotiations. Should Europe continue to play a leading role or it should use levers in the negotiation strategy?

The financial support should rely on a coordinated bilateral approach for the short-term (European Council) with a defined amount. It is more nuanced in the long run.

Miklós Losonczi (GKI) was mainly interested by the funding of the EU 2020 strategy. He emphasized that the reality of any strategy depends to a large extent on the funding. Where should the money come from to fund the strategy (member states or EU)? What should be the appropriate proportion between the financing from member states and from the EU funds? What are the implications of the EU 2020 strategy for the new financial perspectives in quantitative terms (what is the desirable size of the EU budget)? Which principles should determine the budget (policies and strategies determining the budget, or these being subordinated to the limits of the budget)? Are the existing funds sufficient in structural terms? Do they reflect the complexity of the challenges the EU is facing in the future? In qualitative terms, is the present system of funding (including the individual Community funds) sufficient to the allocation of resources?

Mrs Renaud-Basso agreed that the reality will oblige decision-makers to be pragmatic. There is a very limited room for manoeuvre within the financial perspectives. In order to support the economic strategy we should use as best possible the already available instruments under the current framework. With regard to future perspectives, there is a very limited possibility to increase the budget (huge pressure on national budgets). However EU budget is still very small compared to national or local-level budgets.

The idea of a European Monetary Fund reflects a multilateral logic, with the desire to create "our" own fund outside the IMF based on an internal solidarity. She is not convinced that it is the right solution.

With regard to the size of the EU budget, Mr Servoz pointed out that according to the Council, the budget is too small, but according to member states it is already too much.

The President of the Commission decided to postpone the budgetary review. The first step is to present the political priorities until 2020 and then define the budgetary means.

Mr Servoz suggested that private-public partnerships should be developed, for example in the field of R&D, innovation, education. And the "marriage" of national and Community budgets could be envisaged.

In order to emerge from the downturn, we need to reduce public expenses. Priority should be given to areas necessary to growth.

According to Mr Barón Crespo, the main innovation of the Lisbon Treaty was to eliminate obligatory and non-obligatory spending. Countering economic downturn with a budget of 1% of European GNP is almost a mirage. At the end of the 1970s the MacDougall report argued that the EU needs at least 5% to make redistribution policies. How will it be able to finance innovation?

Mrs Herczog added that the universal phenomenon of the budget makes it extremely difficult to put new policies under the budget (climate, digital, space, innovation, infrastructures, SET-Plan policies were not included). What must be done in the current 3-year period? The elimination of the difference between obligatory and non-obligatory expenditure is an important development. Building cooperation with the Commission and the Council is a difficult issue. The Lisbon Treaty's co-decision procedure with only one reading creates new opportunities for the Parliament. There is an important issue of democracy as well. The budget is adopted for 7 years. What about the next 5 years of the Parliament? The budget for 2014-2020 is decided by the current Parliament. Between 2014 and 2019 there will be an "interim" Parliament who cannot adopt any budget. That is a democratic deficit.

Responding to some final questions from the public, speakers agreed that European actors should stop using anti-European rhetoric. In the next edition of the TGAE something should be added on the relationship between the new framework and developing countries (ACP, Africa). In general, European leaders should think in a more globalised way. One day the report's motto might be inverted to "Think European – Act Global".

Conclusion

In his overall conclusion, **Etienne Davignon**, Chairman of Egmont, noted his sentiment that we were talking about the method of functioning before concrete objectives. He also insisted on the harmful impact of negative comments coming from leaders of member states and institutions in order to justify themselves against others. That is a question of methodology that needs to be addressed by the President of the Council. Obviously, journalists are sceptics and always more interested in the level of reliability of the conclusions proposed. He agreed with the conclusion of Mr Monti relating to the internal market – that the fact that an idea is good doesn't mean that it will be acceptable. Today we are living in a period of paradox: a profound anxiety is accompanied by a desire to escape the situation and find solutions.

Commenting on Europe's situation in the world, Mr Davignon added that people are mainly interested in difficult problems like the question of financial governance of the EU; how this governance will be followed by the others; and how Europe is able to help the others. Europe will be measured according to these criteria. The principle of solidarity figures only in European treaties. That is more important than technical questions. Our credibility is reflected by what we are doing for others. Each time the EU has responded successfully, the

agenda was respected by the actors. If there is a certainty about the framework it is easier to define the concrete strategy to take on future events.

We must also talk about the individuals who will be mandated for the new functions. How will they coordinate and organise their work? If there is a crisis in Europe, only heads of states are credible to act in the public's opinion. However the European Council will certainly be involved. The pressure coming from public opinion and from day-to-day imperatives must be combined. Mr Davignon also insisted that the CAG is “dead”. In the past it was the CAG who dealt with heads of states and was in charge of European affairs. The preparation of the agenda must be defined between the presidency, the Council and the Commission. According to Mr Davignon, under the current construction the European Council is inefficient. If all the important decisions have to go through the Council it will mean paralysis. The Council does not have the technical means to deal with that.

The next edition of the TGAE report should propose a critical analysis of the reasons why the structure we built 50 years ago became inefficient and bureaucratic (multiplication of rules, procedures). The accumulation of rules is a serious obstacle. That falls under the authority of the institutions. Mr Davignon also welcomed the idea of starting the work by better exploiting already-existing instruments.

András Vértés, President of GKI, concluded that the EU needs better and more leadership and better approaches to manage difficult qualitative and quantitative changes (e.g., macroeconomic coordination, budgetary issues). The aim is to build an encouraging but realistic EU 2020 programme. The cooperation between think tanks has to be maintained in the future and could be extended to non-European (American, Chinese, etc.) think tanks as well.