

Jan Kavan
The Future Functioning of the European Union
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Ladies and Gentlemen,

It is a pleasure and honour for me to be here today and share with you some thoughts and observations on European integration and its future from the point of view of a candidate country. I appreciate the opportunity to address the distinguished audience of the European Policy Center. The contribution of the European Policy Center to the development of European integration concepts is highly appreciated.

Eastern and Southern enlargement is one of the major issues which is currently on the agenda of the European Union. When this enlargement is completed, it will be a unique historical achievement. It will end the artificial division of Europe after the Second World War. At the same time it will organically connect co-operation with stability and solidarity and replace the infamous 'concert of great powers'. If integrated Europe incorporates new members in accordance with the scenario laid down in Nice, European politics will prove that the states of the Old Continent want to cooperate more closely and pursue common policy in order to handle new challenges which are facing us all. It will continue to eliminate old prejudices in order to express their desire to bring down boundaries and all sorts of obstacles and to express the determination to create and multiply new opportunities. The enlarged Europe will be ready to share responsibility and to serve as an example in the process of globalization.

Thomas Garrigue Masaryk's Thoughts on Europe

For several centuries, Europe has suffered from an imbalance of power between small and large states. This issue was covered in detail by the Czech philosopher and politician, and subsequently first President of Czechoslovakia Thomas Garrigue Masaryk. The role and position of small states in European politics was the issue which he paid great attention to during the First World War.

Soon after the First World War (in 1921), based on specific experience of European politics, Masaryk formulated his vision of the future of Europe. He wrote: „Europe can and shall be a single great union of large and small nations”. If Europe were to reach this stage, it was necessary that „no state attempts to assume the ruling status enjoyed by Germany before the war”.

Masaryk developed his idea further, and pondered the role of the large European states: „If there were cooperation between the French, Germans, and British in Europe, all the dreams that we envisage, such as Pan-Europe, may one day be realised. I believe and hope that educated nations, such as France, Germany Great Britain, and Italy, will soon grasp that it is foolish to live in dispute and that they must co-operate.”

These are just some of Masaryk's ideas that we have recalled in our Czech discussions on Europe. However, I do believe it is worth bringing attention to them here at the European Policy Centre in Brussels too. As time has passed, these thoughts have proven themselves to be surprisingly topical and reveal that the founder of the Czechoslovak state

put his finger fairly and squarely on the problems Europe was facing, and suggested ways of resolving them. The European Union is a work that fulfils Masaryk's visions, ideas that are an important part of modern Czech statehood.

EU Enlargement and the Czech Republic

I would now like to move to the issues that are of prime importance for us today. Since 1998, the Czech Republic has been negotiating its accession to the European Union. In Czech foreign policy, EU accession is the priority No. 1.

We are happy to note that the process of EU enlargement moved on considerably in 2001. The policy formulated by the Nice Summit in December 2000, setting the end of 2002 as the deadline to complete negotiations with candidate states, and envisaging the first accession by the 1 January 2004 which will enable Czech citizens to participate in the next elections to the European Parliament in June 2004, is now being implemented.

Last year the Czech Republic made substantial progress in its EU accession negotiations. We concluded another 11 chapters of the acquis, which means that in total the Czech Republic has achieved the preliminary closure of 24 out of 31 chapters.

In this respect, I feel I should mention the way the Czech Republic is approaching the accession negotiations with the European Union. Our aim is to negotiate an agreement on EU accession that will ensure that the Czech Republic can be fully integrated into the EU as a full member in all aspects of its activities. We prefer quality of agreed conditions to the hasty negotiation of individual chapters. We believe that this is in our and the Union's interests. We want to avoid a situation where we after having joined the Union, would have to admit that we are unable to implement some of the agreed conditions. This would understandably cast doubt on our credibility.

We anticipate that, under the Spanish Presidency, the EU will present to us common positions also in the chapters relating to common agricultural policy and regional policy. We are confident that none of our starting positions regarding these policies will pose a problem for the Union.

Current Aspects of Accession Negotiations

It is well known that accession talks are now entering their most demanding stage. The significance of this stage can be derived from the European Commission's document containing framework proposals for the funding of a common agricultural and regional policy following the accession of new members to the Union.

Since I know that the European Policy Centre is devoting itself thoroughly to the problems of financing Community policy in relation to the enlargement, I would like to acquaint you with some of our views on current issues. Let me briefly mention some of the issues mentioned in the Communication from the European Commission on the „Common Financial Framework 2004-2006 for the Accession Negotiations” and in the Paper entitled „Enlargement and Agriculture: successfully Integrating the New Member States into the CAP“, which are now being thoroughly studied in my country.

I have to admit that we consider the financial sums anticipated for agriculture and structural support of the regions to be inadequate. We want to discuss the Commission's ideas with the EU. We believe that an approach attempting to prejudge the income of the new Member States, especially the amount of direct payments which will be included in the to-date non-existent next budget for the period from 2007 to 2013, should be rejected. In our opinion, comprehensive negotiations should be held on all financial aspects of the enlargement. The Czech Government's aim is to ensure that Czech farmers will be fully competitive in the EU market.

As far as the ability of the candidate countries' agriculture to absorb restructuring reforms is concerned, the Commission's evaluation seems too sweeping to us, overlooking the principle of differentiation. In the Czech Republic, 3.2% of the workforce works in agriculture, which is the lowest figure among all the candidate countries.

On the other hand, we welcome some aspects of the Commission's Information Note concerning financial framework of the enlargement which focuses on rural development and simplifies the system of drawing money from the structural funds.

During the Spanish Presidency, we expect work to start on formulating the text of the treaty on the Czech Republic's accession to the EU which will then be finalised during the Danish Presidency.

The ambition of the Czech Social Democratic Government is to complete the most significant part of the remaining talks in the first half of this year, i.e. before our term of office expires. We want to meet the target we set ourselves, when the present Government was elected after General Election, i.e. in July 1998, to be able to meet all the criteria for EU Membership by the beginning of 2003.

Domestic Preparations for EU Membership

We want to enter the European Union as a country with healthy economy. When the present government was formed in 1998, the Czech economy was experiencing a decline, and at the end of that year a drop in the gross domestic product (GDP) by 3.1% was registered. In contrast, in 2001 the performance of the economy as measured by GDP rose 3.6% year-on-year. As such, the economy continues the positive trend commenced two and a half years earlier. This year, the Ministry of Finance and the Czech National Bank are expecting GDP to grow by 3.4%. The annual inflation rate at the end of January 2002 was 3.7%. This year we are expecting it to rise to between 3.8% and 4.0%.

Unemployment rate at the end of 2001 stood at 9.4%, which is roughly in line with the trend registered in the EU; the Czech figure is one of the best among the Central European candidate countries (16.9% in Poland, 18.9% in Slovakia, 10.6% in Hungary). We hope to reduce it once again to about 8,5% within the next few months.

Foreign direct investment is one of the very important factors which boost Czech economic growth at the present time. It stimulates growth, increases domestic demand and encourages the modernisation of the economy, both in terms of technology and corporate governance.

Over the past ten years, the Czech Republic has attracted more than USD 25 billion in FDI, ranking it second in Central Europe. Much of this investment has flowed into the Czech Republic under the current Government. Since 1998, when measures to attract foreign investments were adopted, approximately USD 16 billion in direct investments has flowed into the Czech Republic. Calculated per capita, in Central Europe the FDI influx into the Czech Republic is the highest, and by total volume since the fall of the Iron Curtain is second after Poland.

Foreign direct investment into the Czech Republic comes primarily from Europe (the Netherlands, Germany, Austria, France, Great Britain, Italy), but investors from the USA and Asian states are also involved.

The Czech economy is distinguished by its high level of openness and its export oriented policies. In our trade we are practically fated to be bound up with the EU. 68.9% of Czech exports last year went to the EU, and in the same period 61.8% of Czech imports were from the Union. In 1999, for the first time in six years, we achieved a surplus in our trade with the EU (of USD 81.1 million). In 2000, trade between the Czech Republic and the EU left us with a slight deficit (of USD 45.6 million), but in 2001 we went into surplus again by a healthy USD 430.4 million.

The Future of Europe

Besides the talks on the Czech Republic's accession to the European Union, the Czech Government also attaches great importance to the forthcoming Convention on the future of Europe, due to hold its first session in Brussels next week. The Government has decided that its foreign minister will represent it at the Convention. Czech parliamentary representation is also at a high political level. The Chamber of Deputies, Lower House of the Parliament, voted Mr. Jan Zahradil, shadow foreign affairs spokesman of the largest opposition party (Civic Democrats) to represent it at the Convention. Senate, the Upper House of the Parliament has chosen Mr. Josef Zieleniec, the former foreign minister. Selection of all Czech nominees clearly indicates an extent of importance we place into discussion on the future shape of Europe. This ensures that the 3 most important Czech political forces (social democrats, coalition of christian-democrats and right of centre liberals, as well as more eurosceptic conservatives) will be represented by their top foreign policy experts.

As a prospective Member State, we want to take an active and responsible part in discussions on the future of the European Union and do our best to ensure that it is able to cope successfully with the challenges of the 21st century. We are fully aware, in the words of the Laeken Declaration that „the Union stands at a crossroads, at a defining moment in its existence.”

The Government of the Czech Republic, and I personally, want the European Union to be powerful and to play a significant political role in the world consistent with its economic power. We see the European Union as a unique, open project, which has managed to fulfil its basic goals – lasting peace, stability, and prosperity, on the basis of a model of a social market economy. Constant changes in internal and external conditions will continue to confront the Union with ever new challenges. Nevertheless, as it adapts to new conditions it should always rely on the basic values the EU is built on – democracy, rule of law, respect for human rights, and mutual solidarity.

There are no precise models on how to achieve this general goal, but this is not to say that the trend in future developments is totally unknown. Our vision is a Union which is dynamically developing, socially just, ecologically sensitive, and politically integrated. A Union, which will draw together free citizens, cooperating regions, and individual Member States. We believe the European Union will be able to make the best of these challenges. In this respect, I must stress that EU enlargement to include countries from Central and Eastern Europe must be viewed as a unique chance to eliminate the consequences of the Cold War definitively, but also as an opportunity to exploit the potential offered by new Member States in raising the status of the EU in the world. As the process of intensifying European integration progresses, however, we cannot tolerate the creation of closed groups of countries within the single Union which would exclude other Member States from being able to associate with them on equal terms. The emergence of an exclusive 'hard core' of Member States that would break away from the others would essentially mean undermining the cohesion and solidarity of the whole Union. Any system of enhanced flexibility must be open and fully flexible to be able to accept new members at any time even if at the beginning only partially.

Having defined basic trend for the future shape of Europe, it is easier to find answers to the questions which were outlined in the Declaration at Laeken and which the Convention will discuss.

During these discussions, the individual participants should bear in mind that the EU must be able to present a clear mission to its citizens. The citizens of Europe are interested in what the Union can offer them specifically. If our citizens are to become truly involved supporters of the Union, they must feel confident that the Union and its policies are useful and beneficial for them. As we direct our debate on the future of Europe, it is imperative that we remember that the basic principles behind the functioning of the EU must be effectiveness, legitimacy, and transparency.

The distinct division of powers between the European Union and its Member States, including their regions, based on the principle of solidarity is a topical theme. We can imagine a situation where competences will be split into those that can be handled better at Union level and those that can be managed more easily at national level. In this respect, we must focus on improving the mechanisms that breathe life into these competences. At the same time, efforts to shift decision-making powers to the lowest possible level must not result in doubt being cast on the role of the supranational institutions. Nevertheless, the fixed distribution of power among the EU and its Member States is impossible because the process of European integration is constantly developing.

One of the basic principles of EU functioning is the fact that the EU is a community based on the rule of law. However, the increasingly voluminous and detailed scope of Union legislation – the *acquis* – is leading to a lack of transparency. Citizens, and even experts, are finding it ever harder to navigate their way round these laws, and therefore we must strive to simplify, and if necessary repeal, some excessive regulations. The *acquis* must be revised, while ensuring that the level of Community cooperation achieved so far does not deteriorate. We are confident that Community policies can co-exist very well with policies emerging from intergovernmental cooperation, including coordination and benchmarking.

We are aware that many of Europe's citizens feel alienated from EU institutions. However, all institutions even on the national level in a representative democracy are faced with the

same problem to a greater or lesser extent. Conditions must be formed for the activities of EU institutions so that citizens can feel the institutions are there for them and not vice versa. In this respect, we believe that the role of the European Commission should be reinforced, especially its role as an independent guarantor that agreements are respected. We would welcome a situation where the principles of good governance are put into practice. For the Czech Republic, it is also important that it expresses its own national face in the European Commission in the first stages of membership. Nevertheless, professionalism must outweigh political considerations. We can imagine an arrangement where the President of the European Commission is elected by the European Parliament, which would raise the prestige of the European Parliament in the eyes of the European public and would mean a reinforcement of the status of the European Commission President in the scope of European institutions. Adding several powers to the European Parliament, especially in the budget sector, would raise its status in Europe. We believe that it is desirable to think about forming a second chamber of the European Parliament and to ponder how the national parliaments could be interwoven more closely with the European Parliament. We also believe in increasing the scope of qualified majority voting. In our opinion, this will help make decision-making process more efficient.

The Czech Republic supports all efforts to simplify the founding treaties, although we are aware that this is not just a technical but also, and primarily, a political process. We believe that a basic EU document should include one way or another the European Union's Charter of Basic Rights. Such a document should clarify what the European Union actually is, its philosophy and basic principles. Such a document, call it a constitution if you will, should express the main goals and resources of the Union and the competence of its bodies clearly and comprehensibly.

In the Czech Republic, we will encourage a wide public debate on all of the Convention themes. When the work of the Convention has been completed, there should be a period of reflection on the Convention's recommendations and conclusions. This period must be long enough to ensure that the ideas and the proposals will be truly understood by the people and will become a part of public awareness in the present Member States and candidate countries as well.

The whole process should be rounded off by a short, decisive intergovernmental conference. For the Czech Republic, it is essential that we attend this conference as a full Member State. Therefore we will insist on the IGC to take place as agreed in Nice, in 2004, and not earlier as some politicians began to suggest.

We expect the Convention to put forward at the close of its year-long debate a recommendation which may on sensitive issues include two or even more options for the IGC to select and approve the most appropriate one. Everyone is convinced that his or her vision is the true vision, but no one will be able to realise his approach in the European framework alone, without the help of others. A consensus on a compromise must eventually prevail. And that is the true essence of Europe. We look forward to share with you both the joy of success as well as the frustration of temporary setbacks. We look forward to sharing with you and others our visions as well as our sovereignty. We look forward to share our views for the first time in an inter-Union debate – in the Convention from the next week onwards. We look forward to share with you and implement with you our dream of a truly integrated democratic European Union which will promote both solidarity and co-operation as well as respect for individual national identities throughout the entire continent of Europe.

Thank you for your kind attention.

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