

domestic interest groups, such as trade unions, clearly have the potential to become more organized and influential in shaping policy. At the same time the business lobby may not necessarily retain its powerful position.

More broadly, the overarching bases of political contestation in Slovakia until the early 2000s, such as the character of the political regime, illiberal

democracy, nationalism and entry into Euro-Atlantic clubs, have largely gone. The contemporary political scene has become focused primarily on domestic issues of distribution, allocation and socio-economic organization.

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Whither Europe?

The IMF-World Bank seminar, held in Singapore in 2006, brought together distinguished speakers representing founding, new and aspiring European members, and the Asian economic community representatives to debate the future of Europe and implications for Asian integration. Panelists discussed some of the findings emerging from the reflection and consultations that have taken place in Europe over the last year, with a particular focus on the following questions:

- What is the future of the constitution? Will it be abandoned in favor of a "political declaration" or will it be resurrected in a slimmed down version?
- Might the rejection of the constitution and the popular vote of no confidence promote a return to the approach of quiet incremental reform that has served the EU so well in the past?
- Where should Europe's borders lie? Is Europe's current neighborhood policy working?
- Can Europe's "social model" survive in the face of global pressure?

Mr. Joaquin Almunia (Commissioner for Economic and Monetary Affairs at the European Commission) argued that the failure of the constitutional process in France and the Netherlands has indeed created a political crisis as a growing Union needs a new distribution of responsibilities between national and supra-national levels. However, there may be a new window of opportunity with the 2007 German presidency, and elections in France and the Netherlands. Further, Europe is far from paralyzed by the set-back on the constitution as evidenced by the important decisions made in the last year on integration and expansion. In addition, the economic situation in the EU improved last year. In sum, there is a political problem but the EU is gaining momentum economically and forging ahead on political integration.

Mr. Leszek Balcerowicz (President of the National Bank of Poland) emphasized that the constitution is not essential from an economic perspective. Instead the EU should focus on the Lisbon agenda and the country level actions to achieve it. This includes reducing fiscal pressures — Europe is over-taxed compared to Asia, and this is because European countries spend too much particularly on social protection: public expenditure to GDP ratio in Europe is around 40% compared to only 20% among the Asian Tigers. In addition, the countries need to do more to deregulate, especially in labor markets. More can also be done at the European level: this will require abiding by the growth and stability pact. As to

integration of service markets, the much weakened final version of the adopted service directive needs to be strengthened if Europe is to develop a single market for services that can compete with the US. However, an appropriate communication strategy will be essential to any further reforms.

H.E. Ali Babacan (Turkish Minister of State in charge of Economy) agreed with the importance of communication, arguing that the rejection of the constitutional treaty was largely due to voters' perception that Brussels is removed from their cares and concerns. As to the limited economic dynamism of the EU, it can be helped by further enlargement and the associated growth in the goods and labor markets. In addition, the integration of Turkey into the EU would promote democracy, security and stability, and therefore be fully in line with the original goals of the European project. It will also help demonstrate that democracy and Islam can co-exist and provide a bridge between civilization that is crucial to the safety of the EU.

H.E. Heidemaries Wieczorek-Zeul (German Minister of Economic Co-operation and Development) reminded the audience that the creation of the Union sprang from a deep reaction to war and dictatorship — with membership also helping democratic achievements in countries such as Spain, Portugal and Greece. The hope is that the adaptability that the EU has shown in the process can now be expanded to the Middle East. The rejection of the constitution was a set-back but one that should be interpreted as a vote of no confidence on the economic and political process, and motivated by a fear of globalization. As to the social model of Western Europe, it does need reform but remains an important model that helps assure people they will not be at the mercy of market forces. Countries without this kind of safety net revert to protectionism during economic downturns. Europe's social model represents a good way of smoothing globalization's impact on households.

What could Asia learn from European integration? **Mr. Haruhiko Kuroda** (President of the Asian Development Bank) noted that Asia's integration has been rapid and market driven, mostly through trade and investment: intra-regional trade, at 55%, is similar to that of the EU. Indeed, regional economic integration has been one of the successful factors of the region. ASEAN may now need to work on the institutional and political elements of this integration. The experience of the EU with small country bias and subsidiarity principles will be helpful.

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