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CHECK AGAINST DELIVERY

**EUROPE AT A CROSSROADS:
How to stay together**

Ministers,

Excellencies,

Ladies and gentlemen.

Let me first of all say how honoured and grateful I am to be able to address today the Annual Meeting of the ambassadors of the Republic of Latvia.

The theme of our discussion – how to stay united - could not have been more timely. It is often said that the last European Council has been a show of disunity. One no longer speaks of the 27, but of 27 minus, or 17 plus or anything in between... We need to retain a sense of proportion.

Which is why I would like to start by dispelling a few myths, in the short time at our disposal.

Myth number 1 : the principles and procedures on which the Union has been built over decades are outdated and in the process of being thrown over board.

(Méthode communautaire)

The **community method** remains for me the only truly sustainable and democratic decision-making method, even in troubled times. It implies that: the Commission has the right of initiative, decisions are taken in the Council of Ministers of the European Union and in Parliament, the Commission supervises the respect of the treaties, and the European Court of Justice adjudicates in case of alleged violation of the treaties. This method ensures that the rights and interests of everyone, Member States or private parties, are protected in a rules-based democratic and fair system. Any drift away from this amounts to reintroducing 19th century Great Powers politics to Europe. The rule of the strongest has no legitimacy in the EU, it has never had, and will never have.

But I hear you say that, surely, recent events are proving me wrong. Surely it is the case that everything these days is decided by two large Member States, to the exclusion of the others and the Commission.

It cannot be disputed that, since the beginning of the economic and financial crisis in 2008, a creeping tendency towards intergovernmentalism has again spread in the European Union.

The European Commission itself has recently had difficulties to make itself heard, when one crisis summit chased the other, European leaders tending to personify the solutions to the Euro zone's problems. Even the most remarkable initiatives of the Commission, few as they unfortunately are, do not get the public attention they deserve.

I believe, however, that there are signs that this trend, which is in any case unsustainable, is already showing signs of being reversed. All major economic governance reforms that are gradually being introduced will end up increasing the Commission's role and influence, and its powers. Be it the famous six-pack, the "European semester" or the Commission's proposals of November 23rd, to which I shall return, they all point in the same direction: more responsibilities for the Commission, in order to get the Member States to do more together.

Moreover, regarding the role of the Franco-German tandem, it is interesting to note that, among the proposals made by France and Germany during the last European Council on the 8-9 December, many are proposals which have been made before by other member states or by the Eurogroup, during the last year. Some of the decisions taken at the December summit are, by the way, the exact opposite of what had been decided at Deauville between France and Germany. This is, for example, the case regarding automaticity of sanctions, as well as on private sector haircuts. On both these issues, the Franco-German position had led to considerable adverse reactions on the markets.

Not only did the European Council not follow all Franco-German proposals, it even specifically endorsed the Commission's governance proposals of November 23rd, which aim to establish a new framework to guide national budgetary planning, and thus will strengthen the EU's role and powers in matters that had so far been synonymous with national sovereignty.

Myth n° 2 : The divide between small and big member States.

This one always resurfaces in times of great tension inside the EU. The argument is then made that in times of crisis the big Member States should somehow be allowed to take matters in their own hands. This approach is entirely mistaken.

Let me say a few words about small countries in the European Union. Size matters actually a lot less than big countries might suggest. Small countries form the majority of member states now. Legally seen, they have equal possibilities regarding the decision-making process and regarding new initiatives. Moreover, they have the potential to encourage other Member states to join new projects. Luxembourg has been using this since the foundation of the European Union. The Union's smallest member state until the accession of Malta, we always played a pro-active role in initiating new integration projects. We have been at the beginning of initiatives other Member states joined in the aftermath—Schengen and the Euro are good examples which proved to be successful.

Let me even underline the “Paradox of weakness”: the fact that small countries are not perceived as a threat, because they tend to adopt a low-profile approach even while leading new initiatives, can be a crucial advantage. Smaller countries tend to be a lot more efficient in discreet diplomacy than bigger countries. I have always very much appreciated, in that sense, the cooperation between

Luxembourg and Latvia, between the Benelux countries and the Baltic States, which are good examples of member states efficiently coordinating positions, preparing summits and presenting new initiatives.

Myth n° 3 : The Core Europe and the rest

Again, this is nothing new. Such theories have been around for 40 years. But events at the last European summit have brought them back in fashion.

Some say we are seeing the birth of a “new” Europe. There is no such thing. First, I would like to make clear that the new agreement among 17 Member states is only the second best option. The best option, in political and in legal terms, would have been a limited modification of the treaty between the 27 Member States. As it was not possible for one Member State to participate, it has been decided it was better to get a solid legal basis at 17 than no solid outcome. But it has to be clear that the idea was not to put an “Euro-Club” forward. The interests at stake go well beyond the interests of the Euro Zone Member states. At stake are the interests and the future of the European Union itself, with all of its members. It is deplorable that we could not go further at this point in time, and I wish to underline strongly that the new agreement stays open to other Member states to join at any point.

Actually, European Union Member States have been travelling at different speeds since quite some time. A Europe “à géométrie variable” is already part of reality. Forms of reinforced cooperation have multiplied. Think of the 17 Members Euro zone, of the 25 members Schengen area, but also of the 25 states seeking to create a common patent (including Britain, but excluding Italy and

Spain). And now the fiscal compact. We should be prepared for this tendency to go on in the future, opening the way to more sector-specific integration in a more heterogeneous Union, without undermining the Single Market.

It is very important to know that separate cooperation initiatives should always be the last possible way for member states who wish to integrate more, and that they have to be implemented in a legitimate and transparent manner, leaving the possibility open for the others to join at any time. Done that way, by keeping the cooperation open to countries that want to join, without punishing the countries that do not, the creation of a more flexible EU of variable geometry could even ease some of the existing tensions. The basic concept of such enhanced cooperation among some Member States dates back to the 1997 Amsterdam Treaty and is thus nothing new.

The explicit idea is also, by the way, to integrate the new agreement into the European treaties at a later point, as has been done with the Schengen treaty for example, or the Prüm treaty (police cooperation). I hope that this will be possible very soon.

Technically this should not be very difficult, as long as the new international agreement remains firmly limited in its scope. The mandate given by the summit is clear : the new treaty will require member states to incorporate into national law the golden rule limiting budgetary deficits and it will strengthen existing Treaty procedures so that it will be easier to impose sanctions on member States who do not curb excessive deficits. Nothing else is foreseen.

This affects only a very small number of existing Treaty provisions. There will therefore be no technical difficulty in incorporating the new agreement into the

existing Treaty. I would even say that, technically speaking, the work involved in incorporating the Schengen Treaty was much more complex. Still it was successfully done.

The main difficulty is of course of a political nature: once the new agreement is incorporated into the existing texts, the result has to be ratified in all Member States, according to procedures which in some cases include a referendum. This could be difficult in various member States, not only the UK.

One should not exaggerate the problem: the Treaties have to be amended from time to time anyway, for instance when a new member State joins. So limited change is not necessarily impossible to achieve. After all, the UK has a very strong interest in remaining inside the single market: part of strength of the City of London derives precisely from its ability to operate in a large internal market.

One should therefore not be surprised if a little bit of legal ingenuity combines with some political flexibility to find a way round the present difficulties, even if we can't see all the elements of a solution just yet.

With all this focus on a planned new treaty, it would be easy to forget that we are still in the early implementation phase of the Lisbon Treaty. It is still the essential instrument holding us all together, and will remain so for a while.

One of the main aims of Lisbon is to strengthen the EU's external action. This has profound implications for the foreign ministries of the Member States, both large and small.

The most significant challenge, in this context, is the setting up of the European External Action Service. Its primary mission is to assist the High Representative

of the Union for Foreign Affairs and Security Policy. In due course, it should enable Lady Ashton not only to represent the EU but also, and this is crucial, to develop policy, by taking initiatives and actively building consensus around them.

It is now exactly one year since the European External Action Service has been up and running : a perfect moment to assess its functioning, even if it may be too early to make a judgment on whether it has been a success or not. Just as this new European diplomatic service began hiring its staff and defining its organisational procedures, great upheaval and political turmoil struck in the Middle East. The High Representative Catherine Ashton had to face an incredible challenge on the international scene whilst the External Action Service was being put in place. Although Europe did not succeed, in the case of Libya in particular, in joining forces, the situation the EU was faced with proved once again that Europe needs a strong and coherent foreign policy and effective instruments to elaborate and carry out such a foreign policy.

As the Foreign Minister of a small country in the EU, I am convinced that the External Action Service is not only good for Europe – it's good for my country. The means of influence of a small country like Luxembourg on the international stage are obviously limited, yet at the same time, there is a lot we can contribute to international peace and stability. Our diplomats can contribute their experience and know-how to make it a truly European diplomatic service, which can make a difference on a global scale.

This raises the question of whether the **diplomats from smaller member states** have a good chance of taking up **positions of influence within the EEAS**? Are candidates fairly assessed in the recruitment process? At this stage one Luxembourg diplomat has succeeded in obtaining the post of Head of an EU

Delegation. Our sense is that the EEAS is doing its best to make sure the best qualified candidates are those that get hired, whilst taking into account the necessity of guaranteeing a fair geographic and gender balance. But it's crucial that member states are directly involved in the recruitment process and that they fully participate in the juries that select the candidates. Only thus can we be sure that the traditional skills of member state diplomats are just as appreciated by the jury as EU administrative culture and know-how are. It's also important that candidates from the member states' diplomatic services are well prepared for the selection and interview process. Within the Luxembourg Foreign Ministry, we encourage applicants to gain experience from those who have already taken part in the recruitment process or have been members of a jury. I would strongly encourage the Latvian Foreign Ministry to make sure it is fully involved in the selection process and to encourage its diplomats to apply for posts in the EEAS. Your experience and know-how will be an enrichment to the External Action Service.

There is a lot more the European External Action Service can do in order to become the European diplomatic service the EU needs so badly. Alongside its Benelux partners, Luxembourg is convinced that the EEAS should take on **consular functions**. At a time of increased Euroscepticism, it's crucial that the public sees in a concrete way what the EU has to offer EU citizens. When disaster hits in a foreign country and our citizens require help and information, the EU delegation on the ground should be able to offer support to our citizens. In many places in the world, the larger EU member states have Embassies and Consulates that are able to provide assistance to their nationals. In these places there is also often an EU delegation on the ground, but it is not yet foreseen that the EU delegation can provide such assistance to EU citizens. Many of us have made consular arrangements with other countries. In the case of Luxembourg, our nationals are assisted by the Belgian embassies and consulates whenever

there is a need. Why can the EU delegations not function according to similar arrangements and offer that kind of support to all EU citizens?

I am pleased that we have started concrete thinking on this matter. The Benelux have joined forces with the Baltic states, Finland and Sweden to identify specific consular tasks that lend themselves to closer cooperation between member states and could, we believe, be taken on by the EEAS. I intend to push this endeavour with all possible means, because it's not only good for the smaller countries that are not present everywhere in the world, but because it's good for the EU and the perception the public have of the EU.

The European Action Service is not meant to replace our national diplomatic services. It's rather a European tool which allows the EU to make better use of the diplomatic resources in the hands of member states. It has to work hand in hand with the Foreign Ministries of the EU member states and their embassies. It is therefore **crucial that coordination on the ground** between the EU delegations and our embassies works efficiently. **Information-sharing** is of key importance. How else will we create a truly European policy towards a third country if only a few member states are kept in the loop? The Secretary-Generals of the EU 27 and the EEAS have worked out guidelines for EU cooperation in third countries. This is an important step forward. We now need to make sure they are properly implemented on the ground and that the EU delegations involve us all, and not just a few member states, in EU Foreign-policy making.

Thank you for your attention. I am looking forward to our debate.