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**Prime Minister of Finland, Paavo Lipponen
at the College of Europe, Bruges, Belgium
10. November 2000**

Rector, Students, Ladies and Gentlemen,

I should begin by thanking the College of Europe for providing me with a platform for speaking on the future of the European Union. For the past fifty years the College has been a unique and innovative institute of European postgraduate studies and training. Your impact on European scholarship and professional life continues to be immense.

The College of Europe has always been an important forum for European debate. The 1980s culminated in two famous speeches. In 1988 Margaret Thatcher rejected what she called a centralized European "superstate" and called for a "Family of Nations". A year later Jacques Delors offered an alternative vision. He called for a dramatic leap toward federalism based on the principle of subsidiarity. Subsidiarity, he argued in response to Margaret Thatcher, made federalism the saviour of pluralism, diversity, patriotism and national identity in Europe. Paradoxically, they were talking about two sides of the same coin.

For me personally, one of the most important speeches at Bruges was given by President Mauno Koivisto in October 1992, eight years ago. Koivisto's speech marked a key moment in Finnish integration history. Earlier in the year we had decided to apply for membership in the European Communities. Preparations for our accession negotiations were under way and Koivisto defined our basic EU philosophy of active and constructive engagement in European affairs.

This approach has been our guiding principle through two Intergovernmental Conferences, negotiations on Agenda 2000, and the Finnish Presidency, which ended on the eve of the new Millennium. Finland might be geographically on the periphery, but politically we are in the core of Europe. Once you are in, it is all about commitment.

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In recent months we have seen the beginnings of a real debate on the future of Europe. Some of the participants have spoken in favour of models that have been labelled as federal solutions. The main problem is that the word federalism means different things for different people. For some federalism means a centralisation of powers, for others is about decentralisation based on the principle of subsidiarity and a clear separation of powers. Both are right. It is a question of pooling sovereignty on a supranational level and defining a division of competencies between the Union and the member states. The debate has started and we should not try to avoid it.

I propose to give you today my vision on the future of the European Union. I do not pretend to have all the answers, and I do not claim to be inventing the wheel all over again. On the contrary, I want to try to bring some realism to the ongoing debate about the future of the Union. I want to do this, because at times I feel that a debate about the future emerges when we do not seem to know what we want to do with the present.

My message today is simple: there are many things we can do better with the existing rules, but in the long run we will need radical changes. We need a change from a bureaucratic top-down approach to a bottom-up philosophy of direct public involvement. I propose a two-stage approach.

During the *first stage* we should focus on implementing our earlier decisions from Tampere, Helsinki and Lisbon European Councils, conclude the Intergovernmental Conference (IGC), and pave the way for enlargement.

During the *second stage* we need to set in motion a constitutionalisation process, together with the candidate states, involving governments, EU institutions, national parliaments and the civil society.

So, what is our short-term agenda? I believe that there is much that can be done within the existing treaties by strengthening the institutions and promoting the community method. We need to materialise on our earlier decisions by converting legal opportunity to political reality.

In the Helsinki European Council we took historical decisions on enlargement of the European Union. Enlargement is essential for the stability of Europe. New members will strengthen the Union as a global actor. Larger markets will also provide the preconditions for stronger economic growth in Europe. Enlargement must be seen as an opportunity. It is, and should remain, the number one priority of the Union.

I believe that the "window" for the entry of new members – one or several – can be envisaged for the period between 1 January 2003 and 1 January 2005. If there is to be an IGC, it should not be organised prior to the accession of the first new members. That would be interpreted in the candidate states – and quite rightly so – as a tightening of the qualification requirements while the competition is still going on.

It is important, for the credibility of the enlargement process that the current IGC is concluded in the timeframe set by the Helsinki European Council. After the ratification process of the new treaty the Union is ready for enlargement.

The aim of the IGC is clear: we need to make the necessary institutional changes for enlargement. I firmly believe that we will reach a result in Nice in four weeks time. The Finnish government will do its best to help reach a compromise that is acceptable for all. A compromise, by definition, means that everyone must move.

The key to enlargement lies with an ambitious extension of qualified majority voting (QMV) - this will render decision-making more efficient. Here it is important to focus on quality, not quantity. I will find it difficult to call the treaty of Nice a success unless we make advance in trade questions, visa, asylum and immigration, certain tax provisions, environmental questions and social policy.

Closer cooperation, i.e. flexibility, is also an important part of the IGC package. Sensible flexibility within the treaty framework and as a last resort is a useful instrument for deeper integration. The real challenge is to make flexibility more appealing inside than outside the Union. It is in the interest of both large and small member states that closer cooperation is open to all those willing and able to pursue deeper integration, and remains within the framework of the existing institutions.

A strong and independent Commission is of paramount importance. The composition of the Commission should guarantee its efficiency and acceptability in every member state. In my opinion one Commissioner per member state is the only feasible solution at this juncture of EU development. A smaller Commission without a German or a French commissioner would in effect weaken the Commission, not make it more effective. At the same time we must be realistic. For a Commission much larger than today we need to seek innovative alternatives in the future.

The EU is a Union of states and a Union of peoples. In our *sui generis* decision-making structure the Council reflects the principle of equality between the member states. The composition of the European Parliament is a reflection of the population spread of the member states. Today, most decisions are made through co-decision between the Council and the European Parliament. I am of the opinion that any option for re-weighting of the votes is valid as long it fulfils a basic principle: a qualified majority vote must be supported by at least half of the member states and at least half of the population. Whatever changes we deem to be necessary concerning the numbers, the key is to ensure that the fundamental principles of equality and respect of the national integrity of all member states, large or small, are preserved.

The institutional balance of the European Union is not static. The constant changes are reflected in the debate about the future of the Union, the ongoing IGC as well as in the day-to-day work in the institutions. The institutional framework is moulded through these large and small decisions. It could be argued that the past years have witnessed a strengthening of the European Parliament, a weakening of the Commission and a tendency towards intergovernmentalism.

The cornerstone of the institutional structure is an effective and impartial Commission, a responsible European Parliament and an efficient Council. This is the combination that guarantees the interests of the Union as a whole.

The European Parliament has become an effective co-legislator through the co-decision procedure. The use of this procedure will increase as a result of the ongoing IGC and as a result co-decision will be used in virtually all legislative matters that are decided by qualified majority in the Council. I welcome this trend. My experience of the new co-decision procedure, which began during the Finnish Presidency, is very positive and I am convinced that we have found a working formula.

The debate about the future of the Union has indicated that some member states would be prepared to deepen the integration process outside the current institutional framework, on the basis of the intergovernmental method. This is an alarming trend. The intergovernmental method is often inefficient, lacks transparency and leads to the domination of some over others. It is also a potentially destabilising factor because strong institutions are less prone to pressure from political changes and crises in the member states.

The community method has brought enormous benefits through the single market and the EMU. A commitment to the community method should be the foundation of the future Union as well. The key role of an initiator belongs to the Commission, which also serves as a guardian of the treaties. If the role of the Commission is weakened, who is going to guarantee that rules are being adhered to and commitments made together are being met by all member states?

The European Council is also an important part of the institutional balance. It has had a considerable impact on the process of European integration. It gave the necessary impulse to fundamental projects such as the single market and the euro. It made important strategic choices like opening the Union to accession negotiations.

More recently, last March in Lisbon, the European Council gave a strong impetus for a profound economic reform in Europe – endorsing the eEuropeaction plan that aims at bringing our Old Continent fully into the New Economy. To this effect, Lisbon introduced a new open method of coordination by specifying precise targets, actions and actors. In fact, eEurope will be the litmus test of the new mode of European governance, based on joint actions of the EU governmentsand the Commission.

The European Council has been able to do that because a strong group of European statesmen have been systematically committed to furthering a balanced and ambitious European integration, in which all member states found their advantage. Europe needs visions and ambition at the top. The Finnish government will do all it can to maintain a strong and active European Council.

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The European Union has at times been called an economic giant and a political dwarf. There is some truth in this assumption, but I would like to encourage a broader view on the concept of external relations. I support Tony Blair in the aim to develop 'the EU into a superpower in international relations.

Our aim should be to develop Union's external activities consistently and comprehensively in line with a cross-pillar approach. I find it very difficult to separate one field of external relations from the other. In recent months many have stressed that the developments in the Council have led to a decreasing role of the Commission external relations. I think this assessment is right. The trend has been away from the Community method. The Commission's role in relation to the Council has been weakened and I find this unfortunate.

The Community used to be a driving force in global trade negotiations for many years. Now over 60% of all trade is in the field of services, where the Community does not have exclusive competence. Consequently our status as an effective negotiator has declined dramatically. The Union must re-establish its position. We can do this only if we are able to agree on the communitarisation of trade in services, intellectual property and investments in the ongoing IGC.

Part of being an effective global player is linked to the external representation of the euro. For the sake of its credibility, the euro needs to have a single voice in all international fora. The Council has now opted for an informal structure, without the Commission. It is very important to rectify the situation.

Notable progress has been made in the field of Common Foreign and Security Policy and European Security and Defence Policy. We have determined our headline goals. The Union is developing a capability to effectively prevent and manage crises that threaten security and well-being. Through our High Representative we are much more present in situations like the crisis of Middle East. That after all is what we had in mind when we created this post, and Javier Solana should be commended for his action.

The Northern Dimension of the EU is a good example of the need for a horizontal approach in external policy. The Northern Dimension links actors and issues in the North of Europe and has an underlying philosophy that resembles the founding principle of the Union. Positive interdependence brings together states and other public and private actors to deal with issues like energy supply, nuclear safety, environmental problems and sustainable use of natural resources. The Northern Dimension offers also a framework for long-term cooperation with Russia, with which the Union needs to develop an increasingly concrete partnership. I welcome Commissioner Patten's personal engagement in developing the Northern Dimension.

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Union's development does not stop with the Treaty of Nice or enlargement. Let me now turn to stage two, our long-term agenda.

A fundamental debate about the future of the EU emerges at regular intervals. The debate usually highlights the tension between intergovernmentalism and the community method. It is also linked to the broader picture of the EU's *finalite*. If we were first to define what we want, it might be easier to establish how we can achieve it. I am, however, the first one to admit, that in a changing world this might be an impossible task. Developing a Union that is responsive to change and challenges will always be a continuous process.

Integration is an instrument of peace, security, stability and prosperity in Europe. Post-war division and destruction has been turned into unity and welfare. We live in a Union where national borders are no longer an obstacle, where people and companies move and are beginning to settle freely on equal terms. We have a common currency and a single market that have created unprecedented economic prosperity for the Union and its surrounding regions.

The prevention of conflict in Western Europe has been successful, enabling the conditions to be established for a Europe where every human being should be able to develop to his or her full potential. However, events in the Balkans in recent years have shown that peace, and with it prosperity, is a fragile state that should not be taken for granted.

The European Union faces a plethora of challenges ranging from technological revolution to radical demographic changes and threats to the environment. Europe has not yet been able to take full advantage of the new opportunities offered by globalisation. The fundamental question is how to tackle these challenges and guarantee broad public support for the solutions.

In short, I think the European Union has two fundamental problems: firstly, alienation from the people which is due to lack of democratic legitimacy, lack of transparency and too much bureaucracy; and secondly, an incapability to adapt to a changing world.

Neither one of these problems can be solved with a ,traditional top-down approach. European co-operation must have a strong social content that is supportive of basic rights, equal opportunities and non-discrimination. But, deeper integration reflected as a change in the text of the treaties does not in itself bring the Union closer to the citizens. Most of the practical work towards fulfilling the goals of social dimension is done, and it should be, at the local level and with direct involvement of the citizens.

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The timely debate on the future of the European Union is unavoidable. We must prepare ourselves for enlargement, the main challenge for the union in the coming years. Enlargement is about making Europe whole, giving a perspective of democracy, rule of law and prosperity for all Europeans. But Europeans also need a vision about what kind of Europe we are heading towards.

I am afraid that the present tendency towards intergovernmentalism threatens, not only the institutional balance and clarity of rules, but basically the equality of member states, European citizens and European companies. Also a proliferating flexibility can lead to structures that are discriminating and even designed to benefit certain countries.

We must make the interests of the people, beginning with equality, the starting point of our institutional analysis. From such an approach, also taking into account safeguarding the interests of member countries large and small, we can establish certain principles for the future architecture of the Union.

The Union is about pooling sovereignty on a supranational level in order to find common solutions to common problems. For this reason it is widely considered that policies like those relating to the internal market, international trade, the common currency, foreign and security policy, external borders and security in the Union and the global environment are best dealt with on the EU level. By the same token I believe that many other things - such as culture, education and basic social security - are best dealt with on the national and regional levels. In addition there are a lot of economic, employment and social policy issues that need to be coordinated in the Union.

A clear definition of competences and the principle of subsidiarity are also of fundamental importance. The deeper our integration, the more important it is to fix competences. Otherwise a bureaucracy will develop in Brussels that is even more overblown than today.

For any institutional structure we need a decision-making system that is as simple as possible, democratic, efficient and transparent. Fundamentally, our institutions must enjoy democratic legitimacy.

With these principles, tools in our hands we should approach what is coming, a process of developing the Union's institutions, eventually at a constitutional conference. For this we need an open and analytical debate on various alternatives.

A constitution for the Union should produce an institutional structure that would permanently secure the equality of member states by transforming the Council. This would rid us of permanent haggling with the weighting of votes in Council. The parliament would represent democratic legitimacy from an equally fundamental point of view as a directly elected body with considerable powers. The commission should enjoy the confidence of the Parliament, with a President with powers to appoint members of the Commission. And in this institutional setup, just like in national decision-making, all aspects of civil society should be involved.

Let me be clear, I am an advocate of good and sensible governance with an efficient and democratic institutional system. A Union based on the principles of decentralisation and a clear division of competence would serve that purpose.

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Any moves towards a European constitution need to be solidly anchored in the public.

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The basic philosophy of the so called Monnet method is that integration in one area leads to pressure to integrate in another. The Monnet method has worked well in relation to economic integration.

The problem, however, is that the Monnet method does not reflect the reality of day-to-day European politics. Should Jean Monnet live today I think he would agree with me when I say that strong institutions need an even stronger legitimacy. The EU cannot be run as a functionalist, elite driven project, which is bureaucratically managed on the basis of a top-down philosophy. We need to seek alternative approaches.

For me transparency is not only about "access to documents efficiency is not only about qualified majority, and democracy is not only reflected within the borders of the nation state. They are all part and parcel of the broader decision-making structure. They mean direct involvement in all phases of decision-making and implementation. They mean active engagement in the day-to-day politics of European integration.

A good starting point for shifting toward a bottom-up approach would be to change the way in which we revise the treaties. In the past fifteen years we have prepared, negotiated or ratified a treaty. The problem is that many of the IGCs are detached from the public sphere and proceed on the basis of a lowest common denominator. Last minute deals are struck so that everyone can bring something home.

The integration process has now reached a stage in which this approach should be changed. On the European level we are dealing with issues that touch all aspects of society. This means that the preparatory phase should be as broad as possible. We need to take the fundamental decisions together, not only among governments.

Ladies and gentlemen,

I would like to finish by outlining a concrete proposal on how we should proceed in the coming years. I propose the following steps.

Firstly, we must finish the Intergovernmental Conference in Nice with ambitious results and restate our commitment to enlargement through our readiness to accept new member states in 2003.

Secondly, I think that we should define a preliminary agenda for the future in Nice. The agenda I propose is limited and it is important that we leave it open ended. My suggestion is that this agenda deals with at least the following issues - (1) legal status of fundamental rights, (2) a political guideline on the division of competences, (3) restructuring of the treaties (4) a re-examination of the institutional balance and (5) the principles of good governance. (6) The agenda should also contain deliberations that aim at strengthening of the European Union as an international actor.

Thirdly, I think the Swedish and Belgian Presidencies could draw up a preliminary timetable and establish some clear working methods.

Fourthly, I suggest that any future European agenda should be prepared on a broad basis by a Convention that should include the governments and national parliaments of the member states and the candidate states and the EU institutions and representatives. We need broad involvement because we are now dealing with things that are close to the core of national sovereignty.

Let the convention participate in the process of drawing up a basic constitution.

Finally, after the preparatory process for a constitution has been finished we should convene an IGC to negotiate and finalise the document.

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The quest for peace, security and prosperity in the whole Europe has guided the Union to the eve of the next enlargement. The benefits of economic and political integration should be available to all. Uniting the continent means also to strengthen the fundamental principles of democracy, human rights and the rule of law. These principles are prerequisites for prosperity and citizen's participation not only in Europe, but globally.

While preparing the Union for enlargement and reforming it we should respect the fact that we are all equally good Europeans. Citizens and institutions of member states should have equal rights and possibilities within the Union and should also be able to participate in its development regardless of where they live or are based. The real value of integration is in the abolition of dividing lines in Europe. We are not putting up new barriers or creating clubs - we are in the process of unifying the continent.