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**Germany and the  
EU Council Presidency**

Expectations and reality

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*Günter Verheugen*

## **Germany and the EU Council Presidency**

### Expectations and reality

Expectations of a German EC or EU Presidency have rarely been so high as this time. This is true of the expectations of the other member states as well as the public, the citizens themselves. But we only have six months to work in this particularly difficult environment: the European Parliament elections are approaching, the Commission has fallen prey to harsh criticism, and Agenda 2000 brings particularly awkward and complex negotiations. In our Presidency programme, we are building on what is laid down in the treaties and by European Council decisions. We must not pin our hopes too high, rather retain a sense of realism. There could surely have been no more welcome prelude to the German Presidency of the Council than the successful introduction of the euro. After the first trading on international financial markets, people are talking about a "dream start for the euro". But we also know that in the long term we must live up to the feelings of confidence that preceded the euro. The conditions for this have been created. The European Central Bank will continue the non-inflationary monetary policy of the national central banks. The member states will support it in this endeavour while fully respecting its independence. Thus, budgetary policy will have to remain consistent with the obligations of the Growth and Stability Pact and there will have to be close multilateral monitoring.

Since the euro became reality, the euro area and ultimately the whole of the European Union have entered the economic premier league. Now we must use the euro-generated momentum to bring the necessary progress in

establishing the EU's ability for political action. Political union is both the logical and necessary follow-up from the Economic and Monetary Union. We want to place particular emphasis on this area. The historic importance of 1999 is not just due to the introduction of the euro. A busy schedule lies before us with decisions which will shape the profile of the EU well into the next century. We should take the successful launch of the third stage of Economic and Monetary Union as a signal and an incentive to tackle the difficult tasks ahead with the necessary determination and confidence. Peace in the outside world, and stability, security and economic prosperity within, combined with high employment levels: these are the overriding goals of our European policy to which the German Presidency feels especially committed. But it must also be the aim of every Presidency to bring Europe closer to the people and make clear to them the advantages which Europe brings us all. Particular importance attaches to a "citizen's Europe" in a year in which European Parliament elections are to be held.

### ***What do the citizens expect from Europe?***

- They want a European Union which takes the fight against unemployment seriously.
- They want a European Union which can hold its own in global competition.
- They want an effective and capable European Union which sets about the necessary internal political and institutional reform.
- And they want a European Union which guarantees peace in the whole of Europe and which shows unity and determination in foreign policy matters.

A strong and stable European Union needs the highest possible level of employment. The serious labour market problems in most member states are a source of great concern for the citizens of the Union. The fight

against unemployment - at both national and European level - is the greatest challenge facing us. It is thus also the central focus of the German Presidency.

We must set a new trend on European labour markets. A European Employment Pact and a policy of ecological modernization are essential for this. The timetable developed in Vienna was the first step along the way. We now have the task of giving the pact substance by the Cologne European Council at the beginning of June. Of central importance is the linking of supply and demand policy to improve the framework conditions for employment. Wage, monetary and fiscal policy must complement one another to create as many new jobs as possible. Governments must work more closely with the European Central Bank in this field. Rapid changes in the labour market and service sectors have necessitated major structural reform. The implementation of ecological targets could also create jobs. A consistent unemployment strategy requires national employment strategies to tie in with a European Employment Pact aiming to increase co-ordination. This is our priority goal. The pact will take up the findings of the co-ordination process which has been up and running since the Luxembourg Summit.

It will also become the expression of an active labour market policy which focuses more than before on preventive measures. This is the only way to set about reducing youth and long-term unemployment which has been recognized as the key approach to improve employability. The Pact will not serve to justify new programmes. Instead of further spending, the forthcoming community reforms will focus more on the goal of job creation. The extension of the Trans-European Networks and projects to promote growth in the telecommunications and information technology sectors must be moved forward or speeded up. The European Employment Pact must be backed up at international level, too, that is within the G8 Summit, the International Monetary Fund or the World Bank. Germany, also holding the G8 Presidency in 1999, will make particular efforts in this field. Dialogue with social partners will make greater contributions

than before in developing solutions for problems at European level. Governments of member states must also be reminded more emphatically of their duties in implementing employment policy guidelines. National action plans containing more quantifiable goals will be tabled in mid-June. The globalization of all markets has become the determining factor in world economic development. However Europe has no need to fear this process. The world's largest single market with a common currency offers great opportunities which could be improved by increasing competition and also by creating a social and environment union. Politics can better rise to the challenges of globalization if a frame of reference for the world economy which takes ecological and social aspects into consideration is built up. The link between productivity, labour costs and employment is all the more visible in a common currency area. It is up to the social partners to help avoid, by way of a responsible wage policy, a damaging wage reduction race or a cost-related price increase. It will fall to governments to increase employment levels and to help the social partners maintain price stability through consistent budgetary policy as well as close co-ordination of economic, financial and social policy. The intensive co-ordination of employment policies will thus be continued on the basis of the Treaty of Amsterdam and the implementation measures launched at the Luxembourg Summit.

The second priority goal of the German Presidency is the internal strengthening and development of the EU, focusing on the Agenda 2000. This is certainly the greatest challenge facing the German Presidency and the main focus with regard to the Union's ability to enlarge which goes hand in hand with the candidate countries' ability to accede. Both must be fulfilled so that enlargement can take place. The aim is to reach agreement on the whole package in time for the European Council's Special Session in Brussels at the end of March at the latest. This was reiterated by the Heads of State and Government at the Vienna European Council. If this is successful the EU has another job to do: the institutional reforms known as the leftovers of the Treaty of Amsterdam. This will no longer

be possible during the German Presidency. The Cologne European Council will however lay down a timetable for further action.

There would be serious consequences if we were not to reach agreement on Agenda 2000. But the Union cannot afford such a crisis a few months after the launch of the euro, a few weeks before the European Parliament elections and in the run-up to enlargement. A solution will only be possible within the framework of a comprehensive balancing of interests and an overall compromise between all member states. For this reason, Agenda 2000 must be maintained as a package. Hence the General Affairs Council must take charge of co-ordinating the whole package. The realization of the goals inherent in Agenda 2000 is to afford the EU the inner stability and the means with which to complete its tasks even with a larger membership in the next century. The German Presidency shall address these topics resolutely and try to find viable solutions.

During the forthcoming negotiations, the Presidency shall be guided by four basic principles which the Vienna European Council recognized as the basis for future discussions:

- Agreement on Agenda 2000 in March 1999.
- Each member state must compromise and be ready to make concessions. There must be no winners or losers.
- The complete *acquis* must be up for discussion. Nothing may be excluded.
- Agenda 2000 must be concluded as a package.

The Federal Government starts from the following premises on Agenda 2000:

Regarding structural policy, we believe it is essential to concentrate first and foremost on the regions with the weakest structures which are most in need of support. This includes the *Länder* in Eastern Germany, something which is particularly important to us. Furthermore, support must become simpler, less centralized, more environmentally friendly and create more

jobs. And it must come closer to its citizens as well. It must remain possible for the responsible countries to set target areas and focal points. A sizeable funding increase for current EU members does not seem to be justified. A 0.46% share of GNP should be established as a ceiling for structural pay-outs which should not be exceeded. The per capita distribution in target areas should be decided on the basis of regional rather than national prosperity. In addition, Germany is in favour of restrictive and clearly degressive transition arrangements. Finally, we advocate restricting the cohesion fund to those not taking part in the euro, as that was the original aim of the cohesion fund: to make participation in the Monetary Union possible.

As far as the financial package is concerned, Germany is trying above all to find a satisfactory solution to its net contribution problem, a problem other countries share with us, if not to the same degree. The German public simply will not accept this net burden any more. We welcome the fact that the Commission recognized this extraordinary imbalance in its own resources report. Germany will certainly continue to be the largest net contributor, this is both fair and reasonable given the strength and size of our economy. But existing inequalities must be evened out and the disparity significantly alleviated. In its coalition agreement, the new Federal Government declared itself in favour of widespread reform of the Common Agricultural Policy and a lowering of agricultural spending.

The European agricultural sector must become more competitive and environmentally responsible. The social interests of farmers and advantages for consumers must be safeguarded at the same time. Appropriate incentives must therefore be devised. The Vienna European Council showed that the forthcoming negotiations will be very, very difficult. But we must do all we can to attain our goal of a political solution at the European Council's Special Session at the end of March. The adoption of Agenda 2000 which we all want, demands us all to be ready to compromise and understand what is feasible. The Treaty of Amsterdam is expected to enter into force at the end of the German Presidency, probably on 1 May or

1 June. Hence we want to do everything to ensure that the Treaty can be implemented from the first day of its entry into force in a multitude of fields, in particular justice and home affairs. The Treaty of Amsterdam aims to create an area of freedom, security and justice. The envisaged measures must be tackled early with a view to the entry into force of the Treaty. This will happen on the basis of the action plan adopted at the European Council, which specifies the various mandates of the Treaty and sets target dates for new measures. The German Presidency is striving for concrete, tangible progress here. With the entry into force of the Amsterdam Treaty, the present Schengen cooperation will be continued under EU auspices. This will include the further development of the then combined EU and Schengen acquis in the field of internal security. Germany is also presiding over Schengen cooperation from 1 January 1999.

The High Level Working Group on Asylum and Migration which goes back to a Dutch initiative has already been established by the General Affairs Council under the German Presidency. It will focus on developing an EU immigration policy and operational action plans for main countries of origin. The German Presidency will take the initiative to create an EU Charter of Basic Rights in order to enhance citizen's rights. We know, however, that this can only be a long-term goal. Regarding the single market, the German Presidency will have the task of extending and consolidating it. Of particular relevance is the follow-up to the Single Market Action Plan, the implementation should be completed by 1 January 1999, as well as the further improvement of the legal framework for businesses. Research and education must be more firmly geared to strengthening Europe's capacity for innovation and to tangibly improving cooperation and mobility between research and educational institutions. The German Presidency is committed to continuity and transparency in the Union's programmes and activities to promote cultural cooperation both within the Union itself and beyond. Here Weimar as the 1999 European City of Culture will have a special role to play.

The Union must continue to be the driving force behind the gradual creation of an international environmental framework. It will strive to bring progress in realizing global sustainable development and ecological modernization and foster the further development of environmental protection through international agreements and within international organizations. We want to enforce the principles of precaution and prevention by establishing ambitious environmental protection regulations and to increase the citizens' involvement. Transparency and the personal responsibility of citizens and businesses also need to be enhanced in this field.

The Vienna European Council reaffirmed that the environment and sustainable development must be integrated into all community policies as envisaged in the Treaty of Amsterdam. We will take up the work already begun by the Transport, Energy and Agriculture Councils and start implementing specific measures in other fields as well. The further development of EU climate protection policy will be a major focus of the German Presidency to create the necessary conditions to meet the commitments made by the Union. Citizens should also be able to see tangible progress with regard to improvements in air quality as well as in waste disposal and water pollution prevention. We attach particular importance to the harmonization of energy taxes, as uneven burdens on energy threaten to distort competition. Helping future members to apply the body of community law relating to the environment as well as the safety standards applicable to nuclear plants in EU member states poses an important challenge.

The third main focal point of the German Presidency will be to enhance and further develop the European Union's international profile. But first and foremost comes the enlargement process. The transition from dictatorship to democracy, from a planned to a market economy in the East has made Europe once again a community of shared goals and values. Enlargement of the European Union opens up the prospect of peacefully resolving differences of interest and building up prosperity and freedom across the whole continent. We aim to make substantial headway on the

accession negotiations during the first half of 1999. Given the start of the actual negotiations on 10 November in Brussels, I am confident we shall succeed. We want to maintain the momentum during our Presidency as we extend the accession negotiations to include eight further, and potentially difficult, areas. We want to conclude as many of these as possible, as well as the four chapters not concluded under the Austrian Presidency. The meticulous and complete assumption and application of the *acquis communautaire* by future members must have priority over speedy accession: that is our approach.

It is still too early to fix a date for accession. But if light at the end of the negotiating tunnel can be seen, possibly at the end of 1999, then a date would be useful to bring the negotiations to an early conclusion. We need strategic vision for the enlargement process, but also a sense of realism. That does not mean delaying the process. Ability to enlarge and ability to accede must go hand in hand. The sooner the EU tackles the necessary reforms, the quicker and smoother the enlargement process. Concentrating on Agenda 2000 above all is how we can best serve enlargement.

Another important issue is to bring Turkey closer to the European Union. Against the background of enlargement and in the interest of continuing to build a comprehensive and stable peace order in Europe, the steady expansion of the EU's relations with Russia and Ukraine is essential. The partnership and cooperation agreements have laid a solid foundation, the challenge now is to exploit this potential. Relations between the EU and Russia will be a major focus of our Presidency, not just on account of the current crisis. As reiterated at the European Council, we aim to draw up a Common Strategy on Russia in accordance with the Amsterdam Treaty. In tackling the many challenges posed by regional crises we rely on close transatlantic cooperation and trust. We want to see enhanced cooperation between the EU and the USA on the basis of the New Transatlantic Agenda. The German Presidency attaches particular importance to giving substance to the measures envisaged in the action programme of the Transatlantic Economic Partnership. The negotiations will begin under

our Presidency and initial results are to be approved at the EU-USA summit in mid-June. Fostering and enhancing the European-American relationship is an indispensable requirement of a policy aimed at peaceful resolution of new global challenges.

A whole array of summits, meetings of foreign ministers and other dialogue commitments will serve to highlight the role of the European Union in international affairs. Interest will focus in particular on meetings with our partners in the Mediterranean region, Asia and Latin America. On 30 March, the foreign ministers of the 15 EU member states will be conferring with their colleagues from the ASEAN countries. The day before an ASEM meeting is scheduled, with representatives from the EU member states, ASEAN, China, Japan and South Korea attending. These events underline the intensive dialogue with the Asian region, a dialogue of particular importance in the light of the most recent financial crises. On 15 and 16 April the third meeting of foreign ministers in the context of the Barcelona process will be held. In all areas of the EU's relations with its Mediterranean partners there is progress to report, progress that needs to be built on. The German Presidency hopes further headway can be made in the current negotiations between the EU and the individual Mediterranean countries. For the very first time there is to be an EU-Latin America summit. The aim is to consolidate relations over the whole spectrum and thus also to contribute to further stabilizing the region. The central theme of the negotiations that have now begun with African, Caribbean and Pacific countries on a Lomé follow-on agreement is to find more effective ways of working together and using resources efficiently. The next round of negotiations will take place during the German Presidency.

It is clear even today that consolidating the Dayton peace process in Bosnia and seeking a settlement to the Kosovo crisis that will ensure stability in the whole of South-East Europe will remain an issue of major concern for the German Presidency. The same applies to our efforts to support and bolster the Middle East peace process. Particularly these conflicts

have revealed the weaknesses of the European Union in the foreign policy domain. In this context the Treaty of Amsterdam will bring notable advances. With its entry into force a number of important tasks will need to be tackled. A new Secretary General/High Representative for the Common Foreign and Security Policy will take up office, supported by a new policy planning and early warning unit to be set up. In our view, the new instrument introduced by the Treaty of common strategies to determine the essentials of a common policy should be utilized as soon as possible. Alongside Russia, the Vienna European Council cited an array of possibilities. The common strategy brings together all EU foreign relations activities on a particular topic and therefore fosters coherence. Following the unanimous acceptance of the common strategy by the European Council, individual decisions on its implementation in the CFSP will be taken by qualified majority voting. The Common Foreign and Security Policy's decision-making and ability for action will thus be enhanced considerably. After Prime Minister Blair gave new momentum to the question of the further development of the European Security and Defence Identity through his Pörschach initiative, the Vienna European Council commissioned the German Presidency to continue this debate until the Cologne European Council. Our work aims to make conceptual progress and present a report on options and possibilities before the Cologne European Council. Decisions will fall under the remit of a later Presidency. Efforts to evolve internationally agreed strategies to combat and prevent violations of human rights and to tackle the underlying causes will be a further priority.

In the first half of 1999 the Presidencies of the WEU and the European Union will be combined for the first time. The Treaty of Amsterdam provides that within a year of its entry into force arrangements are to be made with the WEU for enhancing cooperation between the two organizations. This question will be the focus of intensive effort. As you can see, a full programme awaits us. The model that is Europe, this 40-year-old success story, faces stiff tests in the months ahead. In tackling these

issues, the Union and the member states must reach convincing decisions that the citizens can understand. One thing is clear to the Federal Government. We want to continue the success story of the united Europe in the future with all partners. For Germany and indeed for Europe, there is no alternative to further, deeper integration within an enlarged European Union. Only if the European Union and its member states combine their strength convincingly will Europe have a chance of competing in the multipolar world of the future.

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