

**THINK GLOBAL – ACT EUROPEAN.  
THE CONTRIBUTION OF 16 EUROPEAN THINK TANKS  
TO THE POLISH, DANISH AND CYPRIOT TRIO PRESIDENCY OF THE  
EUROPEAN UNION**

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For the third time since 2008, *Notre Europe*, Jacques Delors' Paris based think tank, has mobilised a group of European think tanks - including the *Cyprus Center for European and International Affairs* of the University of Nicosia - with the aim to confront experts recommendations on the priorities of a Trio of the EU's rotating presidencies. The new edition of the report *Think Global – Act European*<sup>1</sup>, published in June 2011, is thus focused on the current Polish, Danish and Cypriot Trio.

As the role of a rotating presidency has deeply changed under the Lisbon rule, experts have analysed its new direct and indirect roles, highlighting, on a sector-by-sector basis, the way it interacts with other EU institutions. They took stock of the initiatives adopted during the previous Trio presidency, identified emerging challenges and formulated concrete short to medium term proposals aiming for rapid policy progress. In addition 12 key recommendations have been selected by the coordinators of the report.

As expected, the political climate of the current Trio Presidency is even more testing than during the last 18 months; and some recommendations that were still almost taboo before the summer - like the preparation of debt restructuring - have gained a strong actuality.

First, as a core community competence, the Single Market is one of the domains where the Trio Presidency has the biggest opportunity to prove its value.

- The think tanks insist on the need to improve the implementation of Single Market legislation not only by a strong political consensus regarding the agreement on the 12 priorities of the Single Market Act that is expected by the end of the Trio's mandate, but also by a greater implication of regional and local actors.
- But it is more specifically their second recommendation asking for an enforcement of the reliability of the new European financial supervision system by recapitalisation and restructuring of banks in some member states that is currently on top of the agenda.

Concerning on-going EU economic governance reform, over the coming months, the EU's two main priorities will continue to be monetary stability and economic growth.

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<sup>1</sup> *Think Global – Act European. The contribution of 16 European Think Tanks to the Polish, Danish and Cypriot Trio Presidency of the European Union*, directed by Elvire Fabry, Notre Europe, June 2011. Can be downloaded at [www.notre-europe.eu/en/tgae](http://www.notre-europe.eu/en/tgae)

Since the Trio Presidency chairs the Economic and Financial Affairs Council (Ecofin), it is involved in the management of the sovereign debt crisis - activating financial solidarity mechanisms (FSM) and ensuring that member states implement properly the economic governance reforms (i.e. the European Semester, the Euro-Plus Pact and the European Stability Mechanism).

Two factors will however restrict the Trio's role. First, the deepening of the debt crisis puts the European Council in the driving seat. Second, most issues have a strong eurozone-dimension and are thus debated in the Eurogroup, in which the Polish and the Danish are not member. However, if a severe crisis hits the banking sector, the Trio Presidency could be helpful regarding the cooperation that will be needed in the EU 27 as a whole. Furthermore, the EU could also face a political crisis if the government of one or more member states were to deviate from reform agendas - the 2011-2012 period will most likely be marked by an increased polarisation between core and periphery member states.

The three key recommendations of the think tanks are thus now at the center of all debates - particularly the first one, however it was still difficult to propose it last June -:

- Make debt restructuring easier and more foreseeable in future cases - by moving beyond the current framework and setting up the legal basis for a formal mechanism allowing the majority of creditors (private and other sovereigns) and the debtor to reach agreement in an orderly and swift manner - is currently negotiated by member states.
- As short term economic growth is likely to be anaemic, particularly in the eurozone periphery, in a context of tighten national fiscal policy, the EU needs to stimulate growth by developing innovative financial instruments. The think tanks have thus supported the creation of EU project bonds, which the European Commission has now recently proposed to launch next year instead of 2014, in order to develop vital investment sectors, such as R&D, infrastructures and energy.
- Current and further EU economic governance reforms require strong public support. Thus, national actors should anticipate popular resentment and explain to their electorates that fiscal solidarity is in their long-term economic and political interest.

To this picture, the institutional agenda adds the major issue of the negotiation of the forthcoming Multiannual Financial Framework for 2014-2020. In light of the public-finance cuts implemented at the national level, these negotiations seem to be particularly complex. The think tanks thus recommend distributing specific roles to the successive presidencies. One important responsibility for the Polish Presidency would have been to start the negotiations with a debate on the EU's ambitions and priorities, keeping the focus on how the budget should be distributed under the Danish presidency and finally placing discussion of concrete numbers (where the funding will come from?) at the end of the negotiation during the Cypriot presidency . This would help to conduct a transition from concentrating on Member States' "net positions"

towards a focus on European value added and European public goods. However for the moment the debate on EU's priorities is limited to an informal consultation of member states' opinions.

- To allow the new budget to play a decisive role in economic recovery/growth, the report also recommends that:

On the one hand, MFF negotiations should focus on efficiency gains, which could be obtained by improving coordination between national and EU spending (in diplomatic services, defence or research, for example) and by rendering EU spending more responsive to economic fluctuations.

On the other hand, new EU own resources, would help to increase the overall budget volume with independent sources of revenue. Such an initiative would be a first step towards diversifying EU funding, and should thus be taken seriously.

- A way of avoiding a deadlock over CAP financing negotiations could be to co-finance simultaneously the first pillar of the CAP and deeply reform the policy, which would entail assessing an appropriate spending-level, in conjunction with states and regions.
- EU economic integration is at risk of running at a two speeds. To foster less developed Member States' competitiveness, EU cohesion policy should be turned into the leading EU development and investment policy, notably by equipping it with sufficient funds in the next MFF.

And finally concerning the EU as a global player, the establishment of the Union's High Representative for Foreign Affairs and Security Policy (HR), together with the new European External Action Service (EEAS), has stripped the rotating presidencies of a large part of their agenda. But member states remain key players in foreign and security matters. In order to facilitate the HR's work, the rotating presidencies must continue to be fully engaged and assist the HR and the EEAS in establishing effective coordination mechanisms with the European Council, the Commission and the European Parliament, which will enable the HR and her team to act as interlocutors between them. Four priorities have then been highlighted in the report:

- The EU has a specific role to play in its neighbourhood's transition process. It has to compensate for the slowness of its response to South Mediterranean countries' pro-democratic demands by now firmly involving itself in favour of democratic transitions. But doing so, the EU should not neglect its neighbourhood policy in the East. The deceiving results of last Eastern partnership summit (29-30 September) show that the EU neighbourhood policies need to be more active and innovative.
- The EU needs also to consolidate its immigration, border control and asylum policies. Schengen, one of the EU's main achievements, should not be weakened. Labour migration should not be regarded as a security issue but rather as a way to meet sustainable growth objectives.
- Coordinating external and internal EU policies would help to avoid conflicting strategies.
- And finally the Trio should contribute to the development of strategic partnerships with major emerging powers. This will help to raise the EU's standing in international negotiations, notably by helping to prioritise the

Union's interests in each specific partnership, and overcome Member States' bilateral reflexes, which often favour short-term national benefits over long-term European ones.