

Göran Persson

**European Challenges
A Swedish Perspective**

Ladies and Gentlemen

Five weeks ago, a beautiful late-summer morning in New York and Washington exploded into carnage, fire and death. Ever since that fateful day, terrorism has overshadowed most other issues on the international agenda. The attack will have a profound impact on the years ahead. The attack on September 11 was not only an attack on the US. It was an attack on open society. It was an attack on all of us – on democracy and on human dignity. For Sweden, it has been self-evident to join the coalition against international terrorism. The result of our joint efforts must be increased co-operation. Not deepening conflict between cultures, religions and nations. That would be playing into the hands of the terrorists. The European Union has acted with vigour, under an able Belgian Presidency. And I note with great satisfaction the clear stand taken by the United Nations Security Council and its Secretary-General. The international community and the European Union are facing a new situation. We need to go on – in the face of mounting obstacles – with our work.

It is natural that terrorism is the issue in the present situation. But today I will concentrate on the European Union, its role, its challenges and its functions. Even a discussion on the Union will have to start on the global scene. The European Union today is an international player of greater weight and influence than in the past. The Middle East, Western Balkans and Korea are but three examples. With greater influence follows greater responsibility. We are ready to shoulder that responsibility. We stand on a firm ground of common values. We stand united and therefore we stand strong. This is the cornerstone in my vision of Europe: The European Union is a family of values. Values of democracy and pluralism. Social cohesion in a well-functioning market economy. Respect for

human rights and solidarity. These are not mere words. These values are ingrained into the fabric of Swedish, German and European tradition. By way of our treaties and resolutions, they are firmly embedded into the workings of the Union. The political influence and the legitimacy these common values give to the European family when we act together should not be underestimated. Think of the Copenhagen criteria, as they were set out in 1993 to provide a foundation for the future enlargement. Based on these values, the candidate countries were invited to join the Union. On this basis reform in Eastern Europe took place. With the momentum thus created, the decisions on enlargement in Madrid, Luxembourg, Helsinki, Nice and Göteborg were not surprising. On the contrary – they were consistent, and logical.

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The global challenges are numerous: The fight against poverty, famine, oppression, violation of human rights – and terrorism. The peace-efforts in the Balkans, the Middle East, in Africa. And – in time – a huge new task: The reconstruction of Afghanistan. It is absolutely vital that the Union makes use of its potential. It must promote trust and confidence in international co-operation. It must exercise influence commensurate with its political, financial and economic weight. To do that we need two things: instruments and determination. During the Swedish Presidency, we managed to use the existing instruments in a more forceful and consistent way. But instruments are never enough. Common determination is essential. If one Member State feels the urge to play a prominent role of its own, this may lead to that the voice of the Union is weakened. A very positive experience during the Swedish Presidency was the ambition, shared by all Member States, to act in unison. The crucial question is whether we have the will to continue along that road under the strain of dramatic world events. I believe that we do. But we cannot speak about a truly coherent Foreign and Security Policy of the Union if trade, development and environment are not integrated into such a policy. In a globalised world, the fight against poverty is of paramount importance. As long as the abyss between rich and poor continues to grow the world will not be secure. Glob-

alisation must mean benefits for the poor as well. The world community has set a goal: to cut poverty by half within 15 years. It is for us to demonstrate that this goal is realistic, and that it can be reached. The Union has both the responsibility and the means. The Union has to take the lead. We need to make rapid progress towards the attainment of the target for official development assistance – 0.7 per cent of Gross National Income. We are five countries in the world that live up to this UN-commitment. Four are EU-member countries and several of the other Member States have programmes in place for increased aid. Time is ripe for defining how to reach the UN-target. In the Millenium Declaration we committed ourselves to solidarity with the poor. At next years Conference on Financing for Development we should demonstrate that we are prepared to put real money behind the words.

You do not succeed in combating poverty by development assistance alone. At least as important are prevention of military conflict, liberalisation of trade – and support for democratic development, responsible governments, and good governance. Trade policies, including the quest for free trade, are powerful instruments – regionally and internationally. Trade and economic integration as an antidote to war has served Europe well. The single market was instrumental in forging the European Union into the force it is today. We must make use of this experience. It is crucial that we continue to integrate Russia with Europe. The Common European Economic Space that was conceived during the Swedish Presidency is intended to link Russia economically to the Union. The Union has also set the goal to bring about a free trade area around the Mediterranean by 2010. These two projects give a hint of what we might have in a few years time: a market of nearly one billion people trading freely with each other. It is a gigantic step forward for the consumers in the area. It brings prosperity, stability and peace – for Member States and neighbours alike. It is a win-win situation in the longer term.

But we should not, and will not, stop there. The Union took an important step forward with the so-called „everything but arms“-agreement last spring. We have agreed to open up our market for

products from the least developed countries. But the commitment was difficult for quite a few Member States. My conclusion is that we need a wide discussion within the Union on what we want to achieve by having a common trade policy. We must make our aims known to our citizens. We must focus public debate on our common goals, to balance off powerful national lobbies.

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Few issues are as global as environment. This is an area where Sweden and Germany have worked together, and will continue to do so. The role of the Union is crucial. We are on the right track in many respects. But great environmental challenges remain. Global warming is one. Eliminating the use of harmful chemicals and other threats to public health is another challenge. A sustainable transport policy is yet another. Environment is a moral issue. But our efforts will also generate economic opportunities. I see this as a growth sector. New products and new processes are needed. Europe should provide them. Europe will have a competitive advantage in tomorrow's world if we are in the forefront of this development. The World Conference on Sustainable Development in Johannesburg next year could be decisive for the future of the global environment – and instrumental for a renewed North-South Dialogue in general.

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The general downturn in economic activity worldwide has been reinforced by the dramatic and tragic events of last month. It comes at a time when the Union is preparing the introduction of the Euro as real money. One of the most important tasks of the Euro is precisely to contribute to stability and to discourage speculation. It is important also to Sweden that the Euro becomes a success. It will have a profound impact on the economic situation of Sweden, even if Sweden has not yet joined. The Swedish Social Democratic Party has taken a position in favour of joining the Euro. The opposition parties are divided, but a majority in our parliament is in favour of it. Public opinion is uncertain for the time being, but what

matters is the answer when the issue is put to the Swedish people, in due time.

An economic and monetary union is not only a one-time event – it is an undertaking for the future. The force of integration that flows from the EMU (European Monetary Union) is tremendous. The demand for co-ordination of economic policy is increasing. I have for some time argued that we probably might need additional instruments within the Union in order to cope with this. We must also ensure that Member States continue to pursue a prudent economic policy. I do not foresee any need for changes in the Stability and Growth Pact. We have achieved fiscal consolidation. We have built flexibility into the pact. This should leave sufficient room for manoeuvre to avoid a fiscal tightening. Such a tightening would aggravate the present slowdown in the European economy. Europe will also need to act on economic and industrial change. The challenge is twofold:

- to ensure better functioning markets by accelerating economic reform
- and to press ahead with social reforms, geared to offer people security in change.

It is our duty to put these issues on the public agenda. It is time to recognise that a fair economy is a productive one.

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Ladies and Gentlemen

Birth rates have fallen substantially in Europe. Our populations are getting older. We are facing a demographic challenge. The population of most Member States will start declining in absolute terms in about ten years. In several cases the decrease will be drastic, up to 30% or more. These are dramatic figures. This development will put European societies under immense pressure. Handled in the right way the demographic challenge can be turned into a driving force for modernizing European society. That is why it is vital that the EU reaches the employment targets set in Lisbon and Stockholm: To have by 2010 an overall employment rate of at least 70 percent,

an employment rate for women of at least 60 percent and an employment rate for older workers of at least 50 percent. This is possible, but it is not going to be easy. Women and older workers must have a real chance to participate in the workforce. We need them, and we will need them even more in the future. At the same time, the demographic situation is the opposite in the world around us, compared to the situation in Europe. We will have a strong pressure from prospective immigrants and from refugees. Let us not make that a problem; it is also an opportunity that we must make the best of.

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Ladies and Gentlemen

I have touched upon several international issues and challenges for the Union. The challenges do not stop there. To complete the picture, we have to look into what the Union must address within itself.

The challenge of Enlargement

The reunification of Europe is now within reach. The walls erected by war and conflicting ideologies have crumbled. Confrontation between East and West has been replaced by co-operation for peace, justice and welfare. At Göteborg, the EU Heads of State and Government set themselves the objective of finalizing negotiations by the end of next year. A target date for the next accession was set for 2004. It is a realistic timetable. Member States and Candidate Countries share a commitment to create an enlarged, strong Union, able to address the challenges of today and tomorrow. There is no way back. I feel confident that the vision of a united Europe will get the full support of our citizens. We now need to build on the momentum created at Göteborg. The Union must already this autumn start to tackle the difficult enlargement issues of agriculture, structural funds and the EU budget. I hope that the Commission in this respect will bring this further in its strategy paper next month.

The challenge of building a Europe as an area of freedom, security, and justice

We have to develop a common asylum and migration policy. Two years ago, in Tampere, we agreed on a number of measures to be taken at medium and long term. Progress has been made, but work is proceeding far too slowly. At the same time, one of our most important tasks is to combat racism and xenophobia. Another challenge is how to counteract increasing, and well-organized, international criminality. The objectives of freedom, security, and justice must be seen in the light of the political situation we are facing today. They are an integral part of our fight against terrorism. This is not only a question of increased supranationality or not. The question is far more complex than that. We have to reconsider, in depth, the framework for co-operation in what we call the third pillar: Yes, some supranationality in some fields; Yes, majority voting in some areas; Yes, more stringent definition of measures to be taken. All this, coupled with a mechanism whereby Member States under very restricted circumstances can safeguard fundamental national interests. There is no single simple remedy to the situation. Even if we reform the working methods, there is no escape from hard work in substance.

The challenge of re-allocating Union resources

The Common Agricultural Policy (the „CAP“) has to change. It is a heavy burden on the budget. It is not possible, nor is it desirable, to continue the same policy when the Union has been enlarged to 27 or more Member States. The present policy restricts market access for other countries. Subsidized European agricultural products are dumped on the world market. This hurts farmers and markets in candidate countries and the third world. Finally, the CAP is ill-co-ordinated and often not in line with sound environmental policies. The Union's agricultural Policy must be reformed. The question is not if, but how. The enlargement itself will be a powerful engine of change. It will soon have to be one CAP, with the same rules applying to the new and old Member States alike. More of the present Member States of the Union will become net

contributors to the budget and hopefully, this will help them see the CAP in a different light. Upcoming global trade negotiations will increase the pressure for reform. We must not accept that the CAP brings EU to positions that would hamper a constructive and far-reaching new global round on trade liberalization. Agricultural policy, structural funds, and cohesion policies have largely become communicating vessels. If farmers leave their business or retire, the structural problems will not disappear – on the contrary. We need to ask some hard questions when we plan ahead for reform. Is it reasonable that the Union should spend large amounts to redress differences in standard of living and employment within one country? Is it reasonable that those countries that have tried to ensure a balanced development will pay for those countries that have failed to do so? Enlargement will highlight these questions. A steadily greater share of our resources will have to go to the new Member States, helping them to modernize and integrate fully into our common European framework. That is the challenge of re-allocating Union resources.

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Ladies and Gentlemen

These are some of the challenges facing the enlarged Union. I believe that it is right to try to describe what is ahead, before we proceed to a discussion about changes called for in the institutions and working methods of the Union. You cannot start by building institutional castles. That will only widen the gap between policy-makers and citizens. I am glad that nearly everyone now seems to take the same approach. In the treaty review concluded in Nice we decided on important reforms necessary for enlargement itself. The goal of opening the way for enlargement was achieved.

We also agreed in Nice to launch a deeper and wider debate about the longer-term future of the Union. This was done during the Swedish Presidency. Initiatives have now been taken and structures put in place to stimulate the national debates. This will feed into the so-called convention to be decided upon in Laeken in

December as part of the preparation for the IGC (Intergovernmental Conference).

The agenda for the convention and for the next IGC simply has to be broad. It should allow for a range of institutional issues. It should also make room for a serious review of some of the policy provisions of the treaty. We cannot try to redesign the entire structure of the Union each time, we see a new challenge, but it is evident that we are embarking on a broad discussion. I note that since I became Prime Minister more than five years ago, I have been almost constantly involved in IGC-related exercises. That is natural. It will continue to be natural for the decade to come.

Having said that, let me first comment on the four institutional issues mentioned in Nice, as part of the next IGC.

One of them was the status of the Charter of Fundamental Rights. The charter is an important contribution to the promotion of citizens' rights. My view is that the wording of the charter is not sufficiently precise for incorporating it in the treaty as it is. An incorporation must not lead to the undermining of the European Convention on Human Rights. That convention already exists, and the Community should accede to it. It will continue to play an important role, particularly in relation to third countries.

Simplification of the Treaties, another of the four themes from Nice, would certainly be of great help in gaining greater popular support for the Union. But it will not be easy to achieve, without changing the substance. The texts represent the compromises Member States have been able to agree upon. We should do our utmost, but we should not make any premature promises about fundamental improvements. Union rules and regulations must also be written for the general citizens, not just for the expert. That is an equally important aspect of simplification.

This brings us to the discussion of a Constitution. I have for some time argued that the present Treaties can be seen as a Constitution. As I see it, the important thing is not whether we need a Constitu-

tion for the European Union, but rather what kind of Constitution we want. A basic treaty, which identifies goals, common values, and the fundamental rights of the citizens, could be of help in bringing about greater public understanding and support for the Union. It would indeed be an advantage if we could concentrate some of the core rules on decision-making, competences, and procedures in one document. But an essential question will be the legal status of that document, and what it will take to amend it. I would not be prepared to accept that a transfer of competence from the national to the European level could be made without ratification by national Parliaments. I doubt that many other Member States would either.

The division of competence between the EU and Member States was the third issue mentioned in Nice, not least at the initiative of Germany. We all agree that new rules should be based on the principle of subsidiarity. A clearer distinction between national and EU competence would be valuable, but it must not lead to a dismantling of what the EU has achieved over the years. Nor should we barter away tools that we may need in the future. It must not lead to a Union that is inflexible, and a Union that cannot take on new challenges.

The fourth issue brought up in Nice is the role of the national parliaments. Proposals have been made for a new body within the European Parliament. The purpose is to increase the role of national parliaments. If so, then it is essential that its participants have their day-to-day political basis in the national assemblies and can monitor EU activities from that platform. I maintain, however, that the influence of national Parliaments on the policies of the EU is best exercised through close scrutiny of the Governments as members of the Council.

Ladies and Gentlemen

Let me now return to the long-term challenges. The common aspect of practically all of them is that they call for more co-operation in the European Union, not less. Much of this can be achieved without treaty amendments, but not all of it. First of all, decision-making has

to become more efficient. We must keep in mind that qualified majority already applies to the vast majority of decisions taken. We are already close to the core where Member States will wish to maintain unanimity. However, I am prepared to discuss the future co-operation within Justice and Home Affairs. These are issues of a character that in most cases are best solved inter-governmentally. But it can be argued that the scope and importance of these questions merit considering other forms of decision-making. I am not against moving certain areas to qualified majority voting. On the contrary, qualified majority should be the rule in labour market and social affairs, as well as in asylum and immigration matters.

Secondly, while EU-legislation and -action at the community level remain essential to the operation of the future development of the EU, new methods will also have to be applied. One cannot just legislate away unemployment or international crime. Laws alone cannot strengthen the competitiveness of EU Member States – or meet the challenges posed by an ageing population. That is why we also need direct co-operation between the governments of EU countries. Co-operation of the kind we apply successfully in following up the Lisbon meeting, most recently at the Stockholm Summit. It is what we sometimes call „the new and open method of coordination“. This method is a good way forward where Member States are not prepared to hand over national competence. It co-exists well with binding legislation.

Another way to deal with new areas where there previously has not been community competence is the excellent instrument ‚flexible integration‘, or ‚enhanced co-operation‘ as it is sometimes called. I foresee that it will be used, and that it will be a way of allowing the Union to go further, when some Member States are not willing to follow as quickly as others. Most Member States, including Sweden, will use the opportunity to participate in new areas from the start. But with an increased number of Member States we need to have this possibility. Otherwise the Union could be forced to stop the movement forward. We already have safeguards, that secures the right for every Member State standing outside specific areas, to join at a later stage. This is important.

Fourthly, we have to take steps to ensure the co-ordination of decisions in the EU. The European Council has in the last few years assumed a much-increased role in terms of strategic policy guidance. But still it tends to get too deeply involved in micro-management. Halting that trend requires a more efficient system for preparing the European Council meetings. At the same time it has become increasingly difficult for the Foreign Ministers to fulfil their co-ordinating role. To some extent this is due to the increased role of the European Council. But there is also the increasing burden of the Foreign Minister's own foreign and security policy agenda. Some suggest that we should create a new co-ordinating body within the Council. I believe this is an idea worth considering. We must find the solution that is best for the Union. We cannot be hampered by the national distribution of competence inside the Member States. In my view the solution would be to maintain a General Affairs Council as a co-ordinating body at Council level, under the European Council. We need to make that a General Affairs Council in the true sense. A Council with a responsibility across the pillars – and with the preparation of the European Council meetings as one of its chief tasks. I would leave it up to Member States to decide who they would like to send to such a Council: deputy prime ministers, foreign ministers or ministers for European affairs. The important thing for the Union is that all Member States are represented by personalities with a clear political mandate. At the same time I find it important that issues related to the Union's external dimension are kept together. A Council for External Relations should encompass trade, development, and crisis management, in addition to the „classical“ foreign policy issues.

Fifthly, we also need better co-ordination between the Council and the Commission. A coherent external policy needs greater coherence between the different voices of the Union on foreign policy – the Presidency, the Commission, the High Representative, and the Member States. For me, this must end up in a greater role for the Council, the body that can take the broad and overall decisions needed, and be held accountable by the citizens.

The Commission has an important role in looking after the interests of the Union as a whole, in taking legislative initiatives and in monitoring the implementation of the Treaties and Community rules. We agreed about changes in the appointment of the Commission in Nice, less than a year ago. I do not see any need for changing it again. An observation in more general terms: I do not think that Member States really wish to make a fundamental change in the balance between Member States on one hand, and the Commission and the Parliament on the other. The European Council and the Council of Ministers will continue to play the central role in the governing of Europe.

As my last point, a few words about the role of the Presidency. In a Union where the Council remains in charge, the Presidency will assume increased importance. Some have argued that small countries do not have the capacity necessary for a Presidency. My experience is the opposite. What matters is the determination of each country and the efficiency of its system for national co-ordination. Some say that the current system of six-monthly Presidencies is too short for an efficient planning and a consistent implementation of policies. One answer could be to establish a rolling programme as a joint responsibility for a team of several consecutive Presidencies. Such a programme would help in handling horizontal issues across the so-called „pillars“ and across policy areas, and to achieve the greater coherence I set out as one of the improvements called for. It could also be a valuable tool for defining budget priorities. The incoming Presidency could in such a system get the formal status as Vice President.

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Ladies and Gentlemen

The European Union is a stronger international force than ever before. We are a family of values. We must continue to build on that unity. The challenges for the Union are manifold and call for more co-operation in the EU, and more coherent action. We approach them from a position of strength. The Union will be larger,

and that will mean adaptation. But adaptation mainly based on the structures we have today. We must discuss openly and broadly. We must avoid the pitfall of predetermining the scope of the discussions. We must avoid keeping the deliberations within a too small group. Once again, our point of departure must be the problems that the EU needs to solve – the opportunities that we must not miss. This will determine what we need to do in preparing for the coming intergovernmental conference.

Thank You.