Policy Papers

For Europe Freer, Safer, Stronger and More Prosperous
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Dear readers, you are holding a new issue of policy proposals prepared during the European Values Network 2009 programme. The aim of this collection of recommendations is to contribute to the European public debate about the key challenges that the EU and its Member States are facing today. The papers were written by young scholars and professionals from seventeen countries across the European Union and is addressed to people in politics, media, business and academia, who are open to look at current challenges from a wider European perspective.

This year we are reminded of two important European anniversaries. It is twenty years since the fall of the Berlin Wall and break down of the communist regimes in Central and Eastern Europe. Also exactly five years ago ten new countries, mainly from this region, joined the European Union. The fact that people in Europe, except those in Belarus, no longer live under totalitarian suppression and that most of the continent is now united within the European Union is something which should definitely not be taken for granted. Democracy, freedom and the rule of law are not something that occurs automatically, but are very rare and fragile.

People in the cities of Prague, Budapest, Warsaw and throughout Central and Eastern Europe still remember that they had to fight and struggle to live in a democratic society, to set up businesses freely or to ensure fair access to schools for their children. This is all natural in the EU of today, and for young people having grown up in this freedom, it may be difficult to realize, that from a historical and geographical perspective, this is very unique. We should remember that even today there are forces and trends inside and outside Europe that do not favour our values and way of life.

British statesmen and philosopher, Edmund Burke, once said "The only thing necessary for evil to flourish is for good men to do nothing." We remind ourselves of this even more today, when we see the rise and aggressiveness of right-wing, left-wing and religious extremists marching in our streets and calling against the values on which our political systems are based. This should not leave us indifferent.

It is not necessary to repeat, that twenty years ago nobody expected that the Soviet block would collapse and that former communist countries would join the Club of European democracies. We should not let people think, that the conditions we are enjoying today will automatically remain forever. Because, these conditions will be maintained only and only if citizens actively participate in public life and keep putting emphasis on the values that make democracy possible.

From this point of view the European Values Network is not just another interesting exercise for young people. It is a very serious and a systematic effort to engage young scholars and professionals in the democratic processes of the EU. It is our strong belief that, when confronted with the rise of extremism, the democratic nature of our political systems can be preserved only if concerned citizens meet together, discuss common challenges, propose solutions and confront politicians with their recommendations. This is exactly what the European Values Network does.

European Values Network is a platform of young European scholars and professionals who are inspired by the values of liberty, personal responsibility and an active civil society, who come together to propose solutions to enhance Europe’s freedom, safety, strength and prosperity. Since
2007, the European Values association based in Prague and the EVN Organizing Committee prepare annual programmes, which every year bring together new participants.

The EVN programme of 2009 was launched in March in Brussels where over 40 participants from 17 different EU countries gathered in order to start working on five policy papers addressing the major challenges facing Europe and to discuss their views with Members of the European Parliament, representatives of the Commission and other experts. This was followed by two months in which working groups continued preparing their policy papers via the Internet and personal face to face meetings. Eventually defending them in front of expert panels at the Final Conference in May in Prague.

It has to be emphasized that the working groups were led independently of any kind of direction or supervision by the organizers as to the content of their policy papers, which are thus the result of the collective work of the individual group members. Therefore, the analysis and recommendations contained in the papers presented in this publication do not necessarily represent the opinion of either the EVN organizers or its partners, and are to be understood as a sometimes provocative contribution to the wider public and expert debate.

The first policy paper deals with the challenges that the current financial crises poses for the Single European Market, and proposes practical recommendations in relation to credit rating agencies, state aid dispensation at community-level, trade policy and foreign investment rules. The best path to follow, according to the authors, can be defined as regulated liberalization.

Turn-out in the European Elections 2009 again proved the declining interest of the voters. The second of EVN papers proposes innovative ways of communication and marketing methods European political parties should use in order to attract citizens. However, it should be mentioned that the essential problem with European Parliament election turnout cannot be healed by methods of marketing, because the main problem has to do with the lack of personalised political competition at European level, which is visible and understandable for citizens and the media.

The third paper proposes how to enhance cooperation between the EU and Russia beyond the energy agenda through areas such as soft security, exchanges in social dimension, and trade and investment. Unfortunately, it is clear that any good initiative from the EU side can go only as far as Russia wants it to go, and Russia currently does not seem to be willing to go much away from the current status quo.

New opportunities as well as challenges for the European defence policy could be identified after the installation of the new US administration of President Obama. The fourth paper proposes areas in which transatlantic defence cooperation should be enhanced in the current unstable international security environment. It identifies five core challenges presented to Europe that must be taken at hand: (i) the emergence of a more multi-polar world; (ii) the current situation in Afghanistan; (iii) the Middle East peace process; (iv) nuclear non-proliferation and the spread of Weapons of Mass Destruction; and (v) the challenges on the African continent.

The last paper of this publication offers eight practical recommendations on how to make integration of immigrants more effective within the EU. The authors understand integration as a dynamic two way process of mutual accommodation by and for all immigrants and residents of Member States established within the confines of human rights, the rule of law and values of the host society. The last point should
be understood as the essential one, because our European democratic political systems stand and fall with these values. In order for a society to be cohesive it is necessary for all its segments including the immigrants to respect and accept its basic political values as unquestionable principles of public life.

Dear readers, I hope that the policy papers presented in this publication bring you enrichment and inspiration in your field of work or study. Should you consider the proposals and recommendations put forward in the papers useful and stimulating for your studies, writing, policy making, discussions and exchanges, this publication shall be considered as having fulfilled its mission.

Radko Hokovský
President of the European Values Network
In Prague, June 15, 2009
Single European Market: Liberalization and deregulation as the path to follow?

INTRODUCTION

The onset of the financial crisis, with the consequent negative implications for the real economy, has put into focus certain shortcomings in both the regulatory framework as well as the practical implementation of mechanisms underpinning a fully-functioning European internal market.

In reaction to this, a clear trend towards increased national protectionism has emerged. Coupled to this, there has been an effort towards coordinated action through the European Economic Recovery Plan and calls for stronger institutional, supervisory capacity and consequently an enhanced role for supranational bodies, including the EU Commission and the European Central Bank.

However, the convergence of political will at the community level is rather limited, with EU-wide coordination often undermined by national undertakings. The net result is a devaluation of the internal market – the cornerstone of European economic integration and the main driver in recent years thanks to the 2004 and 2007 enlargements, for growth and employment generation in accordance with the Lisbon Agenda.

The European Single Market has developed in stages through staggered moves towards deepening economic integration prompted by policies promoting cross-border trade and unhindered commercial exchange. The dismantlement of national barriers to trade across the EU-27 member-states has helped considerably in generating a larger internal market where goods and services can freely move. As the economic crisis intensifies, an ideological debate obfuscating the achievements and benefits to-date through the steady, progressive creation of a European Single Market has emerged. The veritable peril exists that this ideological challenge entrenches itself into mainstream political and economic thinking, consequently derailing, if not altogether undermining, progressive attempts at further liberalising industrial and service sectors alike with clear demonstrable potential for economic growth.

The question whether liberalisation and deregulation is still the policy path to follow in the years to come lies at the very core of this (almost) ideological confrontation. The economic crisis ushered considerable self-introspection into what should constitute the right economic policy-mix as well as the best governance model for the European Single Market. In this paper, we discern a certain number of problematic issues where a re-thinking of internal market policy is required in order to counter the ever-more vociferous expressions of dissent expressed against the single market – the very fundamental cornerstone of the European integration project.

The regulatory review of credit rating agencies, a better institutional oversight of state aid dispensation at community-level, along with a bolstering of the external dimension of the Single Market, are identified as the core aspects, which in our opinion demand a policy re-thinking on internal market issues. The re-thinking should focus on a combination of EU regulatory reinforcement and strengthened community capacity to rectify shortcomings preferably at an early-stage – creating an effective risk-management process safeguarding the internal market from disruptive slumps as currently experienced due to the international financial and economic crisis.
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**CREDIT RATING AGENCIES**

The financial crisis has shown that notable gaps and weaknesses in the institutional architecture for the regulation and supervision of the financial markets still exist, both in Europe and at the international level. In order to ensure the adequate and efficient completion and operation of the internal market in the financial sector, the EU has to focus its work on strengthening the EU financial supervisory and regulatory arrangements, including the revision of the regulatory framework of the Credit Rating Agencies (CRAs).

CRAs are recognized as independent entities that provide opinions on the creditworthiness of a particular issuer or financial instrument, issuing a credit rating that is the standardized evaluation of the future capability of a debtor to satisfy its liabilities vis-à-vis its creditors. They are private entities with guaranteed a free-market based right to issue their recommendations, ratings and consultative papers beyond any pressures. At the same time they operate beyond the scope of EU legislation, therefore its regulatory powers do not apply. Consequently, not only the regulatory regime should be considered, but also the mechanisms of benchmarking and performance and accuracy evaluation of CRAs.

Given the pivotal and quasi-regulatory role of the CRAs, there is a need for a profound review of their regulatory policy to ensure that the CRAs rating assessments are independent, objective and of the highest quality possible. Keeping in mind the report of the Financial Stability Forum (April, 2008), the following sources of concern about the CRAs failed performance shall be highlighted:

- Weaknesses in rating models and methodologies with a special focus on:
  1. inadequate due diligence in monitoring the quality of the collateral pools underlying rated securities
  2. insufficient transparency about the assumptions, criteria and methodologies used in rating structured products

- lack of both public disclosure and of policies to manage the rating process
- time-lags in rating reassessments
- Insufficient attention to conflicts of interest in the rating process
- A virtual absence of market-based competition
- Regulatory approval processes/regulatory regime

The potential recommendations in this regard will be built on the following policy options:

1. **Improving efficiency of the existing model of CRAs**

   Clearly, what was inefficient was not so much the model but the overall CRA market being dominated by 3 major players (Standard & Poor’s, Moody’s and Fitch), leading to an oligopoly market situation with little room for competition. This reinforced the de facto privileged market-status position of CRAs, often conducive to conflicts of interest since credit rating agencies are financed by the issuers of securities that in turn need reliable ratings. The reduction of the entry barriers to the CRA market is the obvious response; however, the facilitation of market entry must be done in a proportionately balanced manner without excessively lowering the operational standards, as otherwise issuers would resort to rate-shopping, opting for the laxest credit-raters, consequently undermining confidence in the whole credit-rating system. Improving competition amongst credit rating agencies is crucial in order to better instill transparency and reinforce confidence for all economic operators engaged in financial transactions, including business as well as individual citizens making use of private banking services.

2. **The necessity of a new approach towards oversight of the CRAs**

   There is no question regarding the need to reform CRAs’ operation in Europe and/or beyond; the contentious issue is to what extent this reform should be carried out. The proposed EU regulatory standards for credit rating agencies have been criticized in the Financial Times for possibly
injecting an element of financial protectionism due to Article 4 of the draft regulation on Credit Rating Agencies (COM(2008)704) requiring the Community-registration/establishment of the credit rating agency possibly imposing an operative limit to CRAs operating from different non-EU jurisdictions. Better EU regulatory oversight should be coupled with a system of mutual recognition of standards at least amongst the major jurisdictions within which the CRA market leaders are established and operate. CRAs are so far only regulated (since 2007) in the US. The EU-US transatlantic dialogue could effectively iron out the regulatory divergences between the more stringent EU regulatory proposals on CRAs and the less legally-onerous US regime. Enhancing the EU-US transatlantic dialogue to cover reciprocity of financial regulation would avoid potentially harmful claims of protectionism and countermeasures on, for example, trade finance and investment bonds. In turn, an EU-US reciprocal recognition of their respective jurisdictions’ legal and regulatory standards on CRAs could serve to improve the capacity to predict seriously flawed ratings from escalating into financial bubbles on both sides of the Atlantic. Mutual standards would consequently instil a transatlantic early-warning mechanism whenever CRAs bestow ratings that do not take fully into account the economic realities underpinning the performances of certain commercial undertakings or artificially booming sectors.

**RECOMMENDATIONS**

Taking into account the policy options we mentioned above, our recommendations are as follows:

**EU ESTIMATING BODY**

The main idea of the working group is based on the creation of an EU estimating body. This body should be endowed with the responsibility to develop comparative methodologies for assessing the methods by which credit rating agencies evaluate the risk of securities. In other words, it would evaluate CRAs in particular in such areas as: (1) past results, (2) methodology, and (3) transparency. The results of the estimation of CRAs should be published on a public website of the European Commission. Thus, the investors (private investors, investment funds, banks, insurance companies, pension funds) would have access to these data which are already estimated by the professional body (say the EU estimating body) and in this way they could easily compare the quality of rankings issued by different CRAs. Our proposal is highly pro-competitive since it allows all CRAs to access equally the market. Furthermore, the investors would have access to a list of all CRAs and the relevant information, swiftly flowing, that would enable them to play a more active role in the market. The institutional framework and composition of this body should be determined by the principle of cost efficiency. Regarding the Commission’s role in reshaping the credit ratings regulatory regime, this body should be established within the existing structures of the Commission.

**GLOBAL CONTEXT OF CRAS**

According to the Commission proposal, the CRAs based in non-European countries would be obliged to set up subsidiaries within the EU. We do not support this option since it seems to be anti-competitive in both an EU and global context. We think it is crucial to establish a system of mutual recognition guaranteeing accessibility for all non-EU CRAs to the EU market.

Taking into account the dominant role of the US CRAs in the global market of credit rating industry, we suggest dividing non-EU CRAs into two groups: US-based and non-US based, in terms of the application of mutual recognition. The US-based CRAs are to be automatically recognised, with the reservation that there are areas that would require negotiations. As for the non-US CRAs, we recommend undertaking bilateral negotiations in order to establish the appropriate regime of mutual recognition.

**IMPROVING TRANSPARENCY**

The lack of information on methodologies and accuracy of ratings should be tackled. An overall assessment of information flows should be
initiated, including the sources of information that CRAs are using. The establishment of an internal system of checks and balances is crucial in order to formulate management recommendations and ensure a rapid reaction in case of the recognition of conflicts of interest. This audit system is an important interlocutor for the estimating body that is to operate externally and independently, thus not intervening in the management decisions of CRAs. While it is not desirable to influence the credit ratings, anticipation by different actors in the finance market is an important factor that may create dysfunctional developments of the market. Therefore, transparency in terms of databases, assessment of the accuracy and comparability of ratings is crucial to enhance the confidence of all actors involved and ensure the market functions properly.

**STATE AID**

The Single European Market (SEM) depends, among other things, on a sound competitive environment. State aid, direct or indirect, has the potential to distort a good competitive environment. But the current financial crisis represents a tremendous challenge for the EU (more specifically, the Commission – Art. 88 TEC) to keep state aid below critical trade-distorting levels. During the financial crisis, member states are tempted to act in a protectionist manner, manifesting in aiding their own national industries with substantial amounts. There are general trends pointing towards the Commission’s relaxation of current state aid regulation, a relaxation that seems to be the consequence of pressure from the member states.

Is this relaxation in current state aid regulation responsible? One could always argue that member states are right in pointing out that the financial crisis calls for immediate aid. But when increased state aid seems to be a general European trend, the spectre of protectionism appears. Our concern is that the current situation, where increased state aid perhaps is justified in the short term, will start a process towards a general acceptance of higher levels of state aid with consequent negative implications for the competitiveness of the EU economy – particularly for those companies deemed ‘healthy’ enough to withstand the onslaught of the crisis without any public assistance. Eventually, with economic recovery, will state aid levels remain high and therefore become a long term obstacle against the internal market?

Therefore, it could be argued that the Commission should be quite cautious with its newfound path of relaxation of state aid regulation, despite the financial crisis. Being a supranational institution, the Commission should strive for long term goals (such as keeping SEM fit) and avoid the temptation for a short term solution (increased state aid) in order to satisfy the asymmetrical needs of certain member states. Such an increased access to state aid today could cause an unhealthy environment for the internal market tomorrow. Based on these premises, a recommendation about how the Community could deal with state aid issues in the light of the financial crisis – that is, without jeopardizing the SEM – will hereby be given.

The discussion takes into consideration the following, three policy options:

1. Equalization of state aid between member states
2. Termination of state aid altogether
3. The creation of a ‘Common EU Aid Fund’ (as a part of a new EU competition policy)

The first path can be viewed as a further development of the status quo and entails a more active role for the Commission: The Commission should monitor the member states and ensure that state aid is provided on a principle of equality. Equality in this sense means that if e.g. France will aid their car industry, this is contingent upon other member states’ car industries, at the same time, being supported by their respective member-states’ governments and with proportionally the same amount of aid. This will give different member states’ industries a common starting point, thus preventing a distortion of the SEM.
However, one has to consider the administrative burdens and difficulties of reaching an agreement regarding which industries in the member states can be subjected to state aid. Also, this arrangement could easily lead to increasing amounts of sub optimally targeted state aid because other member states (other than France, following our example), which perhaps do not have an acute need for providing state aid, still choose to do so because the situation nevertheless gives them the only legal opportunity to grant state aid.

This brings us to consider the possibility of whether state aid should be terminated altogether. It would mean no distortion of the SEM, making it an equal playing field for all players within the EU. However, one can argue that the solution does not have to be quite so radical. State aid is permitted for a number of other purposes, such as environmental purposes and schemes supporting a greater and wider uptake of R&D in industry. Obviously, the member states have different economies and some have industries whose structures make them more suitable for aid than other member states’. In some cases, government interventions can be viewed as essential for a well-functioning and equitable economy. Furthermore, it seems to be recognized that aid (less but better targeted) can boost the European economy.

Since we have established that an equalization of state aid and a complete termination of state aid in the light of the financial crisis do not seem to be suitable solutions, it is necessary to consider a more feasible alternative.

As indicated earlier, state aid can be viewed as part of the solution at the national level, but can constitute a part of the problem at the European level, because of the risk of each member state acting on its own interests as opposed to acting within the spirit and letter of the SEM. Staying at the national level, the risk of harming the SEM will always be a possibility, because of the tendency of different member states’ aid initiatives opposing each other, thus undermining the SEM.

**CREATION OF AN EU-COORDINATED ‘COMMON AID FUND’**

Therefore, we recommend that the member states act together at the EU level and create a ‘Common EU Aid Fund’ as an alternative to the different kinds of state aid at national level. State aid is then terminated to be replaced by EU aid. This initiative should be an essential part of a revised EU competition policy in order to fulfil the vision of one common market which calls for one system for aiding industries, including redistributive competencies delegated to the EU level.

The delegation entails that the function of a ‘Common EU Aid Fund’ is administrated at the European level where consensus on the size of the budget and how the aid is to be allocated should be established and agreed upon. Specifically, the concrete payment of aid to member states’ industries should be decided on and carried out solely by the Commission. This will help in fulfilling the Commission’s long term goal of keeping the SEM fit by having one truly common competition policy by which the Commission will have direct control regarding aid and thereby be in a better position to keep aid at a minimum. This means spill-over from purely regulatory functions towards re-distributive actions within EU competition policy, thus improving the current situation where the Commission has monitoring competencies only.

With this important addition of responsibility given to the Commission, its monitoring can fully concentrate on whether EU aid is being spent properly by the industries. In this regard, the EU State Aid Scoreboard – a benchmarking instrument gauging the overall state aid expenditures in the EU member-states and on the Commission’s own state aid control activities – would need to be restructured into a fully-fledged verification mechanism whereby aid payments are audited and their effectiveness, in terms of revitalizing ailing industries in the wider context of national economic performance and/or sectoral economic backdrops, should be taken duly into account. The industries should directly apply to
the Commission for the aid, in this way obviating the state level.

The actual financing of EU Aid could be as following: The first year’s amount of the contribution from each member state is determined by the amount that each member state paid in state aid the year before. This would possibly decrease the state aid amount since the member state would be interested in contributing only a small amount to the EU Aid fund. Also, this would make the EU Aid Fund’s budgetary allotment automatically digressive on a year-by-year basis. The following years the amount that a member state’s industries have received from the Commission will determine the amount that the member state itself transfers to the Commission the next year. This will mean that the member state has an incentive to facilitate a market structure where the need for aid will be diminished as much as possible.

Keeping payments at the supranational level also means that the European Parliament is the right institutional choice for monitoring the Commission regarding its aid disbursement responsibilities. It is crucial to underscore that the aid payments should not be a legal responsibility for the Council in any way, since the Council, being an intergovernmental institution, probably will fulfil each member states’ calls for aid, thus driving up total aid expenditures. A new heavy financial burden, like the Common Agricultural Policy, could in this way be avoided.

We recognize that our recommendation means a very serious and controversial delegation of competence from member-state level to the supranational EU level which will not be easily accepted by the member states themselves. Is our recommendation realistic when it comes to implementation, and would it even be agreed upon in the first place?

It is our conviction that, if a truly common competition policy could be envisaged by the political actors today as a common good for all interests in the long run, this could be a turning point in EU competition policy. But in the short run the current opportunity for each state to aid their industries represent the greatest challenge for our recommendation to be followed.

**EXTERNAL DIMENSION OF THE SINGLE MARKET: TRADE POLICY AND INVESTMENT RULES**

As the international financial crisis escalated, its impact on the real economy became ever-more pronounced; in no other area was this impact more adverse than in the drastic drop registered in world trade. Global trade dramatically fell as demand orders plummeted and production outputs declined in a wide cross-section of industrial activities. According to WTO predictions, the trade prospects for 2009 will see a 9 % global trade decline as a direct result of the economic recession, making it the biggest trade contraction since the Second World War.

Words of warning were expressed by the WTO Director-General Pascal Lamy that “governments must avoid making this bad situation worse by reverting to protectionist measures which in reality protect no nation and threaten the loss of more jobs”. Similar appeals to avoid protectionist tendencies were made by seasoned EU politicians in the past weeks, particularly in the build-up to the G20 Summit held in London on the 2nd April when statements advocating the curtailment of any protectionist inclinations were issued by some political groups in the European Parliament.

Despite these political admonitions, protectionism is indeed on the rise across the world with negative implications for business and trade irrespective of geographical/physical locations and the national and/or regional markets in which firms operate. For instance, the World Bank has counted 47 trade-restricting practices taken by 17 of the G20 members, including several developing countries, but also anti-competition measures taken in the US and many EU member-states, mainly in the shape of subsidies for failing industries. According to the latest overview of national measures adopted as a response to
the financial and economic crisis published by DG Competition, there were a total of 49 cases of Commission-approved cases of state aid just for the financial sector. Another 5 cases are currently under formal investigation, whilst, more importantly, 27 different decisions adopted by the Commission in 2008/2009 have been classified as real economy cases falling under the temporary state aid framework.

Given the current economic backdrop of increased protectionism, the need for free and fair level playing fields in international competition becomes paramount. In this regard, it is advisable that the EU takes action to clamp down on increased protectionist tendencies both within the Single Market (as advocated in a previous section of the paper) and on the international front in its institutional engagements in multilateral forums, particularly the WTO and the G-20, as well as in its various bilateral FTA negotiations with third countries. On the external front, action can only be taken on the basis of evidence that protectionist measures elsewhere are having a detrimental effect on the internal market. To this end, the EU’s single market policy must be endowed with the right instruments to counter such threats and wherever possible also be equipped to take the necessary rectifying measures, or at least apply political pressure to mitigate the extent of the economic damage potentially incurred in the process. These instruments are a mix of new community competence and institutional processes permitting continued dialogue with the other major trading partners of the EU, including emerging economies.

Therefore the policy options include:

1. endowing community competence for investment regulation, thus considerably limiting the scope for intra-EU squabbling due to competitive national protectionist policies whilst safeguarding the coherence of the EU’s single market through a common coordinated risk-assessment system

2. Considering the feasibility of streamlining the EU’s various and different bilateral investment dialogues and trade cooperation councils by developing a ‘best-practice’ multi-tiered model of economic engagement with other regional trading blocks, third countries and particularly the BRICs, not least to ‘export’ the EU’s single market governance model

3. Taking leadership in re-injecting trade finance liquidity on the European markets in order to revitalise international trade

RECOMMENDATIONS

Investment Regulation: maintaining freedom of investment and capital flows
The Single European Market can thrive in the context of the current economic crisis if the freedom of cross-border investment is maintained throughout the downturn. The growth in foreign direct investment is one of the most manifest features of globalisation, with increasing levels of international trade, the vertical specialisation of production processes, and the continuing development of global capital markets all contributing to this trend. Guaranteeing the freedom of movement of investment enhances the image of the internal market as a destination for inbound investment from other countries whilst it reinforces the credibility of the EU as a fair player in demanding equally open markets for trade and investment purposes from its trade partners.

The realisation of an EU investment regime would allow greater flexibility for an EU-coordinated approach in protecting capital movements, first and foremost between EU member-states, and second vis-à-vis third countries. Politically it is unrealistic to consider that the member states’ governments would easily relinquish their exclusive national competence over this sensitive area. From a legal perspective, most of the ground work has already been laid, given that the final draft of the Lisbon Treaty extends EU competence to all service trade, trade-related intellectual property rights, and, in a major innovation, to
foreign direct investment. In the absence of the Lisbon Treaty, it is recommended that the Commission initiate a process of open-method coordination of the investment regulations of the EU-27 member-states’ jurisdictions in order to prevent possibilities for unjustified fragmentation of the Single Market in cross-border investment and capital flows. In this regard, the Commission could develop practical guidelines which, though not mandatory, would at least serve to establish the minimum acceptable levels of state interference in capital and investment flows, consequently strengthening both transparency and predictability for all investors, whether EU-based or from non-EU states.

This coordinated approach could further be reinforced through the development of a common risk-assessment system to gauge ‘toxic’ investments and assess the viability of investment products, particularly in the banking sector and more in general in the financial services industry. These were the vehicles that transferred in a contagious manner what was initially a mortgage crisis in the US to Europe, thus in the process developing into a fully-fledged global economic crisis. The coordinated approach is aimed precisely to mitigate the risk of having a repeat of a global spill-over of a financial/economic crisis by instituting a community-coordinated early-warning mechanism. In practice, member-states’ market surveillance authorities would have the ability to flag concerns on speculative capital through an immediate exchange of information, allowing for debate to discern how to regulate best and respond to the inflow of this speculative capital into the European single market. We believe that through a coordinated approach, an effective EU gate-keeping system screening undesirable capital flows would significantly enhance the SEM’s capacity to better withstand economic downturns originating in other markets in a globalised economy.

Reinforcing the SEM’s governance model: ‘exporting’ EU SEM-like regulations and standards

Undoubtedly, the internal market with its four freedoms (free flow of persons, goods, services and capital) has been the biggest success story so far in the European integration process, and yet criticism is levelled at it particularly by business associations, some of whom claim that seventeen years after 1992, the single market is only a partial accomplishment. From a business perspective, it is argued that there is still a lack of proper harmonisation of rules in certain areas of the internal market, whilst implementation varies from one member-state administration to another. It is therefore argued that this constitutes an effective disincentive to operate and trade cross-border as establishing business beyond the borders of one’s own country of origin does not add up to an attractive business proposition.

These inadequacies within the internal market are inevitably reflected in the EU’s external commercial dealings. Looking into the SEM from an outside perspective, the EU’s internal market appears to offer a myriad of business opportunities for non-EU investors, businesses and traders alike. However, barriers to trade remain an everyday hindrance to EU-based and non-EU economic operators alike. In the Commission’s assessment of the Single Market, “A single market for 21st century Europe” (COM 2007 – 724 final), the expansion of the “competitive space” of the Single Market beyond its borders is advocated. The EU is encouraged to seek “regulatory convergence and equivalence,” particularly on mutual recognition of goods and services with its trade partners as a means of further opening up the SEM in the context of economic globalisation. Competition policy along with state aid rules are identified as the instruments complementing trade policy in ensuring an international level playing field, mainly by integrating a regulatory component within the various bilateral trade negotiations (FTAs) currently being undertaken by the Commission.
European Commission policy on the external dimension of the internal market correctly identifies the policy instruments that need to be adopted to enhance mutual market access into and from the single market. Nevertheless, EU policy fails to identify the best institutional structure for improving regulatory convergence with third countries, in respect of both products and services regulation. The EU maintains a disparate number of economic dialogues with third countries, often with incongruent structures aimed to further collaboration in a number of select policy areas deemed of mutual interest between the EU and the third country concerned. The Transatlantic Economic Council (TEC) is the most wide-ranging of such bilateral dialogues, having proven its worth as a platform for US-EU economic engagement, including in fields such as investment, IPR and secure trade.

The TEC could thus be used as the blueprint for enhancing existing regulatory cooperation dialogues but also as the model institutional structure for engagement with the BRICs – the so-called emerging economies with whom clear and predictable rules for reciprocal market access will be crucial for the future wellbeing of the European Single Market. Remarkably, a TEC-like process is missing in structuring the economic relations between the EU and key markets such as Japan and Canada, whilst with Russia the economic dialogue is restricted to what are considered to be the priority issues rotating around energy and security of energy supplies. A key aspect of this recommendation is that the development of TEC processes with the EU’s main trading partners and the dialogues should also include trade and business representatives whose role would be to construct a more permanent and apolitical channel of communication on the barriers to trade being encountered by economic operators on the ground.

**CONCLUSIONS**

The financial and economic crisis has put into focus the merits or otherwise of market liberalization and deregulation as the best policy options for managing the single European market. Certain political statements seem nowadays to question the essential reasoning underpinning the logic of internal market policies that have progressively integrated the markets of the EU-27 member states in a number of sectors with the greatest degree of integration achieved so far in trade in goods.

This policy paper attempts to answer controversial topical questions like:

- To what extent should we liberalise the European economy?
- Is stricter regulation the best solution in times of market failure?
- Conversely, is the crisis the result of excessive deregulation?

In short, how should the regulatory architecture of the European Single Market adapt to the current challenges? In what way(s) can we ensure that we strike the right balance between an environment open for trade and business whilst also addressing the concerns of workers and consumers who are bound to suffer in times of cash shortages in the economy?

Our suggested policy response is based on the understanding that the financial and economic crisis is inducing a conceptual reformulation of what constitutes mainstream policy thinking on internal market policies. Our recommendations are a policy mix based on the tenet that opening markets and regulating is one thing whilst the option of opening and deregulating at the same time is an altogether different matter. The recommendations dealing with rating agencies, state aid and the external dimension of the single market are based on the need to ensure a regulated system of liberalization whereby through a rigorous application of competition policy, the EU can sustain an internal market open to the free circulation of trade and investment flows. Regulated liberalization is the best available policy framework for guaranteeing a vibrant internal market thriving in part on internal
cross-border trade, whilst also sustained by an investment regime conducive to attracting foreign direct investment in an ever-more competitive global economy.

This conclusion is reached on the basis of an analysis of the operational shortcomings that became evident as a direct result of the economic and financial crisis in the way credit rating agencies assigned their ratings, in the way national member-states’ governments disbursed public aid running counter to fair competition policy, and finally in the way the investment regulation policies amongst the EU-27 member states can be geared to maintain – through community-coordination efforts – a consistent flow of international capital towards the internal market.

The working group’s recommendations are tailored to improve the EU’s institutional capacity to adapt to serious market-derived challenges to the sustainable cohesion of the internal market. Consequently, we recommend greater regulatory intervention wherever this is indeed needed, however always in a strictly proportionate and commensurate manner reflecting the extent of the current EU policy failures and/or shortcomings of credit rating agencies, state aid and external single market policy.
WORKING GROUP 1

Single European Market:
Liberalization and deregulation as the path to follow?

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There are three simple steps to winning every campaign: 1) Decide what you are going to say; 2) Decide how and to whom you are going to say it; and 3) Say it.

Joseph Napolitan

From the first European Parliament elections that took place in 1979, until the 2004 elections, one can easily see a clearly decreasing trend in voter turnout. From the very promising 63% in 1979, turnout went down to 45.5% in 2004 and unfortunately, it seems that the elections of 2009 will not be an exception from this trend. These numbers are even more disappointing when one considers that in the UK and many other European countries, there are more people voting for Big Brother than casting a ballot for European elections.

We can say without doubt that people would vote for something they care about, understand or want to influence. So why don’t they vote at EP elections?

Despite its importance in policy making and the EP being the only directly elected institution of the Union, the reality is that elections have failed to integrate national citizens, a “European” voter has not appeared, and popular support has decreased towards community institutions.

But before we blame this situation on the citizens, one should not forget that voting is a mediated process that needs education and socialization. It needs mobilization and linkage between the individuals and the institutions. And that would mainly be the role of parties, but has been largely absent so far.

The purpose of this paper is to bring practical recommendations, based on the analysis of the European elections’ actors, structure and communication system, in order to highlight some ideas that could be used within the next years to increase turnout. These recommendations will target the following problems:

1. **It’s the resources, stupid.**
   "Political parties at European level are important as a factor for integration within the Union. They contribute to forming European awareness and to expressing the political will of the citizens of the union.” [art. 191 TEC]
   - Nice but irrelevant when finance is limited, direct membership is impossible and candidate selection is devolved to the national parties.

2. **Euro-parties what?**
   - Party identification concerning EU-parties is nil. The absence of known distinctive programmatic alternatives prevents the “perceptual screen” effect that helps the elector to make sense of politics and care for the debate.

3. **European Parliament, the straight bananas stuff?**
   - Widespread lack of image of the European Parliament. Over 60% of European citizens have no image, good or bad, of the European Parliament.
   - No focus on meaningful and positive influence over, for instance, Working time directive, Takeovers directive or GM food regulation.

4. **MEPs, an overpaid lazy privileged bunch?**
   - Are MEPS active enough in their constituencies, relate to citizens, play their representational role? The texts organizing the European parliament do not institutionalize a precise vision of MEPS’ role towards their constituency.

5. **A bit of electoral cuisine?**
   - Constituency either too large to identify with and/or too small compared to a single unified European constituency helping the process of abstraction towards common collective and binding choices, with campaigns fought around EU issues.
   - Postal and advanced voting?
- Little coverage of EU affairs and journalists’ general lack of knowledge themselves.

7. Let’s Barack it up! Old fashioned campaign tools.
- Where are the campaign blogs, forums, vote-o-meters, interactive program writing, videos, twitters, quizzes, charades, and Norwegian Blue parrots?

8. Consequently: general lack of interest for about everyone.
- Seems too abstract from the ordinary citizen and politicians are too busy campaigning on national issues.

1. EUROPEAN PARTIES: YOU HAVE TO BELIEVE!

It is a common tactic for national parties to fight European Elections over domestic issues, and not European. However, this causes a major misinterpretation among voters about the whole purpose of European Elections. They consider it to be some kind of mid-term election, a chance to punish the major parties for their policies, and an opportunity to cast their protestation ballot to the minor parties. This is one of the major reasons for the significantly low turnout in the EP elections. European parties could play a major role in separating European elections from the domestic character that they have. This way, voters could get the full grasp of what European elections are all about. In order to do this, Euro-parties need to play a more visible role, they need to show more initiative, and sometimes they need to show their member-parties that belonging to a party family is more than just another banner on their website. The fact remains that it is difficult for the European parties to control how national parties run their own campaigns. But with some measures, they could make significant changes in the relation between the European and national parties and also in the way European citizens think about the elections.

PRESENT CLEAN-CUT POLICY PREFERENCES
To get people interested, you first need to get them to see what they are going to be interested about. When going to the polls, a voter should know that she casts her ballot in order to affect the policy-making procedure towards a certain direction. It is important that the election procedure offers the voter certain options on the direction of the outcome. Outlining these options will get voters more interested in voting, and thus increase the turnout.

ACTIVE PARTIES IN ELECTION CAMPAIGNS
While on the national level the respective parties are the single most important actors in planning and executing election campaigns, on the European level Euro-parties play little or no role at all. This is why until now no “real European” campaign (i.e. issue-based campaigns executed by the member-parties of a certain group, organized around the same topic) has ever been launched. Of course it would be unnecessary to delegate responsibilities to Euro-parties concerning the organization of local events, or smaller canvassing campaigns, but there are fields where these institutions could play a more active role. The ancient principle of “think globally – act locally” could very well be a guiding force in this, with “global” referring to Europe, and “local” to the member-states. Since Euro-parties have special resources (i.e. politicians, media appearance, the “common knowledge” of the member-parties) they could play an active role in planning Europe-wide campaigns around the most current issues they are representing at the EP.

TRUE EUROPEAN CANDIDATES!
In the majority of western-type democracies (except for some countries, like the U.S., or some parties, like SDKU in Slovakia), parties have the right to select candidates for elections. By this power, they become masters of life and death among their politicians. This sometimes also comes with the side effect that candidate selection is rather dominated by party interests and not by the “best man for the job” principle. In case a party sends their old comrades in the EP whom might not even have a clear idea on
what the Union is, can be counter-productive, because voters only regard them as politicians who someone wants to reward – or send as far away as possible. Giving a certain flat rate for the Euro-parties to select some candidates of every member-party could ensure the domination of professional aspects of the candidate selection. Besides, this could also ensure that the Euro-parties gain a certain influence, which could be useful in case they have to negotiate certain issues with the member-parties.

GREATER FINANCIAL SUPPORT TO THE EUROPEAN PARTIES

When asking a Member of the European Parliament to tell you which is the single most important thing that could be done in order to help the European Parties increase the turnout of the European Elections, the answer will most probably be to increase the financial support towards the parties. It is not uncommon to hear complaints by the MEPs that they do not have the adequate financial means in order to implement measures that could help them better prepare for the elections campaign. The European Commission should revise the funding to the parties in order to have the means needed to run campaigns which would be as wide as possible, including to the same extent every European member state. After all, the European Parliament Elections are the only chance for citizens to express their preferences over the EU, and in a way, the European Parties are the means to do that. So parties must have all the financial tools needed to run a campaign that would actually increase turnout.

CHANGES IN PARTIES’ STRUCTURE WILL BRING MORE VOTERS

There are several things that could be done in terms of the organizational structure of the European Parties that could make them more effective and flexible and therefore more attractive to the public.

European Parties could be more open to the public, offering information of their contribution to the work that is being done inside and outside of the European Parliament. This offers more incentives to the public to get more interested in European issues, and therefore also vote at the Elections.

Also, European parties could have delegations all over Europe. Decentralization would make it easier to inform citizens of the work that each party does, and it will contribute to much more effective campaigning when it comes to the European Parliament Elections.

Another thing that would help the public to engage with the European Parties and therefore to become more interested in the Elections would be creating, or in some cases easing, the possibility to become individual members. This would help the creation of a pool of well informed citizens which could help in further informing the public about the parties, and also help in the campaign by organizing various events. People engaging with European politics certainly is a positive step towards higher turnout.

2. EP’S PUBLIC FACE: IT IS MORE THAN JUST BANANAS, ISN’T IT?

It’s becoming rather more common than surprising to admit that the greater part of European citizens are apathetic towards European elections. Usually the reasons are simple to grasp: either they don’t know the election dates and have no information at all on the prior elections, or they are not interested. A recent proof can be found in the video placed on Europeanparl.tv page (Have your say: When will the next European Elections take place?), where people all across Europe hardly knew about the forthcoming possibility or use of a civic right to express their voice on Europe’s future. No wonder if the majority of these people would not know what the role of European Parliament actually is and to what extent it can affect one’s daily life.

There are two parts of the issue on the European Parliament’s informative role to be taken into account: al getting people to know why the
European Parliament and elections itself are important; b) informing the citizens on the actual dates and places to vote on European elections across the continent.

As to the first part, the European Parliament pursues a certain informative mission as a part of the European Communication Strategy pursuing its citizen open-visit and emailing newsletter policy, as well as coordinating regional EP Information offices in every member state. There is quite a range of possibilities to be informed on the EP or certain MEP’s activities and main issues related. However, it is hardly in the reach of every “lazy” citizen, who is not for example interested in looking at the regional office page or submitting inquires. Thus, the information policy is rather based on an inquiry-response principle, which does not help the audience to raise its awareness.

As to the second part, the information on the organization of European elections usually depends on the National election committees, dealing with the organization of European elections locally within the member state. The continuing lack of information on the European elections is most probably determined by the lack of a genuine uniform procedure for election to the European Parliament. The Treaty of Lisbon would provide a legal base for the adoption of a uniform procedure, requiring the consent of the European Parliament. In that case a more reasoned general communication campaign could be expected. In addition to that, lately the Constitutional Affairs Committee of EP has been working on new proposals to reform the Elections Act, proposed by the British Liberal Andrew Duff, with the aim of getting more consistent rules across the EU and making the election process more focused on EU-related issues.¹


This election though is showing good trends. The European parliament started an initiative to call European citizens to vote by starting a single institutional pan-European campaign oriented towards non-political awareness raising. As M. Alejo Vidal-Quadras, EP Vice President for information and communication policy expressed in March this year, the European communication strategy of 2009 was planned to be more original and professional than during the previous elections and to reflect the importance of the Parliament as a legislator². The Parliament hired a Berlin-based firm, Scholz and Friends European Agenda, to carry out an EU-wide campaign. While the evaluation of the campaign results has to wait until the election is over, such initiatives can be considered rather a positive step. As Mr. Lutz said before, this year the EU enjoys better brand awareness then clothing label Armani. “The problem is that people tend to associate it with red tape, corruption and inefficiency. […] We want to show that decisions being taken are relevant to people.”³ In order to accomplish this, the following steps should be taken:

1. **Expand EP informative mission to all-year-round operation:** the general communication campaign shouldn’t be restricted only to two month periods prior to the elections. In order to address more citizens and encourage them to cast votes, the information campaign has to find a place in EP’s general informative policy and be a part of European Communication Strategy.

2. **Conduct direct local informative campaigns through a network of EP offices in each member state.** The complexity of the European system determines the need to actually know more than news headlines in order to choose the political parties having a European-oriented agenda and a possibility to cast one’s ballot based not on national


preferences, but a true awareness of current European affairs and challenges. Local EP offices could address campaigns more accurately to the needs of the local electorate and use the proper and most effective resources – posters, tv, newspapers and the internet. Localization of actions is especially important when using social networking tools.

3. **Trainings offered to the journalists.** We think that journalists have poor knowledge when it comes to EU institutions. Offering training to journalists on a regular basis (once or twice a year) would raise their awareness of the importance of EU affairs and the effect they have on everyday life. Thus journalists would be more interested in reporting the EU related issues to the national media. Consequently, covering the EU elections would be the first step in legitimizing the EU decision-making process. To sum up, training journalists would increase the chances of a higher turnout.

3. **A KICK IN THE BUTT: INCREASE INCENTIVES FOR MEPS TO PLAY A GREATER EDUCATIONAL AND CAMPAIGNING ROLE**

There is a general agreement that MEPs lack profile in their countries. During the Lisbon referendum, Irish MPs expressed publicly their frustration that MEPs did not take their fair share of campaigning. Indeed the institution of the EP is not only the Parliament but also those who embody it domestically. Part of voters’ disinterest is linked to an ignorance of MEPs and their role. Eurobarometer surveys show that 64 % of Europeans ignore MEPs’ functions, and 5 months before, only 16 % knew that elections were being held in June.

Sadly, higher turnout is not only a matter of increasing people’s incentives to vote, but also increasing MEPs’ incentives to campaign. Unless they are genuinely interested in the legitimization effects of high turnout, politicians do not need a thriving popular participation. It makes no difference if they are elected by 30 % or 70 % of the electorate. Then, EP elections being based on proportional lists mostly at the national level, they find higher interests in assuring their profile intra-party than in public. The real popular competition is only marginal: one or two seats at the electable threshold. It is not rational to lose time focusing on awareness, education, and the profile of the European Parliament.

Traditional party activism, canvassing, public meetings and local press releases are still the most effective ways of maximizing voter turnout. Moreover, representation is increasingly personalized, even in countries with proportional traditions. Voters aren’t voting for faceless parties any more, which is a serious problem when most Europeans don’t know who their MEP is. Finally, increasing MEPs’ involvement is essential to allow voters to blame and sanction. When responsibilities are blurred, disagreement cannot be expressed through ballots, leading to a rejection of the whole European regime.

1. **MEPs should have a clear political mandate.** The nature of their mandate and the link with their constituency is never defined, even in the EP’s Rules of Procedure. The EP’s right to regulate its functioning should not be only concerned with MEPs material rights and privileges, but also with functions and duties, including their role in the constituency.

2. The latter should be backed by financial incentives. MEPs receive remuneration when they attend EP sessions and are required to sign in to prove attendance. In the same spirit, they could receive remuneration when they justify public meetings presenting their action or the work of the EP – or similarly it could be integrated into their mandate with the hazard of a wage cut if they cannot build constituency activity. From 2009, MEPs’ salaries are to be paid from the Community budget and no longer from national ones; this clearly gives the chance to define MEPs obligations at the EU level. Considering it took about 10 years to come up with the Statute for
Members of the European Parliament, that goal could alternatively be reached faster by giving EU parties more resources to fund their MEPs’ local activities. That would increase both local awareness and MEPs dependence to Euro-parties.

3. In the same line, from July 2009, the employment and management of MEPs’ assistants is taken over by the EU. This should be taken as a chance to define the activities of local assistants, especially regarding PR and the press. MEPs now have expenses refunded on the basis of documented costs rather than a flat-rate. For the same reason that it is from tax-payers’ money, the activity of local assistants should be monitored and precisely publicized.

4. More transparency on MEPs political action. Information on MEPs voting records or committee activity should be tracked and made accessible for the wider public. This would help people understand their options and pass judgments on their MEPs. Citizens won’t mobilize if they ignore what precisely are the alternatives, not only in manifestoes, but also in records.

5. A last option, which has appeared lately, is taking into consideration electoral turnout when determining the number of MEP’s assigned for each country. Integrating turnout into electoral results is the only way to make politicians care about it. The number of MEP’s for each member states should be established on two elements: an electoral quota of higher and lower thresholds in line with the country’s population, and a formula comparing turnout in each state and the average turnout in the EU. The states where the electoral turnout is higher at a given election gain an additional number of MEP’s, and the states where turnout is lower lose some of their MEP’s. National parties and candidate would find there a real incentive to conduct a dynamic campaign and pushing turnout up.

4. A BIT OF ELECTORAL CUISINE: TUNING ELECTORAL SYSTEM FOR BETTER TURNOUT

Almost 70 % more citizens in the whole EU cast their votes in national elections (presidential or parliamentary) than in the European ones. Political scientists agree that the main reason for this phenomenon is that European citizens treat the EP elections as second-order elections. This is mainly caused by the fact that most people do not see any important impact of the European Parliament and its activities on their everyday life and surrounding reality – in a social, economic or political sense.

It can be noted that the average level of participation in elections declined significantly after 2004, together with the EU accession of new member states in which the democratic system had been present for just 14 years. The average turnout in new member states was lower by 27 % than in the old EU member states. And if we take into consideration only the “post communist” countries (excluding Cyprus and Malta), then the difference will be even higher – 41 %. The lower turnout in the new EU member countries of post communist origin is mainly caused by the quite limited electoral experiences of these nations and underdeveloped norms of electoral participation. The electoral system has, however, limited impact on these factors.

Nevertheless, it is possible to introduce several changes to the electoral systems both in the short and long term perspectives, which may induce more EU citizens to take part in the European elections.

1. Smaller constituencies and open ballots. Smaller constituencies, together with a possibility to choose exact candidates (open ballots), result in the increased identification of the MEP’s with their constituency. Consequently, a given MEP is more motivated to spend time and resources on campaigning more actively and explaining why a citizen should vote for him or her. In a long term perspective, such a change could
broaden the awareness of EU citizens in respect of the activities of MEPs, as well as the European Parliament’s influence on the surrounding reality. It could also lead to the greater importance of the European elections. This, together with a stronger competition between the potential candidates, may shift the European elections status to first-order.

2. Linking with first-order elections.
Having national elections – general, presidential or local – referendums and the European elections held together on the same day could greatly improve election turnout. In the 2004 elections held in the UK, in constituencies where the local elections were held simultaneously with the European ones, there was a much higher turnout than in the 1999 EP elections.

3. Avoidance of voting during holiday months.
The costs and benefits calculation is much more important in the second-order elections than in first order elections. The threshold for non-voting is much lower in the EP elections. In practice, it means that many voters will simply not change their holiday plans just to take part in the EP elections.

Making vote-casting easier definitely lowers the cost of participation in elections. The British experience with postal ballots (all-postal voting in some constituencies in 2004) as well as the Estonian one with e-voting (during the 2007 general elections) show great potential in increasing turnout rates. Also, the two-day voting system proved to have a positive effect on election turnout in some countries.

5. The Media’s Role in Covering the EP Elections

Face the media or you risk being perceived as hiding skeletons in the closet if unperceived at all. The incentive describes the great role that the media plays in the elections nowadays. It mobilizes or facilitates voter turnout by increasing awareness of the political process and on policy issues. The European Parliament and its candidates should know that the more an electoral campaign is covered by the media, the more the citizens are involved, interested and active in the ballots.

Current situation
It is not surprising that the invisibility of the EP in the news and the negative tone in coverage of EU affairs in general work as contributing factors to negative attitudes and low participation. Not even the current elections got much media coverage in their preparatory phase. Media recall and impression of the European Parliament is still low in a European Union of 27 states.

Media recall
Have you recently read in the press, seen on the Internet or heard on the radio or television something about the European Parliament?

![Graph showing media recall](image)

4 Only 36 % of people have read, heard or seen a topic devoted to the European Parliament in their media. Lack of media interest is perceived as greatest in Great Britain, France, and Italy. Those who have come across information felt that the media were rather more favourable (44 %) to Parliament than unfavourable (36 %). It is in Great Britain, Belgium, and France that the press is perceived as the most hostile. (Eurobarometer, January–February 2009)

5 Question asked in the 2009 Eurobarometer
Has what you read or heard given you a generally favourable or unfavourable impression of the European Parliament?\(^6\)

![Bar Chart]

- Generally favourable: 50%
- Generally unfavourable: 10%
- Neither favourable nor unfavourable: 30%
- Don’t know: 20%

**Mass-media + Citizens + EP/Candidates/ Political parties = Ménage à trois?**

All three actors involved in the European elections – the EP, politicians and political parties – should see the media as primary bridges to the world of politics. Otherwise said, the media, citizens and the EP/candidates/ political parties should act continuously as a ménage à trois in the EU elections tournament.

**HOW CAN IT BE IMPLEMENTED?**

In the view of mobilizing and facilitating turnout, it is important to consider the role played by each actor involved in the EP elections:

1. **Candidates**
   
   Either acting MEPs or national politicians running for the EP elections, the candidates should seek for more public engagement and popular debates. Both can be reached by using not only the traditional media – television, print press and radio – but also the “free media” platforms – internet forums, websites, blogs, social platforms (such as Facebook, Twitter etc.). By creating regional/ national events the candidates could attract journalists’ attention and get a place in the media. Candidates should not ignore that technology is transforming people into potential reporters, adding a new dimension to the news media. More than their social value, the most enticing aspect of websites/ blogs/ social platforms could be their political scope.

2. **Political parties/groups**

   Public events organized around current national issues (e.g. human rights, climate change) would not go unnoticed by the journalists or citizens, especially when the event triggers public debate/ expressions.

   More than using the traditional media (party/ group communications, press, TV, radio), representatives of the political parties and groups should make use of the new technology in order to become more exposed to voters.

3. **European Parliament**

   The European Parliament plays a crucial role in building “stable bridges” with mass-media in the long term. This involves “selling” itself – its role, policies, issues approached along the way – as attractive as possible to the public (EU citizens) and journalists.

   The more European affairs are covered by the media (both European and national media) the more the chances for a higher media coverage of the EU elections rise. This would consequently increase the public interest in voting and mobilize participation.

   - As described for the candidates and political parties, the EP should make use of both traditional and new media (internet forums/ social platforms/ blogs/ websites etc.).
   - EP should not ignore the importance of attracting the interest of the gendered news media in the elections (e.g. women magazines & gender news desks).

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\(^6\) Question asked in the 2009 Eurobarometer
For Europe Freer, Safer, Stronger and More Prosperous

Policy Paper II

- Staff training offered to journalists would raise their interest in reporting on EU elections.
- Inter-institutional communication should be enhanced in order to facilitate the flow of information (e.g., between the European Commission and the EP) inside the EU institutions and ensure a single and coherent voice with the external public.

6. LET’S BARACK IT UP! RENEWING CAMPAIGN TOOLS

“We need to redesign democracy as a system of collaborative governance where people are empowered to participate actively in making the decision by which we order our collective lives”.

7 weeks before the EP elections 5 out of the 7 European Parties do not make use of the Internet for their campaign at all (the two exceptions are the EPP and the PES). Instead of reporting about the European elections, the websites are usually created mainly for internal purposes: to inform party supporters or even party members on current party activities. They are not made to inform the external public. Therefore European parties do not inform about the EP elections not because of a lack of financial resources or technical abilities but simply due to wrong preferences. It seems as if the European Parties have not recognized the importance of using the Internet as a campaign tool.

Even if not enough in itself, the web 2.0 offers a large range of communication tools, spreading information on a wide scale, for free or at reduced costs. More important, it is a reflection of European democracy, supporting citizens’ voices and binding them through various networks. Grassroots, viral marketing and social platforms are all powerful and effective means to get people involved as they make of the “netizens” active broadcasters, spreading messages around by interest, curiosity or amusement. This web democracy is then an unavoidable tool in targeting the improvement of turnouts and civic participation.

REINFORCE THE VIRTUOUS CIRCLE BETWEEN OFFLINE AND ONLINE SPACES

The web 2.0 is one of the first media that gather and empower citizens from the twenty-seven member states on European sized social platforms. By promoting information on a virtual scale, it is relevant to acknowledge web marketing as complementary to traditional marketing. In the same way, face-to-face and online engagement is undoubtedly in synergy. Thus, for several reasons:

- in order to engage the public in a deliberative process, the public should be notified that an issue is under discussion. Coupling online and offline campaigns is thus the best way to maximize the broadcasting of information.
- online and face-to-face engagement both depend on a clear agenda, access to background information, and well described ground rules
- where live audience meetings can emerge on online participation, preparing the audience with background information available on the internet can make the debate more productive
- a particular issue can be energized by a real meeting. Let’s point to the blog “Can you hear me Europe?” created by the European Parliament and MTV in early April that suggests to young people to make their “shout”, both online and during a simultaneous meeting in Milan, Berlin and Prague.


8 Generally defined as community and interactive web as being composed of interfaces that allow users to interact with both the pages’ content and between them [eg. Facebook, MySpace, Twitter, Utube, LinkedIn, Flickr, Dailymotion, Vimeo, personal blogs, etc.].

BUILDING BRIDGES BETWEEN “ECHO CHAMBERS”10 AND SOCIAL FORUMS
In order to establish partnerships between complementary websites to mutually increase their attendance, netlinking should be reinforced as it is one of the most advantageous promotion strategies in terms of implementation and cost. Moreover, viral marketing – passing information from a social platform to another through the web users – presents the benefit to give a positive connotation to the information, as recommended by known people. Two remarks can be made on this basis to enlarge the echo of the blog “Can you hear me Europe?”. Firstly, direct links to access the European parties’ website should be available on its pages. It would simplify the way of collecting information for citizens and reinforce their background knowledge. Secondly, the netlinked websites or forums (europarl, twitter, facebook, flickr) should give direct access to the blog, increasing its attendance.

SUSTAIN THE ONLINE ENGAGEMENT
It is certainly one of the most challenging issues in order to increase turnout and, at the same time, one of the most important as it deepens the legitimacy of forums by keeping participants involved enough to track the outcomes of their application as well as solidifying connections. An effective way to do so is to develop regular feedback and create databases. Politicians and officials should constantly interact with citizens through web 2.0 tools to ensure that their messages are being understood and to show the people that their voices are taken into account by communicating and adapting the information according to their will.

CREATE ONLINE GRASSROOTS SUPPORT FOR CIVIC DELIBERATION
The preliminary condition is for the European parties and their members to use internet tools in order to attract their constituents. MEP’s online presence is not really effective yet, neither on the traditional web nor on web 2.0. Meanwhile, in such grassroots support, leadership is an important component. By explaining the relevance of their project or policies, political members can, on the one hand, rally constituents to their cause and, on the other hand, incite the most convinced ones to become the connection to greater information resources. The “PES activists” launched by the European socialist party is certainly going in that direction. But e-mails and blogs should undoubtedly have been used in order to widely notify citizens of the existence of such a tool and keep them engaged in the deliberation.

Looking at the European parties’ websites, one can conclude that the bigger the European party the better the information about the EP elections on their website. Through our recommendation one could also turn it the other way round, meaning the better the information about EP elections on the website the more votes the European party receives. The EPP, which provides most MEPs, has by far the most informative website, followed by the PES. Therefore, especially the smaller fractions in the EP should finally start using their websites for their campaign as this seems to be one of the keys to success. A closer analysis of the leading websites of the bigger European parties helps smaller European parties to improve their Internet campaigning. Acting according to the following seven simple steps will help them increase their votes.

1ST STEP: INFORMATION MUST BE EASILY FOUND
The Internet is full of information, and even the websites of the European Party itself are sometimes very complex and not very well organized. In order that the message for the European election campaign can be easily found, there should be a highly visible banner on top of the party’s homepage which leads the Internet user to the EU election portals 2009 (as EPP and PSE did).

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10 “Online communities of liked-minded people in which information, ideas or beliefs are amplified or reinforced by transmission within this “closed” space, in “Rebooting America. Ideas for redesigning American democracy for the internet age”, Creative commons, The personal Democracy Press, 2008, p. 238
2ND STEP: INFORMATION MUST BE WIDELY UNDERSTOOD

One has to remember that there are 27 different national languages spoken in the EU, and that not everyone in the broad public speaks English very well. Every other language that is used enlarges the audience by millions. For example, to include German on the website results in 90 million more people understanding the party’s campaign in their native language. In order that the information can be widely understood and reach as many people as possible, the campaign information should be published at least in all three working languages of the EU (English, French, German). Only the EPP website is made trilingual.

3RD STEP: MAKE A CLEAR PROFILE OF THE EUROPEAN PARTY

Most European citizens do not understand the complex European party system very well since each European Party is composed of many different national parties. The voters therefore are not sure which European party is representing their interests the best. Therefore the European parties should make their profile clearer by informing the voters of which parties they are composed of, as the EPP does on their website. Since everyone knows his national parties much better, it makes it therefore easier for the voter to grasp the profile of the European parties.

4TH STEP: INTRODUCE THE MEPs

One of the reasons why Europeans still have trouble relating to the European Parliament is because hardly anyone knows who is actually sitting in the EP – while we all know at least the most important members of our national parliaments. Even in the campaign for the European elections, parties usually use national politicians because they are more popular. The EPP is doing well in changing this, giving detailed information about the MEPs in 20 European languages. Due to a well-arranged table, each user can easily find which EPP member is responsible for which policy issue. By clicking on the name of the MEP, one gets further information including a short CV, a photo, and information on how to contact the MEP by post, phone, e-mail, or even in person in his office. The fact that this information is published in 20 European languages makes sure that most Europeans are able to read this information even in their native language. The PES also tries to provide information about their members, but here one has to criticise the fact that only the heads of the lists for each country are listed, that they are only described in a few lines, and that there are no contact details published. Another big disappointment is that less than 2 months before the elections, for 13 out of the 27 heads of list, the Internet site leaves the field empty saying “information coming soon”.

5TH STEP: PRESENT YOUR MANIFESTO

Fifthly, the website should of course intensively inform about the party’s program for the upcoming European elections. The EPP has for example published a short version of the party Manifesto in English, French, German, Italian, Polish and Spanish. Another document entitled 10 priorities for the EPP group 2009–2014 gives further information about the goals of the party. In addition to this, the website is structured according to the three main issues the party is putting emphasis on in this campaign, and displaying various policy documents on these issues.

6TH STEP: MAKE USE OF THE VARIOUS POSSIBILITIES OF THE INTERNET

The Internet has various possibilities to display information which is a clear advantage to most medias. The website should therefore contain not only articles but also include short clips which present the party’s message visually. One very good example of this is Dialogue-TV of the EPP, where the user can find short spots for the five main agenda points of the party’s manifesto. In addition to this, European parties should create a campaign blog like the PES, which features interviews with MEPs and reports from PES’s activities in different countries and is updated on a daily basis.

7TH STEP: INTEGRATE THE EUROPEAN CITIZENS

The Internet is also a medium where it is easy for users to express themselves, and this is what
the European parties should settle for in order to increase turnout. They should integrate the European citizens in various political activities. For instance, Dialogue TV enables European citizens to take part in debates by expressing their opinion through interviews, polls, and a section of public comments.

The PES-party even goes a step further, informing the citizens on how to actively support the European campaign. One can download the PES manifesto, go to the election toolkit for campaign materials, attend campaign events like the manifesto tour and link up to other PES activists and to the online social democratic network. Even goodies like buttons and banners can be ordered in all EU languages over the Internet, which extends the sphere of the party’s campaign.

CONCLUSION

Upon dealing with the problem of how to increase voter turnout at the EP elections, one will have to face the dilemma of quality versus quantity. Is it for the greater good to convince people who know little about the European Union to vote, or who do not even care about it? Should we only focus on increasing the turnout by any means possible or on the motivation leading voters to the polls? After all, is democracy about actual participation, or the possibility of participation?

Therefore in our policy paper we provide recommendations for both sides of the issue. In the short term the problem of low turnout can practically be solved by using certain advanced campaign tools and by modifying electoral procedures. However, in order to have higher turnout based on individual European incentives, we need to consider taking actions in a longer perspective. This would involve the modification of certain institutional and procedural aspects of the EU.
WORKING GROUP 2

European Elections:
How can European political parties mobilize voters?

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EU-Russia Relations: How to enhance cooperation beyond the energy agenda?

INTRODUCTION

The recent gas crises highlighted a number of complexities influencing EU-Russia relations. This gave a clear indication of Russia’s desire to retain influence over former Soviet states. It also revealed that bilateral negotiations between Russia and individual member states are undermining the EU’s position. This is problematic for the EU since it generates its strength from a collective voice. The EU will need to unify its approach and deal with Russia as a collective. This is no easy task. Each member state has a different history which influences its attitudes towards Russia. The EU needs to develop a coherent platform that recognizes these complexities and moves toward a unified position that understands Russian sensitivities in the region. Relations are further hampered by the Cold War mindset adopted by both parties. In order to break this down, both Russia and the EU will need to address structural problems hindering dialogue between the parties.

It is important to recognise that energy will remain the major issue in the EU-Russia agenda for some time. However, this paper will move beyond the energy debate by analysing the current strategic relationship between the EU and Russia in three key areas: economics, security and cultural understanding. The paper will propose practical policy recommendations for creating a framework of cooperation that will foster stronger relations with mutual benefits for the EU and Russia in the long term. By improving relations in other areas, these proposals will also advance relations in the energy agenda.

SCREENING HARD AND SOFT SECURITY OPTIONS

Russia and the EU are major geopolitical formations on the European continent. While the enlarged EU has benefitted from peace and stable borders, Russia’s political reality has been more complex. Indeed, Putin’s long leadership intended to draw the new lines of its ‘Near Abroad’ in order to boost the Kremlin’s international political outreach. Such goals have always been linked to the Russian status as a nuclear superpower and as a key regional energy supplier.

Russia’s post Cold War foreign policy goals, however, faced a critical geopolitical reality: the transformation of the European continent through parallel EU and NATO enlargements. This geographic big bang process implied upgraded EU external policy tools (e.g. ‘Eastern Partnership’) and also the need to ensure a coherent political EU external position through the adoption of the Lisbon Treaty. Put simply, the EU ongoing “deepening and widening” process has a direct impact on the perceptions of Russia’s neighbours in both regional and global security issues.

Against this background, the following three key dimensions will determine the security agenda between Moscow and Brussels: international security, regional security and soft security.

Concerning international security, this is the most fertile ground to further enhance EU-Russia cooperation. Today’s international security agenda is vast and goes well beyond EU-Russia interests. Indeed, both actors have shown their willingness to work together on several issues, such as fighting international terrorism, combating piracy, the non-proliferation regime (including North Korea and Iran cases), stability in Afghanistan/Pakistan, and the Middle East. All these issues are fundamentally of global interest and could provide an excellent framework for both actors to fuel positive synergies to deal with other complicated issues.
As to regional security, this constitutes the main source of bilateral frictions, as this dimension is primarily focused on how both actors deal with their common neighbourhood by aiming to keep stability and provide a certain level of prosperity. The key fact here is the new political setup of the European Union, mainly represented by Russian contested ‘Eastern Partnership’ – and the no less controversial NATO expansion. Indeed, Russia perceives that both processes undermine the Moscow-led regional structures such as the Commonwealth of Independent States and its political leverage in this vast geographic area. In Russian official words, the Eastern Partnership is ‘an artificial choice in which participant countries are forced to choose to be either with the EU or with Russia’11.

Lastly, on the issue of soft security, we believe that by moving beyond the traditional – or realist – definition of ‘security’, there are bilateral socio-economic security challenges, cooperation on which can positively affect the EU-Russia security agenda. In some of these areas, the actors have already enhanced their bilateral cooperation by taking the first steps to create a common space of justice, freedom and security through contacts between Russia and Frontex, Eurojust, and Europol, and by adopting a plan of common action on organized crime. Both actors have also officially expressed the will to unify their efforts in fighting climate change by launching the EU-Russia dialogue on the Environment. However, there are other frozen issues that are unresolved, such as the ‘Russification process’ in the Baltic states and its political consequences, Russian nuclear and chemical waste management and safety as well as Kaliningrad enclave status. In other words, particular bilateral issues are also drivers of the EU-Russia agenda and its evolution will certainly affect the whole fate of these actors.

In this line, we suggest that both actors should enhance their cooperation on global key issues – namely in nuclear proliferation in Iran and North Korea – and also reinforce bilateral efforts to fight against international terrorism and combating piracy. By ensuring global stability and respect for international norms, both actors could establish a solid basis for further increases in the effectiveness of bilateral dialogue as well as mutual trust and respect.

Secondly, the EU should create a new legal framework involving all the Eastern neighbours by launching a new type of Partnership and Cooperation Agreement (PCA) within the framework of European Neighbourhood Policy. This trilateral PCA should involve three parties – EU, third country and Russia – and should be similar to the Mediterranean Partnership in which political dialogue and economic cooperation will become its main priorities. The involvement of Russia would create a win-win configuration to launch common solutions for a common neighbourhood.

Finally, the EU should explore the ‘soft security agenda’ to foster cooperation through agreements in areas such as environmental protection, judicial cooperation, illegal migration and nuclear safety. More precisely, the EU could use communitarian funds to finance technical expertise for the Russian nuclear and chemical sectors. In the judicial and police cooperation area, the EU could attempt to consolidate contacts with its Russian counterparts through the appointment of more liaison officers and legal experts. In the environmental area, the EU and Russia could intensify collaboration and harmonize environmental policies and legislation in order to foster climate change mitigation, energy efficiency, clean technologies and pollution prevention, sustainable development and nature conservation.

THE SOCIAL DIMENSION: WHEN COMMUNICATING BECOMES ESSENTIAL

The general trend we discern concerning cultural and social relations between the EU and Russia is that communication is the principal challenge in this relationship. Thus, the current stagnation in EU-Russia relations can largely be traced back to difficulties in communication between Russia and its European counterparts. Generally, Russia prefers to communicate bilaterally with European member states, sidelining the European Union as a whole. Russia's incapacity to deal with a system such as the European Union and to predict the real effects of EU enlargements, coupled with the Union's difficulties in comprehending the deep changes in Russian society and politics have led to a great deal of misunderstanding, mistrust and an increasingly negative mutual perception in the EU-Russia relationship. Tackling this issue should be a priority for the European Union and the recommendations below aim to improve relations in this area.

INSTITUTIONAL FRAMEWORK

Our first recommendation in this section concerns the institutional landscape in EU-Russia relations. Presently, parallel meetings take place within the EU-Russia Energy Dialogue, the Cooperation Council, Cooperation Committee, Parliamentary Delegation for Relations with Russia, consultations at the level of Ambassadors, several task forces on various issues as well as the High Level Group. This creates an amalgam of forums with overlapping roles, hindering the creation of a consistent and effective EU-Russia relationship. Recently, both Russia and the European Union agreed to reinforce cooperation through the Energy Dialogue. We underline this intention and suggest that this Dialogue is expanded to include other essential issues under its umbrella. Under the name of the "EU-Russia Cooperation Dialogue", this institution should incorporate the existing structures and build upon these foundations a coherent institution that will address both energy, political, economic, social and cultural common spheres between the EU and Russia. The European Union and Russia should run this Dialogue together and it should include high level officials, civil servants, private actors, representatives from NGO's, and other experts and journalists. By bringing together experts and policymakers from each side, the EU-Russia Cooperation Forum will facilitate communication and mutual understanding between Russia and the European Union and provide each of the stakeholders in EU-Russia relations with a chance to interact with one another, exchange views and ideas and set up further cooperation initiatives. This systematization and normalization of the relationship could help Russia to see the EU as a strong and long-term construction on the international scene.

DIPLOMATIC CHANNELS

In order to improve communication between the EU and Russia, it is vital that diplomatic channels are used to the fullest extent. Traditionally, the EU and Russia have had different approaches to conducting diplomacy, and in order to ensure a better basis for cooperation it is vital that they increase their knowledge of the other side. The institution described in the previous recommendation provides an excellent forum to conduct these exchanges of knowledge and information.

Furthermore, the EU would do well to focus on creating a Cultural Diplomacy strategy. An increase in using cultural diplomacy tools would aid the EU in projecting a strong, unified image of member states cooperating in an ambiance of respect and cultural diversity. This would be

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13 As discussed in the fourth EU-Russia Permanent Partnership Council on Energy on April 30th, 2009
14 Cultural Diplomacy is a form of diplomacy focused on establishing, developing and sustaining relations with foreign states by cultural persuasion. It refers to official actions meant to earn advantages and promote the national interest in a foreign country, through the means of culture, art and education. For a comprehensive analysis of the concept, please refer to Richard T. Arndt’s book "The First Resort of Kings. American Cultural Diplomacy in the Twentieth Century", 2005
an excellent starting point to create sustainable relations with Russia, a country which has traditionally emphasized its rich culture, history and traditions. Among the long-term advantages of these practices, the EU could also focus on the encouragement of democratic values and the rule of law, sealing the agreements that cover issues like trade, investment, immigration and security, by its capacity to increase understanding and build respect as part of a long term relationship. Cultural Diplomacy should become an important part of future initiatives of the European Commission, which is advised to set up a specialized department in the Cooperation Dialogue. This department would be responsible for developing a clear strategy of cultural diplomacy for the EC Delegation in Moscow. It would detail the precise goals, target audience, instruments and financial matters. In addition, reciprocity at this level through Russian initiatives and co-founded projects should be encouraged.

SOCIAL RELATIONS
In addition to improving diplomatic relations between the EU and Russia, it is vital to improve cooperation between Europeans and Russians on other levels, through intensifying cultural, social and linguistic exchanges between the populations of Russia and the European Union. Research and education already form an integral part of the PCA agreement as one of the Four Common Spaces. We suggest intensifying this aspect by putting aside funding for specific research cooperation between Russian and European scholars and practitioners in the field of the natural sciences, technology, social sciences, history and law, with a focus on updated data bases access. In addition, linguistic exchanges and cooperation in the field of the fine arts should be encouraged so as to maintain a consistent stream of collaboration between the Russian and European populations. To facilitate these exchanges, we recommend further visa facilitation for Russian and European populations. This is a crucial aspect of EU-Russia social relations, and while we do not recommend an immediate visa free regime between the European Union member states and Russia, increasing visa facilitation in the form of improved transparency and further standardization of visa practices across countries would greatly benefit EU-Russia relations. This should be done by building upon the Visa Facilitation Agreement of 2007, while also providing for tourists and other travellers in the new Agreement. Moreover, it is imperative that the implementation of the new Agreement would be regulated closely, ensuring the compliance of EU member states and Russia. This new Agreement would greatly benefit tourism, provide economic opportunities and enhance the interaction between European and Russian citizens.

HUMAN RIGHTS
Human rights have long formed a hurdle in EU-Russia relations, and due to the delicate nature of this topic, it merits a separate discussion. Currently, Russia is clearly in violation of international law, denying its citizens basic human rights such as the freedom of expression and freedom of association. Russia has also failed to implement the human rights regulations it is bound by under international law and Russia’s commitments to international bodies such as the OSCE and the Council of Europe. Human rights violations committed in Russia are thus manifold and the EU has a responsibility to aid Russia in improving its human rights record. Firstly, the EU should put diplomatic pressure on Russia to improve its legal system and ensure human rights violations are taken more seriously in the future.

15 For further information on visa facilitation between the European Union and Russia, please refer to the detailed report of the Finnish Institute for International Affairs by Minna-Mari Salminen and Arkady Moshes “Practice what you preach: the Prospects for Visa Freedom in Russia-EU relations” 2009

16 For further discussion of this topic, please refer to the recent policy paper of the European Council on Foreign Relations, by Mark Leonard and Nicu Popescu, “A Power Audit of EU-Russia relations”, 2007
For Europe Freer, Safer, Stronger and More Prosperous Policy Paper III

A more firm attitude of the EU can especially be effective within international organizations that both the EU and Russia are part of, as well as within organizations that Russia is aiming to join, such as the WTO. Incentives in the form of further visa facilitation and increased access to European research, scientific and educational programs should also be used to encourage Russia to be more mindful of its human rights issues.

Parallel to the efforts, the EU should also consider a bottom-up approach by becoming more engaged in Russian society and helping NGO’s, journalists and others who are trying to improve human rights in Russia. Providing aid to projects carried out by grassroots organizations could be an effective tool in this effort. We suggest strengthening and expanding an existing initiative of the European Commission, the European Initiative for Democracy and Human Rights. This Initiative aims to support the activities of Russian civil society. We recommend enlarging this Initiative to include further grass-roots movements and increase the accessibility of funding through this Initiative for Russian civil society. Providing aid to projects carried out by grassroots organizations could be an effective tool in this effort. We suggest strengthening and expanding an existing initiative of the European Commission, the European Initiative for Democracy and Human Rights. This Initiative aims to support the activities of Russian civil society. We recommend enlarging this Initiative to include further grass-roots movements and increase the accessibility of funding through this Initiative for Russian civil society. We recommend strengthening and expanding an existing initiative of the European Commission, the European Initiative for Democracy and Human Rights. This Initiative aims to support the activities of Russian civil society. We recommend enlarging this Initiative to include further grass-roots movements and increase the accessibility of funding through this Initiative for Russian civil society. Providing aid to projects carried out by grassroots organizations could be an effective tool in this effort. We suggest strengthening and expanding an existing initiative of the European Commission, the European Initiative for Democracy and Human Rights. This Initiative aims to support the activities of Russian civil society. We recommend enlarging this Initiative to include further grass-roots movements and increase the accessibility of funding through this Initiative for Russian civil society.

TRADE AND INVESTMENTS, OR SLEEPY GIANTS IN THE EU-RUSSIA AGENDA?

Russia is the biggest economy which is not yet a member of the WTO. Russia has been negotiating accession to the WTO for years and the major obstacles included protectionist measures and a poor record in respect for the rule of law. The main risk still lies in political factors. The economic section of the paper will be dedicated on two main sub-topics: Foreign Direct Investment (FDI) and trade.

FOREIGN DIRECT INVESTMENTS

Although Russia was ranked by the World Bank as one of the most attractive developing markets for investors after China and India, and UNCTAD ranked Russia among countries with high FDI potential, the Russian Federation is still not perceived as an investment-friendly country. In principle, the Russian government welcomes FDI. However, in branches considered strategic, it tries to avoid the loss of administrative control. Thus, FDI prospects for the Russian Federation are affected by the impact of tightening Russian natural resources regulations.

In April 2008, Putin’s new Law on FDI into strategic sectors came into force[17]. The law on strategic sectors defines 42 areas in which the control by foreign investors will be subject to prior authorisation delivered by a special governmental commission, replacing the former ad hoc approval practices. The law is an important step in enhancing legal transparency and predictability but its sectoral coverage is excessively broader than international economic organizations recommended best practices.

The legal framework for FDI in Russia reflects a traditional paradox of the Russian transition process: some segments of the economy have become increasingly open to private and foreign investment, as the service sector and some energy-related areas (i.e. electricity)[18]; at the same time some other sectors have been increasingly subject to state control and political interference and their governance structure “has become less transparent, with negative


[18] The service sector has consistently been the largest recipient of foreign investment, with between 50 % and nearly 60 % of the total FDI inflows during 2003–2007. Among the industrial sectors, the natural resources one is the most attractive since it is a high remunerative activity. The investment in energy had decreased sharply in 2005 following the Youkos affair. Since then, the sector has partially recovered. Lucio Vinhas de Souza, Foreign Investment in Russia, ECFIN Country Focus, Volume 5, Issue 1, January 2008.
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Policy Paper III

consequences for their business credentials abroad"\textsuperscript{19}.

To ensure a sustainable long-run trend to the increase of FDI inflows – so far largely supported by the EU – Russia still need to improve the legal framework for FDI as well as its overall investment climate, especially in the natural resources sector. This has been recognized as a fundamental aspect of the energy partnership. Suffice to mention the creation of a subgroup on investments established as a part of the thematic group on Energy Market Developments in the Energy Dialogue framework. Meeting the principle of comparative advantage in the exchange between the “energy-poor-and-capital-rich” Europe and the “energy-rich-but-capital-poor” Russia surely entails benefits for both parts.

The progressive draining of the major gas fields, the backwardness state of the extraction and transportation systems, as well as the fact that national companies lack of capital and adequate technology for the development of oil production, seriously threaten Russian ability to boost its natural resources production without foreign investments. The EU could support the exploitation of gas reserves using its political influence and technical assistance to increase foreign investment into the Russian energy sector, gaining in return a significant and uninterrupted supply of energy.

Despite the World Investment Report (UNCTAD 2008) statement that the global financial crisis had a limited impact on FDI flows in 2007, the competition for investment worldwide is becoming tougher. The Russian government will have to work harder to attract investment into the broad spectrum of industries, including “possibly lifting the modern ‘iron curtain’ shielding the extraction industries from foreign ownership”\textsuperscript{20}.

Given this situation, the need to implement a consultation mechanism to depoliticize investment issues becomes axial for both actors. The problem of investment is often perceived as a security and control issue: Russian companies and capital are considered as pursuing not commercial but foreign policy goals. The goal of any economic activity is profit maximization. That is why it would be important to establish consultation mechanisms to facilitate cooperation between the business communities, the Russian government and the EU. It should be operational during institutional negotiations involving the actors of the economy at any level. Russia as well as the EU should further develop strategies to encourage industrial policy cooperation which could facilitate joint research programs promoting projects of mutual interest.

At the same time, it would be beneficial to extend the scope of the Energy Dialogue by including more business-related issues (i.e. foreign investment) and asserting some key principles such as transparency, national treatment, and non-discrimination against foreign investors. The lack of transparency of the Russian legal framework and the limited protection of foreign investment discourage a deeper cooperation. In particular, it is necessary to stress the importance of the reciprocity clause which has been included in the Commission’s Third Energy Package\textsuperscript{21}. Russian investments have so far enjoyed equal treatment on the European market, whereas European investors do not receive the same treatment in the Russian Federation but, on the contrary, suffer discrimination\textsuperscript{22}. The European Union should include in the on-going negotiations of the new Strategic Partnership the need for establishing clear rules for EU investors in Russia and safeguarding their rights.


\textsuperscript{20} Irina Aervitz, Russia’s investment forecast: mostly cloudy, Russia Profile, March 2, 2009, available at: www.ruissiaprofile.org (April 12, 2009).

\textsuperscript{21} According to this clause “any company from a third country will have to demonstrably and unequivocally comply with the same unbundling requirements as EU companies”.

\textsuperscript{22} Parliamentary questions, Investment in Russia E-4053/08, July/September 2008.
TRADE

Trade relations between Russia and the EU are characterized by mutual dependency. The EU is Russia’s most important trading partner, whereas Russia is the EU’s third largest. The EU exports a broad range of goods, ranging from machinery and transport equipment to foodstuffs. Russia mainly exports goods in the energy field. The Russian economy is characterised by a low level of diversification. The export industry is dominated by commodities and basic metals. These accounted for 82.2% of the export revenue in 2005.

As trade increases welfare, the EU and Russia should have a strong interest in extending the trade relation. However, tariff and non-tariff barriers hamper more trade. The average trade weighted MFN-tariff rate was 14% in Russia in 2005. The industries mostly protected are the food sector and light industry. Beside these tariffs, Russia also imposes export duties, mainly used in mineral and metal products. Due to their complicated measurability, non-tariff barriers are often neglected in literature. NTBs are perceived as standards and licensing, but also as the run-off time for importing or exporting a good. In Russia there exist many such barriers, and that makes it more complicated for producers in the EU to export to Russia. Over the last decade only a small number of reductions of NTBs have been achieved.

Also, the financial crisis could be seen as a window of opportunity to improve trade relations. It hit especially export oriented economies like Russia and Germany. All economic indicators went down in Russia as well as in the EU and the international demand for commodities and goods nosedived. Due to the drop in demand, world prices decreased. Therefore Russia feels severe pressure to diversify production to be less vulnerable. At the same time, the EU is interested in sustaining the exports. That’s why professor Grinberg, the director of the biggest economic institute in Russia, asks for the “Big Deal”. Russia needs the equipment and the machines Europe is producing and the circumstances for buying them are good as world market prices are low and Russia still holds international reserves amounting to $384,074 million US (Feb. 28th, 2009), which means rank two behind Japan.

In fact, the need to reduce Non Tariff Barriers (NTBs) will be fundamental to promote trade opportunities. On the one hand, the EU should foster research on this topic, finding appropriate mechanisms to measure the overall effects. On the other hand, the EU should try reducing the NTBs, e.g. by working together very closely with the Russian devices being responsible for the licensing and helping them to assimilate their system to the EU/international standards.

Another important alternative to explore is the implementation of a “Big Deal” – approach at a political level. Russia and the European Union are complementary when it comes to concrete economic interests and there might be a lot of mistrust on both sides. Therefore, confidence-building measures are necessary, to make clear that such a deal is rather economically rather than politically motivated. Exporting machinery from EU countries will boost the export-led economies and will modernise the Russian traditional economy thanks to a robust national reserve. Indeed, the financial crisis will offer extra opportunities to cooperate between business-to-business horizontal cooperation.
DATA APPENDIX

FDI
In 2006 net FDI per capita rose by almost 40 times the 2005 value, reaching around 40 billion Euros. FDI into Russia has tripled since 2002 and the share of Russia in total FDI in the CSI jumped from below 40% in 2002 to almost 76% in 2007.

Table 1: Net FDI per capita

![Graph showing net FDI per capita](image)

Source: ECFIN Country Focus, Volume 5, Issue 1, Jan. 11th, 2008

EU27 FDI in Russia has significantly grown in recent years, rising from 6.0 bn euro in 2004 to 17.1 bn in 2007, while Russian direct investment into the EU27 increased from 0.3 bn in 2004 to 1.0 bn in 2007.

Table 2: EU27 FDI flows with Russia (million euro)

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007*</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU27 FDI in Russia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(outward)</td>
<td>6,013</td>
<td>9,596</td>
<td>10,662</td>
<td>17,106</td>
</tr>
<tr>
<td>Russian FDI in the</td>
<td>261</td>
<td>2,777</td>
<td>1,516</td>
<td>957</td>
</tr>
<tr>
<td>EU27 (inward)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net EU27 FDI flows</td>
<td>5,752</td>
<td>6,819</td>
<td>9,146</td>
<td>16,149</td>
</tr>
<tr>
<td>(outwards minus inward)</td>
<td></td>
<td></td>
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</tbody>
</table>

* Provisional data

Source: Eurostat, November 2008

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23 Stat/08/156, November 11, 2008
1. EU27 merchandise trade with Russia

[Bn euros]

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>70,7</td>
<td>37,2</td>
<td>-33,5</td>
</tr>
<tr>
<td>2005</td>
<td>112,6</td>
<td>56,7</td>
<td>-55,9</td>
</tr>
<tr>
<td>2007</td>
<td>143,9</td>
<td>89,1</td>
<td>-54,8</td>
</tr>
</tbody>
</table>

Source: Eurostat, statistical regime 4


2. The EU Import Structure

Structure of Imports (%)


WORKING GROUP 3

EU-Russia Relations:
How to enhance cooperation beyond the energy agenda?

Co-ordinator: Maximo Miccinilli (Italy) – Consultant at Burson-Marsteller in Brussels, holds a Masters Degree in European Political and Administrative Studies from the College of Europe and a degree in International Relations from USAL in Argentina (EU-Russia security relations), completed internship at the European Commission – DG External Relations.

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European Defence Policy: Opportunities and challenges under the new US Administration?

PROBLEM DESCRIPTION

At the beginning of the Balkan crisis in 1991, the then Luxembourgian Foreign minister, Jacques Poos, declared that it was “the hour of Europe.” However, almost twenty years have passed since and this hour is still to come.

The current international context raises questions as regards to the evolution of the European Union (EU or Europe), including, amongst others, security and defence aspects. Indeed, Europe has been criticised for not speaking with a single voice when facing international crises. However, how important is it to have a single European voice? Should the EU stand united, or should the European states preserve their national sovereignty in order to defend what they consider to be their national interest when it comes to security matters? Currently there seems to be a consensus on the need for a single voice of Europe on security issues that occur within its immediate neighbourhood. The answer is, however, much less clear cut when it comes to global problems.

The arrival of the new US Administration in January 2009, with a new vision on foreign policy, not only presents a new challenge, but also some opportunities in terms of transatlantic cooperation. This will give the EU the possibility to redefine itself as a world actor. Within this context, we shall ask if Europe is prepared to meet the new US Administration and other international actors’ expectations to better define itself as a global actor. The arrival of this new Administration also offers a possibility for the European security and defence policy (ESDP) to further develop and make a stand within the global context.

The year 2009 offers at least another important opportunity for the development of European defence: France returning to NATO’s military structure. Nevertheless, we will focus only on the developments within the EU arena with the election of the new American President. Three opportunities and challenges have arisen in January 20, 2009.

Firstly, US foreign policy under the Obama Administration, in comparison to the Bush Administration, appears to be more compatible with the EU vision of the world. The new President has stressed on several occasions that he will place more emphasis on diplomacy and multilateralism. This new approach is much more compatible with Europe’s, and has been deeply appreciated throughout the capitals of Europe. Indeed, the European Security Strategy, A Secure Europe in a Better World, adopted in 2003, affirms that Europe’s “security and prosperity increasingly depends on an effective multilateral system.”

Secondly, the priorities outlined by the Obama Administration are also representative of the EU’s principles concerning foreign policy. Obama has already outlined his top five foreign policy priorities: an improvement of the US’s image throughout the world, placing more emphasis on diplomacy, the defeat of al-Qaeda in Afghanistan, the prevention of weapons of mass destruction diffusion, and a reduction of poverty and AIDS in Africa. We will focus on these priorities whilst being fully cognizant that the EU shares a wider array of interests with the USA and that it faces an all the more complex set of challenges in the international arena.

Thirdly, European public opinion generally has a positive perception of the new US President. This factor could help EU Governments undertake a more cooperative foreign approach with the current US Administration.

Within this framework we propose the following recommendations to develop a stronger European Defence policy.
RECOMMENDATIONS

Within this new transatlantic framework, we have identified five core challenges presented to Europe that must be taken at hand: (i) the emergence of a more multi-polar world; (ii) the current situation in Afghanistan; (iii) the Middle East; (iv) nuclear non-proliferation and the spread of Weapons of Mass Destruction (WMD); and (v) the challenges on the African continent. Other issues, such as EU-Russian relations and the Energy geopolitical challenges, are debated in specific papers. Therefore, we have not included them in the recommendations as detailed below.

RENEWAL OF GEO-POLITICAL COMPETITION

With the rise of new global powers, Europe should adjust itself to the new world order.

While Europe’s most important ally in this new multi-polar world will remain the US, the EU will also have to engage with other powers such as the US, China, Russia and India in order to persuade them that a more multilateral approach to dealing with common problems is preferable and beneficial to all parties concerned (among which environmental and energy issues, as well as the current financial crisis, are important). To achieve this, the EU will need stronger global institutions. Furthermore, a strong and effective Europe will be more capable of encouraging other global powers, and especially the US, to pursue a more multilateral approach. This ability to influence towards European interests is a source of strength for Europe that should not be underestimated by us Europeans. Multilateralism and respect for international law is not a symbol of Europe’s weakness, but can become a pillar of European strength and a source of a more equitable and a more just international society.

To achieve this, the EU will certainly need to unite. Only a united Europe can act in a coherent manner and then have the power and influence necessary in this new emerging multi-polar international system. In order to achieve this, an increase in defence spending will be needed. A stronger Europe will also result in a better relationship with the US and would be the best way to demonstrate to the US that Europe is an effective partner. Moreover, it is important to note that a stronger Common Foreign and Security Policy (CFSP) can work in cooperation with NATO and that the two organisations are not engaged in a zero-sum game with each other – on the contrary, they can be complimentary towards one another: France’s reintegration into NATO offers a new window of opportunity for the two organisations to work in tandem.

It is clear that an opportunity for the European Union is now presenting itself. Therefore, Europe needs to act as a unified actor within this changing field of international relations in order to gain more weight and influence within this changing international structure and shape the world of tomorrow according to the EU core principals. Peculiar as it may sound, building a Europe that is less US-centric will actually benefit the EU, the US and the stability of the international community.

AFGHANISTAN

Following the attacks of September 11, the world’s attention has once again been drawn to the sensitive region of Afghanistan, stressing the importance of its stability for the world’s security. Although the international community recognised the legitimacy of a reaction to these attempts, the Bush Administration’s approach on fighting terrorism, or at least some of the elements of its approach, have been at the core of a widening transatlantic gap at the beginning of the 21st century.
century. This situation also underlined different strategic options among EU countries.

Unlike later in Iraq, the intervention in Afghanistan took place under the UN umbrella, allowing for greater involvement of various international actors (states, but also international organisations and NGOs). After several years of International Stabilisation Assistance Force (ISAF) presence in the country, the situation in Afghanistan, as well as the current evolution of Pakistan, is still of great concern for the international community. It seems to be unquestionable that the future of Afghanistan will influence the broader approach vis-à-vis the terrorist threat. The new priorities defined by the incoming Obama Administration tend to embody these preoccupations, by making Afghanistan a top priority.

When uncovering his new strategy for Afghanistan and Pakistan last March, US President Barack Obama made it clear that this strategy was to be a comprehensive one. Addressing the question of the purpose of the action in Afghanistan, Mr. Obama underlined that al Qaeda and its allies were operating both in Afghanistan and in neighbouring Pakistan, meaning a risk of preparation of new terrorist attacks, especially if the Taliban were to regain power in Afghanistan. He also highlighted that this was not just an American problem, but identified it as ‘an international security challenge of the highest order,’ and thus an issue of concern for the international community as a whole. The current US strategy insists on the need to make Afghanistan more secure, especially in light of the upcoming presidential elections, through an increase in troops and an enhanced training of Afghan security forces. Mr. Obama has also insisted on the urgent need to increase efforts on the civilian side. This implies action particularly in the economic and agricultural fields. Such a comprehensive approach is in line with the areas of action identified by the international community in the ISAF framework (enhancing security, improving governance, and stepping up reconstruction and development).

Barack Obama’s commitment to strengthening ties between the US and its partners is an opportunity that should not be missed by the EU. Afghanistan should be approached as a test case for EU-US cooperation.28

In Afghanistan, the EU has a possibility to emphasize its added value in terms of soft power and the civilian aspects of crisis management. The EU is already present with the EUPOL mission and should pursue its efforts in this domain. When it comes to soft power, the EU can make use of its experience from other missions (particularly in the field of governance and rule of law). In addition, the EU has experience with elections in Afghanistan, especially through its observatory mission in 2005. The EU should also be involved in the organization of the 2009 presidential elections, and make use of its experience.

As a major provider of financial aid, the EU is an essential contributor to the reconstruction of Afghanistan. It should actively maintain and develop these efforts, in particular when it comes to development assistance and specific aid to the agricultural sector.

More troops and logistic support are necessary to meet the expectations of the Obama Administration: European countries should make use of the ISAF framework in this context, in order to better counter the threat posed by the Taliban. In the long term, this could be a step in the process of larger scale EU operations.

The current increase of preoccupations concerning Pakistan, and the growing instability in this country, situated on Afghanistan’s Eastern border – and a holder of the nuclear weapon – is considered an ongoing threat. The Taliban’s progress and growing influence in Pakistan should be followed very carefully by the international community. This scrutiny by the international community to the situation in Pakistan should be extended to the country as a whole and not be limited only to

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28 See Shada ISLAM & Eva GROSS, Afghanistan: Europe’s credibility test, EPC Policy Brief, European Policy Centre, March 2009
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the tribal zones next to the border. The growing need for attention to Pakistan, and the necessity to help this country tackle terrorism, seem to have been fully grasped by the EU. This is illustrated by the organization of the first EU-Pakistan summit to be held in June 2009.29

A successful EU action in Afghanistan might enhance its role as a global actor and security provider. Such action could give the EU a major visibility effect for the EU on the international scene. This would certainly give the organization more credibility as a global actor. This, in turn, could prove instrumental in helping the EU achieve its goals.

MIDDLE EAST

The new approach shown by the Obama Administration towards this region appears to include dialogue with those countries considered as part of the Axis of Evil under the Bush Administration, and other actors – this reflects a more open approach to diplomacy and dialogue than seen in previous years. This dialogue should be used as an opportunity to strengthen relations between the United States and these countries. However, should the dialogue not succeed, the United States has made it clear that it will consider other options. In fact, the US Secretary of State Hillary Clinton has stated that should talks fail with Iran on nuclear development, crippling trade sanctions will be considered against this country.

Taking into consideration the various issues inside the grand subject which is the Middle East, these are the main areas of focus that the EU should consider in the short term for the Middle East:

**Israeli-Palestinian Conflict**

The EU should use the Quartet to extend its access and influence to policy makers in the Middle Eastern region. Membership in the Quartet also gives the EU enhanced access to US policy makers – this could serve to build a bridge between the United States and the Middle Eastern region.

**Lebanon**

The EU has historical interests in Lebanon. Furthermore, a stable Lebanon will serve the EU’s interests. Therefore, the EU can be a positive force for democratization in Lebanon through diplomatic mediation, political dialogue with Lebanese leaders and democracy assistance. The EU should continue its support of conflict resolution in Lebanon and encourage a consensual debate in the Cedars country on the development of a National Defence strategy.

**Iranian Nuclear Development**

The EU must present a more unified approach to the threat posed by Iran. Iran’s development of nuclear weapons poses a significant threat to the security of Europe. The EU and Iran are currently negotiating a Political Dialogue Agreement – an agreement which addresses issues like the situation in the Middle East, the non-proliferation of WMD, Human Rights and the fight against terrorism. However, the conclusion of this agreement should be dependent upon the resolution of the issue of the Iranian nuclear program. Iran is also guilty of numerous human rights violations, amongst them suppression of civil society. The EU could play a major role in mobilizing civil society through giving it the financial and technical aid it needs.

With regards to the Middle East, the resolution of these three subjects will only enhance a peaceful European Mediterranean border.

**NON PROLIFERATION**

When it comes to nuclear issues, most European strategic thinking still adheres to the Cold War era model: a revision of strategic defence concepts to reflect the new world order is clearly necessary. The need for a revision of strategic defence concepts includes the EU’s approach towards non-proliferation. Debate about this is hardly a new idea: it has been floating in military and diplomatic spheres for almost three decades. However, the European institutions, mainly

concerned with economic and social issues, have not yet taken any concrete steps towards reinvigorating its strategic defence policy. The EU should now take a distinctive position in the related debate, especially since there is the need to address new issues on the ground.

It is now high time that our common institutions adjourn their strategic thinking in this domain and respond to a most pressing issue being debated. This extraordinary moment gives the European Union the chance to think in terms of a nuclear-free world. The concept sets a target, rather than a straightforward aim. Obama said: “it is nothing that will happen in my lifetime.” Nonetheless, we may now be reaching a new beginning, intimately linked with the new American Administration making the aim of a nuclear-free world one of its core strategic defence concepts and an integral part of its national security.

Therefore, a more unified, coherent position on the issue would most certainly boost the EU in the international arena. It would foster an integrated vision of the strategic aspect of common European interests and defence issues. This could also serve to help the European Union gain leverage vis-à-vis other major international actors, especially the Obama Administration.

There are a number of tools, which include both the military and the civilian side of non-proliferation that can be discussed. These tools are mainly based on mutual checks – a system that re-establishes the link between politics and military domains. Many tools can be revived or fixed: chief is the Treaty banning nuclear tests (CTBT); other options are the control of the production of fissile materials for military aims (the FMCT, or “cut-off” Treaty) or control measures inside the TNP – the EU should push for universal adoption of the Additional Protocol. Reviving the ABM Treaty, restricted to USA and Russia, is another option that could be activated. A first step in this path is the revision of the START I Treaty, at the end of 2009. Obama and Russian President Medvedev have already announced that a new version of the Sort treaty will be adopted, one that will contain verification measures.31

The main step to be taken by the EU is the holding of the Conference bound to re-examine the TNP, set for May 2010 after the 2005 Conference failed and the recommendation agreed upon in 2000 (“13 Practical Steps to Nuclear Disarmament”) remaining not followed, mostly due to opposition coming from Washington.

A way for the EU institutions to enter positively into the discussion could be by joining the debate that sets a reduction of global armaments at the global level. This would stifle local pressures toward proliferation and acquisition of nuclear capabilities and set the stage free for peaceful crisis management and conflict resolution techniques. If setbacks are to be envisaged, these are mainly centred on local public opinions being sceptical of countermeasures proposed. A more equilibrated, potentially global approach would stimulate and put into practice a viable way to confront nuclear proliferation.

This approach could also give wider breath to initiatives aimed at combating terrorism and smaller-scale attacks carried out by those networks, a most pressing security and defence issues for our societies. In this perspective, the roles of parliaments and civil society are paramount in helping advance the issue which is at the core of the functioning of European institutions.

AFRICA

The European Security and Defence Policy (ESDP) was well received by the Americans, who are waiting for a truly independent European defence. Although NATO has not been traditionally focused on Africa, the EU should bring the African issue on

30 The concept of the Global Zero option was embodied in the speech Obama delivered in Prague, in April 2009. It sets a target, rather than a straightforward aim.

to the international agenda in order to initiate and lead an innovative debate about the main features of its foreign policy in strong cooperation with the United States. Indeed, Africa is a European issue, as well as an American one, especially given the large number of immigrants and descendants in both continents.

Towards the world’s poorest and most underdeveloped continent, the EU, through the instruments of the ESDP, implemented five military operations and is currently involved in five others. As regards the already completed missions, the EU had been successful precisely because it limited its action to specific and precise goals in a determined territory where the local military opponents were militarily weak.

Though the EU officially has a liberal ambition, which may be summarized by its humanitarian goals, it is also a realist actor. As such, the EU seeks to project its power on the international stage and, namely in Africa, with the aim of counterbalancing NATO and the United States. Such an unofficial costly policy can be avoided if EU diplomats agree to lead joint operations with the Americans in Africa. Given the traditional historical links between Europe and Africa, Europe will always be the expert on African issues — however, the Americans could help their missions thanks to their technological superiority. Again, the traditional framework of the joint missions between the NATO and the EU, the Berlin Plus, is to continue and even expand. EU governments must continue to develop their military and the civil capabilities at the same time as breaking down the administrative and cultural barriers between the military and civilian sides. Whereas the ESDP missions in Africa are an answer to an emergency situation, a more long-term strategy is required by the European Union, including better spending of EU financial aid to the continent through a more accurate control of its distribution. This should be considered as the main solution. Another appropriate alternative model to the current EU foreign policy towards Africa is the model of financing civil society organisations around the world with the aim of promoting the rule of law within civil society.

**CONCLUSION**

The EU is facing many tasks in the near future. These tasks are difficult and some unexpected will surely also appear in the meantime, with the recent Pakistani crisis a good example. Nonetheless, Europe must be prepared to face these challenges and build the resources necessary to confront future ones. If the European Union shows itself to be up to the task of facing often daunting challenges, it will also become a viable partner to the United States and, even more importantly, a credible global actor. Credibility is important in International Relations, but one should not forget that in order to be credible the EU must be also pragmatic. Success in the international arena is only possible with the conjunction of these two characteristics.

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WORKING GROUP 4

European Defence Policy:
Opportunities and challenges under the new US administrative?

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The Successful Integration of Immigrants: What should be the common European standards?

INTRODUCTION

Recent decades show a significant rise in the number of immigrants arriving in the European Union (EU). Such a process has brought deep social, demographical, cultural, economical and political transformations. These provide opportunities and challenges for host societies, the EU and immigrants themselves, especially from the point of view of social policy and freedom of movement. The EU “must be ready to adapt its institutions and policies to the new challenges posed by [...] immigrants”34.

The reasons why integration continues to pose a challenge across the EU and its Member States are manifold, and specific problems concerning immigrant integration pertain to each local, regional and national circumstance.

Whilst recognizing the need for locally sensitive and flexible approaches to integration, this however does not preclude the need for an effective coordination of integration policies at EU level. The importance of EU coordination and facilitation of integration policy, has already been recognized by the Council of the European Union (the Council) in holding that: “Developing a set of EU common basic principles on integration is essential, not only given the diversity of experiences and circumstances, but also given the shared interest that Member States have in agreeing upon shared goals on integration”35.

This policy paper presents recommendations for a common European framework and standards for the successful integration of third country nationals (TCN) Europe-wide. Due to space constraints, the paper is thus delimited to dealing with the migrants who are in Europe to stay, irrespective of their mode or status of arrival. Migration policy as such will not be dealt with.

Furthermore, integration is understood and defined as: a dynamic two way process of mutual accommodation by and for all immigrants and residents of Member States established within the confines of human rights, the rule of law and values of the host society.

The recommendations which follow seek to address the consolidation of integration policy through institutional and legal mechanisms, and the strengthening of specific policy areas. The paper is structured around specific recommendations, namely:

1. The drawing up of a European Strategic Plan for Integration

2. The establishment of an EU de-centralized Agency for Integration

3. The clarification of Rights and Responsibilities of Migrants and that information thereon is made available to migrants

4. Integration courses should be followed on a voluntary basis but they should be encouraged through incentives to be decided at the state level


5. Raising awareness of immigration and immigrant communities to host communities and vice versa

6. Encouraging legal employment and self-employment for immigrants

7. Promoting the value of volunteering and encourage immigrants to volunteer in society

8. Service provision in a culturally competent manner

1. THE DRAWING UP OF A EUROPEAN STRATEGIC PLAN FOR INTEGRATION

One of the best ways to efficiently and effectively address the new reality outlined above would be through the setting up of a common institutional, legal and policy framework at the European level. This could provide a basis for the orientation and coordination of all relevant actors and initiatives across the EU. The challenge of integration demands a continuous, focused, comprehensive and long term effort with a holistic approach to ensure the successful integration of migrants. Whilst integration models and needs vary across Member States, some common features and principles can be identified. The 'Common principles for the integration of migrants' are but one sign of the actual acknowledgement of this. Building on this example, the authors propose the setting up of an EU Strategic Plan for the Integration of Immigrants, which would affirmatively and proactively push forward integration policies involving all levels of government and governance (European, National, Regional and Local), civil society (including Trade Unions and NGOs), immigrant organizations and individual migrants. This plan would help to build more just and cohesive European societies.

The Strategic Plan could be defined as a tool to manage the process of integration through balanced interventions of both public authorities and civil society. In short, the plan is about promoting interaction, equality of opportunity, understanding and respect and an endorsement of the movement away from the national "one size fits all" approach to policy making and planning. Its aim is to establish a framework of cooperation for all relevant actors in the field of immigrant integration in order to develop together proactive and efficient policies. It would help all actors to share best practices and it would give coherence to the strategies of all Member States, whilst simultaneously providing a wide margin of flexibility. The setting up of the European Integration Forum and Website are an important first step in this direction, and should be further developed by taking into consideration the short, medium and long terms. It should be accompanied by annual operational plans at the various levels involved in order to achieve the more general and long term objectives at the European and national levels. The plan should be about integration by design, not as an afterthought.

Contents

It is proposed that the contents of the Strategic Plan should be divided in two independent sections:

a. The first would establish the basic and underlying principles, the objectives and the tools and mechanisms for cooperation and interaction between all relevant actors and the methodology for its implementation.

b. The second would propose the substantive areas of intervention and it would provide

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36 Only at the European level, the combination of the different policies and the actors who are responsible for their development creates a very complex picture, difficult to coordinate and with risks of overlaps. See e.g. M.A. Kate and J. Niessen, Locating immigrant integration policy measures in the machinery of the European Commission, June 2007. This plan would provide a strong basis for a smooth coordination between policies and actors.


38 This proposal is partially based on already existing plans at national and regional level in several EU countries, such as the Spanish 'Strategic Plan of Citizenship and Integration, 2007–2010'. It also builds on models such as the Action Plans on Social Protection and Social Inclusion as created within the context of the Lisbon Agenda.

39 Ibid, p. 15.
detailed guidance and tangible recommend-
dations on the actions to be taken in order to
reach its objectives. It will also establish rel-
evant indicators and benchmarks to evaluate
the success and outcome of the implementa-
tion of these initiatives.

Basic and Underlying Principles
The Strategic Plan should be based on the
principles of human rights, dignity, equality,
mutual respect and understanding. A gender
sensitive approach should also be adopted
and mainstreamed and the important role that
affirmative action plays in promoting integration
should be recognized.

2. THE ESTABLISHMENT OF AN EU DE-
CENTRALIZED AGENCY FOR INTEGRATION
A number of institutional mechanisms dealing with
integration within the EU are already established
and operational, and could be employed in
the implementation of the proposed European
Strategic Plan. These include cooperation
instruments such as: the National Contact
Points on Integration,\(^{40}\) European Integration
Forum and website,\(^{41}\) and finally the European
Integration Fund.\(^{42}\) Such mechanisms provide
opportunities for the exchange of information and
best practices between European Institutions,
the Member States and civil society, and the
further development of greater coordination
between national and EU policies on integration.
Nevertheless, their present effectiveness should
be questioned and reoriented to implement the
specific measures outlined in the plan.

Within the framework of the proposed European
Strategic Plan for Integration, a de-centralized
EU Agency, hosted by one of the Member States,
which would deal specifically with integration
across Europe, should be established. This EU
integration Agency could be mandated to oversee
and coordinate integration policies addressing
migrants in a broader sense than the scope of the
present policy paper.\(^{43}\) However, within such an
Agency, a specific unit dealing with the integration
of TCNs would be essential.

The Unit dealing with TCNs should have as tasks, inter alia:

- Supervising the implementation of the strategic plan and annual operational plans to which reference has been made above;
- Coordinating the standards for national measures to be applied upon the initial reception of TCN;
- Ensuring that Member States provide sufficient access to inform TCNs about their rights and responsibilities within the host society;
- Strengthening the development of effective complaints mechanisms and promoting better access to national (and European) human rights institutions, ombudsmen etc. for TCN;
- Monitoring national government institutions that deal with thematic areas especially relevant to the integration of TCN, such as Ministries for Justice, Ministries of Education, Ministries of Social Welfare, Ministries of Health, etc.;
- Ensuring that admission policies do not actually hinder integration;
- Mainstreaming integration policies into other areas of policies, such as more systemic surveillance of national policies and the management of public health (and primary care) in the context of migration.

In order to avoid overlaps the Agency should endeavour to subsume the existing European mechanisms, mentioned above.

\(^{40}\) \"The network of National Contact Points on integration was set up by the Commission as a follow-up to the Justice and Home Affairs Council conclusions of October 2002 where the need for exchange of information and best practice and the establishment of a network was called for.\" \[http://ec.europa.eu/justice_home/fsj/immigration/integration/fsj_immigration_integration_en.htm\]

\(^{41}\) \[www.integration.eu\]

\(^{42}\) \[http://ec.europa.eu/justice_home/funding/integration/funding_integration_en.htm\]

\(^{43}\) Recognising the present day context of an enlarged Europe without borders, it could be beneficial to also deal with the coordination of integration policies concerning EU citizens who migrate as workers within the EU, for instance.
Main Areas of Action

Following the position of the European Commission as regards integration policies, the integration Agency, through the European Strategic Plan, should be based on a holistic approach. Thus, it should take into account not only economic and social aspects, but also cultural and religious diversity, citizenship, participation and political rights.

We propose that the agency tackle, inter alia, the following areas:

- Education
- Employment
- Health and Social policy
- Housing
- Vulnerable groups
- Participation and awareness raising
- Clarification of rights and responsibilities

Whilst recognizing the importance of all these areas, it is considered that employment and education are crucial aspects of integration, thus will be further elaborated.

3. THE CLARIFICATION OF RIGHTS AND RESPONSIBILITIES OF MIGRANTS AND THAT INFORMATION THEREON IS MADE AVAILABLE TO MIGRANTS

Basic knowledge of the host society’s language, history, and institutions is indispensable to European integration. For this reason, many Member States have tried to ensure that immigrants know the basic values and institutions of the host societies by establishing different mechanisms, mainly: information booklets, integration contracts, courses and examinations.

Yet, these initiatives have been criticized for presenting integration as an obligation which lies exclusively on the migrant.

Therefore, we propose setting up a new model of civic integration which would build on previous national experiences. For this purpose, we recommend the use of three different tools:

- Rights and responsibilities sheet
- Integration courses
- Follow-up measures

These tools would be coordinated by the Integration Agency but they should be drafted at the local, regional and national level, adhering to some European general guidelines.

Rights and Responsibilities Sheet (RRS)

Both newcomers and European citizens should be familiar with their rights and responsibilities if social cohesion is to be achieved. In order to ensure this, we propose to replace ‘integration contracts’ by a system which would inform immigrants about their rights and would help them to understand their new social and institutional environment.

The rights and responsibilities sheet and the integration courses should be made available in native languages of immigrants.

The basic element of this information system would be the ‘Rights and responsibilities sheet’, which would include:

a. Their rights (as persons: HR, non-discrimination, but also as migrants: non-refoulement if they are asylum seekers, long term residents rights, etc.);

b. Their legal responsibilities as persons residing within a European Union Member State;

c. The basic institutions of the host country: how the government is organized, the judiciary, how mechanisms in place in cases of discrimination etc.;
d. Information about the EU and their rights within it.

The contents should focus on the basic rights and institutions which are regulated in European and national laws. They are to be made readily available to migrants through migration and border control offices (first point of entry), local councils, public offices, social workers, migrant community organizations, NGOs, and also be made available online and in audio-visual format.

4. That Integration Courses Should Be Followed on a Voluntary Basis but They Should Be Encouraged Through Incentives to Be Decided at the State Level

Civic integration courses are intended to help immigrants to enhance language acquisition, and have a secondary focus on instilling familiarity of the history, institutions, culture and everyday life of the receiving society. Integration courses have been set up by EU member states in a rather individualistic manner. These experiences have not reaped substantial rewards because they have been used as a selection mechanism protecting national interests, and host societies has not been involved therein.

Accordingly, we propose a new concept of integration courses, which should be made available for free and would include:

- Language courses
- Rights and responsibilities
- Historical, social and institutional background:
  - about the EU (to be determined by the Integration Agency)
  - about the host country (to be determined by the member state)
- Resources and networks available for immigrants

Immigrants should attend the courses on a voluntary basis; nonetheless there should be strong encouraging mechanisms – for instance additional points to get the permanent residence permit – defined by each Member State. In addition, immigrants should be given facilities to attend the courses (transport, different timetables, on-line, full and part-time courses, etc). Specific courses targeting different categories of migrants (e.g. by age) should also be considered.

Follow-up Measures

In order to ensure that the two previous tools lead to an effective civic integration, four complementary follow-up measures are needed:

- Specialised social workers
- Evaluation of the integration potential before and the results after the courses (e.g. through the European Civic Citizenship and inclusion index)
- Periodic re-evaluation of the contents of the RRS and the integration courses, in order to adapt it to possible changing needs
- Setting up of a Mentorship program in which European citizens (e.g. neighbours) would volunteer as Mentors of immigrants in order to facilitate their adaptation process. This would foster mutual understanding and the interaction between communities.

5. Raise Awareness of Immigration and Immigrant Communities to Host Communities and Vice Versa.

Recognizing that integration is a two way process, Member States should make efforts within their communities (at all levels) to limit the development of misperceptions and encourage mutual respect.

The politicization of immigration in European countries and an incomplete presentation of immigration as a sum-total of the challenges contribute to a situation where some host communities perceive immigration as a threat to their community and their culture. This in turn leads to hostility towards new immigrants as well as older immigrants and weakens the inter-community trust which is essential to successful integration. European states should therefore ensure that the values of diversity and respect be included in formal curricula and creatively promoted amongst host communities which address misperceptions between both the host and immigrant population. The core curriculum in
schools should also be sensitive to the diversity within communities and their dynamic nature. Such initiatives would go a long way in addressing increasingly serious problems of exclusionary, xenophobic, racist and discriminatory behaviour within both communities, particularly those which are more homogeneous and have not interacted with different cultures or witnessed migration flows.

In addition, Member States should ensure that different social structures are aware of the different kinds of immigrants and groups who might face various kinds of difficulties and barriers to integration. Awareness-raising programmes tackling the various realities that some immigrant communities are experiencing could be offered to the media and the arts, government authorities, the police and the army, service providers, non-governmental organisations, amongst others.

Member States have also recognised that a greater understanding of human rights as a founding principle of the EU would greatly benefit both European citizens and immigrants. Human rights education is therefore essential. Racist sentiments which often manifest in communities that feel challenged by ‘others’ should be given due importance within the discussion of rights-based approaches.

In addition, accessibility of formal education structures, the recognition of qualifications of immigrants and training programs are important to enable the immigrants to further their careers and contribute meaningfully to the host communities through the labour market and beyond. It is also important to address the broader issues within the education field of awareness-raising of cultural norms, the fundamental political principles predominant in the host country, and the value of access to formal and non-formal education systems. This kind of awareness-raising is essential for both the immigrant communities and the host communities.

6. ENCOURAGING LEGAL EMPLOYMENT AND SELF-EMPLOYMENT FOR IMMIGRANTS

As stated by the Council, “employment is a key part of the integration process and is central to the participation of immigrants, to the contributions immigrants make to the host society, and to making such contributions visible.” Currently there is a clear gap between labour and integration policies in many countries. In order for migrants to contribute fully, they need to be effectively integrated into the labour market.

Immigrants are more exposed to long-term unemployment and social exclusion, as well as poorer working conditions and temporary employment that can have a spill-over effect to second and third generation migrants. Furthermore, the economic downturn will exacerbate the situation, and there is fear that what is already an unfavourable situation will get worse. One good example of a successful policy is raising employer awareness of the specific obstacles facing immigrants and their children, to monitor hiring practices, and to diversify recruitment channels. Also mentoring, personalized accompaniment in job search, the use of intermediaries and the demonstration of job skills in workplace situations appear to be yielding positive results.

The strategic plan should encourage regional and local authorities to adopt policies and practices which specifically address inter alia: job search, confidence building, help with social and professional networking, CV preparation, short and long term training geared to the needs of the local job market, and Mentorship schemes.

The authors therefore propose that Member states be encouraged to:

a. Cultivate connections and relationships between migrant groups and employers, employment services and vocational training organizations to link demand with supply. As this is best achieved at the local level, policy

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makers at that level should seek to ensure strong co-ordination between institutions; ensure that they involve employers in local partnerships, and support innovation and learning through funding programs.

b. Develop a strong culture of evaluation of skills, local demand and local potential.

c. Adapt existing programs so that they are flexible enough to reflect local change. This is important as governments may find it difficult to support the relatively resource-intensive mechanisms which are required, and to incorporate them into broader mainstream policy initiatives.

7. PROMOTE THE VALUE OF VOLUNTEERING AND ENCOURAGE IMMIGRANTS TO VOLUNTEER IN SOCIETY

Member States and their communities have recognised that volunteering reaps multi-faceted benefits, from contributions to social cohesion to the personal acquirement of skills which can bring out hidden potentials in individuals. Volunteering and its associated benefits would be a novel way of facilitating integration and putting emphasis on the agency and potential of the immigrants. Volunteering serves to engender trust between individuals and communities.

Immigrants should therefore be made aware of the benefits and the value that volunteering is given in Member States. Volunteering is used to acquire skills which are generally not part of the formal curricula. Volunteers are generally perceived positively and gain more credibility both within the community and when applying for jobs, seeking to start new businesses and applying for funds. Volunteering enriches the cultural experience of the immigrant who internalises the unwritten rules of the society. Member States should actively encourage immigrants to participate in volunteering activities by making information easily accessible to immigrant groups particularly in their locality. Since the participation rate of immigrants in volunteering activities is currently low, special care should be taken to promote it, taking into consideration the particular realities of the immigrant communities. Community work and recreational activities, such as community celebrations and festivals, or sports activities are also opportunities where immigrants could participate.

Bodies that facilitate volunteering need to be made aware of the benefits of allowing immigrants to volunteer. Internships and traineeships should be encouraged as a means to assist migrants to enter different areas of employment. Finally, the host communities could understand better the added value to society that immigrants provide and which ultimately leads to greater social cohesion.

8. SERVICE PROVISION IN A CULTURALLY COMPETENT MANNER

The provision of services is a reflection of the each community’s specific historical traditions, the evolution of its political structures and relationship between the citizen and the state. The process of integration thus requires that each individual immigrant learns and understands this particular relationship. Immigrant integration policies should therefore take into consideration and facilitate an immigrant’s personal movement along the spectrum of integration into a society.

As a result, access to basic services, including healthcare, should be based on a culturally competent system in order to facilitate and simultaneously reduce ethnic, racial, religious and cultural disparities, while at the same time facilitate the immigrant integration into the host community. This should be prioritized in professional and in-service training, as well as hiring practices. For example, community health care workers should be encouraged to work as mediators and ease the process of integration through their skills, a cultural world view,

linguistic and interpretive services and develop trust which favours client-patient relations.

**EVALUATION**

The proper evaluation of the implementation of the plan is also crucial to its success. Some tools that could be used in order to measure improvements are, for example, the reports by the Eurostat or the ‘European Civic Citizenship and Inclusion Index’\(^{49}\).

The actors involved should also draw reports to be submitted to the Commission annually. The Commission’s annual report on Migration and Integration should benchmark the success or otherwise of the implementation of the plan. Shadow Reports\(^{50}\) by non state actors should be encouraged and funding made available in that regard.

Herewith presented Policy Papers are result of the collective work of the EVN 2009 working groups and does not necessarily represent the views of the organizers and partners of the EVN 2009, nor those of group coordinators and each individual working group member.

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\(^{50}\) Similar to the Shadow Reports on Racism in the European Union prepared by The European Network Against Racism.
WORKING GROUP 5

The Successful Integration of Immigrants: What should be the common European standards?

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We also had the precious opportunity to discuss views with the key members of the Commission President Barroso’s cabinet, António José Cabral and João Marques de Almeida. Burson-Marsteller Brussels Office hosted our discussions with representatives of the European Foundation for Democracy Roberta Bonazzi and Daniel Trautvetter. We are very grateful for this possibility to Volker Wendt, Director at the Burson-Marsteller, who also provided us with valuable insights.

Each panel of the Final Conference in Prague was kindly attended by distinguished experts in their respective fields: Mitchell A. Belfer, Editor in Chief, Central European Journal of International and Security Studies; Bruno Bucherie, Lieutenant-colonel, Liaison Officer of the French Army to the General Staff of the Czech Armed Forces; Adam Černý, Foreign Affairs Editor, Hospodářské noviny (leading Czech daily); Stefan Greefs, Counsellor for Political and Economic Affairs, Embassy of Belgium in Prague; Christop Hauschild; Ministerialrat, Head of Unit for Integration Policies, German federal Ministry of Interior; Luděk Niedermayer, former Vice-Governor, Czech National Bank; Jiří Rusnok, CEO, Director General, ING PF a.s.; Jiří Schneider, Programme Director, Prague Security Studies Institute, former Ambassador to Israel; Eric Trottmann, Social Affairs Counsellor, French embassies in Prague, Bratislava, Budapest; Elsa Tulmets, Research Fellow, Institute for International Relations, Prague.

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Radko Hokovský
On behalf of the EVN 2009
European Values is a non-governmental, pro-European organization that, through education and research activities, works for the development of civil society and a healthy market environment.

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In the Czech Republic we point out that, due to our membership – active and constructive – of the European Union we can for the first time in modern history participate in decision-making processes concerning the future of Europe, and ensure that we are no longer just a passive object of desire of large powers in our neighbourhood.

With our international program, European Values Network, from 2007, we also contribute to a Europe-wide debate on the challenges that Europe faces today. We believe that the public and politicians do not recognize that the benefits of post-war development on our continent can not be taken for granted, and that there are many global trends that threaten the freedom, security and prosperity of Europe as a whole. We analyze these social, political, security and economic trends, and we offer solutions to problems associated with them.

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“Our vision is of a European society aware of the values and identity it is based on. We stand up for a European political community that draws from these values and is able to protect and promote them.

We endorse the values we consider to be the very foundation of the development of Western civilization. We insist on personal freedom and responsibility, human dignity, solidarity, active civil society, the market economy, democracy, and the rule of law.

Preservation of the European way of life based on these values is far from certain today. Europe may easily turn into a passive object of global developments, and thus lose any chance to determine its own destiny.

Our mission is to formulate and promote solutions to enhance Europe’s freedom, safety, strength and prosperity. Hence we conduct research and educational activities, address politicians, experts, and the wider public.”

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