



THE COMMISSION OF STRATEGIC ANALYSIS

THE FUTURE OF EUROPE

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Initial aims for Europe in the post-war period – peace, security and welfare – seemed sufficient ideals when the European Union (EU) began life. However, the EU was established as an entity lacking a long-term vision. After enlargements, most notably the enlargement of 2004, it has not managed to overcome post-Cold War complexes and routines. Common identity has not been the main driving force of the EU. Over the years, citizens' awareness of the Union has been through taxes, subsidies, and directives rather than political manifestations or common ideals. Discussions on the future of Europe routinely take place on the basis of administrative, economic, and technological mechanisms.

The EU has to acknowledge that even if initially it was an elite project, today it tends towards democratisation. This process requires definition of common values to create a common European 'self-awareness' and identity. However, diversity among Member States (MS) raises problems with certain concepts, regarded as values but understood differently in national contexts. Therefore, the identification process requires a multi-dimensional approach and constant clarification. Self-identification should avoid misleading assumptions that European values

alone establish a harmonious and self-sufficient system where all parts are in mutual conformity and ranged in hierarchy.

The past fifteen years have intensified the need for reform. The EU Constitutional Treaty aimed at a solution to these challenges. The Fundamental rights charter, EU citizenship and institutional balance included in the Constitutional Treaty are important components of a European political tradition. Rejection of the Constitution by the French and Dutch people raised legitimate questions about the role of domestic agendas in these processes. Although such developments can be seen as critical, they cannot be regarded as anti-European *per se* because they are a wake-up call to a long-standing need for debate. Indeed, several issues need to be addressed. These include multi-level governance, economic policies including Common Agricultural Policy (CAP), immigration policies, global competition, innovations and Common Foreign and Security Policy (CFSP). To quote Donald Rumsfeld, dividing Europe into 'old' and 'new' provoked discussion on drawing a line between those who are 'truly' European and those who are not. European identity is an important determinant of EU ability to face the challenges of international relations and preserve internal stability.

MAPPING VALUES FOR EUROPE: THE FUTURE IN THE PAST

The Future of Europe has been discussed mostly in terms of “optimism” and “pessimism”. Optimism is tied to further integration, which will proceed despite misfortunes over recent years. Pessimism means growing anarchy, more unilateralism and disagreement among MS. The search is under way to find basic orientations for these discussions, influential in the past and supposedly so in the future.

Dynamic development of the EU has taken place over recent years, changing our self-understanding. Maastricht gave birth to the idea that European integration can be understood exclusively in terms of its future, of the EU becoming an “ever-closer union”. This orientation was confirmed by establishing the Convention on the Future of Europe. However, what makes

THE QUESTION OF THE RELATIONSHIP BETWEEN VALUES AND INTERESTS IS VALID IN THE EU

further integration problematic is not the future, but the past – the different identities, attitudes, and expectations, that come from different European traditions and experiences. Events like the French and Dutch “no” to the Constitutional Treaty, along with serious disagreements on economic liberalisation

and the admission of Turkey cannot simply be dismissed as essentially non-European. As part of a common European experience, they must be taken into account for further developments.

The value perspective was chosen to include past experience in future prospects. The Constitutional Treaty included a novel Article on “Union Values”, emphasizing human dignity, freedom, democracy, tolerance, and others. Politically declared principles tend to be abstract. An apparent need exists for a “thicker” description of values that still guides the actions and determines the life of Europeans on different levels. The “value” approach means important orientations that are constantly reasserted in action.

The question of the relationship between values and interests is valid in the EU. The answer cannot be oversimplified. Value is value only insofar as it is perceived as something pre-ordained and objective. Interests can be defined only within some common horizon of values – those of family, religious community, nation, and Europe. Today, however, it is increasingly difficult to rely on general values, if these are not mediated by interests and by one’s own choice. Thus, values and interests presuppose themselves and mutually reinforce each other. The table below attempts to map core values of Europe serving as a background for further discussions in this volume.

POLITICAL VALUES	SOCIAL VALUES	CULTURAL VALUES
<p>Citizenship Core description of the individual both obeying authority and participating in its creation. This forms the basis of democracy and individual rights by attaching to individual political status.</p>	<p>Welfare Positive value that ensures the preconditions for quality of life. The dominant view is that unequal distribution of welfare is not qualitative.</p>	<p>Christianity This is not a single value, but rather forms a significant background for European culture and politics in many aspects.</p>
<p>Rule of law Sets the margins which no political power can overstep. The basis is Kant’s vision of a free and equal law-based federation of States.</p>	<p>Leisure Its value is the time individuals devote to themselves without being subject to market production.</p>	<p>Enlightenment Humanity can progress through the human mind. Rational human enquiry in scientific form can lead to happiness and welfare.</p>
<p>Pluralism & Parliamentarism Power is not concentrated in one place. A long term balance exists between different interests, which avoids conflict escalation. “United in Diversity” is more than an ideological slogan. The problem lies with ‘united’. A link also exists between representatives and people as a sort of agreement between equals. Transparency forms part of this value.</p>	<p>Competition Competition between people is value if it is fair and regulated for the benefit of society. The market can reconcile interests and capabilities so that selfish behaviour benefits society. The market allows everyone to perform according to their capabilities to achieve maximum positive results for society.</p>	<p>Inwardness Christianity is part of the inward vision of human life. Human nature is to be found not in social position or external behaviour but in the soul. Inwardness ensures conformity with the external world order. Europe is characterised by tension between the external and internal personality.</p>
<p>Nationalism As a democratic value, it aims at integration although in some contexts appears to be divisive. Identity as a means to create distinctness. Europe has become cautious and sceptical of this value.</p>	<p>Individualism Individuals acknowledge themselves as masters of their own lives. The individual forms the basis of society (not family or class). Individuals can decide what is best for them.</p>	<p>Irony Capacity to distance oneself from one’s own perceptions, to see accidental effects of own vision. To admit that one’s own vision is not the only one. Irony leads to distrust in simple solutions. Europe is based on an ironic denial of a Eurocentric identity.</p>
<p>Separation of Church and State Political power should not bother about souls because then it would limit their freedom.</p>	<p>Tolerance Valuing ‘otherness’ motivates distancing from objective differences (religion, race, culture, social class) and to treat all people as equal. Others have the right to define their identity without enforcing ‘normality’.</p>	<p>Historicity History is the form in which Europe explains social, political, and cultural phenomena. It also provides an understanding as to where we stand. It is a depository of memories and facilitates the search for new identities.</p>

CONSTITUTIONAL TREATY : COFFEE WITHOUT CAFFEINE

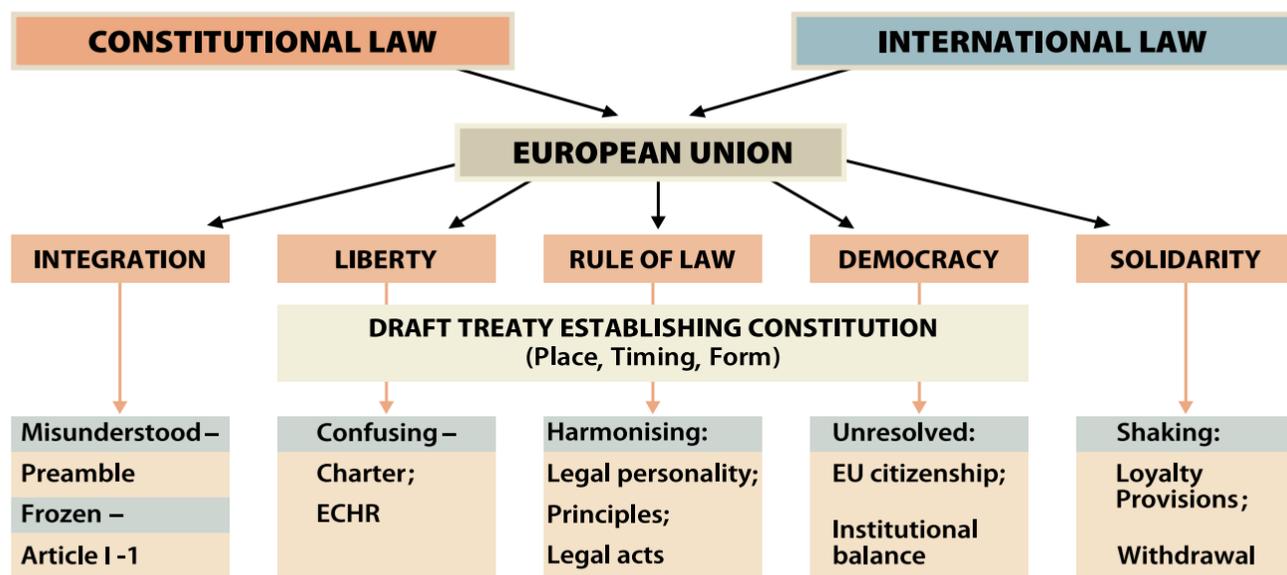
The EU is seen as an entity capable of ensuring the *European Dream* and the Constitution was meant to be a tool enabling the EU to perform its function efficiently. However, it could not due to three main factors:

- **Place:** it was drafted by Convention, which was neither mandated nor organised so as to produce a Constitutional Treaty.
- **Time:** it was drafted too soon after Europe had to accommodate Nice and enlargement.
- **Form:** it proposed a Constitution as an event of EU finality rather than as an ongoing process of integration. Thus it provoked much more criticism.

The EU is based on both Constitutional and International law. Therefore the central questions in the constitutional debate are: how to detach the Constitution from the State, and

how to upgrade treaties to a Constitution? The draft Treaty Establishing the Constitution was supposed to provide answers by transposing the values identified in the previous section into legal principles. The principles embody European values in systemic exposition and serve as a framework for orientation.

The Principle of Integration in the EU stands for supra-nationality and functionality. It ensures the dynamics of the EU. The Constitution misinterpreted this principle. The Preamble oversimplified the history of European integration and failed to answer the crucial question: why do we need the EU? Moreover, the first Articles placed the main emphasis on MS, not individuals, in further integration. But at the same time the EU acquired new competences and new institutions, suggesting that integration still matters.



The Principle of Liberty guarantees individual rights, including economic freedoms. The constitutional text is confusing and limits itself to political commitments to further HR rather than offering them a more advanced approach. However, integrating the Charter of fundamental rights in the Constitution is a notable positive move.

The Rule of law lies at the very foundation of the EU and is guarded by the European Court of Justice (ECJ). More law means more freedom on a supra-national level. This principle was significantly strengthened by the Constitutional Treaty providing for the legal personality of the EU. It also provided for new principles to be introduced and established a new system of legal acts. These innovations have positive and negative aspects of a more technical character.

The principle of Democracy has two dimensions in the Union. The first stands for EU citizens and their involvement, while the second deals with institutional checks and balances. In terms of EU citizenship, the Constitution provided nothing new, which was a failure. The institutional setup was one of the most debated issues in the Constitution, including voting procedures. While it had potential to bring people closer to Europe, it could also become frustrating. Sufficient procedural safeguards were not envisaged against possible misuses of this right, which could be activated by 1/3 of 1% of European citizens.

Lastly, **the principle of solidarity**, whose novelties most disappointed. Apart from

reinstating existing provisions, it weakened the principle by providing for the right to withdraw from the Union and accepting the right of MS to co-operate more closely. Thus the Treaty confirmed the 'empty chair' phenomenon which the EU was facing during the 1960s and a multi-speed Europe functioning on the basis of different clubs.

EU INTEGRATION HAS SO FAR RATHER BEEN FUNCTIONAL THAN CONSTITUTIONAL

Everyone from federalists to sceptics could find something good in the Constitutional Treaty. But what is good for everyone, is at the end not good for anyone. EU integration has so far rather been functional than constitutional. Regional federation is unlikely. But successful close co-operation between democracies in *sui generis* format seems feasible. In this context, strengthening the principles mentioned is important. This should also be reflected at national level. The question remains as to what extent we have done our home-work in contributing to strengthening the European project. Home-work is also relevant for Latvia, starting with bringing our Constitution into line with current EU membership. The EU Constitution is in a coma, which is not as bad as it might seem. No changes will be effective if not addressed to the people and accepted by them properly. Therefore, it is important to build solidarity not only among the States but citizens as well. This is the only way to overcome hurdles.

FUTURE OF CONSTITUTION: ALL DRESSED UP NOWHERE TO GO?

A wide variety of positions and discussions are current as to how to get out of the “Constitutional crisis”.

This review concentrates on a few more-often mentioned proposals. Two main positions exist on directions for the **future of Europe**:

- Institutional reforms are important although variations exist on particular reforms needed.
- EU MS should not focus on searching for a ‘single perfect’ institutional framework but rather on implementing specific projects. This would promote trust in the EU as a truly necessary creation and would invest in people’s welfare.

Apart from discussions on these options, a number of specific and wide-ranging scenarios also exist on the **future of the Constitution**.

CONTINUING WITH RATIFICATION

This corresponds to the vision of the European Parliament, which argued for continuing

with ratification in January 2006. Parliament supports the existing text of the Constitution, which it considers to be a ‘global compromise’. According to the Parliament, ratification should continue until mid-2007 when the number of ratifying MS might reach 20. In that case 80% of MS would have ratified the new treaty and the European Council would have to decide on a further plan of action. This alternative is not feasible for both political and legal reasons.

CHERRY-PICKING

This scenario, foreseeing fragmented implementation of the Constitution, requires no referenda. It is supported by MS that consider the Constitution ‘dead’, while acknowledging that certain amendments to existing treaties are needed. This approach has been supported by France and the UK. Lately, Commissioner Margot Valstrem suggested that the Commission would prefer a solution based on the current draft Treaty where the first two parts remain intact. However, this idea remains too vague because no plan exists as to which parts of the Constitution are worth *picking*.

RATIFICATION OF 1st AND (MAYBE) 2nd PART OF THE CONSTITUTION

This is seen as a compromise solution intended to satisfy supporters of the current text as well as the cherry-pickers. This scenario is problematic because referenda might be difficult to avoid in many MS and the outcome might still be negative. After all, it is those first two parts that bring the most substantial changes. However, it remains unclear whether such option is legally feasible. The legal consequences would involve relationships between MS ratifying the Constitution as a whole and those ratifying only two parts of it.

STARTING GROUND ZERO

Current experience suggests that MS are not yet ready to commit themselves to such a project by investing time and resources if they are not sure of a positive result. However, a number of research groups are exploring possibilities to go back to the Leaken declaration. They argue that the failure lies with the Convention, not the tasks envisaged in the Leaken declaration. On a political level, this plan is supported by adversarial political actors. This scenario is yet to be developed because the results of discussions in expert groups are awaited by the end of 2007.

“FUNERAL” OF THE CONSTITUTION

This option is preferred by MS where ratification is difficult or impossible for political reasons. Nor do they want a new text. These MS are convinced that there are other problems to solve. In relation to the novelties proposed by the Constitution, they argue that these can be implemented within the framework of existing

treaties. This approach does not seem feasible because the EU cannot continue to work efficiently on the basis of existing treaties.

CONSTITUTIONAL CRISIS: END OF THE UNION

Under this viewpoint, failure of the Constitution will have long-term effects on different aspects of European unification. Supporters argue that rejection of the Constitution marks the end of treaty-based integration. Certain MS might attempt to establish models of closer integration. However, their impact on overall EU integration would be damaging. First, it might initiate a spill-over of the crisis, threatening the future of EU political union. Second, a multi-speed Europe would become a reality. As a result of this scenario, an institutional crisis can be envisaged. This would entail rejecting the results of European integration achieved so far and the EU becoming a free market zone with weak political institutions situated at the centre.

ATTEMPTING TO INTENSIFY INTEGRATION

Last but not least, the most optimistic scenario should be mentioned. Under this option, MS aim to overcome the crisis by trying to establish

THE FAVOURITES ARE MOSTLY A ‘MINI-TREATY’ OR A STRIPPED-DOWN CONSTITUTION

STATES	POSITION
Greece, Slovenia, Cyprus, Malta, Luxembourg,	Ratified but no activity during reflection period
Lithuania, Hungary, Italy, Austria, Slovakia, Belgium, Germany, Spain, Latvia, Estonia, Finland	Ratified and active in the reflection period
Sweden, the Netherlands, Poland, Portugal, Czech Republic	Not ratified and no interest expressed

HOWEVER, WELL-PLANNED AND IMPLEMENTED REFORMS ARE NOT A SOLUTION IF NO OBJECTIVE IS CLEARLY IDENTIFIED

ever closer co-operation. The Constitution can serve as a basis for this. However, allowing for MS that have ratified the Constitution so far and those who have not, it is unlikely that the Constitution could serve as a basis for closer co-operation for a group of MS.

Significantly, all major EU decisions have so far been possible without a Constitution, i.e., financial prospects, negotiations with candidate members, and the like. At the same time, several scenarios are under intense debate. The favourites are mostly a 'mini-treaty' or a stripped-down constitution. The Commission continues with discussions under "Plan D". After all, the debate matters because it means that the idea of European integration is alive. To paraphrase the Latvian saying about Riga: Europe is never ready, because when it is ready it will sink.

MULTI-LEVEL GOVERNANCE: HOW MANY BUILDING BLOCKS FOR THE HOUSE?

Apart from the Constitution and institutional reforms on the EU organisational level, the issue of governance in the enlarged Europe in general poses a number of significant questions, i.e., division of competences, subordination, subsidiarity. Multi-level governance is characterised by (1) a number of mutually-related levels or floors; (2) one system connecting EU governance and local governments in the MS; (3) all levels of governance are committed to mutual communication and co-operation. Allowing for existing problems of functioning of multi-level governance and future challenges, a number of future scenarios seem possible.

The first scenario envisages sustainability of competencies and power divisions between existing levels of governance. This scenario is

realistic for at least three to five years because of failure of the Constituion and slowness of EU institutional reform. It is also more likely because the EU has as a rule preferred to focus on its action policy rather than the institutions that implement it on different levels. This scenario corresponds to Latvia's interests because the *status quo* allows internal administrative problems to be disregarded – regional and administrative territorial reform as well as involvement of the local community in policy-making. At the same time, it threatens formulation of Latvian insterests and representation in the long run.

The second scenario is provocative. Based on the presumption that mutual harmonisation of MS administrations can lead to a common management model in the EU where multi-level

government acts as a 'regulatory State', this scenario is dominated by stagnation and a technically perfect EU action-policy process. In this scenario, the functional level and division of competencies remain intact. At the same time, networks of different regulatory institutions mushroom in MS with the aim of ensuring implementation of the *acquis*.

The third scenario can be called the "reform" scenario. To respond to political challenges and alienation from the EU, the reforms envisaged

in the White Book "European Governance" should be implemented. However, well-planned and implemented reforms are not a solution if no objective is clearly identified. Therefore, this scenario is suitable if Europe is not to be blamed for failure to act, at the same time prolonging the period for considering the future.

It seems that for the time being the first scenario is the most feasible, with the future largely dependent on decisions taken on the Constitution and future pace of integration.

EUROPEAN ECONOMIC DEVELOPMENT: FACING CHALLENGES IN THE "FLAT WORLD"

Thomas L. Friedman whispered to his wife that the world is flat after he travelled to India's Silicon Valley and discovered how different his findings were from Columbus, who argued in the XV century that the world is round. The modern economy is global and this banal statement is used to describe changes affecting business practices, involvement of civic societies and inevitably the role of States. World economic development trends have led to a situation where it becomes clear that Europe's leading role in the world economy is under future threat. Significant short-term indicators highlighting this problem include drop in pace of economic development, drop in pace of productivity development below the level of main competitors, and unresolved issues in stimulating employment. The table below illustrates GDP growth performance differences

between the EU and competitors. In the long run, the main problem is the demographic situation, which already allows the prognosis that employee numbers will decrease significantly in Europe. Assuming Europe's wish to retain a leading position in the world economy, solutions can be sought in the following directions:

Growth of real GDP in the EU and several States (% a year)
(World Bank, Economist Intelligence Unit)

	2000–2005	2006–2020
EU 25	1.8	2.1
USA	2.8	2.9
Japan	1.5	0.7
China	9.3	6.0
India	6.4	5.9

EUROPE'S LEADING ROLE IN THE WORLD ECONOMY IS UNDER FUTURE THREAT

- Europe continues attempts to develop high-tech knowledge-based industries and disregards its dwindling labour force to maintain leadership in the world economy (a highly qualified labour-force leads to future lower employment rates).
- Europe partially compensates the expected labour-force shortage and growing expenditure on work-force by liberalising immigration, thus aiming to compete with developing countries, at the same time retaining advantages in the

knowledge-consuming industry sphere (high- and low-skilled labour force, average employment).

- Europe preserves the existing development model, adapting it to expected demographic trends – promoting employment of the elderly, intensified labour market participation of all age and gender groups (highly qualified labour-force, attempts to achieve higher employment rates based on higher labour market participation).

These suggestions are also relevant for Latvia both as part of the EU but also still catching up EU average economic indicators. It also closely relates to developments in agriculture, immigration, and innovations, discussed in the following sections.

THE FUTURE DIRECTION OF CAP: ONE SIZE FITS ALL?

CAP is still incompatible with further liberalization of global trade (and was a major factor behind the failure of the WTO's Doha trade round). The current CAP model remains open to continuing abuse and corruption. However, while every EU MS is aware of the need for reform, little agreement exists on the shape of the future CAP.

Four contemporary trends are driving the need to change the existing CAP:

- A series of high-profile food crises such as 'mad cow' disease, 'foot and mouth' disease, and avian flu, have shaken consumer confidence in the food that they eat, and have thus partly shaped perceptions on how CAP should be reformed. This has manifested itself in growing European support for more environmentally friendly agriculture, as well as increased public concern for animal welfare and food security. This can, perhaps, be seen as a post-modern change in focus from quantity to quality of food. Certainly,

organic food is the fastest growing part of the agricultural market, having grown at around 30% a year since 1998 and, because it is less efficient than more intensive farming, it also contributes to decreasing production surpluses.

- Globalization has already shaped the first three significant waves of reform to CAP by forcing the EU to reassess its position on agriculture in order to forward the trade liberalization regime of the WTO. Moreover, a clear long-term trend exists for opening up global markets, especially agricultural markets, to global competition. This involves not just production moving towards the more competitive regions of the world, but also the humanitarian and moral dimension of opening up agricultural markets for trade from least developed nations.
- Rural depopulation has long been a feature of the European countryside. However, it is particularly acute in the new MS. Rural regions across the new MS have borne the brunt of this labour flight, in terms of both rural worker migration abroad and of internal migration to cities to fill jobs abandoned by urban dwellers who have moved westwards. Thus a clear need exists to tackle this issue through a policy framework to develop rural infrastructure and promote local enterprises.
- Consensus seems to be growing on the need for financial support to farmers for their stewardship of the countryside. Thus in rural

CAP HAS BEEN HEADING TOWARDS MARKET LIBERALIZATION

areas the role of farmers is no longer merely seen in terms of agricultural production, but as one of public service. While this has always been an implicit motivation behind CAP, future policies are likely to explicitly tackle this issue.

CAP has been heading towards market liberalization. This would likely lead to a two-speed European countryside. Productive and internationally competitive farms and agricultural enterprises would stand next to a large number of economically marginal producers supplying the public with environmental goods. This latter aspect would clearly require continuing public financing, the only question being whether this is seen as a European or domestic-level public service.

In terms of agricultural policy, it is in Latvia's short- and medium-term interest to resist both nationalization of agricultural policy and radical moves to liberalize agriculture. In the long-term, however, the opposite is true. CAP reforms will prepare Latvian farmers for a liberalized agricultural market. This may also allow for the eventual nationalization of agricultural policy. However, it will take many years for Latvian and other new MS farmers to reach this level of competitiveness.

IMMIGRATION: “WITH OR WITHOUT YOU”

Global economic needs and competition threaten some European values such as the welfare state model and national identities. Immigration is good example. Legal migration, which is the focus of this discussion, promotes economic development but at the same time creates new political and social problems. Societies in EU MS are not ready to deal with current immigrant communities. The EU is constrained by a history of different MS immigration policies and internal agenda. Differences range from introduction of strict entry requirements to legalisation of illegal immigrants. Divergent views between MS suggest that no common EU policy on the issue is likely to be approved in the near future. However, some States may be prepared to take whatever action is necessary to ensure their continuing economic viability.

THE EU IS CONSTRAINED BY A HISTORY OF DIFFERENT MS IMMIGRATION POLICIES AND INTERNAL AGENDA

Indeed, a number of inter-related problems attach to the immigration issue. It is well established that many EU countries are experiencing low or even negative natural population increases. This, in turn, means fewer future workers, with lower productivity and growth rates, inevitably leading to **disruption of the social welfare model**. One solution is facilitated immigration. Net immigration rates are

rising in Western Europe as countries bring in workers to supplement declining population growth. However, decisions on liberalisation of immigration policies are taken by politicians constrained by domestic political agendas. Lately, they are becoming more aware of the vocabulary of **racism, nationalism, terrorism** and threats to national security in different dimensions. This has led governments to opt for “cultural integration” or even assimilation rather than multiculturalism.

The Amsterdam Treaty and political commitments made at the Tampere European Council (1999) to ‘near equality’ between EU citizens and third country nationals mandated EU institutions to elaborate legal standards in the immigration field. This has led to establishment of a Commission *Scoreboard* and adoption of several important directives granting immigrant rights. These *inter alia* introduce the status of ‘long term resident’ as well as the right to family reunification for third country nationals. However, much is still left to the national rather than the supra-national level to guarantee equality between EU and third country nationals. This can be explained by general reservations towards influx of third country nationals and historical relations between the ‘West and the Rest’. Thus, it can be argued that both implementation and ECJ interpretation have to be closely followed. The Court can put ‘meat on the bones’ in the field of immigration competence, as it did in the early stages of European integration with the concepts of direct effect and supremacy.

Foreigners represent approximately 1.4% of the total population in Latvia. This results from restrictive migration policies adopted in the 1990s. However, a number of challenges to this approach exist. First, Latvia’s strategic goal to reach EU average living standards in 10–15 years means that Latvia should encourage dynamic economic growth in the near future. The labour force shortage might slow down economic

LISBON ON KNOWLEDGE AND INNOVATIONS: A STRATEGY FOR A STRATEGY

Since the 1960s, a key European concern has been the technological backlog from the USA. This is connected with increasing US investment in research and development (R&D), migration of European scientists to the US, and dominance of US companies in new high-tech areas. Since the 1990s it is no longer the US that the EU wants to catch up but also Japan (see table below), and currently also India and China.

In this context, the Lisbon strategy is seen as a road-map towards adequate solutions. Over the years it has developed from general political declarations to specific reform tasks providing for an implementation framework and instruments. Preconditions for implementing the Lisbon Strategy as well as tasks ahead after the strategy ends in 2010 can be summarised as follows.

Promoting knowledge and innovation is a **long-term process**. Campaigning can contribute

development. Second, Latvia like many EU countries, is experiencing negative natural increases in the native population. Experts predict that the country’s population could drop by as much as a half by 2050. Third, Latvia is facing specific problems of transition, resulting in a shadow economy of approximately 20% and social discrimination. For these reasons, immigration itself would not be a solution.

significantly as a stimulus for these processes. However, it is not enough in the long run. Investment in education and research needs time to produce social and economic results.

IN THE SPHERE OF INNOVATION, OPENNESS OF SOCIETY AND A SUPPORTIVE ATTITUDE TOWARDS EXPERIMENT AND RISK IS CRUCIAL

Thus the issue to consider is succession, and how to continue facilitating these processes after 2010.

Successful implementation of reforms involves promoting the strategy in a **wider context** both on European and national levels, including social partners, universities, and local governments. In the sphere of innovation, openness of society and a supportive attitude

Several comparable indicators of knowledge and innovations

	EU-25	USA	JAPAN
Graduates in sciences and engineering per 1000 inhabitants aged 20–29	12.2	10.9	13.2
Enrolment in continuing education after graduating secondary school per 100 inhabitants aged 25–64	21.9	38.4	37.4
State expenditure on R&D as % of GDP	0.69	0.86	0.89
Business expenditure on R&D as % of GDP	1.26	1.91	2.65
University expenditure on R&D financed by business	6.6	4.5	2.7
Expenditure on information in communication technology	6.4	7.8	8
Export of high technology as % of all exports	17.8	26.9	22.7
Employment in mid-high/high-tech production as % of total labour force	6.6	4.89	7.4
Patents registered in the European Patent Office per million inhabitants	133.6	154.5	166.7
Patents registered in the US Patent Office per million inhabitants	59.9	301.4	273.9
Triad patents (registered in the US, European, Japanese patent offices) per million inhabitants	22.3	53.6	92.6
Number of students as % of population aged 20–24	52	81	49
Number of researchers per 1000 employed	5.5	9	9.7
Expenditure on higher education as % of GDP	1.1	2.7	1.1

towards experiment and risk is crucial. Extended discussion is needed on society's attitudes, needs, and aspirations regarding innovation. Otherwise, support for innovation risks remaining an exclusively elite project. This is also topical for Latvia, where significant

numbers of people have reservations in respect to innovation. Concentrating only on high-technology can lead to socio-economic polarisation. If the aim of innovation is to bring benefits to the whole economy and society, then support should also go to low and middle technology

industries and the service sector. In addition, encouragement is needed for non-technological innovation in organisation of work, design, marketing, and the like. As for Latvia, the need is to form and develop gradual innovation capacity within the business sector in general, especially in small and medium sized enterprises.

In the sphere of science and innovation, the EU can learn much from the USA. However, Europe needs to think seriously about which of America's "success stories" are suitable for Europe: catching up with the US should not become an end in itself. Europe **should follow the development** of the steadily growing Asian economies as well as analysing experience in the most innovative States in Europe – Finland and

Sweden. Innovation indicators suggest significant differences between EU MS in the sphere of innovation and considerable time will be needed for new EU MS to achieve average EU results. Huge differences highlight the need for each MS to seek appropriate solutions by taking account of their specific situation and needs.

Mere mechanical increases of financial resources are not enough to facilitate knowledge and innovation. Growing investment can lead to limited results if investment is not part of a comprehensive strategy to develop knowledge and innovation with clearly defined aims and outputs, a systematic set of activities, and clear criteria according to which the effectiveness of innovations will be evaluated.

CFSP: MISSION IMPOSSIBLE?

The EU Constitution envisaged significant changes in relation to Common Foreign and Security Policy (CFSP). These changes introduced the legal personality of the EU in the CFSP sphere and the post of EU Foreign Minister. This meant a departure from the current intergovernmental approach, where all decisions are unanimous and have political but not legal force.

Although the Constitution was not adopted, the CFSP should be developed to face global demands so that the EU can sustain and 'conquer' its role as an international actor. Exploring current options for the CFSP requires MS to reflect on

European common values, paying due regard to current external and internal priorities in the CFSP field. While the following table cannot be considered as a road map for systematically implementing EU values, it serves as a tool for a comprehensive view of differences in MS interests.

THE CFSP WILL BE INFLUENCED BY A NUMBER OF EXTERNAL FACTORS WHICH MAY STRENGTHEN INTEGRATION OR HINDER ITS FURTHER DEVELOPMENT

Priorities of EU Member States in CFSP

STATES	CFSP	G	R	PP	D	A / I	H
Austria	Y	Y	B, R, M, ME, A	Y	Y	IG / SN	
Belgium	Y	Y / N	A, B, M, ME			SN	Y / A
Bulgaria	Y		B, BSR			IG	
Czech Republic	Y	Y	R, CIS, B, ME	Y	Y	IG / SN	Y / Germany
Denmark		Y	BR	Y	Y	IG	
Finland	Y	Y	R, BR	Y		IG	
France	Y	Y	TA, A	Y		IG / SN	Y / Germany / A
Germany	Y	Y	R, B, ME	Y		SN	Y
Greece	Y		B, M	Y	Y	SN	
Hungary	Y	Y	R, VIS, ME			IG	
Estonia	Y		BR, CIS	Y	Y	IG / SN	
Ireland	Y / NT	Y	B	Y	Y	IG / SN	
Italy	Y	Y	A, M, ME, B			SN	Y
Cyprus	Y / NT		BSR, B			IG	Y
UK	Y	Y	ME, A, B	Y	Y	IG	Y
Lithuania	Y		R, CIS, BR, B	Y	Y	IG	
Latvia	Y		R, CIS, BR, B	Y		IG / SN	
Luxembourg	Y		B	Y		IG / SN	
Malta	Y / NT		M, ME, A, R			IG	Y
Netherlands	Y	Y	B	Y		IG	
Poland	Y		R, CIS, ME			IG	
Portugal	Y		A, M			IG	
Rumania	Y		BSR, B, ME			IG	
Slovakia	Y		B			IG	
Slovenia	Y		B, M			IG / SN	
Spain	Y		A, M, LA			SN	Y / LA
Sweden	Y / NT	Y	BR, R, CIS, A, ME	Y		IG	

Y – yes	G – globalisation	A / I – approach / interests	LA – Latin America
N – no	R – regionalisation	SN – supranationalism	A – Africa
NT – neutrality	PP – political pluralism	IG – intergovernmentalism	B – Balkans
	D – democracy	H – historicism	BR – Baltic Sea region
			BSR – Black Sea region
			M – Mediterranean
			R – Russia
			ME – Middle East
			CIS – Commonwealth of Independent States

The current CFSP landscape gives no reason for optimism. Political actors will have to continue manoeuvring between political pronouncements and the need for a more effective CFSP including specific activities outside the EU. This situation has lasted for some decades. At the same time, the draft Constitution has provoked debate on development along supranational or intergovernmental lines. The CFSP cannot be separated from overall EU development trends. The CFSP will be influenced by a number of external factors which may strengthen integration or hinder its further development. From the perspective of the external and security policy context, it is evident that the EU will have to reconsider its relationship with the **USA**. Although MS policies differ in relation to the USA, the EU-27 is dominated by a vision of strategic partnership. This is in line with the US position, which trusts in the EU as a strong, united actor in the international arena. The economic and military potential of the EU will not enable it to assume sole responsibility in global processes and it will need influential allies. On the global level, no player can compare with the USA. A balance of both is the best guarantee of international security.

Another important factor is **NATO**. The EU should overcome its “inferiority complex” in relation to the alliance. The sooner the EU can position itself as a global power capable of involving itself in conflict prevention.

The litmus test for the EU will be relations with **Russia**. The EU has to decide whether Russia

should be regarded only as a State supplying energy resources, with relations kept at trade-dialogue level, or as a State with which the EU has multifaceted relations. In the latter case, EU strategy and tactics need reconsidering. This will be a challenge for balancing values and interests in MS foreign and security policies.

EU CFSP historical experience, the existing situation and the position of MS leads to the conclusion that a coherent EU foreign and security policy is feasible only when the federalist dream becomes a reality. However, taking into account MS reluctance over the next 10 years, we will have to live with a CFSP where consolidation or fragmentation will depend on MS internal agendas as well as the external regional and international environment. Therefore, the Latvian position on CFSP should be based on a self-defined vision of the long-term future of Europe. In the medium term, Latvia has to be ready to act in a ‘cocktail’ of changeable positions and national policies. This in turn means that in the sphere of CFSP Latvia has to have three sets of positions:

- A desired future vision.
- Defined priorities to form the core Latvian position.
- A list of possible spheres of activity and tasks to be deployed depending on policies implemented by other MS.

The Latvian situation is complex because States where the EU has managed to find a position and move CFSP towards closer integration are not a priority for Latvia – for instance,

the Mediterranean region, Africa, and Latin America. At the same time, issues such as energy policy and States such as Russia, Georgia, Moldova, Ukraine, which are at the centre of Latvian foreign policy and which are important from the point of view of internal stability

FROM MARKET TO STATE: “GO WHEREVER, FIND WHATEVER”

This Latvian saying from a folk fairy tale is used to describe the current situation. It was only after the referenda in the Netherlands and France that finally the question “*Quo vadis Europe?*” was put seriously on the agenda. However, even this frightening uncertainty over the future after rejection of the Constitution does not disturb politicians and EU citizens, who continue their lives as if nothing had happened. They believe that Immanuel Kant’s *der ewige Friede*, which lasted for sixty years, and the welfare State will continue for at least another “eternity”.

ONE SHOULD CONSIDER THE POSSIBLE INTERESTS OF THE EU AS A UNITED AND RATIONAL ACTOR IN THE INTERNATIONAL SYSTEM

Therefore, to understand whether and how to construct further integration and a European identity, one should consider the possible interests of the EU as a united and rational actor in the international system. Naturally, the

and security, are the ‘hottest potatoes’ on the EU agenda hindering CFSP development. Due to this ambiguous situation, Latvia will have to manoeuvre between different positions in the EU framework and structural changes in world politics in general.

question arises which (whose) interests should the EU represent? At least theoretically, the EU could represent: (a) the interests of humanity; (b) the interests of European peoples; (c) the interests of the MS or their citizens; (d) the interests of the EU as an entity existing alongside MS.

INTERESTS OF HUMANITY

Although the assumption that the aim of an organisation representing 1/15 of the world’s population to represent the interests of all humanity seems *a priori* absurd, such ambitions at least partially derive from the idea of the EU as a normative power. For instance, German sociologist *Ulrich Beck* has proposed the idea of a ‘cosmopolitan State’. This differs from the national State in that it emphasises solidarity with foreigners within as well as outside its borders. However, two preconditions should be satisfied: (1) a champion of the global community should be a major power; (2) long-term possibilities should exist for overall development. This in turn raises two problem questions. First, why should EU citizens take care of

the whole world? Second, why should the world accept the EU to represent its interests?

Interests of European peoples

This is the federation model, for which two preconditions exist: (a) EU citizens should exist as a defined group with united interests and the long-term will to do so; (b) mechanisms should be set up to formulate and project the interests of such groups in relations with the outside world or others in the international system.

In addition to lack of psychological mechanisms to create a European citizenry, political mechanisms for consolidation are either weak or non-existent. EU citizenship as a political instrument exists as a status derived from national citizenship. Due to current differences in naturalisation and immigration requirements, identifying citizens of one MS with the citizens of another is cumbersome. The only representative EU institution – the European Parliament – which might be analogous to a national legislature, is in the best case only a consultative instance. However, the politically insignificant status of the European Parliament does not facilitate formation of EU citizenship. Quite the contrary, it has the opposite effect.

In debates, the scenario of federation is often replaced by the term *deepened integration*. At the same time, emphasis is placed on preserving the sovereignty of EU MS. Since political power and resources are still organized on the basis of MS, from the point of view of international relations power is concentrated in London, Paris and Berlin, not in Brussels.

INTERESTS OF THE MEMBER STATES OR THEIR CITIZENS

If one accepts the critique of the previous two models, this third model envisages the EU as representative of the interests of States, and through them the interests of their citizens as well. This model can be classified as inter-governmental. Although this classification is true for the CFSP, in relation to the European Community it would mean disintegration. If the EU is becoming a mere forum for expressing national interests, then this would run against the *ultima ratio* of its establishment.

The possibility of disintegration has provoked some scholars to come up with alternative scenarios for Europe. For instance, *Juergen Habermas* and *Jacques Derrida* proposed the idea of core-Europe. They argue that a clear clash exists between those who are willing to intensify integration and those who prefer to freeze the process. To avoid disintegration, the core States, according to Habermas and Derrida, should invent a mechanism for intensified cooperation, especially in the field of CFSP and defence policy.

INTERESTS OF THE EU AS AN ENTITY EXISTING ALONGSIDE MEMBER STATES

If difficulties exist to identify what interests the EU represents, one can always refer to the EU *sui generis*, i.e., a new form of socialisation. Its institutional setup enables representation of different MS interests (the European Council), citizens (the European Parliament), and the EC (the Commission). Interests in

this model are replaced by common values, leading to attempts to construct an ‘ideal world’ model. In this ideal, interests would be in harmony. The proponents of this idealistic construction propose perceiving the EU as a normative power in contrast to current leading actors of the international system, whose power derives from military strength. Ian Manners has mentioned three main reasons for EU normativity:

- Transfer of sovereignty to eradicate nationalism.
- Co-existence of supranational and national governance.
- Inclusion of principles of democracy, rule of law, human rights and social justice as EU constitutional norms, in turn creating its international identity.

The opportunity raised by the European Convention was not used, marking it as a major non-event. The initial mistake was the focus on drafting a European Constitution instead of focusing on discussions about EU aims and policies in the 21st century. A need still exists for discussion and a profound change of thinking. Philosopher *Philip Allott* has invented two Universities – Misanthropology, studying humanity as a failure and Philanthropology, studying humanity as a success. A number of differences exist between the two but one best describes the difference: swimming pools. In the University of Misanthropology the pool is circular so that distance becomes irrelevant: the swimmer always ends up in the same place. In the University of Philanthropology the pool is very deep and students are encouraged to dive. Indeed, it is diving that the EU very much needs these days, whereas the fashion seems to be for circular swimming instead.

The article has been written by Ivars Indāns and Kristīne Krūma; language editor – Christopher Goddard. This article is based on the interdisciplinary study “Latvia’s View on the Future of Europe” carried out by the Strategic Analysis Commission. The editor in chief of the study is Žaneta Ozoliņa, the Chairperson of the Strategic Analysis Commission, Professor of the University of Latvia. The authors of the study are Daunis Auers, Dzintra Bungs, Ivars Ijabs, Ivars Indāns, Andrejs Jakobsons, Kristīne Krūma, Atis Lejiņš, Žaneta Ozoliņa, Gatis Pelnēns, Gatis Puriņš, Iveta Reinholde, Toms Rostoks, Inga Ulničāne.

Latvia's Commission of Strategic Analysis under the Auspices of the President of the Republic of Latvia was established on April 2, 2004, on the initiative of the President of Latvia, Dr. Vaira Vīķe-Freiberga. Its founding resolution was jointly signed by the President and the Prime Minister. The Commission's main goal is to generate a long-term vision of Latvia's development through interdisciplinary and future-oriented studies.

The Commission of Strategic Analysis is a think tank that is seeking to consolidate Latvia's scholarly potential for the benefit of Latvia's future development. It has undertaken to research Latvia's opportunities as a member of the European Union and NATO, along with Latvia's place in global development processes. The Commission is also stimulating high-quality dialogue with the country's legislative and executive powers, as well as the general public, on matters that concern Latvia's development and the consolidation of democracy.

The Commission of Strategic Analysis organizes international conferences, discussions and seminars. An annual conference, focusing on issues important for Latvia, Europe and the world, takes place in Riga every November.

In 2006, the Commission of Strategic Analysis, the Latvian Transatlantic Organization and the German Marshall Fund of the United States organized a major international conference entitled *Transforming NATO in a New Global Era* (November 27–28, 2006, in Riga, Latvia). The conference was an accompanying event to the Riga NATO Summit.

The Commission is actively taking part in the formulation of various policy-making documents for Latvia. In 2005 and 2006, the Commission contributed to three such policy papers: a *National Development Plan*, *A Growth Model for Latvia* and *The Priority Areas of Science in Latvia*.



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