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PANEL 1: WILL EUROPE SURVIVE? THE POLITICAL IMPACT OF THE ECONOMIC
CRISIS ON THE EUROPEAN UNION

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PANEL 2: FROM THE EUROPEAN PARLIAMENT ELECTIONS TO THE LISBON
TREATY – A SURVEY OF THE EUROPEAN UNION POLITICAL LANDSCAPE

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PROCEEDINGS

MR. VAISSE: Okay. Hello, everybody. My name is Justin Vaisse. I'm a Senior Fellow here at the Center on the U.S. and Europe.

I would like to welcome all of you at Brookings today for a debate on the state of the European Union.

I'm very pleased to announce that this conference is the first in a series of debates, lectures, and roundtables that the Heinrich Böll Foundation and the Center on the U.S. and Europe are putting together, and we're grateful to the Heinrich Böll Foundation for its support.

The series is called the HBF-Brookings series on the Future of the European Union. We will hold events here at Brookings on issues like the Swedish and then the Spanish presidencies of the EU's next two presidencies to come; the Lisbon Treaty, when Ireland holds a second referendum in October; or the major EU mission underway off the coast of Somalia to fight piracy.

I would also like to acknowledge the generous support of the EU Delegation here in Washington for our work on Europe.

I think it's fitting that we should begin the series by an overview of the state of the EU.

After all, we might find ourselves at a critical juncture, and 2009 might indeed be seen retrospectively as a turning point. In the short-term, first, Europe just held elections for the European Parliament, and there will soon be a decision on whether to renew the mandate of the President of the Commission, José Manuel Barroso.

In a couple of months, there will be a final decision on the Lisbon Treaty, in a make or break referendum in Ireland, which will have important consequences for Europe.

In the medium term, there are very serious questions on what would be the lasting impact of the economic crisis on Europe. And that's the subject of this first panel.

And then, in the long term, it's quite possible that 2009 might mark the end of a cycle. After focusing on the creation of the single market and the euro, starting in the mid-'80s, then on the question of enlargement to the East, Europe devoted the best part of this decade to institutional debates.

If the Lisbon Treaty is adopted, this phase will be over, and we certainly won't regret it.

So to discuss the current state of the EU, we have a very prestigious group of people joining us today. In the next panel, which will be moderated by Klaus Linsenmeier, the Executive Director of the Heinrich Böll Foundation, North America; John Bruton, the Ambassador of the European Union to the U.S.; and Andy Moravcsik from Princeton University will debate the new political landscape of Europe with my Brookings colleague, Federiga Bindi.

In this first panel, we also have a number of extremely perceptive observers of the European scene. And I will introduce them in the order in which they will speak.

After being with *The Economist* for 20 years, Clive Crook is now chief Washington affairs commentator for the *Financial Times*. That would normally give any of us busy, but Clive also writes for *The Atlantic* and for the *National Journal*.

Scheherazade Rehman, to his right, after being a foreign exchange and money market trader in Bahrain, is now a professor at George Washington University.

Among other subjects, she teaches international finance at the Business School and the International Affairs School.

She's also the Director of the George Washington University EU Research Center.

Last, Adam Posen is the Deputy Director of the Peterson Institute for International Economics, just on the other side of the street, where he has been a Senior Fellow since 1997.

Part of his research is focused on Europe, and Germany in particular, and he has a book coming out in just a few days, which he co-edited with Jean Pisani-Ferry, entitled *The Euro at 10: The Next Global Currency?*, with an interrogation mark in the end.

So the question I will ask to these distinguished panelists is the following: What will be economic impact of the economic crisis on Europe be - not just the economic impact, but the political impact as well?

Many observers have started wondering if the EU could even survive at all the current downturn. It has been said, or suggested,

that the Euro Zone could implode because of this first major recession, as Milton Friedman famously predicted.

The Common Market could unravel because of -- because of stealth protectionism. EU institutions could increasingly atrophy from the glaring lack of crisis leadership and the tensions generated by populist public opinions.

Eastern Europe and member states could suffer fatal blows and revolt against the perceived abandonment of the West.

These scenarios have led -- I'm sorry -- these scenarios have led most observers to conclude that Europe is at a fork in the road -- either we need more Europe or less; that is that Europe must complete its integration so it has institutions that are capable of dealing vigorously with this in future crises, or Europe will disintegrate, as national politicians struggle to respond to domestic demands for action.

So how bad exactly is the situation and reach -- which road will Europe take? I will first ask Clive Crook to step in.

MR. CROOK: Well, it's true that, in many ways, Europe is having a harder time in this economic crisis even the U.S. -- even than the U.S., which many Europeans regard as rather unfair.

And I'll say little bit more about why I think that is in a moment.

But first of all, let me just give you the outline of the talk. I've basically got four points that I want to make.

One is about the failure, or the disappointment, anyway, the disappointing performance of Europe's leaders in the crisis.

The next is about the problems related to the crisis that are looming as Europe looks ahead.

Then I'm going to give a kind of cautiously optimistic forecast about Europe, which falls under the heading of Europe will muddle through. That's what it always does.

But finally, and I think most importantly, I want to try and persuade you to think a little bit differently about one of the themes that we're going to be discussing for the rest of the afternoon and that is the relationship between political integration in Europe and progress. I want to question the idea that the two are the same thing.

Well, first of all, I think even an optimistic, even a friendly observer of the European Union, will have to concede that the leadership - - and I'm talking about national governments, first and foremost -- failed to distinguish themselves in the crisis.

If you look at the main dimensions of action and compare the performance in Europe with the performance in the U.S., it really is pretty disappointing.

On fiscal stabilization, most European governments were unable to get their act together, even as nation states to take what I would regard as the desirable remedial action. And there was next to no coordination among European governments in getting their fiscal act together.

I think the European Central Bank was timid in its response - still is, not by its own standards admittedly. I think that the ECB think it's taken some bold risks -- but by Fed standards very timid. And that's partly due to the rules under which the ECB is obliged to operate.

I mean, many of the things that the Fed has done in the U.S., the ECB is forbidden to do. Many of the techniques that fall under the heading of quantitative easing, which, I think, the ECB properly regards as fiscal policy rather than monetary policy, the ECB can't get into those areas.

So it has responded timidly.

So you had a weak fiscal response by American standards and a weak monetary response.

And then you've also seen, I think, certain atavistic nationalistic impulses come to the fore in the way governments have responded in other ways to the crisis.

You know, the banking -- response to the banking troubles was very nationally oriented, almost comically nationally oriented, with governments rushing to defend their own institutions, even if it was plainly at the expense of foreign, i.e. other EU, institutions.

You've had a resurgence of concern about immigration from intra-EU immigration and the effect that's had on jobs.

Gordon Brown made the remark which -- I think Justin is going to try and tell us later was quoted out of context. I would like to hear more about that.

What he said, "British jobs for British workers." I think that is a very concise statement of a kind of atavistic nationalism, which I thought Europe was supposed to be trying to get beyond, British jobs for British workers.

And, of course, Sarkozy and other European leaders also made speeches calling on their own manufacturers to restrain their outward FDI. I mean, and, of course, I'm talking within Europe.

Sarkozy said that, you know, Renault should be making cars for French people in France. It shouldn't be making them in the Czech Republic for people in France.

So I think all that was very disappointing if you buy the, you know, the European vision, if you support the notion of a European project, it was very disappointing to see the crisis elicit those kinds of attitudes.

Then looking forward, there are further problems looming in Europe because of the crisis, which I think will be harder to contend with in Europe than they will be in the U.S.

I think it would be very surprising if employment recovered in Europe as quickly as it's likely to in the U.S., because Europe's labor markets are still very regulated, in many cases, heavily unionized, and European employers are notoriously reluctant to hire on as -- at the end of a recession, more so than Americans.

Many EU member states have acute public borrowing problems. And that has to be thought of alongside the fact that many of

them no longer have a currency of their own to depreciate in order to get out from underneath their public borrowing problems.

One of the things that I think we're going to see in the U.S., though this is to broaden the discussion too much, I know, is a further depreciation of the dollar, and maybe even down the road -- I expect to see debate on this start before much longer -- a little bit of inflation to help us get on top of our public borrowing problem.

Many countries in Europe don't have the inflation option, because the ECB is still animated by a kind of post-Deutsche Banc anti-inflation paranoia. So there isn't going to be inflation coming from the ECB.

And most European countries no longer have a currency of their own to depreciate.

So they're going to have to service these debts and pay their way out of these debts, and that's going to be a heck of a problem for many of them.

I think the crisis is going to diminish further the appetite for continued political and economic integration.

But I think some further integration is possible in response to the crisis.

And I think in some ways this is a fairly normal pattern of European Union development. But a crisis comes along. Steps are taken to resolve the crisis that have as a byproduct, not as an intended effect, a byproduct of deepening integration.

And I think that might happen.

And the leading example of that in the present case is the admittedly ambiguous, but nonetheless statement that countries getting into public borrowing problems will be protected in some as yet unspecified sense by the rest of the Union.

In other words, the European Union leaders are signaling that it's unthinkable that a country would be allowed to default, €80 own country, would be allowed to default on its debts.

That actually contradicts one of the principles that was enshrined when the single currency was created, the principle that the Union would bail out countries that borrow too much.

And, of course, that -- there was a certain kind of credibility issue when that commitment was first made. The idea was to -- you know, the countries inclined to borrow too much would bear in mind that they would have to suffer the consequences if they got into trouble.

Well, because of the crisis, because the list of countries that might get into that kind of trouble has grown so long, the EU leadership is now having, at a minimum, to tend for that commitment and even, I think, let the markets understand that it's reversing that commitment. And that is a significant move in the direction of further political integration, even though, as I say, somewhat inadvertent.

My bottom line in all this is that I think Europe will muddle through. As I say, I think this is Europe's standard modus operandi.

You know, the hallmark of the European Union project, the official face of the European Union project, is grandiosity. You know, it's the big vision -- you know, the European project said without any sense of irony.

And against that measure, against that vision, again and again, the Union has failed to deliver.

But the important thing is that on practical matters. It's continued to inch forward.

And when you look at what the European Union has achieved and how far it's come, not by the yardstick of its own ambitions, but by the -- but by any plausible counterfactual, you know, what would have happened if this project had never got on the road -- then it's pretty extraordinary.

I mean, you do have a high degree of political and economic integration. You do have a single European currency. A hell of a lot has been achieved. And a great deal of what has been achieved is admirable.

But I think it's being done as it were always under this sort of shadow of disappointment, because it isn't quite happening as quickly as people wanted it to work in the fashion that people wanted it to.

And the classical station of this was, you know, the problems with this stalled constitution; again, an extraordinarily grandiose expression of the Union's ambitions.

We will have a Constitution for Europe; you know, a patchwork quilt of treaties isn't good enough.

You know, if we're going to think of ourselves as an embryonic United States of Europe -- and many Europeans do want to think of Europe that way -- then we need a Constitution.

So Europe had a constitutional convention, and there were many, many comments about Philadelphia. All those parallels were drawn. It was seen as that kind of event.

That project ran into the mud. It didn't work. The Constitution, as I say, is stalled. And yet, what does it matter really if the Union is continuing to move forward towards further integration.

And the point I just mentioned about this collective commitment to stand behind each other's public debts, although it's still ambiguous, deliberately ambiguous, that is, nonetheless, I think you could argue a more significant move towards integration than anything that was envisaged in the Constitution. And, of course, the Constitution isn't dead. Eventually, I think it will be enacted, it will be ratified. And we will move on.

But again, the message will be how disappointing, how slow, what a mess. And yet, the machine keeps moving forward.

Well, my last point I want to make is -- is to question whether it's a good thing that the machine keeps moving forward. Perhaps it's a little discourteous to me to refer to a paper Justin sent me, which I think he's going to be talking about.

You may already have read. He has a very nice article in this Brookings series on Europe's response to the crisis.

Unlike a European visionary -- I think Justin is a European visionary -- would you say you're a European visionary?

You're a -- you had this notion in the paper that integration is good. It's a good thing in itself. You know, the good -- the bad news is that integration might be set back by A, B, and C, but, on the other hand, the good news is that integration might be advanced by D, E, and F.

Well, who says integration is a good thing? It seems to me just a mistake to regard integration, political integration, as a good thing in its own right. The question is whether it serves the interests of Europe's citizens.

And I think there's too much of a tendency just to sweep that question to one side and think that integration is good, especially in the U.S., where I think there is a phenomenal appetite for European political integration. And I think this is partly because you just want the map simplified.

(Laughter.)

MR. CROOK: You know, the European geography is incredibly complicated. It would be so much easier if it was just one country there -- one country to deal with, and you'd only need to remember the name of one capital city.

So I think this -- you know, the European visionaries meet this very warm response from the U.S.: integration is a good thing. And, of course, you guys integrated, didn't you? So it must be a good thing.

The problem is that I think poll after poll shows that the necessary condition for successful political integration in Europe has failed to be achieved. And that is the development of a European political identity.

I'm a careful observer of this, and I detect no signs of it as yet, and we're well into this project by now. You know, the prevailing philosophy was that, you know, build it and they will come; you know, create the European Union in a -- with a, you know, sort of an ambitious integrating -- as an ambitious integrating project, and people will get used to the idea. People like the idea.

I don't see signs of that happening, and we have a very good illustration right now with the recent European elections. The turnout in European elections has fallen in every single election, one after the other. On present trends, it will be zero in another 30 years.

People do not discuss European issues when they are debating the European elections. The issues are refracted and tied through national politics.

So I would urge you to ignore all the commentary you read about what we can learn from the fact that Europe voted, for the most part, for center-right parties rather than center-left parties in this election.

There is no such Europe. You have to look at it country by country, and case-by-case.

The European elections in Britain were an exclusively British phenomenon about the state of the British government to the British opposition. And the same applies, I think, to other countries as well.

Maybe Britain is an extreme case, but not that extreme. I think the basic point holds that politics in Europe is still national, and a European dimension to the issue is failing to emerge.

Now given that, I think the ambitions to integrate Europe politically are way ahead of what voters in Europe actually want. And I think this is one of the reasons why the Constitution ran into trouble and why I think there's a general disenchantment among Europe's peoples, plural, with the European project.

Now I'm not optimistic that a European political identity will ever emerge. I think the, you know, the cultural and linguistic barriers are so great that -- it's something I don't expect to see in my lifetime, though, admittedly, that's a rapidly diminishing interval.

But, you know, I don't think it will happen on my watch.

If it does, then good luck to the European project.

Absolutely. Let's have a United States of Europe.

But I think the European leadership mode of operation, which is to press ahead towards an ambitious degree of political integration regardless of what its citizens are telling them they want, is a mistake. I don't think that is a good idea.

One sentence really to finish: The idea of an ever-closer Union is enshrined in the founding documents, the founding treaty of the

European Union. And Europe's leaders -- that is to say the leaders of the European Union -- take that idea very seriously.

You know, no degree of integration can be too great. The object of the exercise is "ever-closer Union."

Something I would like to see in an EU Constitution, if one ever gets written and ratified across the Union, would be the deletion of that phrase. I don't think the goal should be ever-closer Union. And I think Europe's leaders need to think about how much integration is going to be enough for a region that has, so far, failed to develop a common political identity.

And I think it's time for Europe to aim for constitutional stability rather than constitutional permanent revolution.

Thank you.

MR. VAISSE: Thanks.

(Applause.)

MS. REHMAN: Since I am the only professor here without an institutional relationship, I can say anything I want and not get fired.

I would like to make a point about the political economy concerns of the EU and make these points surrounding one key issue, and that is what is the real political economic threat for the large EU economies?

So point one: bad news. I'm going to misquote Paul Krugman here a little bit. Since 1995, we've had a new type of financial

crisis animal in the system. And it has evolved not unlike certain strains of influenza. It is becoming resistant to antidotes.

And this we have seen into the -- this is a given fact.

The good news is after a global \$3 trillion cash write-down, the global economy looks like it's making its way back from the abyss. That's the good news.

Two thousand and nine -- and I'm a professor of international finance, so I will focus a little bit on financial markets and what's happening -- 2009 is going to be a bad year. Everybody knows it. GDP -- global GDP is going to be down. Estimates are 1.5 percent; unemployment in this country, 10 to 15 percent.

It will eventually go down. I'm not so sure the Europeans are going to be so lucky on this unemployment issue at least in the medium-term.

All major countries' gross debt and budget deficits have skyrocketed. In the EU, budget deficits have doubled for this year. Those are the estimates -- next year, seven percent plus as a percentage of GDP.

And that's going to put a little bit of pressure on the euro, considering the Maastricht criteria.

Large property downturns. If you look at the European Union, U.K., Ireland, Spain have been hit very, very hard.

Two thousand and ten will be less bad, if you forgive my English. At least, that's what we hope.

Okay point two: Part of the problem is that Europe is still struggling -- and I agree with Clive here -- for consensus on an economic recovery program. I wish the Europeans would, as Clive said, get their acts together to some extent, the leaders would.

But I'm sorry to say that up to now, from a financial market perspective, the perception is that they haven't, and they haven't gotten rid of the problem in their own backyard, let alone come together globally for some new deal on the financial markets.

They may come together, but I believe they'll only come together if there is a very, very nasty crisis. And the only place there's going to be a nasty crisis now in Europe is going to be in Eastern Europe.

But I want to be a bit fair here. There is a larger problem in this recovery program across the large developed countries. We all, including the United States, are still struggling to decide whether inflation or deflation is the enemy here.

And it doesn't help when there are calls for a return to depression economics at the same time.

For example, in this country, we can't seem to agree with the Fed's easy money policies as laying the groundwork to fight higher inflation or will these policies prevent deflation that would deepen the economic slump. And the debate is still raging.

I do believe that the critical issue here is that so much is dependent on consumer confidence -- what we in economics call expectations -- the psychology of workers, investors, and managers.

If they fear inflation, they will act in ways to bring it about. We know this happens. So here's where it gets tricky.

In this country, if you want to maneuver or manipulate expectations of these institutions -- the White House, Congress, the Fed -- large financial institutions have to act in unison to send the same message to the public to manage their expectations successfully.

This is a tall order. And this is doubly hard for the European Union when it comes to monetary policy.

Point three: I think it's important to understand how what is going on in Europe is a bit different than what is happening here in the United States.

In the U.S., obviously we have a problem with the banking system. That's where it started. And that is what is holding up the entire recovery, in part, as well.

And then there obviously has been a trickle effect into industry, into jobs, the economic slowdown.

Now when this thing hit Europe, these problems sprang up much more simultaneously across the economic spectrum. And they also experienced a broad-based reassessing of repricing of risk. It's in property. It's in banking. It's in manufacturing. Exports have fallen all across Europe.

And they have another issue, and here I'm talking about continental Europe. In the short run, without an American and British

financial market recovery, you can kiss any recovery on continental Europe goodbye.

These are the two largest financial markets, and they have to recover.

Point four: In the medium- and long-term, there is reason to be even more worried about Europe than the United States. And I think Clive mentioned this a bit.

And the reason really is political to some extent.

Look Europe has some very profound economic problems, not much worse than here. But there seems to be an incapacity to deal with them at the kind of pace, boldness, and timeliness that I think is necessary to avert the serious problems this unique type of financial crisis is presenting themselves.

And I think the real problem here is that Europe cannot really get its act together and so far has not in terms of in a timely manner addressing the relationship with its Central East European members and those other countries in the same region.

Look. There is a European Union. There is a single market. All talk about breaking up the Euro Zone, a single market, is just nonsense.

Now most people understand Europe know this.

But Europe is a lot of different countries. There is no fiscal -- single fiscal authority. They can't get together to have a euro rescue package, in part, because some countries don't have the euro.

Among the new members of central Eastern Europe, two of them had the euro; five are pegged to the euro; and others are floating.

So it seems a little difficult to sort of put this together.

But even amongst the Euro Zone members, there is no euro-wide stimulus package. And, on top of that, policy mistakes have been made. The European Central Bank, for example, in my view -- and I think in the view of many -- has made a mistake in monetary policy.

It's been too tight, especially under these unique circumstances with this financial market crisis.

I want to make one side caveat here, the European Central Bank's hands are tied a bit due to their charter in terms of what they can do.

But what has happened because of this it's made life very difficult for the weaker members of the Euro Zone.

At the same time, German elections pending, Germany does not want to assist or has not been forthcoming in assisting some of the weaker Euro Zone countries. And this is a very tough political standoff right now.

The bottom line is this: Anyone who belongs to Euro Land or Euro Zone is relatively safe. Everyone outside the Euro Zone that's a gamble.

And this brings me to my fifth point: The European Union has an Iron Curtain problem again. And the Prime Minister of Hungary mentioned this phrase, the Iron Curtain, and he was talking about the Euro

Zone essentially, not really the difference between East and West. It's between countries that belong to the Euro Zone and those who do not.

Ultimately, even the weaker, more vulnerable economies in the Euro Zone are safe, because the large economies cannot afford for these countries to do a freefall.

It's those that are outside that are flying without a safety net. And those are the real worries at this point.

And here lies what I believe is the real issue that central Eastern Europe is a real focal point here or should be the focal point here. There's a big problem in Western Europe. But if there is a shoe that's going to drop that hasn't dropped that probably will drop that's going to be in Central Eastern Europe.

This drop is not going to be some chaotic panic that we have seen over the last year and a half, but more likely a prolonged, deep gloom. The region has avoided an economic meltdown and probably still will.

But Central Eastern Europe is still facing -- that region, members and non-members alike -- are still facing a very long, painful slump.

Look these Central Eastern European countries were running huge budget deficits, fiscal deficits, reckless fiscal policy, crazy current account deficits. They were borrowing massively from overseas in ways that would be deemed suicidal for any emerging market. But it was

deemed okay. Why? Because they were part of Europe where they were converging to Europe or they were going to join the EU.

And the bet was that if trouble hit, Europe would assist. And the European Union actually encouraged this. Look you're going to join the EU. You can -- you're going to be rich. You can have extraordinary fast credit growth. Go for it.

Don't worry about the risk. We'll take care of you if anything goes wrong.

Now you're hearing, "Oh, no. It's not our business. It's not in the Euro Zone. It's not our business."

And that's a very tough say, because what they're saying is go see the IMF now. Okay?

And this causes a great deal of political awkwardness now in terms of what is happening in some of these countries. And it's left a horrible hangover in the wake of what is supposed to be estimated, a four percent drop of GDP in Western Europe, and five percent drop in GDP in Central Eastern Europe.

And the trouble that has hit this region of Central Eastern Europe is very profound in three ways, I think: One they've been hit by the recession in Europe -- in the EU -- so their exports have slumped.

There's a banking crisis, and their currencies have fallen. And what has happened in these countries is that these -- the people of these countries have been borrowing in euro and certainly their currencies are in a freefall and they have much higher payments now to be made.

You add all these things together, they're in some serious trouble. The good news is this: That there is no impending meltdown in the region, and we are assessing risk much more calmly and rationally today than we were six months ago, because we were panicking six months ago.

Related to this, I want to make one quick point -- the other side to the Central East European problem.

The bankers of Central Eastern Europe are West European banks. Okay? We know this in large.

And there is a -- there is a serious crisis of default in Eastern Europe. There's a serious threat to that, and it's becoming a real problem for West European banks.

So they're being hit twice now -- the sort of sub-prime of Europe, to some extent, if you want to call it that.

It was nice of the Financial Times to help me out on this today. Right on top -- red alert -- Latvia crashes. Okay.

And I don't believe, again, there's going to be in meltdown, but I do believe that these countries are going to drop, and there is a problem.

Well, that one problem that I mentioned. The EU's problem is twofold, and the second one, very quickly, is that the EU's style and type of corporate governance -- structured long-term unemployment, rigid labor markets, tight social contracts are going to hamper their need for flexibility in managing this unique financial crisis.

They're going to run into trouble. This is good to be very difficult for them. Employment problems are going to get deeper and stay longer. I don't believe they have the institutional structure to do what we are doing here obviously.

I've said this on national TV six months ago. I'd rather be us than them in the medium term.

Our problems are much deeper. They are much larger, but I believe we will eventually get out of it. The Europeans are probably going to stumble around for some time with some of these economics social issues.

And on a side note, we talk about the financial crisis being a global crisis. If we strictly talk in financial crises terms and turning into a global crisis, the epicenter of this movement is Europe. Okay? And I think that gets lost sometimes when we look at Africa and Latin America.

Okay. So what should the Europeans be doing, if I may be so bold to speak, given who's sitting here in front of me. Okay?

They need a European solution. We know this. They need a European Stability Fund, but that was pooh-poohed, because there's too many other things happening. And, of course, the Hungarians proposed this, so we're not going to listen to them right now, because they got themselves into trouble.

The reality has to be faced. Anybody in Euro Land is okay. Anybody outside of Euro Land is on their own.

And if they get together to do something like this, it will take a bit of a nasty crisis, and that crisis again will brew in their backyard in Central Eastern Europe.

So I believe that leadership from the United States is incredibly important at this point, to reinforce this point perhaps, because if Europe drops the ball here in their backyard, we're going to have a downward leg in this global mess.

I think in some cases things are already turning a little bit. We have seen the ugly head of protectionism raise its head. It's been mentioned. It started in France, not a big surprise, but it's spreading. And that doesn't help some of these other poorer, weaker economies on the Central East European side, members and non-members alike.

And my last point: So how much does it matter to the United States whether and how fast this recovery in Europe -- or how Europe resolves this issue.

I think it's huge for us. The global economy is extraordinarily fragile, even now, given that consumer confidence is at the key of this recovery, at least for us.

And if there is going to be a shock, it's going to be in Eastern Europe. So, ideally, if that is addressed, we might somehow avert another slide.

The New Deal -- and that's the last point I'll make -- this new global financial deal that's trying to be struck, and Gordon Brown is pushing hard for it, if it focuses on just improving the fire station and does

not focus on putting out the fires, we're going to run into some trouble down the road, at least from a financial market perspective.

Perhaps a little harsh on the Europeans. Perhaps not a (sic.) very uplifting remarks. But there it is.

So I leave the rest for Q&A. Thank you.

(Applause.)

MR. POSEN: Well, thank you all for coming out. It's a lovely crowd. And I'm grateful to Justin, to Jeremy Shapiro, and the Center for having me in on this panel.

I'm also glad -- I had forgotten that this was Heinrich Böll Stiftung, with whom I do a lot of work, and I'm very glad to have them sponsoring this kind of dialogue.

I'm going to say some things that emphasize two issues that Scheherazade made a big deal out of -- the banking problems in Western Europe and the economic problems in Eastern Europe.

I'm going to come at them, though, from a -- I think they quite different angle. But even if it's a little boring to be covering the same issues, at least I should emphasize to you that two out of three of us believe that those are the core sort of prompting points right now.

I also took the liberty of trying to distribute a couple of publications. I think one of them made it around, which is a policy brief we released today joint with Bruegel and a French author Nicolas Véron and I talk about the European banking problem.

Justin was kind enough. On Tuesday, we'll be rolling out our book, "The Euro at 10: The Next Global Currency?" And I brought with a copy of a chapter that. That doesn't seem to have been distributed, but I guess that will be out in the break.

And we'll premiering that in Brussels with Commissioner el Munoz on Tuesday.

Anyway, so much for the thank yous and the promos. Back to the substance, and to pretend I will stick to time, I will take off my watch.

I'm going to try not to mention the U.S. at all for the next few minutes, because I think there is this tendency to always compare to the U.S. and frankly I think a lot of these comparisons are exaggerated. I'm not quite as sanguine about the U.S. right now I sell my co-panelists seem to be.

And I think that's actually not really the point. The question is Europe for Europe's own sake and for the world's sake as one of several major actors in the world, what's going to happen as a result of this crisis. Sony tried to emphasize that.

And then in the discussion, we can get back into the U.S. versus Europe trashing in a minute.

The great rabbi Hillel, one of the great sages of the Jewish addition, made a -- was quoted as saying, "If I am not for me, who am I? If I am only for myself, what am I? And if not now, when?"

This is one of the old sort of Bartlett's quotations of a Jewish wisdom.

And I think it applies to the Euro area right now.

If I am not for me, who am I? The Euro area -- let's dispose of the ridiculous Anglo-Saxon people betting on a breakup of the Euro area. It's not going to happen. I haven't quite finished the calculations, but basically if you took the opposite side of the bet every time the spreads widened within the Euro area on government bonds, you would've made a lot of money by now.

So let's not sweat that. Leave that to the tabloid papers of Britain.

Instead, let's focus on what's really going to happen, which is that the Euro area is perfectly -- and this is sort of echoes some of the things Scheherazade said -- the Euro area is reasonably functional. It's doing a pretty good job on central banking. They seem to be a little behind the curve right now in terms of aggressive policy. But they were ahead of the fad and the Bank of England in 2007-2008. Call it a wash. I don't think that's really the issue.

What is not happening is we have a Euro area. We have a Commission. And two things that are of great import to Europe are not getting done.

First, Europe's voice is not being heard at this time of great tumult in global financial arrangements, in global financial regulation, in reorganization of the international architecture.

Yes, Chancellor Merkel, President Sarkozy managed to take some credit the day before the March G20 Summit, "Oh, we want the following regulations."

Actually, they were mostly regulations that we were all going to agree to anyway. That's fine. But, in point of fact, on two critical areas the Euro is letting itself down.

The Euro should have a single, coherent representative at the G20 table, at the IMF, at the World Bank.

Commissioner El Munoz has come out and said this. A number of commentators through the years have said this. It is -- this is more specific and more damaging than the general Henry Kissinger joke about who do you call.

You know, we all have iPhones now. It's easy to remember the phone number.

The issue is there's nobody forcefully putting on a European view. And that is to the detriment of all of us right now, because what it means is we are getting a power vacuum because the Americans are domestically preoccupied. The Chinese are not really asserting themselves, except to occasionally veto something.

It would be nice if the Europeans were putting out a coherent view in the IMF. And, of course, that would require redistribution of chairs and shares in the IMF and the World Bank, meaning that the Belgians and the Netherlands cease to be so self-important, and we actually have a Euro area representative.

But the point is they're not for themselves. They're not taking advantage of this.

The second key way in which the Euro area is letting itself down and letting Europe down has to do with the banking issue, which is the thing that you have in your hands.

Basically -- and here again I echo a bit Scheherazade and friends at the IMF Europe Department and many other places -- there's a very straightforward syllogism: The amount of bad loans outstanding is as large in Europe as it is in the U.S.

The banking systems in Europe are more important to the economies in Europe than they are in the U.S.

The banking systems in Europe have written down a smaller share of their bad loans in the banking systems in the U.S. so far.

A plus B plus C means the banking problem in Europe is bigger than the one we have now, and it will have more of an impact on European economic performance going forward.

Now why isn't there anything being done about this? Again, I wouldn't say there isn't anything. We have had the announcement that there is going to be stealth stress tests, which is an interesting concept. Having stress tests in which the commission or the Committee of Supervisors in Europe rather says we're not going to release who's good and bad kind of defeats the purpose of the stress test.

But, and again, I don't -- I want to emphasize. I'm on record in a lot of places. I don't think the Obama administration has exactly

covered itself in glory with its treatment of the banking crisis. That's not the point.

The point is in addition to the fact that the banking crisis is going to be larger and more damaging in Europe right now than it's been is the fact that you do have this national kind of conflict -- and this relates to some things Clive said -- of nobody wants to bail out a bank that isn't their own.

And so you have these ad hoc measures. Fortis, for example, goes under, and over a weekend some very clever people in Brussels, in Amsterdam and Paris managed to cobble something together to keep it from turning into Lehman.

But it isn't a sustainable solution. It isn't very good. And that takes place among the three countries who have very, very tight relations, and who already had very integrated financial markets.

We can see coming major problems. And this is why Nicolas Véron and I advocate that there has to be some sort of Europe-wide attempt to triage the banks, to do the stress testing in a public way at a European level, publicize the results, and then you have something which we would call a bank in Treuhänd, a trustee, that then holds the shares of any nationalized banks or holds the distressed assets public -- purchased on the public account, and then you'll be ahead of the U.S., because unlike the U.S., directly investing in General Motors, there will be this distancing.

So the German government or the French government or the Spanish government has that on account at the Treuhänd, but the Treuhänd is the one that actually manages the shares. And there's a political barrier to political interference.

Anyway, I can pitch my specific proposal later, but the point is the Euro Zone is not doing enough for itself. It is not standing up for itself in international affairs, to all of our detriment, and it is not forcing the banking issue in the way that it should.

The second issue, if I am only for myself, who am I, is the Scheherazade Eastern European issue.

And she did a very good job of covering the facts, so I'm not going to go into that. But I want to put a slightly different interpretation on this.

I think there are two things at work in the way the Eastern European countries are being treated -- and -- or actually really just one.

And it is the opposite of the caricature often given in the U.S. to Europe. But it's what's really going on, which is the European economic policymakers are being religiously conservative. They're not being statist. Right?

They're sticking with very narrow rules-based interpretations of the Maastricht criteria.

They're saying all that matters is each individual country is adjudicated on its own terms. That's why we turn it over to the IMF for conditionality, because there's no reason we should play at all around with

standard conditionality. And we're going to do this all by market terms, and market discipline will enforce. And, in the end, these countries will have no choice but to return to the path of righteousness, as embodied in the Maastricht Treaty.

Otherwise, they get no dessert, known as a Euro area membership.

This is Euro foolish, penny wise. This is a recipe for saying to the European nations -- I see Barry Wooden back, who's done some work on this -- that we are saying Hungary is different from Czech Republic. Romania is different from Bulgaria. Latvia is different from Lithuania.

And on a pure economic basis, if I'm sitting there in the IMF economics department, of course, Hungary is different from Slovakia.

But as a political matter, the idea that you are setting in a sense brother country against brother, incentivizing the Bulgarians to say, "Hey, look. I -- no -- hell. I'm not the Romanians."

I mean, I was in Berlin last month talking with a Bulgarian official who spent 20 minutes telling me how they're not Romanian. I've been in rooms with Polish officials telling me how they're not like these other countries.

And so you're getting this competitiveness effect, which is shortsighted for European solidarity and shortsighted economically when they are so integrated.

Do we really think it is a sustainable situation to have Latvia and Hungary crater and think that it will not have an effect on the credit standings, the exchange rates, the employment and growth in Poland and Slovakia?

There are so many sensible and practical things the Euro area and Euro leadership could do to be responsible to Eastern Europe. And note, I say sensible and practical, not writing blank checks.

They could extend swap agreements that actually take and offer euro-denominated money, which they currently do not do for these countries.

They could offer to discount at the ECB some of these countries' assets, which they currently do not do.

They could offer to make more sensible the Maastricht criteria in the sense of making it explicit that the target for your inflation level should be the two percent of the ECB and not whatever is the average of the three lowest countries, which right now would be deflation.

They could reset the clock on the ERM2, which is a bad idea to begin with, but if you're going to insist on ERM2, state that this one-time shock of the East European financial crisis should not be counted against these countries, forcing them to the back of the queue for two more years in ERM2 while it gets restored.

Many things could be done without fiscal transfers. None of them are being done.

Third and last point: If not now, when?

The U.S. -- I said I wasn't going to mention the U.S., but I guess I have to -- the U.S. and the dollar are at their nadir in political economic terms for the last 30 years. Right? I mean, all of us are old enough to remember the late '70s. We can remember those days. Remember the days of stagflation, of economic embarrassment, of weak government, of incipient inflation, and of bad corrupt banking, and all those good things.

And we have those again now thanks in large part to the previous ministrations and the Federal Reserve.

Okay. Normally, that would be an excuse to sell the dollar. That is not really happening very much, partly that's because we have stabilized the situation; more it is because the euro still does not provide an acceptable alternative to the dollar.

Why does it not provide an acceptable alternative to the dollar? It's not because of monetary failures. It's not because of some narrow monetary construct.

The bond markets in Europe are quite deep and quite liquid. It would help slightly if you didn't have to resort to only German bonds as the benchmark bond, but realistically that's not the issue.

There are a few things on financial deepening that aren't quite as good as the U.S. My colleague Kristin Forbes from MIT has gone through this in detail with some very good research.

It's not huge. It's a small difference.

Invoicing trade there are plenty of reasons why the euro should be much more widely in use than it is, but what I argue in the paper, which I'll pass out in the break, which is my chapter from our "Euro at 10" chapter is the reason the euro isn't out there as a global alternative is because it's a political dwarf.

In the end, if you think about what are the reasons that countries are pegged to and integrated with the economy of the U.S. and the dollar zone, of course, it is driven in part by financial depth and by trade linkages.

But for Taiwan and Saudi Arabia and Panama and Japan and Kuwait and a host of other countries, it has to do with the ongoing broader security relationships and sense of guarantee and political commitment.

In Europe, through use of the euro I should say, the countries outside of the immediate neighbors of Europe that use the euro are those countries of the CFA Franc Zone, where France still projects military force.

There are no out of area countries that use the euro. And, in fact, in Eastern Europe, it only became dominant because the one place where the Europeans did actually project foreign aid and military force and peacekeeping was, of course, the former republics of Yugoslavia. And that is the one place -- an addition that has been Euro-ized.

And now, if nothing else, it is being set back by the standoffish attitude to the people of Eastern Europe -- forget the Ukraine -- current members of the European Union.

Now one can always easily say, well, America hasn't exactly been that nice to Mexico. And that is entirely correct.

But the U.S. has two big advantages that the Europeans don't have on this score, if we care about the usage of the euro in other places.

First, it's the incumbent that helps. Second, we share such a border with Mexico. It's just like I would never expect Poland to cease to be interested in being a member of the Euro Area. That's not the point.

But the point is we're at a temporary peak of relative influence potential for the European Union and the world economic affairs vis-à-vis the dollar.

For long-term growth trends that Clive and Scheherazade both referred to, Europe is going to be in relative decline no matter how well it does vis-à-vis the U.S. and China in years to come, especially since the recent elections and economic events put (inaudible) to any thought of further enlargement.

So, if not now, when? I'm afraid not ever.

So I'm actually -- we moved across a degree of Euro skepticism. I'm the least Euro skeptic on the panel.

I think the European Union will be fine. I think the European economy will be fine.

I think there will be some mystery in Eastern Europe. I think there will be a banking problem not yet addressed in Western Europe. But this is all surmountable. This will not threaten the Euro area.

This will not have a lasting miserable effect. But it does mean that the Euro Area will not be more than the regional currency it now is, and it does mean that Europe may have blown its moment to assert itself in economic leadership.

Thank you.

(Applause.)

MR. VAISSE: Thanks. Okay

Thanks very much. A lot on our plate.

Probably I'm going to abuse the privilege of moderating this debate and ask a question to the three panelists.

And I'll start with you, Clive. Since you sort of questioned the -- let's say the standards of judgment or mentioned the fact that maybe more integration was -- didn't be more progress for the peoples of Europe, and but at the same time, you mentioned that the invention of a sort of solidarity close, the idea that other Euro Zone countries would not stand idle -- would not allow a country to default on its debt, even if this decision was somewhat inadvertent, represented a step in the right direction; and, in other words, more integration.

This is, I guess, example where integration means progress most probably.

And so my question and where I would like you to elaborate is, could you give us an example of areas of integration that would actually not improve the public interest for the peoples of Europe?

MR. CROOK: Where shall I start? I mean, there are so many. By, I mean, the -- I think the proliferation of European law that impinges needlessly on national laws and which is a kind of bone of contention in most countries across Europe would be the main thing I would mention.

Now some of that I grant you is not -- well, I was going to say a logical necessity -- not a logical necessity, but a sort of a practically desirable if you want to make a single market work.

You know, the notion of a single market, which I am very much for, does require a certain kind of institutional innovation to reap all the benefits.

And, you know, the key development there was this concept of mutual recognition, where in the early days of the Union, different countries within the Union recognized each other's laws in certain domains that were connected to making a reality of the single market.

But I think there is a notion among politicians who are most ambitious project future of the Union that we should pursue -- that the nations of Europe should pursue a very ambitious agenda of the creation of European law. I mean, European criminal law; you know, a European justice system.

And I cannot see that that is either necessary for free trade promotion purposes nor more important than it's desired by any of the peoples of Europe.

I mean, in a way, it's an echo. You know, there's a parallel with the debate in the U.S. about states rights and federalism.

But the big difference, I would argue, is that in Europe the -- that notion of a sort of -- the beginnings of -- you know, an embryonic European political identity just isn't there.

And some of the points that Adam mentioned, if I could just link back to that, about the failure of Europe -- you know, the Europeans have failed to recognize each other as brothers.

Well, they don't recognize each other as brothers, because these are separate nations. These are separate nations with their own histories, with their own very different political systems, with very little kind of political communication from one country to another, with next to no concern or interest -- I mean, how much interest is there in the U.S. in Mexican politics?

Well, that's about as much interest as there is in France in British politics or vice versa.

You know, it seems to me that is the political reality, and the danger of pushing beyond that and as it were Europe's elite is hoping to bring Europe -- the European masses along with it to see the wisdom, you know, the benefits of this extraordinarily ambitious project.

And I think that is going to fail. It is failing, and I think a lot of the problems in the details, you know, in the weeds of financial regulation and bank rescues and all the rest of it come back to this basic problem, that that political -- that political project just isn't going anywhere.

MR. VAISSE: Adam?

MR. POSEN: Can I just say I think five is being too jaundiced in his view.

I mean, I think first off, the statement that French people pay as little attention to British politics as American people pay to Mexican politics is factually incorrect. But let's leave that aside.

MR. CROOK: But why leave it aside? It's important, Adam. I mean --

MR. POSEN: Well, no, but okay, in which case you're wrong.

There is no such thing as North American news with any sort of viewership in the U.S. Whereas, there are several, including the FT, for which you're right. No, not, oh, come on.

Look at the traffic on the website. Look at the circulation in the newspapers. Look at the television programs that are out there. Look at the opinion polls done by Eurobarometer, which tests knowledge of other things. And you look and say the knowledge of Americans in Canada or Mexico as a comparison.

It's worlds different. I'm not saying they're all brothers and everything's lovely. But I'm saying you gone too far.

The second point, which I think is the much more important one is the backlash against so-called elitism and over regulation at the federal level is the same in the U.S. as in Europe, because it is a statement that small, parochial nationalist groups, mostly consisting of people who are incumbent white males in most of these places, the equivalent thereof, are the ones who do not want to see universal imposition of rights; are the ones who do not want to see equal treatment of law; are the ones who do not want to see consistent application of regulations, just as that was used as an excuse to foil civil rights legislation in the U.S.

And the idea that there is a group in Europe that believes that there should be common standards on various legal matters, including criminal law, that apply to all human beings in Europe I think a salutary.

And the fact that we, just as we in the U.S. had to outgrow our parochial status visions of each level state -- oh, we don't have many blacks in my state, so I don't really need to vote for civil rights legislation was wrong.

And I think it is entirely appropriate and right for Brussels and for the enlightened people in Europe to push in that direction.

MR. VAISSE: Well, do you want to answer or -- Scheherazade, do you want?

MS. REHMAN: Yeah. Let me get back to your question. I think it's important to remember that today, yesterday, 10 years ago,

Europe is like George Orwell's Animal Farm. All animals are equal, but some are more equal than others.

And that's the reality. I think Adam is right. There was -- there is a mistake that has happened, correctable to some extent, that the Euro Zone members and leadership has fallen down on the job here a little bit. At least, at the very least, we should be seeing Euro Zone members, all of them, including the new ones that have joined, have full support. And this is important to keep the euro strong and stable -- so, at the very minimum, have a very strong Euro Zone identity, have strong leadership for the euro; the ECB stepping up a little bit and representation in multilateral institutions to that regard.

But I think there's a phenomenal opportunity here if you are being practical -- if you're playing practical politics. The leaders of the Euro Zone can use this financial crisis as an excuse or call it anything else you want to implement certain things that could push that identity forward in multilateral institutions and other venues.

So I think there is an opportunity here still to use the financial crisis of the masses will come along.

And you're right, Clive, I mean, Clive's right to some extent, they are national identities. But this is when you have an opportunity to use an event, a very large event, to push through certain types of legislation or identity or institutions that can further your integration plans.

MR. VAISSE: Well, I would second that and maybe add the additional point that it's not only an opportunity, and, of course, it is to be

hoped that the current leadership, whether the Commission or the Swedish presidency or the Spanish presidency will take advantage of this more than has been the case so far; but that in the history of the European construction, which is always, to some extent, been led by elites -- and I'm thinking of the euro, for example -- that that probably not only Europe could cover from the current crisis, but precisely with time, because I think that crisis is not over, and what you all described sort of confirms that in my mind, could be the opportunity for a rebound, as we've seen in European construction often perceived by sort of rebounding or bouncing back a crisis that had been very bad.

I have one question for the two of you, because you basically covered partly the same ground about Eastern Europe and about the euro and the dollar. And I'd like to challenge a bit this picture that you gave of Eastern Europe.

Well, Adam, you referred to the fact that some European leaders were sort of incentivizing a competition between these countries, but isn't it the case that they have had very, very different economic policies and that they are in very different economic situations.

And is the West versus East in Europe is that the real fault line or when you consider the case of countries like Ireland, like Greece, like Spain doesn't -- I mean isn't that more relevant to classify countries with the -- by the state of the economy and the public finance that they are in.

Add to this the fact that the ones that are not in the Euro Zone precisely can use their currency to some extent to regain competitiveness.

And so doesn't that moderate the -- soften the blow that they will get? And do you count for nothing the EU macro economic support that was given to these countries? Do you think it was negligible or ineffective?

And so, I'd like to challenge you on that and see if this really is so far.

And the second question to all of you is about the euro and the dollar. And you both spoke about this.

Isn't, Scheherazade, you mentioned the fact that we didn't know if we were facing deflation or inflation as the biggest threat to us. But, isn't one of the possible scenarios that the dollar will actually lose some of its value vis-à-vis the euro, that there will be increasing inflation in the U.S., and that the zone that will bear the brunt of the adjustment will be the Euro Zone precisely because the dollar will lose some of its value and give it a competitive edge to the U.S. and also allow the U.S. to erase most of the debt through inflation?

MR. POSEN: If I can respond first on your attempt to challenge.

The support provided by Europe, the Western European countries, via the IMF and through funding of the IMF programs to Eastern Europe is not negligible, but it is not sufficient.

And, you know, we can get into the specific numbers if you want, but there is a very basic point there, which is these countries are going through the worst financial crises they have had since the fall of communism.

The terms of these conditionality, for example, in Latvia, which, unlike Hungary, was not the most dissolute un-transparent fiscal policy government in the world, are incredibly arduous. We're talking about huge cuts in real wages, huge cuts and fiscal spending, I mean, into double-digit percentages.

This is devastating. And so, the idea that this is sufficient is really fundamentally questionable on human or political grounds, let alone on an economic ground.

The second thing, which goes to your point, which is exactly the simpleminded defense crouch that European economic officials tend to go into, is that everything is summed up in your fiscal policy; and that somehow the euro, despite being there for 10 years and despite the economic size of these other countries being trivial, is in some fragile state that God forbid some country should sneak in and possibly expand its budgets, because then the euro will come crashing down.

I mean, that may not be what they actually believe, but that's the way they behave as though that were the threat, which is patently absurd.

And it's just another way of saying that they don't even have faith in their own currency, which is just bizarre.

When you talk about where the divide comes, that in particular is the point. I mean, Ireland right now -- we have Ambassador Bruton here -- he can correct me on this -- but Ireland obviously is going through huge wage cuts and cutbacks in government spending as well, similar to Latvia. But the divide is very different. They are members of the Euro Area. They have had huge benefits from membership in the European Union and the Euro Area, including much larger transfers through the years in tax benefits to these tax competition games, as well as investment all through the years that Eastern Europe did not get.

They're a much more advanced economy. They were much less vulnerable to begin with.

And they have a voting seat at the ECB. They have political say. Whereas, the activities of the ECB and European economies -- Euro Area economies have an enormously fact on Hungary, Latvia, et cetera, and they have no vote.

So on every level, political and economic, I reject that, which is indeed the standard European response, because it's basically a fear-based response. It says the Euro Area must be in this fiscally defensive crouch, and if we do turn people into fiscal rectitude, everything will be fine.

Whereas, actually that's not what's going to happen. And the final point I would make on this is the sheer absurdity of this is proven by the fact that we've had years and years and years of this kind of deterrence, and it didn't preclude Hungary from getting into trouble, and,

hell, it hasn't even precluded Italy from repeatedly getting into trouble, although they were led into the Euro Area.

And yet, by the same token, and this is where I will turn it over to Scheherazade, you say you think that they're still going to be less inflation in the Euro Zone than in the U.S.

Well, then obviously the fact that Belgium and Italy and Ireland and Spain and Greece all violated their fiscal policy commitments for years on end didn't really matter.

MS. REHMAN: I'd like to make three points in relation to that. I think the first one that I was making all while ago was this, that within the Euro Zone discriminating or the perception of discrimination in the financial markets against any member, specifically the new Central East European members, is problematic.

It's problematic for the euro. That's detrimental. It makes no sense. It's a shortsighted view, even though we have elections in certain countries coming up.

The second point you mentioned, you know, if there's a drop in currency value in Latvia or other countries, they should actually benefit because what -- their exports will increase vis-à-vis the euro of other countries.

That would be true if two things were not happening: if one, that the export markets have tightened up, because Western Europe is now in a slump; and number two, if their own citizens were not borrowing

in the euro at massive quantities and now have to pay back in the euro while their currencies are tanking.

So I think that's creating a huge problem.

And the last issue about the euro-dollar exchange rate and this is where it gets a little bizarre. I used to be an FX trader. If I was doing my FX business in the last five years, I would have lost my shirt, because I was shorted the euro a long time ago.

The bottom line is this: There was nothing happening in the Euro Zone that would make me believe that the euro should be outperforming the dollar to such an extent, if you strictly look at it from the Euro Zone economic performance.

Most people in the business understand that the euro's rise against the dollar has been mostly or largely in part due to things happening here -- huge fiscal deficits, the war with Iraq and Afghanistan. A lot of those components are pressing the dollar down rather than something phenomenal happening in European economies to press the euro up.

And at some point, this is going to come home. At some point the financial markets are going to reconcile this, and I do believe you're going to see a shortening on the euro. But don't listen to me, because I've already lost my shirt. Okay.

MR. VAISSE: Thanks very much. I think it's time to open to the floor. There's a microphone and I -- please identify yourself at the

beginning of your question, and make sure that there is indeed a question mark at the end of your sentence.

I will take three questions in a row. Yes, sir. Would you bring the mike?

MR. PEAK: My name is George Peak , and you probably detect from my accent that I am from Eastern Europe, namely Hungary.

And, of course, I keep in touch with my close friends there. And the situation there is that anti-Semitism and racism is rising exponentially there. And everybody is afraid of violence and actually a situation where the country itself will fail.

My question is: What will the European Union do to Hungary? Will they kick Hungary out of the European Union? Will they do something, not just fiscally, but, I mean, some other force to try to keep this country together?

MR. VAISSE: Thanks.

MR. PEAK: Thank you.

MR. VAISSE: Sir?

MR. WOOD: Barry Wood. I'd like to just query Adam a bit on the European Central Bank. My own view is that probably Mr. Triché's hands are tied; that he feels it's really impossible for him to assert more of a role for the ECB internationally.

In terms of I think your very sensible idea about the swap arrangements and resetting ERM2, but what about the inflation and the

other criteria for membership? Isn't that a treaty that he hasn't any possibility in changing?

MR. VAISSE: Sir, here, in the first row.

MR. GREENBERG: Hi. I'm David Greenberg from Citizens for Global Solutions.

I'm wondering. You all talked a lot about the neglect that the larger European economies are showing Eastern Europe. I'm wondering what that kind of neglect, almost dismissal, on the western side and a politically resurgent Russia on the East, I wonder if there's any threat, any danger of Russian gaining influence in Eastern Europe?

MR. VAISSE: Thanks. So we're going to answer these three questions.

Adam, would you like to start with the second question?

MR. POSEN: Yeah. Just quickly on the first and third. The first one you should ask the people who are going to be on the next panel. One would hope they'd behave toward Hungarian racism and anti-Semitism the way they did when Heider's party was in charge in Austria, but we'll see.

On the third question, yes. That's another shortsighted reason why it's stupid for Western Europe to stiff Eastern Europe, because not everything's fiscal policy. Russia doesn't matter.

Barry? I hope -- I may have misspoken during my talk. What I tried to keep saying was instead of saying ECB, I kept trying to stay Euro Area leadership, because I agree with you actually. I mean, I think

there's a little more room for play and what you put out there, particularly on the first point, not so much on the criteria, but on the first point about representation.

But I kept -- I at least tried -- and if didn't, please correct me. Please everyone note the correction.

Euro area leadership, meaning the national government leaders who meet in the Euro Group, meaning the national government leaders whose representatives go to the European system of Central Banks, go to the Euro Group, go to ECOFIN , they are the ones who have to make the decision.

So it's not the ECB's fault or responsibility. It's the Commission and the ECB advising those and pressure and, one hopes, those national representatives to do it.

But I don't think it's the ECB. I think it is the national governments who both are the ones who are failing to do it and are the ones who are ultimately responsible.

MR. VAISSE: Scheherazade, do you want to?

MS. REHMAN: Yeah. I think I'll just address the first question very briefly. It's not my area of expertise. No, no one's throwing Hungary out of anything. I think that's not even up for debate. I think that if we don't look at history, it will repeat itself. And the Europeans should be aware of this; that if you are within the boundaries or even next to the border of the EU and you are a gaping, big black hole of economic

disaster, these kinds of socioeconomic problems spill over. And they spill over into borders.

They have to deal with this. This is why Germany, at the very beginning, was pressing very hard to have these countries in, because it sits on their borders, and this will spill over.

So it will be shortsighted if they let him go on for too long, I believe.

MR. VAISSE: Thanks. We're going to take three other questions. Sir?

MR. CAMPBELL: I'm Kerry Campbell, State Chair of the Independent Greens of Virginia.

Our topic is a political rebound. And being an optimist, I'd say that that began with the election results. Your newspaper, the *Financial Times of Deutschland* endorsed the Green Party last Friday as *The World* newspaper reports today, Ralph Fawkes wrote the German Greens have arrived at society's center.

Danny Cohn-Bendit in France, of course, phenomenal results there. He campaigned on Europe's Ecology Party for the European-wide Green Party -- the Green's New Deal.

So the question is, do you think that this points the way and the results appear to be to a combination of economy and ecology for jobs and growth and pointing the way out of this crisis?

MR. VAISSE: Thanks. Dmitri?

MR. NOVIK: My name is Dmitri Novik. I represent myself.

So my question is a very simple for four of you. But before I formulate my question, it's a little bit background while rice is question. I don't remember who said this, but the best governance or best leadership or by crisis.

The European Union cannot have best leadership, because it's rotation presidents so it means that it's government from crisis to crisis.

But the main question for all of you, what is your opinion, and very short answer -- yes or no -- European Union after this crisis will be stronger or weaker?

MR. VAISSE: Okay. Thanks. A third for this batch? Here, the lady here in the middle.

MS. TOCONSGIA: Hi. Regina Tonconsgia, the Internet, the Center for American Progress.

And my brief question I know many of you addressed the problems with debt and deficit that many of these country are going to be facing, but do you think this is going to renew the discussion about the Growth and Stability Pact? Do you think it's going to, you know, impacting anyway? Is there going to be new discussions? So I'm just interested to see any thoughts about that. Thank you.

MR. VAISSE: Thanks very much. Clive, do you want to start?

MR. CROOK: I don't know if it will renew the debate about the Growth and Stability Pact. I hope it does. I thought the Growth and Stability Pact was a big mistake from the beginning, because it allowed so

little fiscal flexibility to member countries, and it always seemed to me that the single currency would put more -- was likely to put more stress on fiscal flexibility rather than less. And I wrote many a leader in my time at the Economist arguing that the Growth and Stability Pact was a bad idea.

Whether it can be unraveled officially as opposed to merely ignored in practice, I just don't know. I don't know whether Europe's leaders will have an appetite for that. But I hope they do. I hope they do just scrap it actually.

MR. VAISSE: So, Clive, you're not going to escape the question -- the EU stronger or weaker after the crisis?

MR. CROOK: Well, I can't answer yes or no because it depends what you mean by stronger or weaker. I mean, one dimension is will it be -- and this is the thing that you addressed in your note, of course, Justin, which I thought was very interesting -- well, is it going to be more integrated or less. And I think on balance it will end up a little bit more integrated, because I think that is the way the Union in the end response to crises, even though it's very untidy, very messy.

And certainly the response hasn't been as forthright as it should have been. Nothing like is coordinated as it should have been.

I think you are seeing steps in the direction of greater integration. And this somewhat hesitant underwriting of fellow Euro area countries' debts is, I think, a very important step of that kind.

But as I tried to explain my first remarks, I am not willing to assume that a more integrated Europe is necessarily a better Europe if it leads Europe away from what its own citizens seem to want.

And at the moment, it seems to me that people have an appetite for self-government, you know, for governments that are in their neighborhood that they -- politicians that they know of and listen to and see on TV all the time and formed view about -- they want politics to be conducted at that level still in Europe and not in Brussels.

And I think Adam greatly underestimates the sense of alienation in Europe from the Brussels project, the sense that decisions are migrating from national capitals, where they are debated as they are in the U.S., to a zone where things just seem to happen.

And I think it's a pity. I don't think it points towards disaster necessarily, but I just think it's a diminution of the quality of life to see those debates and those decisions migrate beyond your perceptual horizon.

MR. VAISSE: Scheherazade?

MS. REHMAN: Yeah, I think as far as the Growth and Stability Pact, my view it it's like the Vatican. It has moral authority, but in terms of the actually making a gross impact on the euro's exchange rate, not really. You know, we know certain countries have to bust their budgets in order not -- in certain cyclical economic cycles.

To answer your question, yes. I think that crisis does bring it closer, but it's going to take some time.

MR. POSEN: I completely agree with Scheherazade and even more so with Clive's phrasing about the Stability and Growth Pact. I read his leaders in those days, and I agree with them.

I think the good news from the Stability and Growth Pact was the previous revision when France, Germany -- and everybody was violating it, and only Portugal got taxed led to some interpretations that were more flexible, and that's the spirit in which, again, going to Barry's point, I would think there's room for interpretation under the Maastricht Treaty, which also goes with Scheherazade's view.

Second, to the gentleman with the yes-no answer, I guess I'm the opposite for my two co-panelists. I think the Union will be weaker because it will be less integrated, because these breakdowns in Eastern Europe are serious and will lead to divisions, and they will lead to long-lasting economic and political divisions.

And this is a point where actually Clive is right to stress the alienation in Europe. And actually, again, I apologize for being unclear.

My point is not that the alienation doesn't exist. My point is that it should not be broken on European integration; and it should be overcome.

I look at California and I look at the South before civil rights -- California right now and I look at the South before civil rights in this country; and the fact that there was popular alienation and resentment against the central government to me wasn't an argument against the central government. But you're actually right on the facts.

I may still underestimate it. But you're actually right on the general fact.

Final point, to the gentleman from the Green Party. I would just say -- Clive didn't say it, but FT Deutschland no longer is part of the FT empire. It's actually Gruner and Yar. I write a column for them now, so I know that.

But I was delighted to see them make that endorsement. I've been saying for several years, basically since the grand coalition kicked in in Germany and the FDP lost all its principles that the Green Party was the most pro-market and most sensible economic party, at least in Germany.

And so I'm not sure I would interpret the European elections quite as charitably as you do. But that's another matter.

MR. VAISSE: Okay. We have time for a last batch of questions. Sir, here, on the left. Could you raise your hand?

Hold on for the mike. And could you introduce yourself briefly?

MR. GOMEZ: Gerard Gomez from Massachusetts. The question I have I'm interested in the labor-management area. That's my profession.

Anyway, what kind of role do you think or what activity do you expect with the turmoil going on in Europe -- I'm no here, too -- in the EU area as far as labor unions. Are they going to be active, more active?

MR. VAISSE: Could you speak -- take the mike, yes.

MR. GOMEZ: Are the labor unions going to be more active? Are they going to -- because there's a term in our (inaudible) we say dirty water flows down hill. And when you have bad times, they generally get the workers at the bottom.

So the question is will -- do you expect more activity (inaudible), so to speak, from labor?

MR. VAISSE: Thanks. Here in the very back.

MR. ANEESH: Yeah. Hello. My name is Anel Aneesh. I'm with Czech Daily Paper, from Prague.

I wonder what should be the lesson for the Obama administration, because if I am not wrong, I mean, the Bush administration settled on the issue that for the United States the more integrated Europe is better.

So should they be more careful now or what should be the lesson for Washington?

MR. VAISSE: Thanks very much. And one last question, here in the back?

MR. CHEN: Chao Chen, freelance correspondent.

Mr. Crook, you mentioned there's lots of public borrowing in the EU. Where are those monies borrowed from? And how the EU government protect the EU citizens from financial crisis? And was this kind of protection sustainable?

And to Dr. Posen, why there's no bank to a nation just like (inaudible) to a person. How come there's no political will in both the EU and the U.S. to fix the banks?

And when you talk about alternative to U.S. dollar, you mentioned now euro. Would you care to talk about the Chinese yuan?
Thank you.

MR. VAISSE: Okay. Thanks very much. We have now time for the concluding answers now.

Adam, would you like to start?

MR. POSEN: Just real quick. I'll punt on the labor-management issue, because I don't know enough.

On the issues raised by the gentleman in the back, I don't talk about the yuan because a currency that's not convertible in a country where there's no guarantee of property rights because the army controls most of the property cannot be a global currency, full stop.

So that's done.

Sorry. What was the -- there was one other question.

MR. VAISSE: The lessons for Obama?

MR. POSEN: Oh, yes. Lessons for Obama.

I think -- and this was said, by the way, I'll give one more plug, "The Euro at 10," volume, now available for purchase on our website. You have a free chapter that you're about to get distributed.

We have a discussion of the closing panel discussion in the volume which Larry Summers, who, of course, is now Obama's Chief Economic Advisor takes part.

And he very clearly says that a strong euro and a strong integrated European Union is totally in the U.S. interest.

So I happened to agree with that. But whether or not I agree with that, the Obama administration at least at present has already publicly said that's the way they want to go.

MR. VAISSE: Scheherazade?

MS. REHMAN: Yeah. I'll just make a quick mention on the labor issue and corporate governance.

Look anytime there's an economic downturn, of course, you may get more labor activity in terms of unions and so forth. But it's a double edged sword: If you restrict the companies and the government's hands too much to flexibly restructure the industries and the corporations and their mechanisms of financing ultimately you are stuck with long-term unemployment and the payoffs there.

So there has to be a realization that this is a new world in terms of industry, in terms of competition.

So, yes, the answer is yes. You will see more activity.

On the yuan, I agree with him 100 percent. As a foreign exchange trader, it's never -- it's not going to become a global currency under these circumstances.

And I can member the third question.

MR. VAISSE: Lessons for Obama.

MR. POSEN: Lessons for Obama.

MS. REHMAN: Ah. Don't repeat the mistakes of the Bush administration.

MR. VAISSE: Clive? Very good.

MR. CROOK: And on the labor market (inaudible), I'm sure there'll be more friction. There will be more disputes, not just because of the -- you know, the pressure on these economies, but also because I think it's going to force a lot of European governments to look again at their labor market regulations. I'm not talking about this year or next year, but -- because I'm expecting a slow recovery because the European labor markets are sclerotic.

I think a lot of governments may take a look at those laws and that is going to provoke a backlash from unions as well.

So I think it would be quite likely that over the next few years you'll see some heightened labor unrest in a lot of European countries.

And on the Obama and integration point, I would just say -- I mean, I agree with what's already been said, but I would just add that I've always found it odd -- always -- found it odd that American governments, not just Obama -- the Obama administration, but every American government has seemed to want to promote European integration.

That might be right. I mean, that might be in America's interest, but surely it depends on the interests that this integrated Europe finally decides that it has and wants to pursue.

And it doesn't seem to be self evident that those interests will always conform with America's idea of what its self interest is. I think America is too quick to assume that a Europe that's speaks with one voice, you know, that solves all these leadership problems and all these identity problems and becomes a single player on the world stage that that Europe will be an instinctive partner, an instinctive ally in supporting the U.S. and what it wants to do in the world.

And I can see that that is necessarily true or even actually all that likely.

MR. VAISSE: Thanks very much. Adam's chapter will be put on the table outside of the room, so if you want to get it when you go out or go for coffee, this will be made available.

Please join me in thanking the three excellent panelists we had today.

(Applause.)

MR. VAISSE: And the second panel will start in about 10, 15 minutes here.

MR. LINSENMEIER: Welcome to the second panel of the day. I think the first panel showed very well how important the political landscape of the European Union is for the social and economic development.

But first let me start with a particular thank to the Brookings Institution. This will not be a single event, but we're going to enter into a series of events to debate European politics here in this city. It may be one of the reasons that the Europeans want to be understood, and maybe my colleagues agree on that, but I think there is another intention behind that which is quite important and has been touched on already in the previous panel. This is that I think that the European landscape will not be able to simplify the European political landscape for U.S. consumption. We will stay complicated. The European Union is a experiment sui generis so it will remain a little bit complicated and there is a particular need to understand it and to explain it on a continuous basis.

Looking to the European election, the debate we are talking about today, the just recent election from the 4th through the 7th of this month, you can look to these elections from several perspectives. One is the ordinary one. You can look at any election. You have a slight shift to the right. You have problems in the so-called people's parties. You have particular problems in the social democratic area. Liberals and greens are happy. So that's the way we judge and analyze turnouts of elections.

But there is a second level, a second sphere I'd call it which is much more difficult. You have a little turnout, and all over it's 42 percent which is at least from our understanding is a very critical threshold, telling

us a little bit about the acceptance of this experiment called the European Union amongst European constituencies. So we don't only have something to explain here to the audience in the United States or in Washington, but also to ours. Another area of concern is that we have a phenomena in the European elections that's called Euro skeptics, and the number of MPs in the European Parliament coming out of this political spectrum is increasing. So debating the European elections always means debating the political results, but always underlined you have this debate about what the future of Europe is as such.

It's complicated and it will remain complicated, but we having a distinguished panel here. Let me just introduce our panelists to you. First we have John Bruton. He is the Ambassador of the European Union, of the delegation of the European Union. He served before as Ireland's Minister for Finance and as Irish Prime Minister. Those of you who are familiar with a little bit of the European debate, I think the Irish vote, and maybe you can explain a little bit about it, will be decisive on the Irish vote of course on the Lisbon treaty will be decisive on an important step forward in the European Union.

We have also Andrew Moravcsik. He is Professor of Politics and Director of the European Union Program at Princeton University. He has written more than 100 articles about the European Union, and there is

a standard publication, "The Choice for Europe" that's warmly recommended for everybody who wants to fall in love with the European Union. I should not forget he is now here at the Brookings Institution and a Nonresident Senior Fellow present here and contributing to the European debate here.

Last but not least, Federiga Bindi. She is a Visiting Fellow at the Center for the U.S. and Europe here at the Brookings Institution. She has a profound academic career, the founding director of the Jean Monnet Center of Excellence at the University of Rome. She is a leading expert on questions that are always debated here with the problems of European integration. She is currently an adviser of the Italian Minister for Foreign Affairs, and she has taught at the University of Florence and at the Sciences-Po at Lille.

I will leave it by that, and I would ask Andrew to start with his contribution to the session. Thank you very much.

MR. MORAVCSIK: I'd like to talk about what we can learn from looking at the elections themselves. The most important takeaway point from which all else follows is simply this, European elections are not about Europe. I mean that in the following sense, that almost no voting behavior by European citizens that takes place in any European election, a European parliamentary election, and for that matter a referendum or

any national election, is connected with the European Union. And once we focus on that, then lots of other things about analyzing these elections follows.

It's easy to be misled about that if we read columnists in the FD or elsewhere, listen to extremists in the Tory Party, or you read American or European journalists who are fishing for a coherent story about these elections at the last minute. Actually, if you read the newspaper stories 2 months in advance, they give you a wonderful analysis about how these are not really elections about Europe, but in the last few days you always get the horse race stories about how they are.

People like us who come to fora at the Brookings Institution or hang around inside the Brussels beltway often view these as elections about Europe and you get the impression that Europe matters as much to the average voter as it matters to us, but it doesn't. There is complete agreement among almost everybody who analyzes these elections inside academia, inside the policy circles and among pollsters that these are not elections about Europe. European citizens almost never seriously debate European issues, deliberate about them. They don't know anything about them. And most importantly, they don't act politically on the basis of European Union issues.

What's more, and this is my second point, there isn't anything you can do about it. This is very important if you're thinking about debates about the democratic deficit. European elections have nothing to do with Europe and there isn't anything you can do about it. This is different from the conventional wisdom also because people who say, yes, European elections don't have anything to do about Europe often say, but that's a problem and we should fix it and they blame it on distant technocratic Brussels bureaucrats, cynical national politicians, mendacious Euro skeptic groups, or bad institutions, but all these things are symptoms or they're irrelevant. The fundamental reason why European citizens don't engage in European politics is because they do not care about the things that the European Union deals with.

I agree with a lot of what Clive Crook said in the presentation about the fact that we need to be realistic about what the European Union can do and is doing, and that actually it's in something of a stability mode. There's a kind of constitutional equilibrium, voters don't want big, major moves forward, although exaggerated a bit they do want movement in certain issue areas. But I would disagree with one thing. The reason that voters don't want forward movement is not because there isn't some common culture or discourse of politics common to Europe. It's also not because they are particularly alienated by European politics. There is no

empirical evidence for that. They're alienated by politics, and they're much more alienated by domestic politics than they are by European politics. You just have to go look at the Eurobarometer data or any other cross-national data to find that the politicians they really hate are the politicians at home. The institutions they hate are domestic parliaments. Not only that, but it doesn't matter how you word the question, they don't trust those institutions. They actually trust European institutions more than national institutions, but they don't really trust any political institutions these days very much. The reason why people don't engage in European elections but they do engage in national elections even they don't like most national politicians is because the E.U. doesn't do things that are important to them.

In the ideal world of high school civics classes, voters would care about the things the E.U. does, but pollsters have found in every country that voters can keep only relatively few things in their minds at once, a few issues, and these issues, salient issues, in Europe like the U.S. are issues like social welfare provision, macroeconomic performance, pensions, health care, taxes, unemployment, fiscal priorities, education, law and order, infrastructure and immigration from outside the E.U. And except for the monetary dimension of macro policy which in any case is in the hands of the central bank which isn't under democratic control, the

E.U. doesn't deal as the primary institution with any of these; it doesn't deal much with any of them. Mostly these are the kinds of issues that we talked about in the last panel on economics, and if you look at the kinds of issues that arose there like banking regulation, that is not the kind of thing that the voters are going to get out there and vote about. They care about the kinds of things that the British elections are going to be waged on when Gordon Brown comes back up for office. They don't care about the Macedonian Stabilization Force, the regulation of fisheries and all those kinds of things even though we wished they did. And given the intrinsic lack of interest of voters on these issues, no reform will change voter apathy, no special institutions, no increases in the powers of the parliament which have actually increased greatly in the last decades even though voter turnout goes down, no noble political leadership, no education campaigns, not the 18 million euros that the parliament spent on a campaign aimed at raising awareness of the elections this last year, not having a Belgian astronaut announced that he was casting his absentee ballot from space shortly before the election. Not of that will make any difference. So nothing we read in the papers about what these elections may show about public dissatisfaction or satisfaction with the E.U. or explicit public desire for this or that European policy or this or that

public platform on Europe is meaningful at all. Those are the first two things you need to know about these elections.

Then we have to ask ourselves, this is the third point, what do voters do if they're not paying any attention to Europe? It's an election they don't care about for its intrinsic immediate substantive purpose. What are they doing? The answer is they're indulging domestic and psychological concerns that they have about politics, and this manifests itself in three ways. The first and most remarked but least important is low voter turnout. It is the lowest ever at 40-some-percent, 43 percent actually, not 42, down from 63 in 1979 when they started elections and it's been going down continuously. But less we rag on that too much, that's about the same as midterm congressional elections in the United States, so I think we shouldn't be too sanctimonious as Americans.

I think we should be more concerned by the fact that voter behavior is extremely unstable. It's very influenced by last-minute effects. Over one-third of Germans hadn't decided who they were going to vote for at the moment they entered the polling booth; 7.1 percent of Swedes voted for the Pirate Party which is only in favor of one thing which is unlimited free access to everything on the internet and in all recorded media and things like that. And you often see in referenda and parliamentary elections that at the last minute you get a lot of voter

fluctuation which means that the voters aren't really cueing on anything that's deep set in their minds. So the first thing is you get erratic voter behavior.

The second thing voters do, and this is more serious, they focus on the issues they do more about, and those are domestic issues. So they turn European elections into plebiscites on domestic political parties. That's what you see in Britain. If you read the British papers, it's a plebiscite about how the Labor Party is doing which is not well, how the Conservative Party is doing, and if you look at public opinion polls, what issues were the top concerns of people in these elections it was unemployment, economic growth, insecurity in the future and pensions. Voters were in an unruly mood so they slammed a lot of parties around.

The third thing people tend to do is they look at these elections and they say I don't care about the outcome. It's not a national election so I can take some risks because I don't even care which party comes into power. I can indulge the either political or psychological temptation to cast a protest vote that I would never do in a national election because it would be too important. So I can vote for an extremist party, a single-issue party, sometimes on the right on immigration, an anti-immigration party or a nationalist party, or sometimes as the gentleman from the Virginia Green Party pointed out, of the left or of the green

persuasion; I can cast a psychologically or politically satisfying protest vote. So we shouldn't read again an unremittingly negative story about the E.U. out of this, these are voters expressing psychological and domestic political feelings, but mostly we should look at this as 27 domestic political elections focusing on the domestic politics of economic crisis which people largely entrusted to the center right as was pointed out by my colleague before. Most Europeans were concerned about taxes, law and order, immigration as much or more than social welfare cuts which is interesting given the American stereotype about them, and favored on balance the center right. The socialists are split and in disarray in most countries, notably Germany, France and Britain for different reasons. None of this had much to do with Europe.

The extreme right which got a lot of headlines did reasonably well in many countries, badly in others, so they did well in Austria, Denmark, Finland, Greece, Hungary, the Netherlands, Romania and the U.K.; they declined in Belgium, France, Poland and in Ireland; and there are fears that some of these far-right parties might establish a little far-right group in the European Parliament. What's interesting is that explicitly single-issue anti-E.U. parties didn't do very well. Ireland is a striking case. You probably heard about the case of Mr. Ganley who was the big leader of the anti-Lisbon treaty party Libertas who was largely responsible for the

failure of the Irish referendum last year. After that success he sought to clone his interest group, Libertas, across Europe and to run in an Irish constituency and with fellow constituents across Europe on an explicitly anti-E.U. ticket. He was not elected, nor was anybody else except one rather well-known Frenchman. The thinness of this support is not surprising because we know from the exit polls in Ireland that almost nobody in Ireland in the referendum "no" because they were actually opposed either to the E.U. or to the content of the constitution because they either didn't know what was in the constitution or they misunderstood what was in the constitution, and actually now the polls net support for it.

Similarly, in the U.K. you see lots of headlines about right-wing parties doing well, but that was largely they were doing badly until you had scandals, which I'm sure you've all read about, involving the use of parliamentary pay deals and Tory supporters switched their votes to express displeasure about the expenses scandal. This is not to say there's no Euro skepticism in Europe. It's to say it's a 10 percent fringe phenomena in Europe as it has always been. As Adam Posen pointed out, there are these kinds of 10 percent fringe movements in every country including our own here in the United States. What really fuels them is not opposition to something like the E.U., it's issues like anti-immigrant sentiment, concern about the economy and disillusion with taxes. Those

are the issues that really drive people in these movements. If you try to run Europe alone, you're not going to get very far; the same story in the Netherlands and elsewhere. Euro skepticism by itself is not a vote getter and that's why David Cameron in Britain is so worried that actually that treaty is not going to get through before he gets into office.

So bottom line, Europe is going to trundle through after this election. It's essentially a status quo election with little change in the European Parliament, still a right-wing majority, and there will still be a right-wing leader of the commission, probably the same person. Federiga will tell us more about that. And the European Union will continue as I've said to muddle through in a way that has been actually in a quiet way exceptionally successful moving forward with enlargement, offering bailouts, extending its neighborhood policy, maintaining quiet contact with Iran, maintaining open markets and limiting domestic subsidies in a crisis.

But the lesson is that in the end the real power in Europe is not held by Brussels' beltway institutions, but by the member states. So the question we have to ask ourselves is what is the impact of European elections on the ability and willingness of member states to act? These are just warm-ups for the real elections. The real elections will happen on three different days, on September 27 when Germany is scheduled to go

to the polls, sometime next year when Gordon Brown finally has to face the music, and in 3 years when Nicolas Sarkozy's term is up. Thank you.

MS. BINDI: If I may start with disagreeing a little bit with Andy. If you look at the results of the European Parliament elections, yes, the center right wins, but the extreme right I think it did a little worse than Andy said. And also you have the problem in the (inaudible) because what we call center right in Europe in the U.S. would be left somehow. Certainly it's on the left of the Republicans, but many issues are on the left of the Democrats. So it's a matter of the (inaudible)

If you look overall at the picture as Andy correctly said, there is the status quo. There are no big changes in the European Parliament. The European People's Party which is the center, the conservative center right party retained the majority and actually is moving back toward the center. I don't know, John, if you agree with that, because the British Conservatives stepped out of the party and the British Conservatives have been one of the reasons why the EPP has gone toward the right in the last years. So the EPP will go back and it will be toward its origins. So in my view it's really very good that Cameron opted out of the EPP. So it will be the third term in a row that the EPP will retain a majority within the European People's Party. Within the European People's Party the first party is the German CDU which is from many points of view Merkel is the

winner of the European elections as such and possibly the most important leader together with Ms. Sarkozy -- possibly her because I think that such results was not expected, then you have the Italians, and then you have the Polish which also had a very good result in these elections. Why am I telling this to you? I'll go back in a second.

Who did really bad were the socialists. The socialists clearly had a problem in Europe. They were not able to profit off of the financial economic crisis. They are completely lost. You go back to the first comment. It was actually the center right parties which proposed solutions which in some cases should have been proposed by the socialists. So they are lost in transition. They also lost the Italians. They are still the second party, but much less influential than before. And the other big winners are the greens led especially by Daniel Cohn-Bendit and his rather heterogeneous coalition in France, but not only. But overall it won't really change much.

But what (inaudible) elections is what I love most. The member states as Andy said starting to negotiate because now we can start to negotiate positions and this is what member states like to do the best within the European Union. So the first issue that will come on the table will be who's going to be the next president of the European Commission. The current President of European Commission is José

Manuel Barroso who is a nice guy and a very lucky man. He was previously a poor (inaudible) he found himself basically Prime Minister because (inaudible) Prime Minister got (inaudible) resigned and elections were held and he got himself there. Then he understood he was going to lose the elections and luckily (inaudible) head of the European Commission was there and he got the European Commission. He was very good from some points of view, but we certainly cannot say that he has been a very charismatic and strong leader. I mean, nothing as compared to (inaudible) and this is why many people would like to keep him there. In particular, the socialists for a number of reasons within the parliament are saying that Barroso should not be (inaudible) as the head of states and governments are planning to do on June 18 and 19 within the European Council. From what I know, Barroso will actually be (inaudible) the problem will be how we will proceed because as you know, we are -- you maybe probably don't know, but the European Union (inaudible) organization and it's functioning on the basis of (inaudible) but we have a pending treaty which actually has pending for almost the last -- what, since 2002 in one form or the other which is the Lisbon Treaty. One of the things that the Lisbon Treaty will change is the election of the European Commission. The Lisbon Treaty will make it a bit more democratic. That is to say, it give the parliament a bigger say in selecting

the president and the members of the commission. So what the socialists are saying, if you select Barroso today and then we enact the Lisbon Treaty afterwards, we will select the head of the commission and the commissioner is under two different procedures. There is no equivalent here in the U.S. How to explain it is like electing the president using the (inaudible) before the primary existed and when the primary exists in two rounds. So that's a problem.

The second problem is that currently we have one commissioner per state. The (inaudible) treaty says that there must be less commissioners than states. So we have 27 states. If this is enacted, we will have not more than 26. So who is going to stay out? The answer is those which have not ratified the Lisbon Treaty, namely, Ireland. And if ratified, one solution is that we can do what we call the 26 Plus 1. If ratified, then we gratefully give them back a commissioner under the form of the high representative (inaudible) so it's an open question and it's something that will be decided in 10 days. As I said, Barroso will be (inaudible)

Then you have the negotiations for the next commissioners, and here the game starts to get complicated because it interlocks, and I'll try to explain as easily as I can on this. Spain, France, Germany, Britain, they all said they want a heavy commissioner. Italy can't do that because

our current commissioner is not what I would describe the best one we ever had. So Italy says we want actually the President of the European Parliament, but here the problems start. The Germans, one of the most important for the Germans is Wolfgang Schaeuble who is the Minister of the Interior and this could be one of the next commissioners, also given that the CDU-CSU hasn't had commissioners in the last 15 years. The Spanish, and this is the problem, want to keep Almunia but more than Almunia they want to keep the portfolio that Almunia has which is a very heavy one, which by the way the same portfolio the French want and the Germans think about that as well. The problem is if the Spanish support Almunia which is the current head of the commission, that means that there is no place for Javier Solano who is currently the High Representative, call it the E.U. Foreign Minister. He would like to resign, but he would also be happy to serve 2-1/2 more years in order to help the transition toward E.U. diplomacy if Lisbon is enacted. So if not Solano as the head as High Representative, who else?

There are -- Kouchner could be one candidate. Why?

Because Sarkozy wants to get rid of him, so when you want to get rid of someone in Europe, you don't fire them, we say in Latin terms (inaudible) you promote them and you get rid of them. So that is one option. One other name which was on the table was Steinmeier, the German Foreign

Minister. I think he's completely out because of the result of the elections. He is not on the table anymore. Another one is Carl Bildt , but Carl Bildt is not good. Why? Because in these games you also have other organizations getting into the picture because at the head of NATO, the new Secretary General of NATO taking office on August 1, already has Rasmussen who is Danish, but in European geography means Scandinavia, so the Scandinavians already have a prominent position, so they don't claim another one especially in foreign policy. So we only have Kouchner for the time being on the table.

Then what other strategies do we have? On July 14 the parliament will meet for the first time and they will have to decide on their own president. Now here the game starts to be interesting because the president stays in office 5 years, but 5 years you can do enough of (inaudible) policies and so they split it in two parts, 2-1/2 years one and 2-1/2 years another one. It's like Nancy Pelosi stepping out after 2 years. She would never do that, but we do this. The deal in order to elect the president you need half of the vote of the parliament. That's easy. The total votes of the parliament which means that you need 368 votes. If you (inaudible) the only we can elect a new president is doing the same old deal which has been going on for most of (inaudible) legislations which is an agreement within (inaudible) People's Party and the socialists. Any

other combination doesn't give you the numbers. So for how much the liberals (inaudible) saying I want to be a candidate, there is no way even if the liberals ally with the PPP and all the other right-wings, they would never get it, even if all the left get together, they'll never get it, so this is the only way out.

So who's going to be the next vice president of the parliament? Two presidents. You need an PPP one first and a socialist afterwards. The socialists had proposed Martin Schultz who is a German Social Democrat. Schultz has two problems. One, the German socialists did really bad in the elections and so another socialist party might have -- national socialist party might have interest in the position. Secondly, Berlusconi despite (inaudible) and everything, he did really well which means that it's very unlikely that Berlusconi would support Schultz as president of the European Parliament because they insulted each other rather heavily in the European Parliament some years ago. Berlusconi is supporting Mauro Maury . Italian diplomacy is heavily behind Mauro Maury. I see some faces. Who the hell is Mauro Maury? Good question. Who the hell is Mauro Maury. My own feeling is that they are supporting him, but in the end they will step back because Tremonti, the finance minister, wants to be the president of Euro Group -- of the club of the ministers of finance of the countries which are part of the European

Economic and Monetary Union. Another candidate is a Polish member of the parliament. As I said, the Poles have been one of the great winners, the Polish right wing have been one of the great winners, and so they have a say there. But the Polish are basically candidating themselves everywhere lately, and one position they are likely to get is the Council of Europe. The Council of Europe has nothing to do with the European Union. It is an international organization sitting in Strasbourg, but in this game it gets inside. The French, the British and the Turkish have maneuvered within the Council of Europe in a way that they cut off the other two candidates which was a Belgian and a Hungarian, so you only have the Polish and a Norwegian. But as I said, the Norwegians are Scandinavians and they already got their NATO think, so the Polish guy is likely to get the Council of Europe leadership which leaves again open the place for the European Parliament.

Then we have another two positions to fill. One is the president of the European Union. It was mentioned before that we need a stronger Europe (inaudible) space which Kissinger said he never said but everybody quotes it, if I want to Europe (inaudible) want to call, and so we're going to (inaudible) a new president. Basically there is only one candidate on the table who is no candidate who is Blair. Of course he said he's interested in the job but -- I'm interested in the job only if I'm sure

that I'm going to be elected. The point is what is this president going to be? He's going to be a chair, a good diplomat, or he's going to exert leadership? This is a big question mark which basically shows you that the European Union and the European Union member states haven't decided what they want to be when they grow up, if they ever grow up. This position will only be introduced if we have the Lisbon treaty.

Final point. What is the status of the Lisbon treaty?

Everybody but Ireland has approved the treaty. German, the Czechs and Poland have ratified the treaty but this has to be perfected, in Germany because a decision in (inaudible) has to be taken by the court and this decision is going to come on June 30 apparently, and is a frankly positive decision, so the Germans will have ratified within 3 weeks. Then you have the Czechs and the Polish who the parliament had ratified the treaty but their presidents are not signing it unless the Irish vote on the treaty which is supposed to happen at the beginning of October if at the next European Council (inaudible) are respected. What is that? And this is my last point. The Irish voted against. You have two possibilities in Europe when we have a referendum on European treaties. If you are a big state, the referendum stops the treaty, given that all member states have to ratify a new international treaty in order to into force. When France voted against, that was the end of the (inaudible) if you are as most states like Denmark

was or Ireland is, then you're kindly suggested that maybe your voters were wrong and you have to vote again. How do you convince your voters to vote again? You take a decision and you draft a nice protocol which will be added to the treaties and you explain to the voters that you got it wrong, we explain you that -- with this you can be happy and vote for it. So this is what we call the (inaudible) but the problem is that (inaudible) has been negotiated fairly badly. You may have noticed or you may have not noticed that we had the Czech presidency this semester which compared to the previous French presidency was (inaudible) a loser. The Czech president is an awful job so the result was that the Irish have been negotiating bilaterally with the rest of the member states in a rather (inaudible) way and basically as we speak there is a very tough negotiation going on between the Irish, the British and the secretariat of the council, with the Czechs basically sitting there silent. What are the problems? The problem is the heads of state are supposed to approve a declaration which one day will be part of the treaties. The one day, for instance, when Croatia will become a member, an addendum will be this protocol. While the Irish would like this decision to become a protocol, but the protocol would have to be ratified by all member states and nobody wants that, especially not the British given the domestic situation. So this is rather a difficult problem.

The second thing is that they want an explicit mention of Irish articles (inaudible) constitution and then they want to decide (inaudible) the solidarity clause. So when (inaudible) solidarity do we want to agree or not? So they were supposed to have a document ready last week. It's not ready. Apparently it's going to be ready Monday at 3 o'clock which means that the foreign minister -- minister of foreign affairs of the European Union who are meeting Monday at 10 o'clock are not going to be able to discuss it which means it's going to go straight to the heads of state and governments on the meeting for the European Council on the 18th and 19th, and this is going to be a big mess because this is going to be just a political decision. Which shows what? It shows that as I said before that the E.U. hasn't decided what it wants to be, as a grownup, if it wants to be a grownup. And when we are preparing this conference we (inaudible) were discussing about the relevance of this (inaudible) here you have Obama and which basically and hope and luckily inspires us all and especially us Europeans lucky to be here, but the Europeans are in Europe and they can only dream about Obama from a distance, and we don't have the same hope. So for the U.S., 2009 has been a big change, but in fact, even this is very technical, it might be even boring, 2009 could be a year of change for the European Union as well. Whether we ratify Lisbon or we don't ratify Lisbon, it will be a dividing line, whether we're

going to be just one international organization or as was said before we are going to be an interlocutor and someone who actually will stand by in a strong form with the U.S. and whoever else is on the world scene.

MR. BRUTON: Thanks very much. I just would like to start off by referring to something that Federiga just said. I don't think it would be quite fair to say that there are two categories of no's in referenda to treaties and that if you are a big country the project is scrapped, if you're a small country, you're asked to vote again. In fact, what the French have already ratified in the Treaty of Lisbon is almost exactly what they rejected in the constitution with a few small changes. It's substantially the same document, and the same goes for the Dutch. The difference is that in both cases they didn't have referenda this time, they put it to their parliaments. The Irish are having to go through a similar process. They are trying to change things at the edges and I think Federiga explained very well how difficult this is going to be and is for Ireland. I'm not going to go into (inaudible) because I'm not party to that discussion.

I'd just like to make some references to the election. It will be wrong I think to say that there was a big sort of swing to the center right. In fact, in the last election, the (inaudible) group got 46.7 percent of the vote, and in this election they got 45.7, down 1 point. The social democrats in the last election were 27.6, and in this election they got 22.1,

down 5-1/2 points. The liberals got 12.7, and they went down to 10.9, down more than 1 point. The greens, I was interested in the question that was asked here on behalf of the greens earlier, they went up from 5.5 percent to 7.1, an increase of 1-1/2 points. Then the others which include the British Tories now are up from 3.8 to 12.4. So there hasn't been a big swing, but I think there has been a loss on the part of social democrats. As somebody not currently living in Europe, I am not in a position to analyze why the Social Democratic Party would have lost more to the center right or the center parties. Perhaps the compromises that they have made with the market over the last 30 or 40 years in order to enable them to serve in government have not been understood by their supporters. I think this is particularly true in Germany where the German social democrats as a party of government have gone far ahead of and have failed to bring with them their basic supporters who are still thinking in socialist rather than social democratic terms. I think that sort of gap is greater between what the elite is doing and what the party's base expected among social democrats than it is amongst the other groups and that probably explains a relatively greater loss of those parties in the election, but I say that as someone who is not living in Europe currently I'm glad to say because I have an excellent job here. I'm like Jose Manuel Barroso, one of those very lucky people.

I'll say a few words about the European Parliament and comparing it with the House. I think it's reasonable here in the United States to make two points. One, the European Union is the only multinational democracy in the world. There isn't anything like it anywhere else. This is multinational. Yes, the member states are ultimately sovereign so it's a group of nations, but it's the only group of nations that's democratic in its collective decision making. Every other group of nations that makes collective decisions does it diplomatically. In the European Union we do it democratically. The means that enable us to do it democratically is that we have a directly elected parliament, the only directly elected parliament for any international organization anywhere else in the world, and that my friends is a very big thing. It's not something to be made little of, it's something to be celebrated. It's quite remarkable when you think of all the languages we speak in Europe, all the wars we've had in Europe, all the wars we had in Europe even in the last 10 or 15 years in the Balkans, that we are the only place in the world that has actually got a multinational democracy thanks to the existence of the European Parliament.

Yes, it is true as Andy says that people don't vote in European Parliament elections on the basis of European issues. That's true. It's true. But they do vote, and they vote more than Americans do in

the House of Representatives' elections in an off year. So if people want to make small of the fact that the turnout was only 43 percent, I would say that in 2006 when there wasn't a presidential election here which is comparable because there was no presidential in Europe in company with the European elections which I think there should have been. I think the idea that Jose Manuel Barroso is going to become the next president of the European Commission simply because 27 prime ministers put him forward and the parliament agrees because there is no alternative, that's not the best way of choosing someone as important as him. I think we should have a presidential election in Europe like the one you have here, and if we did, the turnout wouldn't be 43 percent, it would be 63 or 73 percent because it would be an issue that would be posed to the people in terms of personalities. The great strength of the United States is that when you choose every 4 years between President Obama and John McCain, the issues that you have to decide collectively as a people are incarnated in two personalities and people understand people much better than they understand ideological abstractions. The reason people came out to vote for Barack Obama and people came out to vote for John McCain was not because they had each of them studied their health policies and said I prefer President Obama's health plan to John McCain's health plan, even though it now seems that President Obama health's plan

is John McCain's health plan, but I pass on quickly from that, it's not that. It was because they had a view about the people. The people brought the politics to life. And I think given that we don't have a presidential election in Europe, given that it is a series of national campaigns, given that when you vote in the European Parliament you can't as you do say when you vote for the British Parliament put the government out. A vote for the European Parliament (inaudible) doesn't change the government of Europe in the way that it changes it in national elections. Given that we don't have any of those distractions for voting, the fact that we've been able to get 43 percent out to vote where you were only able to manage to get 29 percent out to vote for your Senate elections in 2006 and 36 percent for your House elections in 2006, I don't think people would say that House elections or Senate elections are unimportant. They are important, but the people -- vote for them. We vote a little bit more than Europe.

A few points as well. How does the European Parliament make its decisions? It makes its decisions in a similar fashion in a way to the way decisions are made here. You have a Senate, a Council of Ministers representing the states, which co-decides on legislation with the European Parliament representing the people like the House of Representatives. There is more cohesion in party voting in the European

Parliament I think than there is in either the House or the Senate here.

There is party loyalty. People tend to vote (inaudible) which gives you greater predictability and cohesion in legislation.

There is much less influence of money on the way members of the European Parliament vote than there is in the way members of either the Senate or the House. The prevalence of donations in politics in this country in influencing committee decisions and the extent to which people donate from an industry to the members who are on the committee they're interested in even though that person may not have any connections with the location where they are operating, to my mind suggests that money has a big influence on political decision making and regulatory and rule-making decision making here that it doesn't have in the European Parliament, and that's an important thing that needs to be said. There is also greater sort of internal consistency in E.U. legislation because there is only one place that the legislation can be proposed from and that's from the European Commission. Here if a proposal goes forward as legislation to the European Commission, the likelihood is, I don't know the figures, but I'll say 80 percent to 90 percent, that some piece of legislation on that subject will be passed with two or three years. In contrast, of the thousands of pieces of legislation that are tabled in the Senate and the House here, only about less than 1 percent ever reaches

the statute book. So in terms of economic of effort, in terms of preparing and then passing legislation, we pass more of what we prepare than is passed here. And given that time is valuable and even politicians' time is valuable, I think we probably make better use of our politicians' time in Europe.

You might also think that there are two Europes and that it's all very well if you're French or you're German or you're Italian, you'll get all the good jobs and everyone else is left out. That was true in the immediate aftermath of 2004 in the new parliament we set up. A lot of the new members states, the 12 new member states, didn't get (inaudible) but that's changing. As the parliament has come to its conclusion in the last year of the parliament, I think it's fair to say that the new member states, the MPPs from the new member states, have been getting their fair share of (inaudible) a lot of people were afraid that when you went from 15 states to 27, everything would slow down. It hasn't. The rate of passage of legislation if that's a good thing is just as fast in the last parliament as it was in the previous one when there were only 15 members. And even Council of Ministers' meetings are not taking any longer even though there are 27 people sitting at the table rather than just 15.

I do think that I'd have to say that I think Andy slightly overstates his case in saying that European citizens don't care about what

the E.U. deals with and that they will never care about it and therefore there is no point in trying to do anything to make the process more interesting. I think the reality of modern life is that if you come from a small country, and I could say with the possible exception of the Germans, all the people in Europe come from what are now in global terms small countries, you are going to live your life influenced most of the time by issues that come from outside your country. You're likely to be robbed by somebody who is looking for the money to pay for drugs that have come from somewhere else. He may be using a gun that came from some other country. He may be sending the money if it's involved with a syndicate to yet another country. Crime is a multinational thing. Disease is multinational. Economic trends, financial trends, global financial contagions, they're all multinational. To say that we should be satisfied as I think Clive if he were here would saying he was satisfied, that the only place where democracy should really function is at the level of the nation-state I think is to be unrealistic about the modern world. It may have been a valid way of dealing with problems in the 19th century when most things that influenced people's lives did only originate within the boundaries of their own state, but in the 21st century, nation-states matter very little. It's a collection of nation-states that really are the ones that ought to be making the decisions to shape the forces that are supranational. And the

only example in the world currently of a supranational attempt at democracy is the European Union, and that's why I think that European citizens if they thought about it and as they think about it more will become more interested in the European project and will vote more than they have done in the past. And I think the answer to that is to give them the opportunity to vote for a president in the same way as you vote for a president rather than have that done in a private meeting between 27 people who were elected to other jobs. Remember that members of the European Council and the prime ministers, they were not elected to run the European Union, they were elected to run their own countries. To the extent that they run the European Union, they run it on a basis basically of about one day a month. Should people who are working one day a month be making all the important decisions on a particular issue? I don't think so. I think we should have full-timers running the European Union and if we're going to have a full-timer as president of the commission running the European Union (inaudible) European issues one day a month. I think we should all elect him. I don't think we should do it behind the door as the way it's done at the minute.

I wanted of course to reply to all the things that were said in the first session because some of them really got me going, but maybe I'll

hold off until later because I certainly trespass unduly on your time. Thank you very much.

MR. LINSENMEIER: Thank you very much. Before inviting you to ask questions, I would like to briefly call on the three panelists to comment on a couple of ideas that have been raised and some that have not been raised to make the importance and relevance of Europe politics more clear and more visible for the constituency. One has been just mentioned by John Bruton, the question of European-wide presidential election which is one proposal. Another proposal that has been suggested has been made already is what happens if the Lisbon treaty goes through? Will that have an impact on the efficiency of European policymaking and thus having an impact on the acceptance of the European constituency?

And there are two things that haven't been mentioned yet. I think my doubt does the European Parliament, the national parliament, really look into all the possibilities that they already (inaudible) in European politics? For example, from my point of view, a good example is the Dutch parliament. They regularly debate European politics with the government and get debriefings from the past period and debate the behavior and the voting of the decision makers within the parliament at least, so you have a national debate on European politics in an organized

forum and I wonder whether this couldn't be done in other parliaments too. And there was another proposal debated in Europe which hasn't been mentioned yet here. I think there is no wonder that everybody votes in national (inaudible) for the parties concerned. The alternative would be to have European parties because there are already European parties in existence and why don't we vote one day (inaudible) in half a week's time and vote for European (inaudible) and that could be then a real European campaign creating some form of European public awareness instead of running election on a national basis. Who wants to start?

MR. BRUTON: I'll start. The idea of a European constituency in the parliament elections was one of the things that we were asked to look at at the convention and which the convention completely ignored. We were also asked to look at the idea that I have been canvassing on directly electing the president of the European Commission along with other possibilities, and we ignored that too.

Why? Because I think the players in the existing constituencies in the convention, the European Parliament and the council, neither of them really wanted either of these proposals. If you had a European list that a quarter of the MEPs are going to be elected on the European list, that would have meant that some of the positions for the existing MEPs from the existing member state constituencies would have

to be lost and no politician votes for his own extinction yet anyway. Then in the case of the people representing the national governments, none of them wanted to have a president elected to the European Commission with a bitter constituency than the constituency from which they were elected in their member state because that person even if his powers were very limited by the constitution and the treaties they thought would pretend to be more powerful than they were. I think their fears are misplaced because the European Union operates on the basis of law and even if the president of the commission is elected, he or she will only have moral authority, he will have no more legal authority because he's elected than he or she has under the current situation and I think that the fears are misplaced.

As far as national parliaments are concerned, I think most national parliaments do have systems of scrutiny of E.U. legislation both retrospectively and prospectively, but unfortunately this gets absolutely no coverage in the national media. The people who serve on those committees are what you might describe as Euro nerds, people who are sort of tolerated by the rest of their colleagues because they are just fascinated with Europe (inaudible) keeps them happy, let them (inaudible) all that stuff and it doesn't impinge on the public and it won't impinge on

the public any more than the 18 billion. Was it 18 billion that the European Parliament spent?

SPEAKER: Eighty million.

MR. BRUTON: If it was 18 billion, it still would have made no difference.

SPEAKER: A scandal.

MR. BRUTON: It would have made no difference. Unless you have a contest, unless you have a horse race, people are not going to get interested, and the only way you'll make European issues come alive is to have a horse race for the top job in the European Union. That's my firm conviction.

MR. MORAVCSIK: I think that gets down to brass tacks, so that the question we have to ask ourselves is exactly why would a European-wide campaign with some kind of higher stakes be different than what we have now? Remember that in every forum we know of, people refused to debate Europe. They don't debate it in a referendum. They don't debate it in a European election. They won't debate it in a national election. They won't debate it on the street. Right? So it's pretty invariant their unwillingness to debate it across the fora we know about. So the claim is if you come up with a new forum they will. The arguments are, number one, that if you expanded the jurisdiction outside of a single

member state, then you couldn't raise local issues. The only issues left are that would appeal to an Italian and a Dane and an Irishman would be European issues. Right? But what we have experience with elections like that, they're called referenda, and what we learned is that what happens then is that neither national issues nor European issues take over, that complete ignorance and chaos takes over. So people then vote on the basis of either literally self-admitted ignorance or things that just don't exist at all. That was the situation in the Irish referendum where up to 80 or 90 percent of the people who voted no voted on the basis of self-admitted ignorance of what was in the treaty, or literally self-admitted claims that things were in the treaty that weren't, or just on the basis of something that wasn't connected with the E.U. at all. So that won't work.

Then we have the claim that it's the horse race, but there are lots of elections that have horse races going right down to your local dog catcher and all the way up to senators, and some of them are interesting to people and some of them aren't. So what political scientists generally believe and pollsters generally believe is that you need salient issues. You need to combine the structure of an election with something that fuels it, something that attracts people's attention. Why? Because your average voter has lots of things that attract their attention ranging from other political issues that really matter to them like the schools their kids

go to or the taxes they pay, and also they have other things they have to do with their time like drive the kids to those schools or go to work. You have to attract them away from those things in order to get them to pay attention to the issues you care about. It's always a tradeoff for the voter. Nothing comes for free. So we care about Europe, we think Europe is important, but you have to attract the voter away from things, and that can't be done very easily when the issues are intrinsically nonsalient and to try to create a polity entirely constructed of nonsalient issues is not possible, so the only solution then becomes to go back to the national level and say we link those nonsalient issues to issues we know are salient like social welfare and taxes and we let the domestic parties that people vote for on the basis of those basic attachments represent them at the international level. It might be second best, but at least it works.

MS. BINDI: European lists, I think it would be interesting. Now the problem is that we have first of all different traditions. Now we all elect MEPs on the basis of a proportional system, before it was not that, but the relation between MPs and the public is very different (inaudible) today. And the main problem anyway is that we're talking about a horse race, the real problem is (inaudible) trades in the sense of an election the main -- here you have the primaries, in Europe you have what are called (inaudible) trades because basically the decision of who to put where in

the (inaudible) at least will determine who's going to be elected or not, so to a decent amount, who's going to be elected and not and no national party would want to give away this, so that is a major problem. But on the other side on the presidential election, I do agree with John that a horse race will be the best thing to do, although it's looking very difficult.

From the point on the other two questions, national parliaments, yes, every single European member state's national parliament has a E.U. committee. The problem is not only that it's formed by E.U. nerds who are the least important ones because you don't have redistributive power within that committee, but it's also the problem of timing. By the time they get information and they take a decision, it's very difficult that they have any influence. So whether these committees are different or not very depends on how it's organized at home, so some committees like the Danish one are very important. But what happens is because the Danish committee or the Swedish E.U. committee have a (inaudible) effect on their government, what happens is that the representative in Denmark and Sweden go to negotiations and then the (inaudible) is changed and then they have a very limited mandate. So what they do, they raise the parliamentary reserve and they basically block negotiations. So to have more say at the national parliaments within

E.U. decision making is good might seem good from one's point of view, but it's not very efficient.

To go to the other, if it really works, but this links to another question that you asked (inaudible) Lisbon treaty. One of the changes that the Lisbon treaty would introduce is actually in enhanced role of the national parliament. So basically if you a certain number of parliaments together could stop E.U. legislation so they could stop the process which if this happens it's going to be even more difficult.

But on the other side, there are a number of improvements. You will have a E.U. president. As I said, we haven't decided whether it's going to be a chair or a political leader. My bet is whoever is going to be there will try to be a political leader. We will have a new foreign minister who will be the vice president of the commission so he has a double hat, the council or ministers and commission double hat which will make our foreign policy more coherent, because what happens is take one issue which is very hot here, Afghanistan. What happens is that what the E.U. (inaudible) does is the E.U. forces under the European ECSP, and what the commission does in Afghanistan, they don't talk to each other. Right? And this is the same everywhere. So it would make our foreign policy to be more coherent. It would change the election of the president of the European Commission. It would not be a horse race, but a little bit of that

because they will be forced to have three names put forward and they will decide on that. Then each member state will propose three names for their own commission and so the parliament will decide on it, so it will be a little bit more a horse race within the parliament. It will be (inaudible) presidency. I think 2008-2009 clearly showed that the strong presidency is an asset in the French case and a weak presidency is a tragedy in the Czech case. So these kinds of presidents will be finished. There will be less important ones. And then also last but not least, it will change decision-making procedures in the sense that today we have a parliament and we have a council and the council is at the same time the executive and the legislature. The problem is that, it's very complicated, when the council acts as the legislature in co-decision -- most important (inaudible) decision within the European Union is called co-decision which is basically a three-step procedure. You have the first reading -- the commission makes the proposal. Then you have the first reading with the parliament and then by the council. Then you have a second reading by the parliament and the council. Then you have a third eventual step which is conciliation where they negotiate among each other. So basically in co-decision the council acts as a senate. The problem is if you want to go and listen to what the Senate says here in the U.S., you don't even to show your own I.D. card. Right? You just go in. If you want to go, you

just have to show that you don't bear weapons on you. Right? If you want to go and follow what the parliament does, it's a little more complicated, but you can still do that. If you want go and listen to what the council says in legislations, there is no way. It's closed door. So with the Lisbon treaty there will be a difference. When the council is legislating, it will mean open doors. Exactly what that means is it will be retransmitted by (inaudible) but it means citizens will have access if they want to to what decisions and how decisions are being taken. The media will have access, so it will be a major improvement in E.U. democracy.

MR. LINSENMEIER: Thank you very much. I would like to open now for questions from your side. I think we should collect three questions. Please identify yourselves. Is there a mike? Just start from there behind here.

MR. GLASS: My name is Yonas Glass and I'm a Belgian citizen (inaudible) but more as a Belgian citizen. I would like to ask for some additional constructive proposals. I've already heard having E.U. presidential votes. That's a positive thing. But to hear mostly from the two other panelists and especially Mr. Moravcsik, is there really no way to boost voter turnout? And also based on the analysis you just (inaudible) maybe deal with the ignorance might already make a difference. Mr. Crook said before that the people are most interested into local issues. I

think that makes sense, but as the world is becoming more and more interdependent and political, economical and security challenges more and more transnational, is there really no way that we can get citizens in Europe to understand that we need Europe to tackle climate, transnational crime, and to ensure that security and stability we've known since 1945 will remain? Thank you.

SPEAKER: (inaudible) for American Progress. My question, I actually wanted to start off with a claim, here in the U.S. we consider the midterm elections as sort of a referendum on the president. They basically send a cue to the political parties and they send a cue to the president as to what we want and basically how we're feeling at that time. It certainly happened in 1994 with Gingrich, it certainly happened in 2006 with Bush. I was wondering if in the long run or maybe even in the short term many of you feel that the E.P. elections are going to serve as sort of like the midterm elections for European leaders, if European leaders are actually going to stand up and take notice and maybe consider these kinds of elections as a referendum on what they do in their respective countries. Thank you.

MS. BUNSE: My name is Simone Bunse . I have two questions. I think most observers will agree that European elections are not about Europe, and I think Andrew Moravcsik also mentioned that it's

comparable to referenda and referenda are not necessarily about what they are set out to be about and we saw that clearly in the French referenda on the constitutional treaty where people voted on I don't like the idea of Turkey potentially being one day a member of the E.U. or about the (inaudible) or other issues. I find it harder to argue this way when I look at the case of Ireland because the polls I've seen on the Irish referendum, there were actually people who pinpointed exactly to certain things, we don't want to lose our commissioner, we like to keep the rotating presidency, so they were actually saying specific things about specifics that were actually in the treaty. So maybe you could shed some light on the question of what happened in the case of Ireland. Why did people reject the treaty? Was it also because they were voting on something else or was it actually that they were voting on the treaty?

The other question is a little bit related to the future institutional framework of the E.U. We have heard different opinions about should there be an elected European Commission president or is it an improvement that we have a permanent president of the European Council? Is it really an improvement? How do you see this future institutional framework if one treaty is finally ratified work with so many different presidents and a permanent one and a rotating one at the

Council of Ministers, the commission president and the foreign council
(inaudible) what do you see as potential risks and potential opportunities?

MR. LINSENMEIER: Thank you. We're going to have a second round, but could you refer to these questions? Who wants to start?

MS. BINDI: I can start with the E.U. president while you --

MR. BRUTON: I wasn't in Ireland (inaudible) for the vote of the Lisbon treaty unfortunately. I'm not suggesting it would have gone otherwise if I were. I think, yes, that there was an issue about the question of whether Ireland would lose its commissioner, whether each member state would continue to have a commissioner. That certainly was a substantive issue in the campaign. But I don't think the case for a smaller commission, and I think it is an important case from the perspective of small countries because a very large commission runs the risk of being a presidential commission rather than a commission of commissioners acting as a college, and I think in a sense that's the sort of commission we are now having, it's a presidential commission, isn't necessarily good for smaller states. Big countries will look after their interests in Europe anyway. They have more seats in the European Parliament, they have more weighted votes in the council. It's the small countries that need a strong commission, and I think perhaps the Irish

people were mistaken in thinking that they would be more protected by having a commissioner from the postal service or something like that than having a stronger commission where maybe they had a D.G. and they had other protections.

But anyway, that case was very difficult to make in a referendum because referenda in and of their nature reduce everything to a binary question, yes or no, and it's much easier to persuade people to vote no to something that's very complex than it is to persuade them to vote yes, and that continues to be the case. I think that there is a deep-seeded problem in Europe and that is the Irish constitution because the Irish constitution is very exacting in terms of requiring referenda on almost any E.U. treaty and that's now a European problem. It's not an Irish problem, it's a problem for Europe and I don't know how it's going to be changed vote it does make treat amendments much more difficult. It's already the case that the European Union has to have every member state agree to a treaty amendment, whereas as you know, in the United States two-thirds of the states are sufficient, but to have a referendum in Ireland on every treaty amendment is quite an exacting and demanding thing.

I would like to respond if I may to Andy about this issue of is it possible to have issues that are salient at a European level on which

people could vote intelligently at a European level as these being salient European issues. I would just mention epidemics, illegal drugs trading, oil prices, interest rates, asylum and immigration. These are all issues that are salient in people in their daily lives and they're all issues which member states on their own can't deal with, and if there is a growing cynicism about national politics, I think it is partly because national politicians are pretending at election time to be able to deal nationally with issues that nationally they cannot deal with. In fact, we need some form of multinational democracy to rescue national democracy from the cynicism into which it's sinking because national democratic politicians are being forced to pretend to be able to deal with things that they can't deal with because these are inherently supranational issues. So I contend we need a genuine supranational democracy in order to save national democracy and I don't see the two in tension with one another but, rather, as complementing one another.

I am not expecting it's going to happen anytime soon.

Whether it will happen in my lifetime I don't know. Clive Crook was rather pessimistic about the length of his life and I'm not going to be as (inaudible) as he was, but I hope it will happen, but I still stand by my case.

MR. MORAVCSIK: On the Irish referendum, there's a wonderful study that's on line, the Irish really did great background research and it's public, but if you look at the factors that no voters themselves cited as motivating their vote, by far the largest, 42 percent of people who voted no, mentioned this as a major factor, that they had absolutely no idea what was in the constitution. After that you get these double-digit factors which include lots of things that were promulgated by Libertas that are completely fictional like the treaty would permit the commission to mandate corporal punishment for 3-year-olds in schools and things like that, mandate forcible abortion and draft Irish people. Really loony stuff. Really crazy. A European Army and things like that.

It is true that one of the very few items on that list that's real is the elimination of the Irish commissioner. In fact, John to his credit told me some years ago that this is going to be a political problem and being just a political science professor I said (inaudible) but he was right. So that's correct. But the vast majority of the stuff is just crazy.

On salient issues, there's salient and there's salient. There's important and there's salient. Salient in this case is an issue so salient that it's going to get voters to actually transform their patterns of learning, their party attachments, the direction of their politics, their sense of attachment. Think in history about what kinds of issues those are, the

kind of issues that create political parties, the kinds of issues that create polities, the kinds of issues that create identity. We're talking about issues like the issues that created the social welfare state or created social democracy, issues like the socialist party. Those are the kinds of issues of sufficient salience that people rearrange the way they think about politics. I'm not saying these issues are unimportant, I'm not saying voters don't now and again think about that, but when you're trying to get people to completely reorient the way they think about politics and say I'm going to stop doing something else that's really important to me and focus on this, you need something generally in politics more important because voters are so myopic, and that is the scale that I think occasionally thinking about asylum won't do it. Voters do occasionally react to asylum, but it doesn't make them into Europeans.

That raises the third question about what we should do, what the positive message here is. I know this sounds cynical but it's not. The positive message is to - to the greatest extent possible - depoliticize because I don't think a lot of the recent politicization is imposed upon people by circumstances, I think it was actually voluntarily entered into by politicians by decisions they didn't have to make and I think the constitution had a lot to do with it, because I think the constitution was in large part a deliberate strategy to try to politicize Europeans. After all, the

content of the constitution is relatively modest. It's the form that's striking. And why would you choose that form? It's because lots of people, and they were in black and white saying this, that if you chose the form of a constitution, you would mobilize, inform, attract, inspire Europeans to get involved in this public debate, and what happened was they got involved in the public debate and now we're reaping a whirlwind. So I think you need to draw back from that and say you break things up into technocratic little bits, you pass them bit by bit, and a lot of this stuff is extremely popular. So foreign policy cooperation in Europe polls at 70 percent. Law and order polls at 70 percent. In fact, enlargement which doesn't poll positively, but when it went through it wasn't like people were on the streets the next day in Paris. It just went through as a technocratic thing. Why? Because it's not a salient issue. So people won't mobilize around it unless they really get a kick to do it, and European politicians managed to create almost the only circumstance which would force them to get involved in a nonsalient issue which was referenda. So I think systematically depoliticizing, pushing people back to their national politics where they feel comfortable, and then pursuing a very pragmatic strategy of delivering goods.

I want to say finally I agree completely with John about the virtues of the European Parliament. It's a great institution. It actually does

a lot of things extremely well. It's cleaner, it's greener, it's fairer than a lot of similar institutions in the United States. It's less dominated by money. It's a fine institution and we shouldn't let these fun stories about it's elections distract us from that fact. The European Union is an extremely well-functioning institution in many policy terms. It just shouldn't look too closely at some of these democratic (inaudible)

MS. BINDI: I think the question on the E.U. president -- risks and opportunities. The biggest improvement would come in external relations in foreign policy. Currently we have four people who represent the union abroad. We have the president of the European Commission, we have the Commissioner for External Relations, we have the high representative, and we have the rotating presidency. Take E.U.-U.S. relations. If you have a meeting with President Obama and he's meeting with Sarkozy to make an example on behalf of the European Union that has relevance. If you have (inaudible) for the next one (inaudible) nice guy, but it's not the same thing. And it changes every 6 months so it's a little bit confusing. So the biggest change will be that this rotating person will change every 6 months and sometimes a nice guy sometimes is the leader and sometimes is null which end. So we will have three people. Don't say it's too much because you have three people in the U.S. as well. You have the President, you have the Secretary of State and you have the

Vice President which is (inaudible) so it will be just like the U.S. only that we have this nothing will be more permanent. And I would bet as I said before that whoever he is, whether he's a high-ranking politician or a non-high-ranking politician and grab the occasion because it doesn't happen often to become E.U. president so you want to make the most out of that.

The downfall, the risk, is that the high representative will be wearing two hats. He will be sitting in the council and in the commission which will create some problems in institutional terms. The division of powers is something (inaudible) when we drew the treaty. Right? So that's the downfall, but I see more chances (inaudible)

MR. LINSENMEIER: Thank you. I think we have time just for another two rounds of questions. These two gentlemen.

MR. LOWENSTEIN: I'm Jacob Lowenstein from the Foreign Policy Initiative. I think it's very interesting that when comparing U.S. government and our political process to European governance especially I mean European-wide governance, it's about the only time you ever hear people praise the U.S. political process as being fair or democratic, and they really praise it that regard. You kind of alluded to one potential reform being opening up the council itself being a means to encourage greater voter turnout. I'm wondering if simultaneously also touching on Professor Moravcsik's idea of saliency that that might pollute the process

in the sense that I feel in U.S. politics what determines saliency is also not necessarily how relevant the issue is or how much it affects the individual, but how much it is perceived to affect based on how much politicians fight over it or something like that. And with that sort of increased transparency especially in the council it gives the opportunities for politicians to flex their muscles and for personalities to come out more, so to speak, but it also may distract perhaps from a clear political process.

MR. LINSENMEIER: Thank you.

MR. CHEN: Chow Chen , freelance correspondent. What is all the (inaudible) to keep the E.U. together? And what is (inaudible) coming from? For Dr. Moravcsik, I just don't think that you can depoliticize the political things. Elections are a political process. I think from your explanation is this, you have to choose a popular issue. And for Dr. Bindi, I don't think you have tried to get the E.U. to follow the U.S. process. If you do this, then it would be a mess. Thank you.

MR. LINSENMEIER: There's another question over there.

SPEAKER: (inaudible) Washington (inaudible) Policy. I'm a research intern. I was wondering if you could sum up maybe (inaudible) the status quo of the E.U. with Turkey, although there could probably be a whole panel discussion on this. I appreciate it. Thank you.

MR. LINSENMEIER: (inaudible) so who wants to answer (inaudible) comment on these questions.

MS. BINDI: E.U. authority it doesn't look good. It looks very bad and the European election won't help. On the other side, there will be a new chapter which is going to be open now in the negotiation which is energy and this is basically the one chapter the U.S. by the way is most interested in because we're talking about (inaudible) and so this is also why actually whenever Obama meets with presidents or prime ministers from Europe, this is one of the issues he is asking to talk about and it's also behind the fact that Turkey matters so much for the Americans, but I would seize the occasion to say that it's really bad when a U.S. President goes to Europe and says you have to get Turkey in because it doesn't help those countries like France where this is a hot political issue especially if the U.S. President says that even if it's Obama. And the other thing I would say on the council is that, yes, the hope is that transparency will lead to more saliency because there will be more (inaudible) because the horse trades that take place in the council will be evident to everybody so it's (inaudible) about it then elections will follow hopefully.

MR. MORAVCSIK: I'm a political scientist so I believe there is always politics, but I want to change the form of the politics, and nobody has ever tried to have elections in a polity without salient issues, so I want

the politics to be more elite politics and I think that is possible. So voters will pay attention to other things and it will be more of an elite politics. There are lots of issues that are handled that way in the United States or in many other countries of the world and it will be that way.

On Turkey, Mr. Sarkozy is a very smart politician and he always finds the right place to sit, so he's maneuvered himself into an absolutely perfect position on this issue because the French position on this issue is a position where it is indistinguishable whether the French position is actually opposed to Turkish entry or is just pretending to be opposed to Turkish entry but allowing all the essential bits of it to go forward, and after all, it's somebody else's problem after Mr. Sarkozy is gone, and that seems to me the current status quo.

MR. BRUTON: I think that's absolutely right what has just been said. As you know, the French constitution now contains a provision which means in effect that there has to be a referendum on any further enlargement of the European Union of country that will add more than 5 percent to the population of the European Union, and there's only one country I think likely to apply in the near future to which that number fits and that's Turkey. So there will be a referendum on this, and we've already discussed how difficult referenda can become, and there's also a commitment to a referendum in Austria. There are the two countries

where opinion against Turkish membership in the European Union is most strong.

There are also difficulties in regard to Turkey's occupation of Northern Cyprus which is illegal and the fact that Turkey and because of the dispute about Northern Cyprus not being resolved, doesn't allow ships that have been in a Cypriot port of ships that are bearing the Cypriot flag to dock in a Turkish port. The European Union is all about free movement of goods and services and ships and the idea that that would apply is completely incompatible with membership.

Turkey of course is intent eventually on resolving these issues but it hasn't resolved them yet. The Turkish view is that they are going to prepare for E.U. membership on all of the issues that we are going to negotiate with them on whether or not we want them to prepare for it or not. We are opening certain chapters. I think there are 32 chapters of negotiation or something like that. We've said that there are eight chapters that we won't open with them at all until they solve the problem about Cyprus. But they're saying we're going to prepare anyway. We know the E.U. rules are so we're going to get ready whether you are negotiating with them or not, we are going to do what you will want us to do in the negotiations so we'll be ready to join.

I think the reality of it is there are two points I want to make. I think it's very important to recognize that at its base the European Union is a political project. It is about an ever closer union. It is about an ever close union. And that's been in the Treaty of Rome from the very beginning, and when Britain joined the European Union, those words were in front of us, and if it didn't want to join, it didn't have to. No country is forced to join the European Union, was ever forced to join the European Union or is forced to remain in the European Union. And if a country is in the European Union, it's got to be committed to an ever closer union because this is fundamentally a political project of building a structure of peace in Europe using economics to achieve that. The economics is not primary. Economics is a tool that we're using to achieve an ever closer union. I think that the fundamental question that the Turks have to ask themselves just as much as the French is do they want to be in an ever closer union with us. Do they feel that degree of commitment to the Icelanders and the Irish and the Spaniards and the Portuguese? Do they feel that when they speak of the Portuguese they regard the Portuguese as us rather than them? That feeling of being us in Europe is essential to the thing holding together.

My view is that, and I wouldn't want it to be reported in the press because of the position I hold, I believe that we've expanded the

European Union very fast and as was revealed to you in the earlier session, there are lots of fissiparous tendencies there within the European Union, lots of reasons why the European Union could sort of fall apart. People say it couldn't happen. It could happen. It could. There is nothing preordained about the European Union staying together. All that's needed is for one country to decide once that it's not going to implement a European court decision, and then the European Union is over. It's over. We have no army to enforce European law. All that's needed is for one country to say I don't care. I'm not going to implement the European court decision. That's the end. Gone. And the reason I will go to such extremes as looking for a European Parliament president election is that I believe the European Union needs an emotional cement to bring it together and keep it together, and I think that the existing European Parliament election and the level of disinterest in it which is as bad as maybe in the United States, but then you're mature, you've had your Civil War, you've decided that you're going to stay together, there's no question about the cohesion of the United States anymore. There was up until 1861, but there isn't anymore. In the European Union there is. In Britain they're not too sure really whether they want to be in the European Union at all or not. They should draw the conclusions from this (inaudible) they're not forced to stay there. They can get most of the privileges of

being in the European Union as Norway has and leave if they want to.

There's nothing requiring them to say.

I think Turkey needs to ask itself the same question, Do they really want to be part of an ever closer union with us? And I think we need to ask that question about them as well, and that's a genuine political choice that has to be made. Though it is not a question if you're a country and you want to join the European Union of ticking all the 32 boxes and saying, yes, yes, yes, yes, we've fulfilled this, that and the other criterion. Now we should be taken in. I think that's not valid. And I think there is a problem I'd say even with some of the countries that have joined in the recent time that they made such a goal of getting into the European Union that now they don't quite know what they should do next once they've got in. What's the next thing? Joining the European Union is not sort of something like getting first class honors in the exam or getting a certificate that you're a good citizen and that you can go around with that and I've got -- citizen. Joining the European Union is joining a club that has strong political responsibilities to the other countries. You are making a commitment. It's a lifetime commitment. It's sort of like a marriage. You're becoming married to the other 27 or 28 countries. I think any country joining or applying to join the European Union should make up their mind by themselves, do they want to be married to the other

countries. It's not a question really of they in Europe not taking enough account of this or that or the other. There were a lot of people talking about they, the European Union is some sort of an anonymous they in Brussels or people that weren't doing this and weren't doing that. It isn't they. The European Union if you're a member state, if you're a citizen of a member state, is us, and if the European Union is failing, we're failing as Europeans, and that's what I think is missing in the whole discussion within Europe itself about the European Union, a sense of are we committed to something called an ever closer union, and I think that commitment was incarnated in some way, and maybe the way I'm suggesting is not the best way, I just feel that Andy's just too pragmatic. I think pragmatism will get you so far, it can get you so far, but when things like this which involve sacrifice, and bear in mind the European Union wouldn't exist, and I'm sorry to go on so long with this but I want to make this, were it not for the sacrifices that German taxpayers have made to pay large sums of money to Italians and to Irish people and to other people because they were poorer than we were as part of the cohesion and convergence programs of the European Union. But continuing, the German taxpayers and others, the Dutch taxpayers, are continuing to pay much less now to the Poles and the Latvians and so forth, but still some money. That involves real sacrifice and it's not going to continue unless

there's a perceived sense of commitment by the people who are in the European Union who have joined it and also want to join it, that they are joining something that involves giving as well as taking.

MR. LINSENMEIER: Thank you very much. That was very impressive, and what we can take from that is the European Union has something to do with political passion and many of us are sharing that.

MS. BINDI: What we can take from that is that we want him back into politics.

MR. LINSENMEIER: What we have to decide now others have to do. What the European Union is about is very much a work in progress and that's the good reason that are going to continue with these kinds of events and hopefully having people like (inaudible) also on the panel. I thank you very much for your contribution. You for your interest, Sebastian and Justin very much for the efforts that have been possible, and hopefully see you next time we keep in touch. Thank you very much.

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