

## Business challenge for Europe after Lisbon

By GLYN FORD

CINDERFORD, England — The much-delayed final ratification of the Lisbon Treaty, and the appointment of former Belgium Prime Minister Herman Van Rompuy as president of the European Union and Britain's Cathy Ashton as de facto foreign minister, means that the EU will increasingly take center stage on matters of global trade, foreign policy and security as the world looks to Brussels rather than the national capitals of EU members for key decisions.

Former U.S. Secretary of State Henry Kissinger once famously quipped, "Who do I phone when I want to speak to Europe?" His successors will have the numbers in the future.

EU diplomatic missions will parallel, and in many cases supersede, those of individual member states in Washington, Tokyo, Moscow, Beijing, New Delhi and Rio de Janeiro. As for foreign and security policy, Europe will increasingly speak with one voice that resonates with that of the Berlaymont, the European Commission's headquarters.

Trade issues, though, will be more complex. The EC, for decades, has been solely responsible for trade at the expense of individual member states. There was one number to call — as with the likes of Pascal Lamy, now head of the World Trade Organization, Peter Mandelson and Cathy Ashton. Now the European Parliament will have the final say on trade agreements across the board. This was demonstrated at the tail end of the last EP session when the EC, in anticipation of Lisbon's ratification, agreed to follow the new procedures.

The EP's International Trade Committee has put a clear stamp on negotiations for a free trade agreement with South Korea and, more significantly, has shaped future final Economic Partnership Agreements with the developing world. It demanded joint monitoring committees, the recognition of intellectual property rights on indigenous flora and fauna, and human rights clauses, among other things.

Those negotiating a revision of the South American and

Caribbean "banana regime" have belatedly realized that parliamentary approval could take six months. Even senior EC officials failed to see the extent of this resetting of the balance of power in favor of the EP. And most of the few that did recognize the change have drawn the wrong conclusions.

June's European elections were rightly portrayed as a setback for mainstream parties amid gains for Euro-skeptic, nationalist and xenophobic parties. So, a minority consensus is that while Lisbon does give much greater power to the EP on trade issues at the expense of the EC, this will mean little in practice because of the EP's fragmentation.

Election winners in Britain included the increasingly Euro-skeptic Conservative Party and the Euro-phobic U.K. Independence Party. In France the Socialists went from 29 to 14 seats in the EP. The German Social Democratic Party had its worst showing since the end of World War II. Only PASOK in Greece defied the trend; its increased popularity was a foretaste of its victory in October's national election.

In summary, although the center-left did poorly and the center-right flat-lined, the anti-Europeans of both the right and left have almost by accident consolidated the forces against them with important consequences for business.

When the EP amends legislation, an absolute majority of EP members will be required to overturn both the EC and European Council. As a result of the European elections, no qualified majority exists on either the right or left. The two largest EP groups — the center-right European People's Party (EPP) and the center-left Socialists and Democrats (SAD) — have been forced into a grand coalition and, for better or worse, this coalition appears more integrationist and interventionist.

For the Socialists, economic liberalism is on the wane. The controlling forces in the SAD group are interventionists — the French naturally so, reinforced by the Germans and the newly self-confident Greeks. The countervailing ideological pressure that grew out of a decade of unparalleled economic growth and three election victories for Britain's Tony Blair and New Labour has dissipated. The political center of gravity has clearly shifted from free-market liberalism toward tighter regulation and intervention where necessary.

The EPP has been rejuvenated — and thus freed to reassert its federalist and interventionist principles — by the British Conservative Party's Euro-skepticism.

Brussels — through the Council, EP and EC — is far more likely to deliver concrete results for business, and for the emerging and existing global trading blocks in North America, China and the Far East, India and Brazil, than individual member states are. There is a growing international consensus that intervention is needed to regulate capital flows and world trade to prevent another global recession.

Europe needs dialogue with global business to remain competitive, but dialogue and partnership take two. The question is, with Lisbon ratified, is business ready to talk where government can listen, and in the right way?

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