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Panel 1

**PRINCIPLES OF POLICYMAKING
IN THE EUROPEAN UNION: AN
ECONOMIC PERSPECTIVE**

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What tasks should the European Union have, which ones should be left to Member States? What is the appropriate decision making procedure for the tasks assigned to the European level of government? In particular, what roles should be given to the Commission and to the Council? Is there a danger of excessive and creeping centralization, and if so how can it be prevented? These are some of the more difficult and pressing questions addressed by the ongoing Convention on the Future of Europe.

This paper discusses some of these issues from an economic perspective, with no pretence of completeness. Section 1 provides a normative assessment of the current EU situation and formulates suggestions for how to reallocate tasks. These reallocations raise specific institution design problems, discussed in section 2. The paper ends in section 3 with a discussion of the possible compromises.

What should the EU be doing?

In this section I consider several broad policy areas, first briefly summarizing the status quo, and then trying to identify desirable directions of reform in task allocation.

The Single Market

There is a common market in the EU, and there is already considerable transfer of sovereignty to the

center with regard to enforcement of the single market, removal of barriers to trade, having a common trade policy. Nevertheless, progress remains to be made in implementing a single market in specific areas, such as public utilities (telecommunications, postal services, energy) and financial services, and in fighting state aid.

In these areas, one has to come to grips with a fundamental dilemma. On the one hand, Member States may want to retain some control over aspects of regulatory policies, such as environment or consumer protection, or the provision of public services. On the other hand, differences in regulatory policies create barriers to trade and are often used strategically by Member States to protect domestic producers from foreign competition. Similarly, in the name of public provision of essential services, governments may end up providing state aids that distort competition and benefit producers or public employees, but not consumers or tax payers.

To have a well functioning single market, the dilemma ought to be resolved by sacrificing the pursuit of *national* regulatory and political goals. This does not mean that the values of competition and efficiency ought to have priority over other values. But it does mean that, to preserve an effective single market, the choice is between one of two alternatives. One alternative is to rely on the principle of mutual recognition. In this case, there may be a need to reinforce the enforcement powers of the Commission against the provision of subsidies or against discriminatory and protectionist regulation. If this cannot be accepted, because the resulting equilibrium regulation would be too lax, then the pursuit of regulatory goals should be centralized to the level of the Union, sacrificing subsidiarity.

In any event, giving priority to the single market inevitably implies strengthening the powers of the center. We should be careful in invoking the subsidiarity principle in matters relating to the single market. No government or regulator will ever resist a negative deliberation by the Commission by saying that it has the right to target benefits to

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locally powerful special interests. The line of defense will always be that the enforcement of the single market infringes on a strong and legitimate national goal, such as providing a local public good or reducing regional imbalances. In these matters, the subsidiarity principle could be the Trojan horse through which opportunistic politicians erect or preserve barriers in the single market.

The recommendations drafted in the European Parliament report for the Convention (European Parliament 2002) aggravate the risk that this could happen. The report proposes that the single market would be a shared competence and Union legislation will be limited to setting general orientations, principles and goals. In the name of subsidiarity, member states would be responsible for transposing these principles into detailed and specific legislation. But in regulatory matters the devil is in the detail; delegating secondary legislation to member states could open the door to discriminatory and protectionist policies. This risk is enhanced by enlargement, and the resulting increase in the number of national legislators or regulators and in the heterogeneity of goals and specific situations. To avoid it, there may be no alternative but to centralize even detailed aspects of legislation in matters concerning the single market.

Public goods

Very few public goods are centrally provided in the EU. Despite some recent efforts at coordination, defense, foreign policy and internal security are largely national tasks. So is public transportation. There is some centralization of tasks in education, research and culture and in environmental policies, but they amount to small things. Immigration policy and border patrols are also decentralized.

From the perspective of cost and benefit analysis, it seems obvious that there would be large payoffs to more central provision of public goods in the areas of defense and foreign policy, and of aspects of internal security, border patrols, immigration policy. The abolition of borders between EU countries carries with it the need to centralize aspects of law enforcement against organized crime. Moreover, the recent terrorist attacks have made it absolutely clear that the challenges in these areas are global and require a coordinated European response. The positive spillover effects and the economies of scale for foreign and defense policy, internal secu-

riety, border patrols and immigration policy are very large. At the same time, the heterogeneity of preferences across countries in these areas does not seem very acute, at least relative to that present within each country. This point is confirmed by the recent Eurobarometer surveys. About 73% of EU citizens want a common defense and security policy, over 65% want a common foreign policy. This should be contrasted with a rather lukewarm support for EU membership (about 50%) inside the EU15. Citizens in the 13 candidate countries display similar opinions, though their support for EU membership is stronger. The support for joint decision making in the fight against international terrorism, organized crime, drugs, is even stronger: around 70-80% in both the EU15 and the 13 candidate countries (AC13).

What are the instruments for centrally providing these public goods? Certainly, we should get rid of the illusion that coordination between national governments would be enough. Effective public good provision at the European level can only be achieved by delegating executive authority to a central policymaker.

Commercial policy is a good example of how this could be done: one Commissioner is delegated to negotiate trade policy with the rest of the world, within pre-established limits. National governments are prevented from taking part in these direct negotiations, even though they exercise some collective control over the trade commissioner. More generally, delegation could be to a member of the Commission, as in the case of trade policy, so that the traditional "Community method" can be exploited; or it could be to a representative of the Council – the so called "intergovernmental method".

There would also be benefits from creating an EU bureaucracy in charge of specific missions, or more realistically creating a network of national bureaucracies: increasing the size of the EU diplomatic corps, creating a European border patrol, units of a European police, perhaps even special EU military troops to be deployed in special circumstances. These EU bureaucracies could arise out of national bureaucracies, but their efficiency would be greatly enhanced if they were accountable and take orders directly from the relevant EU policymaker in charge of the specific policy area, thus overcoming the free rider problem.

But creating these instruments and paying for the provisions of these public goods would cost money. Currently, these public goods are financed by national budgets. This is highly inefficient: each Member State has a strong incentive to “free ride” on the others and under-provide the public goods that benefit all. The natural solution is to bear the costs of public good provision out of the EU budget. Only then, the decision process is forced to internalize all the benefits.

Redistribution

Redistributive policies remain fully in the hands of national governments. There are nevertheless two important aspects of current EU policies that directly or indirectly hinge on redistribution.

Structural and Cohesion Funds. They are transfers from the EU budget to poor regions in Europe. Eligible recipients are national governments (for Cohesion Funds) and individuals in poor regions (for Structural Funds). They are negligible as a fraction of EU aggregate income, but very large for some of the receiving regions. They are also a large fraction of the EU budget (over one third).

The official goal of these programs is to foster economic convergence of the poor regions that might be hurt by closer economic integration. But careful empirical studies have not found convincing evidence that, on average, structural and cohesion funds have influenced economic performance. There are some success stories in the use of Structural Funds, but there are also some utter failures. One can always claim that there are special reasons that can explain the failures (many of them concentrated in the Italian Mezzogiorno). But the opposite argument can also be made: some of the success stories, such as Ireland, are special too. If the goal of these programs was to accelerate economic convergence of poor regions, on average this goal has been missed.

More likely, the main goal of structural and cohesion funds was *redistributive*: not to increase economic efficiency, but to redistribute the benefits of integration among countries, providing side payments so as to facilitate compromise in bargaining situations. The question then is whether the same goal could have been achieved in less distorting ways. Participants at the bargaining table are countries, not regions. Side payments are thus needed

among countries, not among regions or groups of individuals. Given the high level of tax distortions already present throughout the EU, the value of government revenues is extremely high. This suggests that the most efficient way to transfer funds among countries is by means of *lump sum inter-governmental transfers across EU governments*, pretty much as currently done with cohesion funds (but not with Structural Funds). A simple solution would be to scrap Structural Funds entirely among the current EU 15 countries, re-inventing them from scratch on an East-West basis only and on the basis of transfers to poor countries, not regions.

Common Agricultural Policy (CAP)

This is a large and complex set of policies that indirectly or directly transfers income to the agricultural sector and absorbs almost half of the EU budget. These policies have been reformed repeatedly, and the process of reform is still ongoing.

There is unanimity among economists that reforms in this area should be accelerated and completed, transforming CAP from a price fixing to an income support program for farmers and for rural development, so as to remove the distorting effects and the inefficiencies of price controls. Once this transformation is achieved, there is no longer a valid reason to keep CAP a special EU competence. Income support to farmers could be more effectively carried out by national governments, respecting the guidelines of the Single Market to avoid distorting competition. To the extent that some countries are net losers or net gainers in the reform process, appropriate compensation can be found through intergovernmental transfers. Here too, of course, enlargement adds urgency to this problem.

The budget of the EU

Currently the EU budget is mainly devoted to finance the redistributive programs of the EU. Out of a budget which is just over 1% of the Union GDP, almost half is spent to support agriculture, while another 35% are transfers to poor regions. Marginal revenues take the form of transfers from Member States.

Both features give the EU budget a strong redistributive focus. Now the whole discussion on the EU budget only concerns who gains and who loses,

and in particular which countries are net beneficiaries or net payers, and by how much. No attention is paid as to whether the money is well spent for the average European tax payer, or whether reallocations across alternative programs are desirable. Enlargement, with the large disparities between rich and poor countries, will make the political debate on the EU budget a nightmare.

It would make much more sense to shift the focus on what is the appropriate level of public good provision, taking into account the cost of raising funds. On the side of outlays, this means spending for the public goods that are currently badly needed: internal and external security, defense, foreign policy. On the revenue side, these public goods could be financed with the proceeds of a European tax levied for the purpose.

This idea, of providing specific European public goods in the realm of security, defense and foreign policy, out of a common EU budget financed by a specific European tax, is quickly gaining ground in several circles. But there is an important objection. How do we know that a European tax will not be abused to finance redistributive transfers that disproportionately benefit some groups or some countries? After all, this is exactly what the EU budget is currently being used for. This is an important additional argument for reforming and streamlining the current EU redistributive programs, CAP and Structural Funds. The mere existence of these inefficient programs raises legitimate suspicion on how the EU budget would be spent if more resources were available. Thus, they are a political obstacle to the creation of a more efficient system of providing and financing badly needed European public goods. It is a pity that the Commission and other advocates of a more efficient financial arrangement for the EU fail to acknowledge this problem.

The commission vs. the council: who should be doing what?

The task reallocations discussed in the previous section have important implications for how to reform the EU institutions. This section discusses some important tradeoffs in institution design. Given the complexity of these issues, there is no pretence of completeness. In particular, the institutional challenges posed by enlargement are largely disregarded. So are the important issues of enhanced cooperation and flexible integration.

Bureaucratic accountability and democratic accountability

A remarkable feature of EU integration so far is that centralization has preserved important dimensions of accountability and control. But it is important to appreciate the particular way in which accountability for EU decisions has been preserved, and how it differs from political accountability in representative democracy.

In a representative democracy, elections are the ultimate instrument for holding politicians accountable. Citizens delegate decisions to representatives (governments, legislators). If they are not satisfied with the decisions taken, the delegation is not renewed: the majority loses the elections and is replaced by a new government or a new majority in Parliament.

This mechanism cannot work in the EU, at least not under the current European constitution. Governments are the key decision makers in the Council. But they are accountable to citizens at home, in national elections, and they are primarily judged for their domestic performance, not for EU decisions. And other EU policymakers (the European central Bank or the Commission) are appointed, not elected.

Accountability in the EU has been achieved, instead, through methods that are typical of bureaucratic control, not of political control. Transfer of power to a EU body has generally been accompanied by a clear operational definition of the policy goals. EU policymakers (the ECB, the Commission, the majority in the Council) generally have a narrowly defined "mission": price stability, enforcing the single market, holding prices of agricultural commodities stable. This has two advantages. On the one hand, it limits discretion by the EU policymakers, and hence insures that power transferred is not abused. On the other hand, it facilitates ex-post control. The European Parliament, the media, the Council, can blame or approve the way in which EU decision making power has been used. Since EU policymakers have a narrow mandate and their decisions are often inspired by external technical criteria, they can be held accountable for their behavior despite the absence of elections.

This method of bureaucratic control has worked well so far in the EU. Probably, it can be fruitfully

extended to the realms of immigration policy or internal security. Here, it seems possible to define a precise mission for EU policymakers, exploiting the Commission and designing appropriate technical guidelines to achieve clearly defined operational goals.

But can the method of bureaucratic control also work in the other new areas where further centralization is most urgently needed, foreign policy and defense? It seems very unlikely. As argued above, here a transfer of executive powers with open ended and discretionary decision making is really needed. What mandate can be given in the realm of foreign policy? The only feasible mandate is to pursue the common interest of the EU. But what does that mean in practice? If the mandate is so incomplete and it leaves so much room for discretionary judgment, there is only one way to hold policymakers accountable: through democratic elections. Only citizens can tell whether policy decisions are really in their own interest. Unfortunately, as argued above, this instrument of control is unavailable at the EU level, or at least it is seriously deficient.

The intergovernmental method vs the community method

We are thus left with a fundamental problem. Europe is now in a situation in which there would be major benefits in centralizing foreign policy and defense. But in this policy area, bureaucratic control cannot work. To centralize these policies, a drastic redesign of the EU political constitution might be needed. Europe might need political institutions that are more typical of a federation than of a confederation of states. It is no coincidence that historical episodes of unification of countries have indeed coincided with situations in which external threats or a common enemy created large benefits from centralizing defense and foreign policy. But is Europe ready to jump to much closer forms of political integration? And if the answer is negative, as likely, what can be done about it? These are the most difficult questions with which the Convention on the Future of Europe is struggling.

Two very different approaches are possible, and two camps are forming in this debate. One possibility is to transfer more executive powers to the Commission, while at the same time “politicizing”

the Commission by imposing more democratic control over its appointment. The opposite approach is to reinforce the Council, increasing its ability to coordinate national policies and provide public goods.

The intergovernmental method

The second approach (the so called inter-governmental method) is the least traumatic and more likely to be pursued in the end. One important idea, suggested by political leaders in France and the UK, is to replace the rotating six months Presidency of the Council with a stronger President elected by all EU leaders for several years. The new President would be the official representative of Europe abroad (replacing the position currently filled by Javier Solana), and would act as the agenda setter for the Council in developing defense and foreign policies with a European perspective. This approach would have the merit of leaving these sensitive policy areas firmly in the hands of Member States, while at the same time providing new instruments for tighter and more effective policy coordination.

But there are also several drawbacks. First, it is unlikely that the limits of policy coordination would be overcome. Second, the EU would continue to rely on national bureaucracies for public good provision, increasing the opportunities for free riding. Third, the Commission would lose power. This is negative because the Commission is also the “Guardian of the Treaty”. A less powerful Commission may not be able to enforce the Single Market against recalcitrant Member States, to ban state aid, to impose budgetary discipline on myopic governments, to negotiate effectively with foreign countries over trade policy or other aspects of common economic policies. The EU (perhaps) would become stronger in some areas, but it could become much weaker in others. Finally, it is not obvious that strengthening the Council in this way would increase democratic legitimacy and accountability. On the one hand, the Council President would be appointed, not directly elected. European citizens would remain suspicious of the closed door negotiations that led to his appointment. On the other hand, there remains the “bundling” problem: national governments will still be judged mainly for what they do at home, not for their European policies. Thus, we would still lack an instrument of democratic control to correct

possible mistakes in European policies, or to express the voters' dissatisfaction with the conduct of European affairs.

The community method

The alternative approach is to transfer some executive powers to the Commission, but then to increase its political accountability. This is the approach most likely to be favored by the smaller European Member States (who fear being marginalized in the Council), by several representatives in the European Parliament, and perhaps by the Commission itself.

The Commission recently formulated some proposals to the Convention that go in this direction (Commission 2002a). The idea is to extend the traditional Community method to new areas: to strengthen the position of the Commissioner for External Relations, merging its functions with those of the High Representative for Common Foreign and Security Policy (Javier Solana) and exploiting this single position for external representation of Europe; to give the Commission some monopoly powers in agenda setting over foreign and security policy; to provide new human and budgetary resources for a common foreign policy and for security policy; to abandon unanimity rule in the realm of foreign policy (though not of defense). These are bold proposals that would enable effective public good provision in these areas, but which will be fiercely contested by national governments. Their merit is just the other side of the weaknesses of the intergovernmental approach: the Commission would be reinforced, a European bureaucracy would be revamped, initiative would be unified and taken by a body who cares about European interests and not national interests.

These bold proposals by the Commission were not accompanied by any suggestion of how the Commission itself could become more democratically accountable. Acquiring such strong executive powers from national governments would be unthinkable without some form of democratic control over the Commission. But here is where the difficulties arise. So far the Commission has been a bipartisan and largely technical body. Preserving this feature is important if the Commission is to remain an effective "Guardian of the Treaty". But how can the Commission become more democratically accountable without also becoming more partisan?

A possible compromise is to reverse some aspects of the current procedure for appointing the Commission. Rather than the Council nominating the President of the Commission and the European Parliament confirming it, the opposite could take place. The Parliament elects the President after each European election (so that citizens vote at European Parliamentary elections knowing who the alternative candidates for President are). And the Council by qualified majority then confirms the Parliament's choice. To preserve bipartisanship, the rest of the Commission could then be appointed as now by the Council and the President, and confirmed by the Parliament. Alternatively, and more radically, the Commission President could be directly elected by European citizens (rather than by the Parliament).

Understanding the tradeoffs between these alternative methods (or others) for increasing the democratic accountability of the Commission is important. Certainly more ideas and proposals will be put forward in the ongoing debate on the Future of Europe. But the crucial question in the end will be whether European citizens have enough in common to develop tighter forms of political oversight of their common policies, or whether instead language and cultural barriers are so strong that, at least for now, the intergovernmental method is the only safe approach.

What compromise?

It is very difficult to predict what will come out of the current process of reform. But some compromises are inevitable. There are two main dividing lines in the ongoing debate. One pits the advocates of centralization against the advocates of subsidiarity. The other concerns the contrast between the Intergovernmental method and the Community method. These two divisions are correlated, though not identical. As the previous discussion should have made clear, many issues are on the table, and many different compromises are possible. Some would be highly desirable, others could be disastrous.

September 11th and the recent events in the Middle East have increased the demand for a more effective "external Europe" and stronger European responsibilities in internal and external secu-

riety. A shift towards more public good provision at the European level seems likely, though the institutional form that this could take is still highly uncertain. As argued above, this shift would be highly desirable.

But in the name of finding a compromise and avoiding a European Superstate, something else might have to go in the opposite direction: from Brussels back to the national capitals. In the previous pages we argued that this opportunity should be seized to scale back the redistributive programs of the Union: mainly CAP and the Structural Funds. This would make it easier to rationalize current financial arrangements: the EU budget would be devoted to providing public goods and could be financed by a specific European tax.

This compromise on task allocation (more public good provision but less redistribution at the European level), could take place while also strengthening the role of the Commission. The Commission could become the agenda setter and the enforcer for public good provision, as the Community method is extended to the second and third pillars (foreign policy, home affairs, internal and external security). And its enforcement powers over the single market could be strengthened. As argued above, however, a more powerful Commission would also have to become more democratically accountable to European citizens at large, not just to the governments in the Council. We would move towards a more federal Europe in some dimensions, while also stepping back from the danger of a European Superstate, concretely and not just with empty rhetoric.

But another compromise is possible and politically much more palatable: to keep the current redistributive programs alive and kicking, and instead to scale back the enforcement of the Single Market. This would leave national politicians more free to pursue their national goals in the name of subsidiarity. It would also avoid the political costs of hurting the current beneficiaries of European redistribution. This scenario on task allocation would naturally go hand in hand with an overall weaker Commission. Governments would be in charge of public good provision in foreign and security policy, and the Council would be strengthened – the intergovernmental approach. Public good provision would rely on policy coordination, and would probably be less effective. The

Commission would be much less influential in all dimensions, including in its roles of “Guardian of the Treaty” and enforcer of the single market. In the short run some hard choices and some risks could be avoided. But the medium run result could be a serious step back, with new trade barriers, distortion of market forces, and less effective public good provision.

This second, unattractive, scenario currently seems more likely: governments will probably have the upper hand and they may not be farsighted enough. Unfortunately, the Commission proposals to the Convention do not help. The Commission advocates an extension of the Community method to the second and third pillars. But it also insists to reinforce its role where it is less needed, as an agenda setter for fiscal policy coordination. At the same time, the Commission does not mention the need to scale down the Community redistributive policies, nor does it suggest how to overcome its own lack of democratic accountability, particularly in light of the ambitious role it wishes to have. There is thus a big risk that the blunt Commission proposals will be flatly rejected, and that the worse compromise scenario will be seized by governments and national politicians.

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PRINCIPLES OF POLICY MAKING IN A LARGER EUROPE: WHAT CONSTITUTION FITS THE UNION?

This is Europe's unique chance to leave the Cold War behind by following its own concepts in the field of security and defence policy. From the tremendously successful European integration springs a new self-image that is reflected in its different policies. When regarding security and defence, we stand at the threshold of a new era.

The European Union is in the midst of transformation into a sovereign actor in international relations, one, of course, with strong transatlantic links. Accomplishing this emancipation in terms of security and defence will be of paramount importance for the future stability of our continent, since we will be experiencing a widening variety of different forms of conflict in the 21st century.

It is important at this point to argue for including Common Foreign and Security Policy (CFSP) and European Security and Defense Policy (ESDP) into the first pillar of Community Law. The inter-governmental approach has not led to satisfactory results. On the contrary, it has impeded swift and efficient answers to immediate threats in the international arena. To change this is one of the original tasks of the new Convention on the Future of Europe.

I have long been convinced that amending the treaties should not be solely a government issue. The democratically elected representatives on the national and the European levels must be involved appropriately, so that those difficult questions can be discussed constructively and transparently and not halfheartedly in intergovernmental conference marathons.

The government representatives are clearly a minority in the new Convention on the Future of

Europe, while the large majority consists of members of the different parliaments. Now we have to make sure that this majority is reflected in the Convention's conclusions.

Negotiations in the Convention have been underway since March 2002 and shall lead to a true European Constitution. Starting point are the existing treaties, since the job is to improve an already well-functioning entity and ensure this functionality after enlargement by rendering it more efficient and comprehensible. The actor of any future political decision has to be clearly identifiable. This is the only way how Europe as a whole may escape being used as a scapegoat.

A transparent constitution may well serve as a powerful integrative symbol. All of a sudden, the people could get a grip on their Europe. This symbol, however, has to be equipped with special tools, so as to be internationally recognised. Unfortunately not all of our world is a haven of freedom, security and justice.

The increase in crises where the nation-state is no longer the main protagonist invokes a new definition of crisis causes and crisis response. More and more crises have their roots in utilitarian objectives and national interests and, sadly, in ideological, ethnic and religious causes. Hostilities in Bosnia, in Kosovo and in Macedonia have dramatically showcased the European Union's military impotence as well as the need for strengthening the European Security and Defence Policy. Even though no member-state is in immediate danger of armed aggression by third countries, the remaining or new potentially destabilising geostrategic factors are numerous. The world is still a dangerous place indeed.

It seems that international cross-border terrorism is becoming the main threat to the 21st century. The shocking events of September 11 showed that there can be no absolute safety. The regular means of defence are powerless and unable to react to the evil challenge of terrorism. To counter that threat



we need to quickly find solutions and press for the support of the international community. Foreign and domestic security are two faces of the same coin.

Everything has to be done to uproot terrorism and to contain and overcome the hatred between religious and ethnic groups. In the near future the European Union will bear more responsibility with the strengthening of its ESDP and will accept a bigger contribution to regional crisis management. Clearly, one cannot face this situation with military might alone but rather the whole spectrum of non-military instruments for the prevention and fight against terror has to be used, especially the cross-border mechanisms of security policy – such as supranational cooperation in law enforcement and justice, support for the reconstruction of civil society and democratic institutions.

There is an obvious multilateral dividend to this.

Although the national defence budgets of the EU Member States add to about 60% of that of the US, the EU countries dispose of less than 20% of the American operative capabilities.

At present, European capabilities are sufficient only for operations like catastrophe relief or evacuation measures. Other duties under the Petersberg Assignments will remain out of reach without lasting political will for more military capabilities. At this point, even the most detailed of questions are considered in the Council of Foreign Ministers that is often forced to deal with all kinds of specific problems of current affairs. ESDP, therefore, needs a board of specialists with real decision-making powers. Technical and operative questions do require the establishment of a Council of Defence Ministers.

ESDP aims at an independent EU crisis prevention and crisis response mechanism. This, however, will not come without effective civil and military instruments for planning, implementing and coordinating the operations. A credible and potent ESDP will dispose of a whole series of mechanisms to protect its values and interests. Nevertheless, any resolution concerning possible interventions in the framework of Petersberg is to be democratically legitimised by the European and national Parliaments. The European Union will amplify its present security structure in concert with its allies

and will strive to meet the US demands for fair burden sharing.

Unfortunately, we daily experience inter-institutional tensions and conflicts of competence between the Presidency, the High Representative and the Commissioner for external relations. Under my lead the European Parliament adopted a report on the progress made in the execution of a Common Foreign Security Policy in November 2000 that suggested abandoning the pillar structure and extending the community method to matters of CFSP. The CFSP and all other activities with an external dimension are grouped in the first pillar but should be combined under the expression “external relations”.

That would mean that the portfolios of the High Representative for the CFSP and that of the Commissioner for external relations should be combined in the person of a Vice President of the Commission with special links to the Council. Parallel structures have to be prevented so that the organisations do not work against each other and the envisaged synergies can be reaped.

The Council of Ministers needs reforming, too. The cry for far-reaching democracy and transparency will only be heard if the Council is split into a legislative and an executive chamber. The legislative council could deliberate in public and function as an upper chamber just like the German Bundesrat, while the executive council should closely cooperate with the European Commission in order to guarantee coherent policies. Apart from a strengthened Executive Council of Foreign Ministers we should also consider the establishment of a Council of Defence Ministers that is specifically concerned with questions of the ESDP. This would institutionalise the informal meetings of defence ministers of our days and complete the overall superstructure.

The close relationship between EU and NATO has to be clearly defined. Close political cooperation including regular consultation on ministerial and ambassadorial levels will be paramount. We already accomplished a set of permanent agreements under the Swedish presidency. Furthermore, a first informal meeting between the EU foreign ministers and NATO took place in Budapest. Meetings have also been held on the level of the EU's political and security committees and the

North Atlantic Council of NATO as well as between the military committees.

In order to prevent duplicating existing structures, it is important that the Rapid Reaction Force may recur on the planning capacities and command structures of NATO. To harmonise the armed forces policies of NATO and EU we urgently require a strategic partnership that allows for the shared use of existing capacities.

NATO enlargement into Eastern Europe strengthens the freedom and security of all of us. We also need an appropriate consultation mechanism for Russia. But NATO is too valuable for Europe to let it become a mere political talking shop – with Russia and the US steering NATO without the European allies. The danger of marginalization looms. We can prevent that from happening by building military capabilities fast. NATO's European pillar will remain a valuable and vital part of the most successful alliance ever.

ESDP, therefore, can be understood as being an open process. This openness refers to three areas: Firstly, the discussion about European security has to be ignited on all levels. Secondly, as sensitive as military and operative details may be, they must not be automatically labelled secret. The citizenry has a right to transparent and comprehensive information on the use of tax money. Thirdly, this process has to be able to adapt to any new challenges in the world.

Let me assure you again, that Europe's collective security will remain to be NATO's concern. But in the light of the facts it becomes obvious that a strategic overall concept has to be devised in order to define the relations between CFSP and ESDP on the one hand and between civil and military crisis management on the other. This will pave the way for lasting security and peace.

Europe's constitution needs a foreign and security component of its own. Europe's constitution must reach out to the world.

Thank you.