

The New Open Method of Co-ordination

- a sustainable way between a fragmented Europe and a European supra state?

A practitioner's view

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Mr chairperson, ladies and gentlemen,

First of all, thank you for inviting me - a practitioner - to this seminar for political scientists. It is a pleasure and a privilege to take part in your debate on new directions in European governance. You have excellent timing, for your conference comes just a few days after the opening by Mr Giscard d'Estaing of the European Union's first Convention, described in media as "an untested vessel with an untried crew to a destination that is far from obvious" (1). That sounds like a great field for political scientists!

1. What kind of Europe do we want?

There are now more than 50 questions posed by the European Council in Laeken to the Convention. One of the members of the Convent, Commissioner Michel Barnier, has narrowed down these questions to one simple one: what kind of Europe do we want? (1).

I would like to start by introducing one thought provoking perspective on this question on European governance, which I found the other day in the Financial Times. The FT columnist describes what he regards as a slow erosion of British Euro scepticism. He finds that this change in Britain has coincided with the dimming of Europe's original integrationist vision:

"If Britain has changed, so too has the rest of Europe. Looking back at the 1990s it is now clear that the phobic frenzy in Britain about alleged plans for a European super state coincided with a distinct dimming elsewhere on the continent of the original integrationist vision...The goal of an ever more powerful supranational infrastructure in Brussels has given way to a pragmatic, less prescriptive intergovernmentalism. The Franco-German motor has stalled and the promised union of 25 promises a far more complex, fluid pattern of alliances" (2).

This is one perspective of the debate on Europe. I found it interesting to read this description of the “dimming” of the vision of the European Union,

- at the time of the final transformation of a fragmented monetary system into a single currency area,
- at the time of co-ordination of employment and social policies, unthinkable ten years ago,
- at the time when the internal telecom and energy markets soon will be completed,
- at the time when the preparations for a redrafting of the Treaty begins, aiming at a more effective and more efficient EU,
- and at the time, when we are close to the enlargement of the Union, integrating another 100 million people, businesses, and public institutions in the legal system of the EU.

There is more integration than ever in Europe, and less fear than ever before of a European supra state, even in some of the most Euro sceptic countries, as the UK and Sweden. How do we understand these two developments? How much of these developments are dependent on the form of Governance and the policy areas of integration? I will ask you to keep this question in mind as a background to my speech. I will come back to it at the end.

2. My contribution to your conference: an insider’s view of European governance

My contribution to your discussion will be an insider’s personal views on European governance, particularly the open method of co-ordination. Is this a new and sustainable way between a European Scylla and Carybdis, between a fragmented Europe of nation states and a centralised European supra state?

My views are based on more than ten years of involvement in European affairs, first, in the beginning of the 1990s, in Sweden’s preparations for Membership in the European Union and then, between 1995 and 2000 as Director General of DG Employment in the EU Commission.

Being a former Minister and a former Commission official I will take the liberty to combine some inside knowledge with the sort of openness that belongs to anyone who can put “former” on his business card; I am going to speak as a citizen, not as a spokesperson of any institution.

I am used to talking about the employment and social policies. Today, at the request of the organiser of this conference, Professor Sverker Gustavsson, I will make an exception and talk about institutional issues- about governance, rather than about the substance of policies. However, there are strong links between the method of integration and the policy area to be integrated. Therefore, it is necessary to put our discussion of political methods into a policy context.

My lecture will cover the following three themes and questions.

1. I will start in Lisbon 2000, when the Heads of State and Government agreed to develop and implement the new method of co-ordination.
2. I will then go back to trace the roots of this invention, back to Delors' White Paper on growth and employment and to the Swedish initiative at the 1997 IGC to bring employment into the Treaty and how these initiatives led up to the Lisbon Summit.
3. Finally I will comment on the ongoing debate on European governance, particularly the importance of this new method of political co-ordination, discussing the potential of this method, as well as its limitations.

3. The Lisbon conclusions: a third way of European Governance?

Let us start with Lisbon, March 2000. When the fifteen Heads of State and Government, the President of the Commission and the President of the European Parliament - along with their "entourage" - arrived in the Portuguese capital the preparations for the Summit had been going on for more than a year. The first signal about an extraordinary Summit came after an informal weekend meeting between the British Prime Minister and the Spanish Prime Minister in the beginning of 1999. They were in agreement that the Heads of State and Government ought to meet in the first months of the new Millennium. They wanted an agenda focused on their ideas of economic reform in Europe.

3.1. Mr Guterres takes the lead and broadens the agenda

That meant that the meeting would be organised by the Portuguese presidency under the leadership of Prime Minister Guterres, a moderniser and leader of a centre-left government.

He grasped the opportunity, broadened the agenda to include both economic and social issues. He started preparations by bringing together the best possible knowledge in these two fields.

Among other initiatives, he invited a group of leading economists and political scientists from Europe and the US to present their thinking and their visions for the future. He demonstrated the importance of this work by spending a weekend together with ministerial colleagues listening to advice from the team of researchers, setting a good example for future Presidencies.

The EU Commission, the traditional driving force in European integration, was in a difficult situation. The Commission, led by Mr Santer, had resigned in the beginning of 1999 but served as a care-taker Commission until a new one, headed by Mr Prodi, could take over, after the summer break.

It took some time before the new Commission could start preparing for the Lisbon Summit. Before it had got its act together the Portuguese Presidency had already delivered a report setting out its views on a long term strategy for Europe “Employment, Economic reform and Social cohesion – towards a Europe based on innovation and knowledge” (3). A month later the Commission presented its views in a Communication, titled “An agenda of economic and social renewal for Europe”(4).

3.2. The Lisbon Agenda: making Europe the most dynamic economy in the world and the most inclusive society

When you read these two documents you will find that there is much in common, both on political substance and on the new ideas for European governance. I reveal no secret if I say that there was excellent co-operation between us in the Commission and those in Lisbon who were making the preparations for the Summit, who were in turn in close contacts with other capitals.

The documents on the Prime Ministers’ and Presidents’ tables in Lisbon in March 2000 brought together economic and social policy in a long-term, ten year perspective. Social policy was identified as a productive factor, not a burden, in Europe’s strategy to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with better jobs and greater social cohesion. Both price stability and full employment, both new technology and social inclusion. That was the challenging agenda of Lisbon.

However, there was one very important restriction for the preparations. In the other capitals and in the Commission there was a “fatigue” over new strategies and processes, that had been baptised by each Summit host city. First the Luxembourg process for employment, then the Cardiff process for economic reform, then the Cologne process for macroeconomic dialogue.

Enough is enough. That was the message from many capitals and from the President of the Commission. No more processes, no Lisbon process. That was the political restriction for us, who were involved in the preparations. Now, the situation was the following:

- on the one hand, there were a clear ambition from both the Presidency and the Commission to **accelerate** integration by having more Europe in social, educational and industrial policies and more integration between economic and social policies and very ambitious long term objectives and targets,
- on the other hand, there were restrictions regarding institutional innovations.

What advice could we, Commission officials, give to our counterpart in Lisbon- Professor Maria Joao Rodrigues, who masterminded the Summit on behalf of her Prime Minister, and how did the Presidency solve this problem?

3.4. The conclusion: let us build on what works well and refine it

The conclusion was simple. Let us be practical. Let us build on what we have. Let us use the existing methods and instruments, which are working well. Let us adjust our methods to the particular conditions of each policy area. Let us improve integration between different policy areas. No new processes, just improving and refining what we already do.

In the Presidency document this modest line of argumentation was presented. There was recognition of the need for strict coordination of policies aimed at the building of the single market, such as monetary policy or competition policy. But there are other policies, which concentrate more on creating new skills and capacities for responding to structural changes. Such policies have resulted in the formulation of a coordination method, which is more open to national diversity; the best current example is the so-called “Luxembourg process” relating to employment policies. That was the modest message in the Presidency report (3).

In the conclusions of the Summit, agreed by all the Heads of State and Government after two days, the presentation of the existing methods was somewhat more upbeat. Now, once the

Lisbon Summit was a success, the political restrictions on new institutional innovations were removed, the “fatigue” on new processes had been replaced by a determination to act collectively. The Presidents and the Prime Ministers were in agreement to implement a new way of working, “a new open method of co-ordination as the means of spreading best practices and achieving greater convergence towards the main EU goals”. They also agreed that the European Council should take on a guiding and co-ordination role to ensure overall coherence and the effective monitoring of progress towards the new strategic goal. To that end, they agreed to hold a meeting every Spring devoted to economic and social questions, based on a synthesis report prepared by the Commission. They also agreed on a reform of the Broad Economic Policy Guidelines, the main instrument for policy co-ordination in the EU. They asked for a simplification of the BEPG, for better coordination between Ecofin and other council formations and on a stronger focus on the medium and long term effects of reforms, aimed at economic growth, employment and social cohesion (5).

The Portuguese Presidency gave the new form of governance further political momentum by submitting a note to the June Summit of the European Council, titled “The on-going experience of the open method of coordination” in which the new way of working was explained in more detail, for example the concept of “open method” (6). There are several reasons for this concept of an open method, according to the Presidency:

- because European guidelines can be adapted to the national level
- because best practice should be assessed and adapted in their national context
- because there is a clear distinction between reference indicators to be adopted at European level and concrete targets to be set by each Member State
- because monitoring and evaluation should take the national context into account in a systematic approach
- last but not least, because the development of this method in its different stages should be open to the participation of the various actors of civil society. Partnership is a tool for modern governance.

(For more information, see the annex at the end of this manuscript where I have included the informative General Remarks of the Presidency paper)

What I have told you about the preparations for and the conclusions of the Lisbon Summit is a short version of the story how the open method of co-ordination was created, or at least the first chapter of the story.

4. Copenhagen, Amsterdam and Luxembourg: where can we find the roots of this new method for European governance?

There is a second chapter, too. We have to be fair and admit that Lisbon did not really invent a new form of governance. What it did was to baptize this new method and broaden the scope of action and integrate the economic pillar and the social pillar, a tall order in itself.

To find the origin of this new way of working we have to go back to 1993, to the initiative taken by the then Commission President Jacques Delors at the Copenhagen Summit.

4.1. Jacques Delors – determined to fight

Jacques Delors came to Copenhagen, disabled by back pain, walking with a stick in his hand. Newspapers brought pictures of the disabled Delors to illustrate the state of European integration itself. Two years after the successful Maastricht Summit the image of European integration had totally changed. **The currency crisis in 1992, when the ERM fell apart and unemployment increased dramatically, were seen as signs that the process of European integration was being questioned.** And there was more to come in the summer 1993, more problems with currencies, interest rates and unemployment.

But Jacques Delors, in spite of all his back pain, was determined to fight. For a year he had prepared an initiative on employment. It was a brave initiative. The economic policy agenda at that time was, more or less, decided by the Bundesbank. Employment was seen, by many governments of that era, just as a matter of national concern, sometimes as a residual, a policy in the margin of economic policy. It was not a matter of common European concern.

However, the Heads of State and Government gave Delors a mandate to prepare an employment initiative for the Summit at the end of the year. This initiative, the Delors White Paper on “Growth, Competitiveness and Employment” (7), had a significant impact by firmly putting employment high on the European agenda. The Delors initiative led to an agreement in Essen 1994 as a first step of cooperation between the Member States, a process perhaps better described as a “training camp” for future coordination (8).

4.2. The next step: Put employment on the agenda of the next IGC

There is no doubt that the White Paper played an important role in the run-up to the Intergovernmental Conference in Amsterdam 1997. However, the issue of employment as a matter of common concern had formally to be brought into the IGC preparations. This was done by Sweden, a new member of the European Union. Sweden's representative in the reflection group that prepared the IGC, Mr Gunnar Lund, realised that he would have a long and tough battle for this idea (9). The IGC was expected to discuss the big institutional issues: rebalancing voting rights in the Council, membership in the Commission, the number of MEPs in the Parliament. Employment was not a subject close to the hearts of the diplomats of the bigger Member States.

However, employment had been put on the agenda and the Heads of State and Government had to make an important decision: either formalising the Essen process by making employment a matter of common concern, or killing the process, by refusing to include employment in the new Treaty.

The political developments in the Member States during these years gave a new political momentum to the ideas of those, who were convinced that the EU had to play a role in areas where the citizens expected Europe to be strong, and employment was a top priority among ordinary citizens all around Europe.

4.3. Employment, yes, but what sort of governance?

But how to do it? How to include employment in a Treaty dominated by the one single economic policy idea, the EMU, and what sort of governance is needed to strengthen employment in the economic policy mix?

When these ideas were discussed, in the preparations leading up to the IGC, some proposed employment as a convergence criterion in the EMU, as an obstacle on the way to the EMU, others presented it as a parallel project to EMU, as an Employment Union (EmpU), as a way of strengthening EMU.

This debate reflected different views on the nature of employment policies. Some of us, who advocated the inclusion of an Employment Title in the Treaty and a third way of European

governance, emphasised the great difference between running a monetary policy and an employment policy. We argued that the institutional set up must be different (10).

On the one hand, Monetary Union is acting in global financial markets and there is a clear need for a centralised European actor in these markets- the ECB.

The labour markets, on the other hand, are very different. There is no global labour market. The European labour market is very small, and most labour markets are locally divided. The employment situation is very different from one Member State to another, from one region to another. That is the reason why the role of the EU must be different in employment compared to monetary policies.

There is no way in which Europe can have one single employment policy. There is no room for harmonisation. There must be many different policies. So, what is then the role of Europe in employment policy?

One role is to rebalance the economic policy mix and give employment more weight. For that employment has to be included where the policy mix was fixed, namely in the Treaty. Employment has to be seen as a matter of common concern.

Is there anything more for Europe to do? Yes, there is the important role of being a driving force, of giving direction and momentum. But how to combine that role with respect for the diversity of labour markets around Europe and the need for many different policies? The solution to this problem was, neither to take over Member States employment policy, nor to give in due to the complication of diverging national and regional and local conditions.

The solution was that Member States remain responsible for their employment policies, while the EU provides the Member States with a common strategy, an agenda for reform including objectives and targets and a process of continuous learning and improving.

Employment could not be reduced to a convergence criterion. Instead, it would have to be an overarching objective for economic policy and with a process of governance, designed to fit the role of this policy. Employment policy must be seen as the successful co-ordination of all policies with the aim of reaching the agreed objective. That was the thinking behind the idea

of making employment a matter of common concern and establishing employment as a separate Title in the Treaty.

4.4. From Amsterdam to Luxembourg: a new start for Europe

The Employment Title in the Amsterdam Treaty, mainly drafted by the Irish Presidency at the end of 1996, was a success for the Swedish IGC-negotiator, Gunnar Lund, and the members of his team, who had started the battle for employment in 1995. Now, two years later, there was unanimous support for the Swedish initiative. A political victory has many fathers and in Amsterdam several Member States felt that they had played a decisive role for the introduction in the Treaty of employment as a matter of common concern, and, indeed, they had.

However, in 1997, few people could imagine the political importance of the Amsterdam Treaty; some commentators even described it as a failure. There was no new money for employment programmes; there was no punishment against failing governments. There were no employment targets (11).

It took less than half a year before people could begin recognising the potential of the new form of governance in the Amsterdam Treaty. The Luxembourg Presidency under Prime Minister Jean-Claude Juncker worked closely with the Commission, Commissioner Flynn and DG Employment to prepare both a strategy, and a **system** for the implementation of that strategy. It was new territory, and Mr Juncker worked hard to create political momentum and support. In these six months, that included the holiday season, he took part in 200 small and large meetings; from meeting a few Commission officials to addressing the European Parliament, to touring Europe's capitals to chairing the Employment and Social Affairs Council, or the Ecofin, or the European Council. As Mr Juncker at that time was both Prime Minister, Finance Minister and Labour Minister he had a very strong position in a very difficult political situation, and he played his cards well.

After a long day of discussion the European Council had reached agreement on a process, in which the Heads of State and Government gave their commitments to an ambitious strategy for a modernisation of the labour markets. This strategy was defined by the four pillars (employability, entrepreneurship, adaptability and equal opportunities) and by 20 guidelines. This constituted a strategy and a working method, which forced the Member States to review,

rethink and reorient their policies, a huge exercise in management by objectives. They accepted to work out national action plans, based on the agreed four pillars, they accepted to have a peer review, based on a Commission analysis of their plans, they accepted a Joint Employment report on the table of the European Summit at the end of each year for a decision on the following year's guidelines, and they accepted that recommendations can be given to individual Member States by a majority in the Council (12).

A new form of governance was established, soon labelled "the Luxembourg Process" and recognised as a success. In spring 1998 all Member States had delivered their first National Action Plans for Employment and the Commission had begun to make an independent analysis of these Action Plans. When Prime Minister Tony Blair, as president of the European Council, came to Stockholm he told journalists that the Luxembourg process was a new way of working in the EU. He was supported by the Swedish Prime Minister Göran Persson, who explained that the Luxembourg process is "integration without supra nationalism" (13).

In this integration process the new Employment and Labour Market Committee, ELC, with two members from the Commission and two from each of the Member States, served as a powerhouse, first under Dutch, then under Irish and now under British chairmanship. The Committee is the place for intensive consultations between Member States and the Commission in the preparations of the reports and the guidelines to be decided upon by the Council.

Now, five years on, we can see how the Amsterdam Treaty and the Luxembourg process opened new avenues for economic and social policy governance, for an integration of areas, which, until then, were almost taboo in European policy making, such as social protection and social inclusion.

Today, there is general recognition of the successful work of several Presidencies and the European Commission in launching new initiatives based on the Amsterdam Treaty. The Lisbon Summit marked "a true watershed in the Europeanisation of employment and social policy", to quote a report signed by four leading European political scientists, chaired by Professor Gösta Esping-Anderson in Barcelona (14). The Stockholm and Göteborg Summits under the Swedish Presidency confirmed this new course and added a third pillar, environment, to the strategy (15,16).

5. Lisbon and beyond: What is the role and potential of the open method of coordination?

This leads me to the third part of my lecture, a discussion on the role and potential of the open method of co-ordination. Is this form of new European Governance a way of “dimming” the vision of integration and a clever way of undermining the positions of the Eurosceptic forces in the UK and elsewhere? Or is it a sustainable way between a fragmented Europe and a European supra state?

I will leave that question to you to reflect on and to the members of the panel to comment on after my lecture. I will confine myself to comments on four or five points:

5.1. More or less integration?

The first one is this: has the introduction of this new form of governance led to more or less integration? I think that the answer is obvious.

The open method of co-ordination has in a short time not only gained much interest, but also quickly spread into domains other than those originally envisaged. It is now being implemented in a number of policy fields: the information society, Research and Development, enterprise policy, economic reform, education, social protection and social exclusion. Within these fields there is a list of 35 priority structural indicators, and to that list we can now add indicators on environment, following the political agreement of the Göteborg Summit to add a third pillar to the Lisbon strategy (17).

I think that we should be aware that we - when we talk about the open method of coordination - must avoid putting emphasis on “the” open method. It is not some kind of fixed recipe that can be applied to whichever issue, a fact underlined by the Belgium Minister of Social Affairs Frank Vandenbroucke during the Belgium Presidency last year. He reminded us that the method we are now testing in the field of social inclusion differs from the open co-ordination that has been developed in the field of employment and that the proposal with regard to pensions will again be somewhat different, a light process with commonly agreed objectives and a reporting each other or each three or four years (18).

As long as integration was based on the traditional Community method, it would have been unthinkable to give a role to the EU in several of these fields. Today, all Member States

accept to work together with common objectives and targets and common guidelines in employment and social policies. Empirical data suggest that the method constitutes a qualitatively new factor in European policy-making. Though of a soft law nature, the method's lack of sanctions is not necessarily a deficiency in terms of compliance, but may be substituted by political/peer pressure (19).

5.2. Faster or slower pace in integration?

Now, to the second question: has it led to a faster or slower pace in integration? There is no sign that the integration process in traditional areas has become neither slower, nor faster.

On the other hand, the pace of integration is obviously much higher in the new fields like employment, social protection and social exclusion, where the role of the EU was rather limited before Amsterdam-Luxembourg-Lisbon. The nature of integration has changed. The role of the EU is now not only to establish minimum standards.

Working with guidelines means sticking to strict timetables and annual exercises, eventually making policy makers and civil servants also consider policy issues from a European perspective. The dynamics of this have significant implications for national agenda setting. By identifying and making public best practice and by issuing recommendations to individual Member States the Commission and the Council can exert considerable pressure, not least by mobilising public opinion through media (20). And they do!

A recent study has shown that both the Council and the Commission are aware of an underlying 'animation logic' in the open method of co-ordination. In a regulatory framework, a lowest common denominator becomes the goal, whereas the 'animation logic' is likely to push governments to a 'race to the top' (21).

5.3. Are Member States complying with the agreed strategies?

Are Member States really complying with the agreed strategies? Yes and no. There is a lot of good work in all fields and a lot of compliance. The Commission synthesis report for the Barcelona Summit "The Lisbon Strategy – Making Change Happen" presents both progress and disappointments (22):

- the Commission has by now tabled most of the main policy proposals
- the second phase of agreeing and adopting those policies is well under way

- the final phase, where agreed policies are implemented and start to have an impact on the ground, has barely begun

According to the Commission report, there have been notable policy successes such as the new telecommunication markets; co-operation in areas such as education, pension reforms and research and new programmes to tackle inequality and social exclusion. There have also been disappointments – areas such as Community patent, financial services, energy and the Galileo satellite system, where deadlines have been missed and progress has been slow.

In the field of employment, where the open method of coordination, has been working for almost five years, the Commission has highlighted the improving quality of the National Action Plans, NAP. It has also noted that the involvement of an increasing number of partners in the preparations and follow up of the NAPs reflects the continuing momentum created by European Employment Strategy. Clear progress has been achieved in terms of developing life long learning, and comprehensive strategies are now in place in about half of the Member States.

However, there are some serious shortcomings, too. Few Member States present a global approach as to how they intend to contribute to the attainment of the employment targets, agreed in Lisbon and Stockholm. Furthermore, serious doubts remain as to the capacity of five Member States to comply with the 2002 target for full implementation of the preventive approach (i.e. offering a new start to an unemployed before he or she becomes long term unemployed), a central element of the strategy aimed at turning passive social policies into active labour market policies.

5.4. Are there yet any visible effects of the new form of Governance?

Now to the key question: Are there yet any visible effects of the new form of Governance? In most areas it is too early to tell.

There is sometimes a recurrent critique of this method for the lack of real sanctions and the risk of merely symbolic politics. However, the ongoing debate tends to give more weight to the argument that this non-binding regulation may have a substantive impact on national policies in a longer-term perspective. Member States are committed to the process; peer review is at work; countries are more inclined to accept the fact that recommendations are given to them in sensitive areas (23).

As the new form of governance started in the field of employment with the aim of modernising Member States' labour markets as a parallel project to the EMU it is of great interest to read the comments from the European Central Bank on the effect of this modernisation process. One of the Members of the ECB Executive Board, Mrs Sirkka Hämäläinen, presented recently an assessment of progress made in this field (24).

She emphasised that the ECB has been insisting on the timely pursuit and completion of structural reforms of the labour market. These reforms are seen by the ECB as a necessary condition to effectively reap the full benefits of the Single Market and the single currency, and to achieve sustained and balanced progress in the economic and social fields. She emphasised two points:

- First, there is evidence that flexibility of labour is improving in Europe. This movement had already started well before the introduction of the euro, but has now become more visible. It is worth noting, for instance, that labour-force growth now appears to respond more strongly and more rapidly to cyclical variations in GDP growth.
- Second, there is evidence of a very significant change in labour market behaviour in the euro area countries, particularly in the field of wage negotiations. Discipline has greatly improved in that field, with wage demands apparently assuming a permanently lower level of inflation and adjusting faster to cyclical conditions than was the case prior to the introduction of the euro.

I guess that the ECB will take credit for the improvements in the wage discipline. I guess that governments will take credit for the fact that labour markets are working better and responding better to economic growth, **but I think that the EU also** has a stake in this success story.

5.5. What is the political future of this new form of Governance?

The European Commission has presented its views on the open method of co-ordination in the White Paper on European Governance, and it seems that the Commission is struggling with the pros and the cons of this new method. In some areas, such as employment and social policy or immigration policy, the open method of co-ordination is placed alongside the programme-based and legislative approaches. In others, it adds value to the European level

where there is little scope for legislation. However, the White Paper does state the circumstances for the use of the method: The open method of co-ordination should not be used when legislative action under the Community method is possible, but should be used to achieve defined Treaty objectives (25).

Others have given an even more upbeat description of the developments during the last five years. They have argued that the developments following the Amsterdam Treaty contradict the scenario, popular in the early 1990s, that EMU would lead to social policy deregulation. Quite the contrary, it seems, in retrospect, EMU triggered the resurgence of national social pacts and provided a window of opportunity for agreement over the EES. In this way, the achievements, since the mid-1990s, have contributed to maintain and modernise the European social model, to a self-transformation of the model in a very dynamic process (13).

From a political point of view, Member States have chosen a method that allows them to take advantage of European co-operation, while preserving formal national sovereignty in an area in need of reform. Professor Maria João Rodrigues has expressed this incremental development with its mix of virtues and shortcomings well: "We take small steps to achieve great things in the end. It's the European way" (21).

5.6. The real test will come in the next few years

Let me summarise by focusing on the core of the two dimensions running through this discussion: European governance on the one hand and policy content on the other hand. I think that everyone can agree with me that the Governments of the Member States and European institutions will have to strike a balance between the promotion of change for productivity and growth and the management of change for social progress and social inclusion.

However, the introduction in the Maastricht Treaty of the subsidiarity principle in combination with the traditional Community method of legislation left the EU to manage an unbalanced agenda, an agenda focused on the promotion of change in the form of a Single Market and a Single Currency, but very little room for initiatives to manage change in a socially responsible way. The new form of governance, established in the Amsterdam Treaty, and implemented by the Luxembourg Summit and further developed by the Lisbon and Stockholm Summits, offered a way out of this dead-lock. The acceptance of employment,

social protection and education as matters of common European concern is proof of the strength of this new form of governance. Today, the European Union is a much more balanced political project than it was ten years ago; today it is both about the promotion of change by fostering competition and the management of change by building solidarity.

But let us be clear on one thing: we have not yet seen the end of the story. The real test will come in this year and the next, when governments are struggling with the consequences of the present economic downturn. Will they continue to emphasise that employment, social protection and social inclusion are matters of common European concern, or will they pay less attention to the common strategies?

Will Europe continue to make a difference in political thinking and political action in the Member States, by supporting a balanced agenda? Will the European institutions, particularly the Commission and the Parliament, continue to offer support to a flexible integration or will they return to a more traditional zero-sum game and consequently more prescriptive policy initiatives? (26)

And finally: what destination will Mr Giscard d'Estaing in "his untested vessel and untried crew" propose at the end of the day? Will the Convention give a blessing to this form of governance by designing a general provision in the Treaty for pragmatic co-ordination? (27).

It remains to be seen. The jury is still out. There is time for reflection and debate, in this and other fora for European debate.

Annex 1.

The on-going experience of the open method of co-ordination.

Note of the Portuguese Presidency of the European Union. 13 June 2000.

II. General remarks

1. The purpose of the open method of coordination is not to define a general ranking of Member States in each policy but rather to organise a learning process at European level in order to stimulate exchange and the emulation of best practices and in order to help Member States improve their own national policies.
2. The open method of co-ordination uses benchmarking as a technique but it is more than benchmarking. It creates a European dimension by defining European guidelines and it encourages management by objectives by adapting these European guidelines to national diversity.
3. The open method of coordination is a concrete way of developing modern governance using the principle of subsidiarity.
4. The open method of co-ordination can foster convergence on common interest and on some agreed common priorities, while respecting national and regional diversities. It is an inclusive method for deepening European construction.
5. The open method of co-ordination is to be combined with the other available methods depending on the problems to be addressed. These methods can range from integration and harmonisation, to co-operation. The open method of co-ordination itself takes an intermediate position in its range of different methods. It is an instrument to be added to a more general set of instruments.
6. The open method of co-ordination is called “open” for several reasons
 - because European guidelines can be adapted to the national level
 - because best practice should be assessed and adapted in their national context
 - because there is a clear distinction between reference indicators to be adopted at European level and concrete targets to be set by each Member State, taking into account their starting point. For example, the common indicators can be the ratio between investment in R&D and the GDP or the women participation rate, but the

target should be different for each Member State. It means that monitoring and evaluation should mainly focus on progressions or relative achievements.

- because monitoring and evaluation should take the national context into account in a systematic approach
 - last but not least, because the development of this method in its different stages should be open to the participation of the various actors of civil society. Partnership is a tool for modern governance.
7. The European Commission can play a crucial role as a catalyst in the different stages of the open method of coordination namely by:
- presenting proposal on European guidelines;
 - organising the exchange of best practice
 - presenting proposals on indicators
 - supporting monitoring and peer review
8. The open method of coordination can also be an important tool to improve transparency and democratic participation.

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