

## Fresh Opportunities from the Treaty of Lisbon

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These are not merry days in European capitals, as we struggle through the deepest economic and financial crisis in seven decades. The Union's institutions are suffering even more, under the combined effects of weak leadership and the opaque scramble for the new posts created by the Treaty of Lisbon. And yet, these times could become the occasion for major advances in the European construction, out of necessity if not political vision.

Despite its complexity and verbosity, the Treaty of Lisbon is a good Treaty that can resolve major political stand-offs that have poisoned the life of the Union since the Maastricht Treaty of the early 1990s. It has created new institutions and procedures that will considerably enhance the Union's ability to act.

In concrete terms, the new Treaty has finally settled the long power struggle between the member states and the EU institutions on voting, the allocation of competences and the practical application of subsidiarity. The Union is not a state and will not become a state in the foreseeable future, but will continue to exercise sovereign powers on behalf of its members and be a source of individual rights and obligations for its citizens that may be upheld in court even against the member states themselves.

A stable president of the European Council, and a double-hatted High Representative for Foreign and Security Policy and at the same time powerful Vice-President of the Commission, will no doubt enhance the capacity of the Union to speak with one voice and develop effective strategies. The remit of Parliament has been extended to new areas, most importantly the EU budget and internal security and justice. The Commission, albeit weakened, has managed to safeguard its powers as guardian of the Treaty and exclusive initiator of Community legislation. If only President Barroso will be ready to use them, these are powerful levers, notably in times of crisis when large strata of public opinion still turn to the Union for solutions.

But the crux of the matter remains political will: stronger institutions and more effective decision-making procedures are instruments that must be infused with visions and goals and common actions, or else they will become irrelevant. In this context, I see three main challenges ahead.

The first one is economic policies to confront the crisis. Clearly, the traditional blend of market liberalisation and fiscal discipline, as important as they are, will not suffice; there is a clear need for common economic policies to raise aggregate demand for investment and improve the supply side of the

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economy and productivity growth. A major effort is needed to enhance human capital, upgrade material and immaterial infrastructures and meet the challenges of securing energy supply and clean air. The resources for these endeavours are available in international capital markets, if only the Union would start issuing its own bonds; rigorous project selection and appropriate burden-sharing arrangements are needed as a guarantee that these extra resources will not support fiscal profligacy in the member states.

The second challenge is social policy, including immigration. The Union needs to develop common policies to sustain labour mobility and integrated labour markets, for skilled and unskilled workers, including a potentially critical contribution of highly-skilled immigrants from outside the Union. It needs to modernise its labour and welfare policies along the lines advocated by the Lisbon agenda, where progress has been dramatically insufficient. A new political commitment here is urgent.

The third challenge is external: owing to its divisions as much as to the inward-looking attitude of its leaders, the Union has been a dwarf in international relations for too long. The Union must stand up to its international responsibilities and develop clear and consistent policies for Afghanistan, Iran's nuclear programme, the peace process in the Middle East, regulatory reform of finance and the international monetary system, development and poverty. The present cacophony of voices on these vital questions must be overcome and disciplined into one effective and commanding position.