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## **DIIS Brief**

# **Danish positions on key developments in the European Union, Dec. 2006 – Jun. 2007**

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October 2007**

### **Executive summary**

During the first half of 2007, EU issues were widely covered in the Danish media. In particular, the Berlin Declaration, the future of the Constitutional Treaty and the possibility of a new EU referendum have received attention. Alongside these issues, debates on the future of the four Danish opt-outs, the EU's role in environmental issues and the Danish 'flexicurity' model have continued. This brief looks at the positioning of main Danish actors on these and other current EU debates.

# Danish positions on key developments in the European Union, Dec. 2006 – Jun. 2007

*This brief consists of parts of the Danish contribution to the EU 27 Watch No. 5, 2007. EU 25/27 Watch is edited and coordinated by the Institut für Europäische Politik (IEP) in Berlin, and is part of EU-CONSENT. EU-CONSENT is an EU Framework Programme 6 network of excellence for joint research and teaching comprising almost 50 research institutes that address questions of the mutual reinforcing effects of deepening and widening of the EU. See [HTTP://WWW.EU-CONSENT.NET](http://www.eu-consent.net).*

*The manuscript was finished in July 2007. The entire EU 27 Watch was published in September 2007. Contributors to the Danish report were Mette Buskjær Christensen, Ian Manners, Catharina Sørensen, Thomas Thomasen and Gry Thomasen.*

## Future of the EU

The German Presidency in general, and Chancellor Angela Merkel in particular, have been praised in Denmark for their strong leadership and work on negotiating the Berlin declaration, and for laying out a tight EU treaty timetable in the attempt to solve the problems left by the ratification failures of the constitutional treaty. These two issues have largely coloured Danish coverage of the German Presidency.

With regard to the Berlin declaration, Danish Prime Minister, Anders Fogh Rasmussen (liberal party), expressed his contentment with Angela Merkel for listening to the Danish positions, and for leaving out references to the treaty that could be problematic in Denmark (Berlingske Tidende March, 2007).

However some voices, especially in the social liberal party, also criticized the Berlin declaration for being too diluted and lacking concrete objectives on the future of the EU – thereby indirectly reflecting the internal division of the Union. Two Danish parties published their own alternative to the Berlin declaration. The Danish people's party suggested a more restricted union and saw no need for a new constitutional treaty or future EU enlargement. In contrast, the social liberals called for a more visionary declaration and would welcome Turkey and Croatia as new members.

The Danish parliament's European Committee complained about the closed process leading to the Berlin declaration and the fact that national capitals only received the draft document two days before its adoption, thus making it difficult for them to debate the contents. The European Committee held a consultation meeting on the Berlin declaration on 23 March, where a majority expressed strong dissatisfaction with the fact that the Danish Prime Minister did not attend the meeting, but sent the Minister of Finance, Thor Pedersen (liberal party), as his replacement.

It should also be mentioned that the Danish translation of the Berlin declaration was criticized for being too political, especially regarding the translation of the word 'Glück'. This German word translates into 'fortune' or 'happiness', but in the Danish translation it was translated as 'vores fælles bedste', which means 'for the common good'. According to Henning Koch, a professor in constitutional law at Copenhagen University, the use of the word Glück in the declaration to describe the good fortune of 50 years of peace and unity was considered too grandiose for the Danes' liking. 'There are so many deviations in the Danish version that it cannot possibly be a coincidence' Koch told Danish daily Politiken on 26 March.

In general, the Berlin declaration opened a broader debate in the Danish media on the future of the EU which, apart from the fate of the constitutional treaty, has also increasingly concerned the issue of the four Danish opt-outs (on defence, justice and home affairs, citizenship and the euro).

With regard to the future of the constitutional treaty, Fogh Rasmussen has been supportive of Angela Merkel's timetable since the beginning of the German EU presidency. Prior to the European Council meeting in June, Fogh Rasmussen, together with Foreign Minister Per Stig Møller (conservative party), expressed the hope that the 27 member states would agree on a clear mandate and that a new treaty could be ratified before the 2009 elections to the European Parliament. Fogh Rasmussen reiterated in his concluding speech in the Danish parliament in late May that the constitutional treaty contained a number of very good elements, such as the compromise on the EU institutions and the new decision making procedure, which should be preserved. Still, he generally supported the view that a new treaty should be simpler than the previous document. This point of view was also supported by the social democrats, the social liberals, and to some extent the socialist people's party, who insist upon a referendum.

As recommended by the Ministry of Justice, and as has almost become a tradition on EU treaties, Denmark was planning to hold a referendum on the constitutional treaty. Prior to the June Council Fogh Rasmussen was reluctant to comment on whether or not there would be a Danish referendum on a new treaty. This topic constitutes a major issue of debate in Denmark. Although there have been guesses that for some time Fogh Rasmussen has been keen on avoiding a referendum, the Prime Minister's own position was that as long as the exact contents of the treaty were unknown, it did not make sense to discuss the possible applicability of article 20 in the Danish constitution. This article holds that if Denmark transfers sovereignty, a referendum must be held (unless a 5/6<sup>ths</sup> majority in parliament is secured). Prior to the negotiations in Brussels, nine mostly technical areas in the constitutional treaty would, according to the Danish Ministry of Justice, have involved a transfer of Danish sovereignty. With the exception of the left wing unity list and the right wing Danish people's party, prior to the June summit the EU spokespersons for the remaining parties in parliament appeared to accept ratification without a referendum provided there was no transfer of sovereignty.

The EU June summit was widely covered in the Danish media. In the period just prior to the summit the leaked draft of the reform treaty was intensely discussed, with discussions revolving around the nine points of the treaty that would require its ratification through a referendum. After Danish civil servants held a meeting with the German presidency, the nine controversial points disappeared from the treaty, leading to allegations from both protagonists and antagonists of the treaty that the government had broken its mandate from parliament by deliberately negotiating a treaty that would not require a referendum. The government maintains that removal of the nine points was not a deliberate strategy to avoid a referendum, but underlines that its general position is that it is in the Danish interest to minimise sovereignty-transfers.

The Danish people's party and the unity list both call for a referendum on the reform treaty, being largely against Danish EU-membership. They are supported in their calls for a referendum by the two EU-sceptical movements, 'Junibevægelsen' (June movement) and 'Folkebevægelsen mod EU' (the people's movement against the EU). Following the summit the people's movement against the EU started collecting signatures to pressure the government to ratify the treaty through a referendum. This reflects the attitude of the public, where a recent poll has shown a 70 per cent majority for a referendum (Politiken June 2007). The actual contents of the reform treaty have been received tepidly. There is satisfaction with the climate declaration that has been included in the treaty, but generally the treaty is viewed as carrying 'half of the ideals' from the Laeken process (Information, June 2007). In particular the lack of transparency in the new treaty compared to the previous constitutional treaty is

viewed as a drawback. The Danish chamber of commerce has moreover expressed its concern over the adoption of the French proposal to strike the words 'undistorted competition' from the treaty.

It should also be mentioned that recent debates on the future of the Union have sparked renewed attention to the four Danish opt-outs. At a European conference marking the 50<sup>th</sup> anniversary of the Treaty of Rome held on 23 March, Foreign Minister Per Stig Møller stated that a new debate on the opt-outs would be relevant as soon as a new treaty was ratified. He argued that the opt-outs posed too many obstacles for Danish EU membership. A majority in the Danish parliament members agree that a referendum on the Danish opt-outs should be held and that the four opt-outs should be abolished. There is, however, a clear agreement amongst the five EU-positive parties in parliament (the liberals, the conservatives, the social democrats, the social liberals and the socialist people's party) that a referendum on the opt-outs should not be connected to a possible referendum on a new treaty.

### **Climate Change/Energy**

Denmark's traditionally strong focus on environmental policy has continued in recent years. In general, environmental concerns are high on the political agenda, and also enjoy widespread attention from the Danish population. Global warming seems to be a special subject of concern: 80 per cent of the public believe each individual has a responsibility to reduce global warming (Gallup poll, February 2007).

Prior to the EU summit for Ministers of the Environment in February, the Danish minister for the Environment, Connie Hedegaard (conservative party) took a leading role alongside her Swedish counterpart Andreas Carlgren. Backed by the Danish parliament, they suggested a 30 per cent reduction of CO<sub>2</sub> emissions. When the EU ministers reached the 20 per cent reduction agreement, she considered the joint Swedish and Danish proposal to have played a decisive role in pulling the final result up to a relatively high level. Prime Minister Rasmussen supported the 30 per cent reduction of CO<sub>2</sub> emissions, and joined Hedegaard in portraying the 20 per cent reduction agreement as a victory for both the environment and for Denmark.

Rasmussen moreover published a joint newspaper article with the Swedish Prime Minister, Frederik Reinfeldt (moderate party), just prior to the summit, where he explicitly characterised the 30 per cent CO<sub>2</sub> reduction as an ambitious goal, which should set the tone for the 2012 Kyoto Protocol negotiations. In general, this global perspective is important for the Danish government, which considers the EU crucial for the spreading of ambitious climate goals. A binding agreement on renewable energy (20 per cent) as well as on bio-fuels (10 per cent) was seen as necessary for breaking away from the almost total dependence on fossil fuels, as well as for creating positive conditions for future investments (Politiken March 2007).

The reduction of CO<sub>2</sub> emissions and the question of whether or not the summit would bring about binding agreements were the main foci in Denmark. Prior to the summit the socialist's peoples party argued that if a 30 per cent reduction on CO<sub>2</sub> emissions and binding agreements on bio-fuels and renewable energy were not agreed upon, the Prime Minister should block an agreement. The social democrats considered non-binding recommendations on CO<sub>2</sub> emissions worse than no agreement at all.

In the end, all parties in the Danish parliament except the left wing unity list welcomed the climate deal, although with varying emphases. The Danish people's party saw the deal as lessening the dependence on Middle Eastern oil, the socialist people's party characterised it as a 'historic breakthrough' (Berlingske Tidende March 2007), and the social democrats saw

it as a triumph for the German Presidency. The unity list regarded the 20 per cent renewable energy agreement as a means to let nuclear energy in through the backdoor.

Denmark is hosting the UN climate summit in 2009. Therefore, in connection with the G8 summit of early June, Denmark was especially interested in the conclusions and recommendations on climate issues. In particular, the position of the United States was widely covered in the media, and had the attention of the entire political elite. Both the Prime Minister and the Minister for the Environment considered US expressions of readiness for long-term global goals on CO<sub>2</sub> emission within the framework of UN as a breakthrough, and the beginning of climate diplomacy. The Danish trade organisation 'Danish energy' (Dansk Energi) estimated that Danish exports of energy technology will reach a historic high. In particular, the coming 2009 climate summit in Copenhagen is considered to constitute an excellent opportunity for the promotion of Danish environmental technology.

### **Unemployment, labour markets and the future of the welfare states**

Unemployment in Denmark is at a historical low. Since December 2003 the unemployment rate has fallen by 45 per cent to 3.7 per cent, the lowest level in 33 years (Key Indicators, Danmarks Statistik). This development has led to growing concerns among economists that the economy is overheating and on the path to an economic slowdown. These immediate concerns have come to serve as an early warning of the demographic prospect of a labour force shrinking by 350,000 people over the next 40 years, according to the Welfare Commission (Velfærdskommissionen). The debate in Denmark is thus focused on reforming the labour market and the welfare state. While the government does not share the immediate concerns of the overheating economy, there is a broad consensus across the political spectrum in parliament that reforms are necessary if the present level of welfare is to be sustained in the future. Fiscally-liberal think tanks have brought a sense of urgency to the debate by calling for reforms of the labour market, for example increasing working hours, and lowering social security benefits and taxes at a more rapid rate than presently.

International appraisal for the Danish 'flexicurity model,' which combines flexible government legislation for employers with social security for the employees, has been widely covered in the Danish media. Particular focus has been on the structure of the labour market, which is characterised by non-intervention by the government in the negotiations between trade unions and employers' associations.

Nonetheless, the labour market policies and the economic policy adopted by the Fogh Rasmussen government have been less celebrated by the opposition and parts of the media. The leading opposition party, the social democrats, has charged the government with being 'economically irresponsible,' (Politiken December 2006) arguing that the tax policy followed since 2001 has halted the development of the welfare state and even lowered the quality of state services.

This debate on the tax system and the future of the welfare state has dominated the past year in parliament, and has brought considerable controversy. The parties in governments are split on the issue, with the conservatives favouring lower taxes while the liberals refuse. The opposition has also been split, with leftist parties strongly favouring welfare over tax cuts.

A further testimony to the importance of the issue has been the rebellion by three backbenchers from the conservative and social liberal parties that broke with their respective parties to form a new party called the 'new alliance.' While not an explicit reason for the split, the first declared policy by the new party was that taxes should be lowered.

Key thinkers in civil society have voiced concern about the continuing focus on creating labour market incitements at the cost of more inequality in society (Knud Vilby, Politiken June 2007). Perhaps most acutely, there has been a focus on the inequality generated by a negative social justice. The debate has been stimulated by figures from the Danish Economic Council, which estimate that 165,000 people in Denmark live in poverty (The Economic Council, Det Økonomiske Råd, fall 2006). While this number does not differ significantly from 10 years back, there has been a widening of, or a new focus on, the groups of society considered to live in poverty. In particular groups that have had difficulty in gaining access to the labour market, such as the mentally ill and certain immigrant groups have attracted attention. The difficult situation of single parents has also been highlighted in an attempt to do away with the myth that there are no poor people in Denmark.

The government, however, has discarded the figure as a matter of interpretation and presentation (Jyllands-Posten January 2007). The underlying themes raised are nevertheless part of wider debate concerning the challenges that globalisation pose to society. There has been a broad consensus in parliament favouring the establishment of a globalisation trust fund, which recently has been employed to increase the internationalisation of the education system.

A more controversial issue in Danish debates on labour markets has been the flow of workers from especially Poland and the Baltic states since the eastern enlargement of the EU. Prior to the enlargement, an agreement was reached in parliament on the criteria under which labour migration was regulated through residence and work permits. This so-called 'East Agreement' was adjusted in 2006 to ease regulations. Despite the fact that Denmark did restrict access for migrant workers from the new member states, cases of underpaid east European workers regularly shape media and parliament discussions. An oft-voiced fear by the trade unions is that the regulations in the East Agreement are not being abided to. The trade unions are especially concerned with the high number of migrant workers that are not unionised. The number of cases where employers have broken laws and regulations has continued to rise since 2004 (Information July 2007). The forces of globalisation and EU integration thus continue to shape the debate of the future of the welfare state in Denmark.