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Topic Area A

Dialogue upon specific proposals for the improvement of the Constitutional Treaty, in order to strengthen the current structures of the Union and thus to ameliorate its response to the future challenges.



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1. The Road to the Constitution

1957 Treaty of Rome: On 25th March 1957, 6 countries (Belgium, France, Germany, Italy, Luxemburg and the Netherlands) signed the Treaty establishing the European Economic Community (EEC Treaty) and the European Atomic Energy Community.

1986 Single European Act: It was the first reform of the treaties since the 1950s and its objective was to complete the single market by 1992.

1992 Treaty of Maastricht: It established the European Union and the 3-pillar structure of the EU. It introduced a common foreign and security policy (CFSP) and cooperation in the field of Justice and Home Affairs (JHA). In 1992 the creation of the EU marked the transition from an economic community to a political union with shared values.

1997 Treaty of Amsterdam: This Treaty intensified European integration, particularly by formally establishing the principles of freedom, democracy and respect for human rights, creating a basis for common policy on freedom, security and justice and adding new domains to the Community scope. It paved the way for a reform of the European institutions, in particular with a view to enhancing the role of the European Parliament.

26 February 2001: Signature of the Treaty of Nice: The Treaty of Nice is a treaty adopted in Nice by the European Council to amend the two founding treaties of the European Union: the Treaty on European Union or Maastricht treaty and the Treaty of Rome, which established the European Economic Community and the European Atomic Energy Community.

15 December 2001: At Laeken, in Belgium, the Heads of State or Government of the then 15 Member States of the European Union decided to convene a “European Convention” with the task of amending the existing European Treaties (Laeken Declaration).



28/02/2002 –10/07/2003: European Convention. The European Convention brought together representatives of the Member States, European Parliament, national parliaments and Commission. In addition, 13 observers, representing the Committee of the Regions, the Economic and Social Committee, the European social partners and the European Ombudsman, oversaw the proceedings of the Convention. The 105 members of the Convention debated in public and all the official documents were published, notably on the Internet. The European Convention proposed an in-depth reform of the Union to make it more effective, more transparent, more comprehensible and closer to European citizens. The result of this labor was the ‘draft Treaty establishing a Constitution for Europe’, served as a basis for the 2003/2004 Intergovernmental Conference negotiations.

20 July 2003: Presentation of the draft Constitution -> The results of the European Convention.

December 2003: The Brussels European Council of 12-13 December 2003 did not reach an overall agreement on the Constitution. In fact, the Member-States failed to reach agreement on two basic issues, i.e. the future arrangements for qualified majority voting in the Council and the composition of the Commission.

4/10/03-18/6/2004: Intergovernmental Conference: This draft was then submitted to the IGC, which was composed of representatives of the governments of the present and future Member States. The Heads of State or Government reached a consensus on the Treaty establishing a Constitution for Europe on 18 June 2004.

29 October 2004: Signature of the Constitution in Rome.

2004-2006: Ratification procedure of the Constitution by the Member States.

20 May 2005: The referendum in France failed.



1 June 2005: The referendum in the Netherlands failed.

After the failure of the two referendums in France and the Netherlands, the governments of Denmark, United Kingdom, Ireland, Portugal and Czech Republic postponed the referendums that they have planned to take place in their countries. Sweden suspended the parliamentary ratification of the Constitutional Treaty.

16 and 17 June 2005: Brussels European Council: Declaration of the Chiefs of State or Governments on the Ratification of the Constitution.

15-16 June 2006: Brussels European Council: Statement from Heads of State and Government on relaunching the ratification procedure.

December 2006: 16 member states have ratified the Constitutional Treaty (Austria, Belgium, Greece, Estonia, Italy, Spain, Cyprus, Latvia, Lithuania, Luxemburg, Malta, Hungary, Slovakia, Slovenia, Finland and Germany. Finland has become the latest country to ratify the European constitution, four weeks before the end of its six-month presidency. In Germany the constitution was ratified by the German parliament in May 2005, but it has yet to be signed by President Horst Koehler, pending the outcome of a case being heard in the constitutional court.

January 2007: Romania and Bulgaria entered the EU and the member states, which have ratified the Constitutional Treaty since now, augmented to 18. So, 18 up to 27 member states have now largely completed the ratification process.

Two countries - Germany and Slovakia - have completed the parliamentary stage of ratification, but the ratification instruments have not been signed.



2. Treaty of Nice

The Treaty of Nice was signed on 26 February 2001 and entered into force on 1 February 2003. The primary purpose of the Treaty of Nice was to reform the institutional structure to withstand the Enlargement of the European Union, a task which was supposed to have been carried out at the Amsterdam Inter-Governmental Conference (IGC), but the Treaty of Amsterdam failed to address most of the issues.

First of all, as it wasn't known when and in what order the applicant countries would join the Union, the new distribution of seats in the European Parliament, the new composition of the Commission and the new definition of qualified majority within the Council were determined by the Treaty of Nice for a Union of 15 Member States. The Treaty restricted itself to setting out the principles and methods for changing this system as the Union grows. These principles and methods are listed in the **protocol on enlargement and attached declarations**, particularly the declaration on the enlargement of the European Union.

The Treaty of Nice consists of two parts and four Protocols. In addition, the IGC adopted 24 Declarations and took note of three more from different Member States, which were also annexed to the Final Act. The institutional reform achieved in Nice has been described as "technical" and "limited". The Treaty does not, in fact, drastically change the institutional balance but rather makes some adjustments, mainly to the function and composition of the institutions and enhanced cooperation. The main changes that have been made through the Treaty of Nice could be summarized into the following three chapters:

2.1. Institutional questions

- The Council of the European Union and the new weighting of votes in the Council: adjustment in the weighting of votes in favour of the more populated Member States and redistribution of votes among the 15 then 27 Member States.
- The European Commission: change in the composition of the Commission, increase in the powers of the President and change in the way he or she is nominated.



- **Judicial System:** new division of tasks between the Court of Justice and the Court of First Instance and the possible creation of specialist judicial Chambers.
- **European Parliament:** extension of the co-decision procedure and adjustment of the number of seats allocated to each current and future Member State. At the moment, the seats have reached the 785.
- **Other Institutions:** The Court of Auditors, the European Economic and Social Committee and the Committee of the Regions: composition and nomination of members.

2.2. The decision-making process

- **Enhanced Cooperation:** the Treaty of Nice has made the enhanced cooperation system more flexible (less strict conditions, removal of the right to veto, more fields of application).
- **Qualified-majority voting:** extension of the qualified-majority decision-making process to around thirty new Articles.

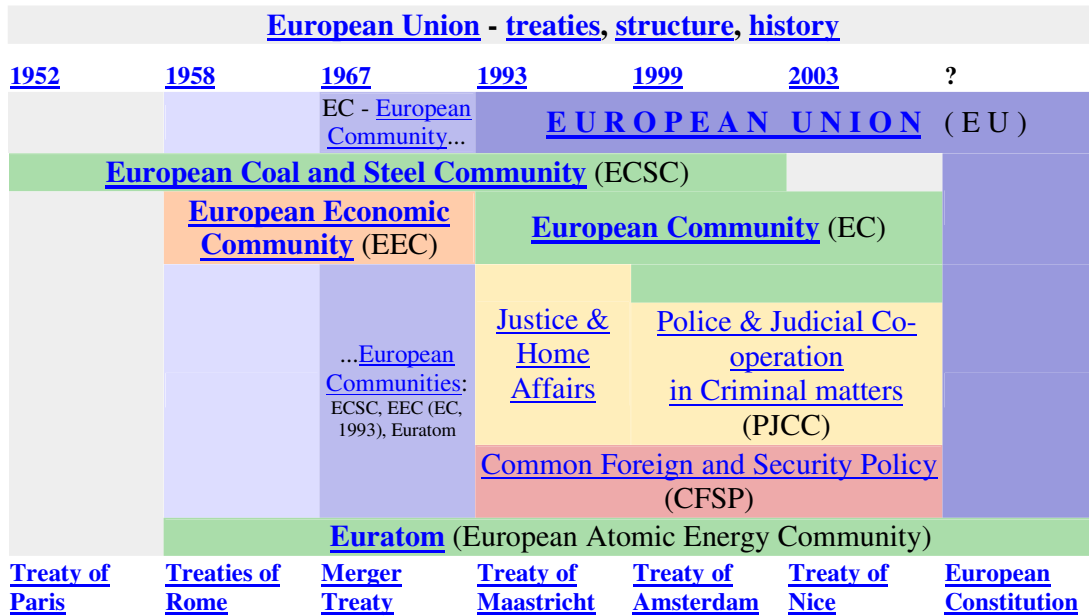
2.3. Other reforms

These involve several thematic provisions relating to fundamental rights, security and defence policy, cooperation over criminal law, the status of European political parties as well as a number of provisions contained in the Declarations and Protocols annexed to the Treaty.

In a Declaration on the future of the Union annexed to the Treaty of Nice, the intergovernmental conference called for a deeper and wider debate on the future of the European Union. The debate was to involve national parliaments and all public opinion as well as the candidate countries and lead to the convening of a new IGC in 2004.



Timeline of the Treaties and EU Constitution



"THREE PILLARS" - European Communities (EC, Euratom), Common Foreign and Security Policy (CFSP), Police and Judicial Co-operation in Criminal matters (PJCC)

Source: http://en.wikipedia.org/wiki/Treaty_of_Nice

3. The European Constitution

The European Constitution is both a treaty subject to the rules of international law and a Constitution, which contains elements of a constitutional nature. The European Constitution was prepared in a transparent and democratic way, by a European Convention, which included 72 directly elected representatives among its 105 members. It has also been subject to a process of ratification by the national parliaments of 25 Member States of the Union (bodies which have likewise been elected by direct universal suffrage), or to a referendum.



3.1. Why to have a European Constitution?

The European Constitution is the next important step in the construction of a new Europe after the Treaty of Nice. It is designed to meet the challenges of an enlarged Europe: a Europe of 27 Member States and more than 450 million inhabitants; a democratic, transparent, efficient Europe working to serve all Europeans. The European Constitution replaces all the treaties signed over the last 50 years, (except of the Euratom Treaty) with a single text.

Of course, it does not replace the national Constitutions of the EU member states. It coexists with these Constitutions and has its own justification and its own autonomy, in order to apply throughout the European Union. The European Constitution defines the contexts within the European Union is competent to act.

3.2. Structure of the Constitutional Treaty

The Constitutional Treaty is divided into four main parts, which are all of equal rank. Following a constitution-style Preamble recalling the history and heritage of Europe and its determination to transcend its divisions:

❖ Part I is devoted to the values, principles, objectives decision-making procedures and institutional provisions governing the new European Union. It also describes the symbols, citizenship, democratic life, decision-making procedures and finances of the Union. Divided into nine Titles, Part I covers:

- the definition and objectives of the Union;
- fundamental rights and citizenship of the Union;
- Union competences;
- the Union's institutions;
- the exercise of Union competence;
- the democratic life of the Union;



- the Union's finances;
 - the Union and its neighbours; and
 - Union membership.
- ❖ Part II comprises the “Charter of Fundamental Rights”. The European Union Charter of Fundamental Rights sets out in a single text, for the first time in the European Union's history, the whole range of civil, political, economic and social rights of European citizens and all persons resident in the EU. These rights are divided into six sections: Dignity, Freedoms, Equality, Solidarity, Citizens' rights, Justice
- ❖ Part III comprises the provisions governing the **policies** and functioning of the Union. The internal and external policies of the Union are laid down, including provisions on the internal market, economic and monetary union, the area of freedom, security and justice, the common foreign and security policy (CFSP), and the functioning of the institutions. Part III also contains seven Titles:
- provisions of general application;
 - non-discrimination and citizenship;
 - internal policies and action;
 - association of the overseas countries and territories;
 - the Union's external action;
 - the functioning of the Union; and
 - common provisions.
- ❖ Part IV groups together the general and final provisions of the Constitution, including entry into force, the procedure for revising the Constitution and the repeal of earlier Treaties.

A certain number of protocols have been annexed to the Treaty establishing the Constitution, in particular the Protocol on the role of national parliaments in the European Union, Protocol on the application of the principles of subsidiarity and proportionality, Protocol on the



Euro Group, Protocol amending the Euratom Treaty, Protocol on the transitional provisions relating to the institutions and bodies of the Union.

In addition, a large number of declarations have been annexed to the Final Act of the Inter-Governmental Conference (IGC).

3.3. Main innovations in the Constitutional Treaty

The founding principles of the Union

- The values and objectives of the Union are enshrined, as are the rights of European citizens, thanks to the incorporation into the Constitution of the European Charter of Fundamental Rights.
- The Union is accorded a single legal personality (merger of the European Community with the European Union).
- The competences (exclusive, shared and supporting) and their distribution between the Member States and the Union are defined clearly and permanently.
- For the first time, with the introduction of a voluntary withdrawal clause, Member States may withdraw from the Union.
- The instruments of action available to the Union are simplified, reducing their number from 15 to six, as is the terminology, with the introduction of European laws and European framework laws.
- For the first time, the democratic underpinnings of the Union, including participatory democracy, are defined, and a genuine right of popular legislative initiative is introduced.

The institutions

- The seats in the European Parliament are distributed on a degressively proportional basis.
- The European Council, which will be chaired by a President elected for two and a half years, is formally institutionalised, and the rotating Presidency of the European Council is discarded.



- The size of the Commission will be reduced from 2014, to make the number of Commissioners equal to two-thirds of the number of Member States.
- The President of the Commission is to be elected by the European Parliament based on a proposal from the European Council.
- A Minister for Foreign Affairs is to be appointed, taking over the tasks of the External Relations Commissioner and the High Representative for the Common Foreign and Security Policy attached to the Council.

Decision-making

- A new qualified majority system is established, under which 55% of the Member States representing 65% of the population will constitute a qualified majority.
- Qualified majority voting in the Council of Ministers is being extended to cover around 20 existing and 20 new legal bases.
- The joint adoption of European laws and framework laws by the European Parliament and the Council is to become the norm (ordinary legislative procedure).
- Several bridging clauses are created for facilitating subsequent extensions of qualified majority voting and switchover to the ordinary legislative procedure.

Union policies

- Economic coordination between the countries that have adopted the euro is to be improved, and the informal role of the Euro Group is to be recognised.
- The pillar structure is abolished. The second (common foreign and security policy) and third (justice and home affairs) pillars, which were hitherto subject to the intergovernmental method, are brought within the Community framework.
- The common foreign and security policy is strengthened with the creation of a European Minister for Foreign Affairs and the progressive definition of a common defence policy through, for example, the creation of a European Defence Agency and the authorisation of enhanced cooperation in this field.



- A genuine area of freedom, security and justice is to be created through the planned implementation of common policies on asylum, immigration and external border control, in the field of judicial and police cooperation, and through the development of Europol and Eurojust actions and the creation of a European Public Prosecutor's Office.

3.4. Policies of the member-states concerning the Constitution

Constitution Progress

Ratified: Austria, Belgium, Bulgaria, Cyprus, Estonia, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Rumania, Slovenia, Spain

Nearly ratified: Germany, Slovakia

Ratification on hold: Czech Rep, Denmark, Ireland, Poland, Portugal, Sweden, UK

Rejected: France, Netherlands

Belgium and Luxemburg support the existence of a constitutional Treaty, as a basis for the future development of the Union. The government of the Netherlands is also in favour of the Constitution, but the majority of Dutch people voted against this Treaty in the referendum held in June 2005. Denmark favours a Constitutional Treaty, but only a treaty is acceptable since the Union consists of nation states. However, it should be constitutional in order to enforce democratic rights of the European citizens. Finland is the last member state, which ratified the Constitution, as Finland stresses the need of a constitutional framework. France is the warmest supporter of the political unification in Europe, so the French government totally supported the creation of “Traite Constitutionnel”. However the referendum of the EU Constitutional Treaty failed expressing the dissatisfaction of French people. Germany is in favour of the Constitutional Treaty and supports the idea of a group of more integration minded countries. Portugal stresses the fact that the constitution must be based on the principle of equality between member states. The Czech Republic supports the Constitutional Treaty, but the referendum concerning the ratification of the Treaty was postponed. Sweden is more or less in favour of the Constitution and supports that the treaties already function as a kind of constitution. The United Kingdom has expressed a negative view for any kind of political reformation, supporting the idea of an economic union alone. The UK calls for a proper



constitution, which is need for EU. However, the UK, the Netherlands and Poland seem not so eager to start negotiations on the reform of the Constitutional Treaty. On the other hand, Bulgaria and Romania –the new member-states are in favour of the Constitutional Treaty. Turkey sees from a positive perspective the adoption of the Constitutional Treaty by the EU Member States.

4. Preface

Although 18 Member States have ratified the Constitutional Treaty, there are many things to be done till the moment of the adoption of this Treaty. The alleged weaknesses of the social dimension of the Union and the lack of information of the European citizens concerning the European issues were undoubtedly major contributory factor to the defeat of the constitution in France and in the Netherlands. Many think that there are internal problems or legislation obstacles within the member states, which burden the completion of the ratification process. The Constitution is necessary for the building of Europe's future and discussions on the amelioration of this will continue in order to achieve its goal. The German EU presidency will propose a roadmap designed to pave the way for institutional reform. Our agenda contains four main issues concerning the Constitutional Treaty: the EU Minister of Foreign Affairs, the 'permanent' presidency of the European Council, the Economic governance of the Union, Europe's social future.

5. Issues concerning the Constitutional Treaty

5.1. The EU Minister of Foreign Affairs

Introduction

One of the principal amendments made by the draft Constitutional Treaty to the provisions of the Treaty on European Union (EU Treaty) is the institution of a Union Minister for Foreign Affairs, who will contribute to the development and implementation of the CFSP. The purpose of introducing such a role was to make the European Union's external action more effective and coherent, as the Minister for Foreign Affairs will represent the voice of the Union's common



foreign and security policy (CFSP). He/she will take on the external representation role currently carried out by the Presidency and will coordinate Member States' action within international organisations.

This institutional innovation is the result of merging the functions of the High Representative for the CFSP and the External Relations Commissioner. Provision is made for the creation of the post of Foreign Affairs Minister in Article I-27 of the draft Constitutional Treaty. His or her role is to ensure that the European Union runs a coherent foreign policy using all the instruments at its disposal.

The Foreign Affairs Minister will not, however, have sole charge of the Union's external representation. The draft Constitution does not, however, go into detail about how these functions are to be divided between the European Council President and the Foreign Affairs Minister, leaving their respective roles for institutional practice to decide.

Appointment Procedure

The Minister for Foreign Affairs is to be appointed by the European Council acting by qualified majority, with the agreement of the President of the Commission and after approval by the European Parliament. The European Council may end the Minister's tenure by the same procedure as that through which he or she was appointed.

The Minister for Foreign Affairs will also be one of the Vice-Presidents of the Commission. In exercising responsibilities within the Commission and only in exercising those responsibilities, he or she is bound by Commission procedures.

Responsibilities

According to the Convention, the Foreign Affairs Minister will have two roles, being both the Council's representative for the common foreign and security policy and one of the Commission's Vice-Presidents.

As such, the Foreign Affairs Minister will conduct the Union's common foreign and security policy and, for this purpose, will have a right of initiative in foreign policy matters and implement that policy under mandate from the Council of Ministers. The Minister will perform a similar role in



the area of common security and defence policy. When acting under this mandate, he or she will be bound by the collegiate principle governing the Commission.

The draft Constitutional Treaty also provides that, the Foreign Minister will not only chair the Foreign Affairs Council, but also contribute by his or her proposals to the preparation of common foreign and security policy and ensure implementation of European decisions adopted by the European Council and the Council of Ministers. Together with the Council of Ministers, he or she is responsible for seeing that CFSP principles are complied with (Article III-195).

The Foreign Affairs Minister will represent the EU in matters concerning the common foreign and security policy, conduct political dialogue on the Union's behalf and express the Union's position in international organisations and at international conferences. He or she is also responsible for coordinating Member States' action in international forum (Article III-206). In this capacity, he or she may, where the Union has defined a position on a subject which is on the United Nations Security Council agenda, be called upon by the Member States sitting on the Security Council to present the Union's position (Article III-206).

In addition, the Union's special representatives (appointed and mandated by the Council of Ministers to deal with specific policy issues) carry out their mandate under the authority of the Union Minister for Foreign Affairs (Article III-203).

At the same time, the Union Minister for Foreign Affairs is one of the European Commission's Vice-Presidents, responsible within the Commission for external relations and coordinating other aspects of the Union's external action. The EU is responsible for maintaining consistency between the different areas of its external action and between these and its other policies, and the Council of Ministers and the Commission, assisted by the Union Minister for Foreign Affairs, must cooperate in ensuring that consistency (Article III-193).

European External Action Service

Finally, the Foreign Affairs Minister will be in charge of a diplomatic service with delegations in almost 125 countries. The draft Constitution provides for a European External Action



Service to be set up to assist the Minister in his or her functions, in order to conduct the Union's common foreign and security policy.

This joint service will be established by an agreement between the Council of Ministers and the Commission (without prejudice to the rights of the European Parliament) and placed under the authority of the Foreign Affairs Minister. It will be composed of officials from relevant departments of the General Secretariat of the Council of Ministers and of the Commission and staff seconded from national diplomatic services.

The staff of the Union's delegations operating in third countries and within international organisations will be provided from this joint service. According to the Declaration on the creation of a European External Action Service, the necessary arrangements for establishing this service should be made within the first year of entry into force of the Treaty establishing a Constitution for Europe.

Positions of the member-states concerning the EU Minister of Foreign Affairs

Austria favours the creation of a genuine 'foreign minister' within the Commission with a special status. BENELUX, Bulgaria, Finland, France, Lithuania, Malta, Poland, Slovakia, Slovenia and Germany agree that the EU Minister of Foreign Affairs, who will enjoy the status of Commission Vice President and will be under the authority of the Council, should perform the roles of High Representative for the CFSP and the Relex Commissioner ('double-hatting'). Greece states that the functions of the HR and the Relex Commissioner should be merged and favours the creation of European diplomatic corps. Ireland hesitates to take a clear position on the question of double-hatting, however it seems to be in favour of it. Portugal supports the idea of a European representative for external affairs. Spain opposes the proposal of merging the HR and Relex Commissioner. However, it supports that the EU Minister for Foreign Affairs shall chair the Council for External Relations and participate in the Commission's meetings where proposals concerning the Union's external action are discussed. According to Sweden, the Union will strengthen its role at an international level by the appointment of a permanent chair of the European Council, so there should be no new office of a European Foreign Minister. UK, likewise Spain, does not favour a merge of the Relex Commissioner and the HR and it supports that the High



Representative could chair the Council of the Foreign Ministers. Czech Republic is in favour of the 'double-hatted' representative who would have two deputies – one for external relations in the Commission and one for the external affairs in the Council. Estonia does not agree with the idea of merging the High Representative with the Relex Commissioner. Turkey does not oppose to the merger of the High Representative and the Relex Commissioner.

5.2. The establishment of a 'permanent' presidency of the European Council

Role and responsibilities of the President

The Convention proposes appointing a President of the European Council, who would take on the work currently assigned to rotating Presidencies. Article I-21 sets out the tasks assigned to and the arrangements for the election of this new figure in European politics. He/she will be elected by a qualified majority, for a term of two and a half years, renewable once. In the event of an impediment or serious misconduct, the European Council can end his or her mandate according to the same procedure.

He/she will chair the European Council and drive forward its work, and ensure its proper preparation and continuity in cooperation with the President of the Commission, on the basis of the General Affairs Council's work. The President also endeavours to facilitate cohesion and consensus within the European Council and presents a report to the European Parliament after each of its meetings.

The President will also, at his or her level, ensure the external representation of the Union on issues concerning its common foreign and security policy, without prejudice to the responsibilities of the Union Minister for Foreign Affairs.

The Convention also proposes that the President of the European Council may not hold a national mandate at the same time. However, this arrangement does not prevent the President of the European Council from holding another mandate within another European institution. This allows for the future possibility of combining the roles of President of the European Council and President of the Commission, if the Member States wish this arrangement.



Positions of the member-states on the specific issue

Austria, Estonia, Latvia, Slovakia and Greece condemn the proposal for an appointed President of the EU and as they support that equality between member states is a fundamental principle. Lithuania and Malta are against the establishment of a permanent President of the European Council, as it would change the institutional balance in the Union. Portugal considers the end of the rotating presidency as a mistake and calls for its improvement. BENELUX, Finland and Ireland favour maintaining the system of rotation on the level of the European Council and Council of Ministers and prefer this system of presidency. Denmark would prefer maintaining the system of half-yearly presidencies but also supports the introduction of a permanent President of the EU. France states that the President shall represent the Union on the international stage, except in CFSP matters (European Foreign Minister). Spain regards that the European President shall be helped by a team of five or six heads of state and government, in accordance with a rotating system. Germany and Poland support the idea of the European President, who will be appointed by the European Council in accordance with the Commission and the European Parliament. Sweden regards the European president as the European Council chair who will be supported by a rotating team presidency, which is consisted of a specific number of member-states. UK agrees with Sweden on the existence of a fixed chairmanship of the European Council and favours the idea of the team presidency. Czech Republic is against a Permanent President of the European Council and supports the idea of a combined team presidency with an 18-month term in office composed by three member states.

5.3. Shaping Europe's economic future – Economic governance

The general economic policy of the European Union is aimed at job creation, social cohesion, and a high level of environmental protection. The Union also shall promote learning, training and scientific and technological advance, by combating social exclusion and discrimination. The Union shall adopt an economic policy, which is based on the close coordination of Member States' economic policies, on the internal market and on the definition of



common objectives, and this policy will be in accordance with the principles of sustainable development and a competitive, social and ecological market economy.

5.3.1. Completing the Internal Market and strengthening the competitiveness of European enterprises

Europe is the largest market in the world in terms of economic strength. The potential of this market must be exploited to boost growth and create new jobs. To this end the German Presidency will pursue the following agenda:

The first priority will be to take steps to strengthen Europe on the global stage within the framework of the new Internal Market Strategy, in consultation within the Commission. This requires us to foster innovative potential and push forward market opening in growth industries. Specifically, the Presidency aims to move closer to fully liberalizing the European industries. Specifically, the Presidency aims to move closer to fully liberalizing the European market for postal services and revising the legal framework for telecommunications, as well as to establish an efficient and competitive information society. For example, Germany will push for the adoption of the Roaming Regulation to reduce the cost of mobile phone use abroad for calls throughout Europe. The Presidency will also work to achieve a strong and efficient legal protection system for the awarding of public contracts to advance the development of norms and standards for products and services as well as to facilitate the free movement of goods through the principle of mutual recognition. It intends to drive forward the harmonization of company law and the implementation of the Action Plan on Financial Services by increasing convergence in supervisory practices, among other things. Work on a modernized Customs Code and on the E – Customs initiative to create a standardized electronic environment for EU customs administrations and trade is to continue. At the same time, the Presidency will strive to improve the European patent system, particularly by making progress with the uniform patent dispute resolution system called for by the European business community.

The second priority is to strengthen the competitiveness of the industrial sector, the service industry and especially small medium – sized enterprises. On the basis of the Commission's work



programme on industrial policy, the German Presidency will focus on the automobile industry, on which the Commission has issued a Communication taking account of the High-Level Group's sector-specific recommendations.

The third priority is the discussion on the external dimension of the Union's competitiveness and the promotion of the implementation of individual measures in key areas. Most of these are initiatives in the field of multilateral and bilateral trade relations, as well as measures to strengthen trade protection instruments, safeguard Europe's raw material supply sources and improve coordination of internal and external EU policies (Chapter IV).

5.3.2. Growth and stability-oriented financial and economic policy

The EU of 27 member states needs streamlined and targeted coordination processes for financial and economic policy. They must be transparent and comprehensible to the public and help raise awareness of the need for ongoing economic policy reform. The German presidency intends to work to achieve effective coordination of financial and economic policy in line with the planned revision of economic policy principles. Country-specific recommendations must be designed with the aim of ensuring dynamic and stable economic development and sustainable public finances in all Member States as well as a high level of consistency in the economic and monetary union.

In addition, the euro area would profit from having both greater autonomy and responsibility. We shall establish a more political approach within the Euro Group to the making of common policies, at home and abroad, in order to reinforce the capacity of the euro area to take decisions and implement them. Slovenia is the last Member State, which entered the Euro-zone in January of 2007. The German Presidency will support other Member States in their preparations for the introduction of the euro, which requires a high degree of sustainable convergence. It will ensure that rapid convergence examinations are conducted on the basis of the criteria set down in the EC Treaty. All in all, we have to solve the conundrum that the historic success of the euro has not yet been noticed by many of the citizens who profit from it.



The quality of public finances is becoming increasingly significant in view of the challenges of demographic development and globalization. The German Presidency will intensify the exchange of information and experiences to improve the structure and viability of public budgets. We need to stress the improvement of effectiveness and efficiency in the utilization of public funds.

Success in tackling tax fraud is a key factor in ensuring the sustainability of public budgets. Securing a fair levying of VAT (Value Added Tax) and guaranteeing a steady source of tax resource are two basic dimensions that affect the economic governance of the Union.

5.3.3. Promoting research and development

Considerable investment in education, research and development is a vital for prosperity and economic growth. The Union aims to create a globally competitive knowledge-based economy with a strong social dimension and a high level of care for the natural environment. It will develop research and innovation as the key to long-term investment. In view of this, the EU has decided by 2010, a minimum of 3% of GNP should be channelled into research and development.

The German presidency sets as priority the promotion of innovations in the private and public sectors and the promotion of basic research for the development of new products and services. The launch of the 7th Research Framework Programme and the European Research Council (ERC) in early 2007 will contribute to the efforts of the Union concerning this issue.

In addition to the EU Research Framework Programme, other EU financing instruments must be used to boost investment in research and development. For example, Structural Fund resources are also to be used to integrate the new Member States more firmly into the European Research Area. The new Member States shall be given practical assistance with issues related to financing research infrastructures by combining Structural Fund resources with funds from the 7th Research Framework Programme.

Technological and applied research must be strengthened if Europe is to become more innovative. This requires us to combine the existing potential in universities, other research institutions and the business sector.



Positions of the member-states on the economic governance of the EU

The Eurozone has thirteen member states: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovenia, Spain.

U.K, Denmark and Sweden will not be joining the single currency in the foreseeable future at least. Greece supports the idea that Europe needs a common economic policy, an objective that cannot be achieved without the adequate means. Luxemburg calls for closer coordination of economic policies within the framework of the Board Economic Policy Guidelines (BEPG), which is needed in order to guarantee growth, employment and social progress. Spain states that economic governance in a single internal market must be developed further through a strengthening of common policy and the willingness for deeper cooperation and harmonisation. Sweden calls the Union to take more actions in this area,, in order to finalise the internal market. Cyprus sees the need for a stronger and greater cooperation of economic policies. Poland supports the idea that the Union could develop a better tax harmonisation and a deeper common economic space. In general, the 12 new member states of the EU ask for more employment and investment opportunities in other member states.

5.4. Shaping Europe's social future

Social policy is a cornerstone of the single market. So, European integration also has a social dimension, which for many people is embodied by the EU's role in creating jobs and fighting employment. In addition, the EU must do its part in safeguarding and developing the European way of life and identity and the values of a social order in the age of globalization and rapid demographic change. Intensifying their cooperation is the primary way in which the Member States and the EU must demonstrate their commitment to a social Europe. The EU Member States have to give to the European citizens a clearer idea of where the Union is headed with respect to future labor and social welfare.



5.4.1. Further developing the European Social Model

The European Social Agenda underlines the fact that social, employment and economic policy do not have to compete with each other but are mutually complementary. The Agenda's goal is to combine the flexibility required for the labour market with social protection and social security ("flexicurity"). One focus of the exchange of experiences between the Member States should be on equal opportunities in the labour market.

The debate on the European Social Model has to be fleshed out with concrete proposals, which will illustrate the positive effects of interaction between the three policy areas of economy, employment and social affairs. The Union and the Member States will aim to develop a skilled, trained and adaptable workforce and labour markets responsive to economic change. In future, plans for European legislation should receive a greater public profile and be examined with regard to their social impact to the citizens of the Union.

5.4.2. Opportunities and challenges of demographic change

Over the coming decades demographic change will pose complex challenges to the societies of the EU Member States. On the one hand, growing life expectancy among the population affects the state, society and families. On the other hand, the proportion of working people in the population as whole will fall. Fewer children and young people could reduce prosperity, decrease pace, detract from innovation and lower the quality of life.

Against this backdrop, the management of demographic change is a key issue for our societies. At EU level ideas on how to make more effective use of potential and experience of the older generation to benefit the economy and society and how to increase the involvement of older workers in the workforce in the long term should be shared more actively. Germany intends to continue the discussion on the economic potential of older people at European level.

In view of high levels of unemployment among young people in many parts of Europe, their integration into labour market is a top priority. Together with its European partners, the German presidency will implement the European Pact for Youth and the European Youth in Action



Programme, which offer a comprehensive framework for the promotion of young people outside school. Measures are needed to be taken on better social integration particularly for disadvantaged young people.

Last but not least, a sustainable and successful family policy at is crucial for the adoption of a European Alliance for Families.

5.4.3. Strengthening cities, regions and rural areas

Many regions in Europe face similar issues connected with spatial and urban development. Integrated urban development and greater coordination of spatial and urban development policy help shape demographic change in the long term as well as fostering a growth-oriented regional policy. The EU member states have to improve the situation in disadvantaged urban districts and strengthen the local economy in these areas.

Demographic change also affects rural areas to a considerable degree. The shift in the focus of agricultural policy takes account of the greater level of responsibility for regional development. The proposals for regional development will go beyond the field of agriculture concerning the rural areas.

5.4.4. Promoting equal opportunities and participation in the labour market

During the European Year of Equal Opportunities for All (2007), particular attention will be given to steps to guarantee equal opportunities to all population groups. The Roadmap for equality between women and men 2006-2010 is to be implemented at European and national level, and a long-term approach is to be adopted to improve the compatibility of family and career. Measures are needed to be taken in order to promote equal opportunities for men and women in employment and raising families as well as the integration and training for women from immigrant families. In implementing the European Employment Strategy, the Presidency will focus particularly on equal employment opportunities for disadvantaged population groups.



Positions of the member-states on the specific issue

Germany and other member states strongly supportive of the EU Constitution want to add a social protocol to the rejected Treaty in order to gain the French and Dutch support. The French Labour Minister Gerard Larcher presented the text of the Social Declaration concerning the constitution on 14 February 2007 in Paris. Belgium, Bulgaria, Cyprus, Spain, France, Greece, Hungary, Luxembourg and Italy are among the signatories of the declaration who think it is necessary to stress the institutional dimension of the "Social Europe". The Netherlands, where the treaty was also rejected, has decided not to join the initiative. UK expressed that it will resist strongly to the addition of any social rights to the constitution. Czech Republic warned that plans to add a social dimension to the EU constitution will add extra difficulties to the ratification process and asks for further liberalization.

6. Conclusion

We have to remember one key fact: European policy has an impact on almost all areas of national policy. It cannot and should not be enacted over people's heads. The citizens of Europe must get involved in decisions on European policy if we want Europe and European integration to be a success. The strengthening of the civil society is at the top of the European agenda. The ability in participating in the procedure of decision-making is important for the Europeans in order to make them feel active and not isolated in this whole procedure. This isolation from the European Centers of decision –making in combination with other factors was one of the reasons that led to rejection of the Constitutional Treaty in France and in the Netherlands. So, we must take note of the position of these two member states in order not to resubmit the Treaty in its present form.



7. Useful Links

<http://europa.eu.int>

http://europa.eu/constitution/index_en.htm

http://www.europa.eu.int/constitution/ratification_en.htm

<http://www.euractiv.com>

What is going on in the member states?

Austria:

http://eu2006.bmf.gv.at/en/AustriaAndTheEu/_start.htm

Belgium:

<http://www.diplomatie.be/EN/policy/Europa/constitution/default.asp>

Bulgaria:

<http://www.evroportal.bg/index.php?lang=en>

Cyprus:

<http://www.delcyp.cec.eu.int/en/index.html>

Czech Republic:

<http://www.evropska-unie.cz/eng/>

Denmark:

<http://www.um.dk/en/menu/EU/DenmarkAndTheFutureOfEuropeanUnion/>

Estonia:

http://www.vm.ee/eng/euro/kat_537

Finland:

http://europa.eu.int/constitution/futurum/documents/other/oth170103_en.pdf

France:

http://www.diplomatie.gouv.fr/en/european-union_157/index.html

Germany:

<http://www.eu2007.de/en/>



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Greece:

<http://europa.eu.int/hellas/syntagma/syntagma.index.htm>

Hungary:

<http://www.hunrep.be/indexEN.htm>

Ireland:

<http://www.europeanconstitution.ie/>

Italy:

<http://www.esteri.it/eng/index.asp>

Latvia:

<http://www.am.gov.lv/en/eu/Latvia-in-EU/>

Lithuania:

<http://www.urm.lt/index.php?-1112580123>

Luxembourg:

<http://www.euractiv.com/en/constitution/spain-luxembourg-renew-push-eu-constitution/article-162113>

Malta:

<http://www.delmlt.cec-eu-int.com/index.php>

Poland:

http://www.delpol.pl/index.php?id=index_e&version=en&samSession=9eff03f9a20f50ffaa84bd7f22ea5d50#

Portugal:

<http://www.mne.publinet.com.pt/home/assuntos-europeus-european-affairs/en-mensagem/>

Romania:

<http://www.mae.ro/index.php?unde=doc&id=4951&idlnk=1&cat=3>

Slovakia:

http://www.government.gov.sk/eu_en/

Slovenia:

<http://www.ukom.gov.si/eng/slovenia/publications/facts/european-union/#07>



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Spain:

<http://www.euractiv.com/en/constitution/spain-luxembourg-renew-push-eu-constitution/article-162113>

Sweden: <http://www.sweden.gov.se/sb/d/2180>

The Netherlands:

http://www.minbuza.nl/en/europeancooperation/Netherlands,dutch_referendum_on_eu_constitution/index.html

United Kingdom:

<http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1007029391674>