# EXECUTIVE SUMMARY

Extract from:
Yves Bertoncini and António Vitorino,
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The positions adopted in relation to the governance of the EU and the EMU, whether adopted before or after the European elections in May 2014, prompt further debate on the legitimacy and the effectiveness of the "European federation of nation states" evoked by Jacques Delors. In this connection it is necessary to formulate proposals for action and beneficial reforms in the short and medium terms, with a view both to consolidating the 28-strong political union and to completing the EMU.

## 1. CONSOLIDATING THE EU BEYOND THE TREATY OF LISBON

The political and institutional system on which the EU's functioning rests became the object of major adjustments when the Treaty of Lisbon came into force. These adjustments had only a limited impact on the allocation of competences between the EU and its member states, but they did endeavour to clarify the way in which those competences are exercised. They led primarily to a strengthening of the European Parliament's powers, to heightening the profile of the European Council and of the Council (a stable presidency for the former, transparency in legislative work for the latter) and to redefining the composition of the Commission (a reform ultimately never implemented). It is in these **four areas that additional adjustments** could be made in the short and medium terms, along the following lines.

### 1.1. Imparting greater legitimacy to the exercise of the EU's competences

It is **not a priority to modify the allocation of competences** between the EU and its member states, but rather to proceed with **adjustments relating to the conditions governing the exercise of the EU's competences**, which are often the target of complaints focusing on the way the Community produces laws. It is with this in mind that we have formulated our analyses and recommendations designed:

- **to dispel the "myth that 80%" of laws are of Community origin:** it is necessary to put forward a clear and substantiated argument on the basis of the converging figures now available, which demonstrate that the proportion of laws of Community origin is closer to 20% than to 80%, with major differences from one sector to the next; in the longer term it will be necessary to change the treaties' misleading phrasing, which suggests that "education", "industry" and "social policy" are part of the EU's competences.
- **to improve the distinction between that which pertains to the "legislative" sphere in the narrowest sense of the term and that which pertains to the "regulatory" sphere:** this presupposes a clearer distinction between "legislative acts", "delegated acts" and "implementing acts" on the basis of their political or technical scope, and a clearer distinction in the use of the terms **directives/implementing regulations**; the effect of these adjustments would be to highlight the fact that the EU intervenes more on technical issues for the purposes of standardisation than it does in defining the laws that govern its citizens' lives.
- **to make Community laws less intrusive:** it is necessary to trigger a "**legislative shock**" by jointly identifying sectors in which greater European legislation would be useful but also those in which European measures could be fewer or less intrusive. The key issue here is not to restrict the exercise to merely adopting a technical approach targeting the "**cost of non-Europe**" but to set that approach alongside a political analysis demonstrating the "**cost of too much Europe**" in relation to symbolic issues showing that the presence of European laws leads to incomprehension, or even to rejection (ranging from measures regulating the size of chicken coops to the regulation of state aid granted by local players).
- **to afford priority to the citizens in terms of the right of legislative initiative:** the exercise of a monopoly on legislative initiative granted to the Commission is closely monitored by the European Council and the European Parliament, and calling it into question could well place the Commission in a fragile position in that institutional triangle; thus it is necessary to afford priority to the development of a new "right of citizens' initiative" by simplifying the conditions for exercising that right, particularly with regard to the conditions governing the collection of signatures and the delays required.

### 1.2. A more transparent European Parliament

Though considerably strengthened by the Treaty of Lisbon, the European Parliament's powers should nevertheless be exercised in circumstances that are more transparent in democratic terms, which entail in particular:

- **lowering the majority thresholds required when a vote is taken:** the proportional rules in force in the European Parliament may work in favour of political pluralism, but the fact that a large number of motions cannot be adopted by a simple majority of the votes cast is not positive in terms of democratic transparency because it **obstructs the forging of alliances among political forces perceived as being close to each other** (for instance the liberals and the conservatives, or the socialists and the environmentalists) and imposes the formation of cross-party majorities; thus it would be beneficial to lower as often as possible the majority thresholds set by the European Parliament's internal regulations and, in the longer terms, also to lower the thresholds enshrined in the Treaties;
- **working to devise a better balance between decision-making powers and resolutive activities:** the Treaty of Lisbon followed in the footsteps of the previous Treaties by bolstering the legislative powers of the European Parliament, placing it on a virtually equal footing with the Council and with a propensity for achieving full parity if a new treaty were to be devised; yet in the immediate term it would be beneficial for the democratic transparency of the MEPs' actions if they were to focus on exercising those "legislative" powers and adopting **fewer "non-legislative resolutions", which blur their image and that of the EU** when they concern domestic issues over which they have neither authority nor any real powers (for instance such social issues as homosexual marriage or abortion).

### 1.3. A more transparent and more effective Council of ministers

The Council of ministers lies at the very heart of the Community's decision-making power yet at the same time it is the least well-known of the European institutions. This political paradox must spawn three sets of reforms designed to bolster the institution's legitimacy and efficiency and to enable it to make decisions that do not fall within the province of the European Council, which

would then be able to focus on the adoption of the broad guidelines and choices that the EU needs:

- **transparency equal to that of the European Parliament in the legislative sphere:** it is crucial for "the Council to meet in public when it debates and votes on draft legislation", so that interested parties, the media and the citizens at large can have access to the different positions voiced and to the motivations underlying any compromises reached; and it is therefore essential that its decisions be formalised by widely disseminated **voting records indicating the various member states' positions, even when they do not lead to an agreement** or when they lead to the rejection of proposals submitted by the Commission.
- **fixed-term presidencies rather than a rotating presidency:** at this juncture the principle of a rotating presidency of the Council appears to have more disadvantages than benefits, in view of the number of member states (a presidency every 14 years and early nominations divorced from national and European political cycles); thus it is advisable to put an end to the rotation principle, as indeed has already been done with the European Council (with a stable president) and in the sphere of foreign and defence policy (with a high representative who is also the Commission's vice-president); this presupposes **choosing the incumbents for the posts of president of the Council's sectoral groups, with the General Affairs Council heading the list, on the basis of their expertise and presumed availability**, through a comprehensive decision taking into account the Union's principle political balances (small/large member states, left/right, north/south/east/west).
- **more qualified majority voting:** while the Treaty of Lisbon has increased by almost 40 the number of items in connection with which the Council of ministers votes by a qualified majority, close to 80 items are still the object today of a unanimous vote *(see Table 4)*; an overview of the practical experience of voting by qualified majority in the Council over the long term shows us that it acts as a powerful incentive, fostering convergence among member states over given positions yet without turning into a tool for pushing reluctant countries into a minority because the institution is driven to a great extent by the consensus ethos; a further revision of the European treaties should therefore be designed to gradually extend qualified majority voting's field of application, especially if it is applied to areas less sensitive in terms of national sovereignty (for

instance, measures against discrimination or relating to the functioning of the institutions).

### 1.4. A more vertical and collegial Commission

The Commission must continue to depend on the dual confidence of both the European Council and the European Parliament, but its functioning and effectiveness could be improved by three sets of changes, the common denominator in which involves simply adopting the rationale of the normal European political arena rather than an in-depth revision of the treaties:

- **improving the Commission's composition:** it is necessary first and foremost for the member states and the European Parliament to put "**the right commissioners in the right posts**", acting on the basis of priority criteria fairly reflecting the balance of party forces, the balance between the candidates' countries of origin and the profile factors listed in the treaties ("overall competence", "commitment to Europe", "independence").
- **a more functional team based on clusters:** the planned reduction in the Commission's size has not been implemented; it is necessary to aim for a more vertical internal organisation by assigning a **key role to the six current vice-presidents**, chosen on the basis of their political weight rather than to compensate for the limited nature of their portfolio. This way the Commission's president and vice-presidents will be able to act in conjunction with the other commissioners whose portfolios are connected with seven spheres of competence working to further the same political objectives on the basis of a "cluster system" and of regular meetings. The Commission's overall collegial nature would, for its part, be strengthened by weekly meetings organised on the basis of input from the cluster meetings and of more open collegial debates ending in **more systematic voting**.
- **more power for the president and the vice-presidents:** the Commission's dual legitimacy will always have a key diplomatic and civic dimension to it, but its effectiveness would unquestionably be bolstered if the political changes proposed above were to be completed in the longer terms by **two legal changes:** on the one hand, changes relating to certain measures in the **Commission's internal regulations, aiming to facilitate the implementation of a cluster system** by, for instance, allocating certain specific rights to the vice-presidents (empowerment and

delegation procedures); on the other hand, a minor yet decisive amendment to the Treaty regarding the **appointment of commissioners, assigning that power to the Commission president**, would increase the likelihood of finding the right commissioners in the right posts and it would also give the Commission president genuine vertical powers.

## 2. MOVING BEYOND THE CRISIS: COMPLETING THE ECONOMIC AND MONETARY UNION

From a political and institutional standpoint, completion of the EMU demands at least four kinds of additional action to clarify the allocation of competences and powers within the EMU, to improve the governance of the euro area, to strengthen the euro area's parliamentary dimension, and to organise differentiation around the euro area.

### 2.1. Clarifying the allocation of competences and powers within the EMU

It is urgent to establish the extent to which the reforms of the EMU's governance have or have not narrowed the field of national sovereignty and democracy. This prior clarification is crucial both in order to get recent developments into proper perspective and to make it possible to implement on a healthy basis all those adjustments that the euro area's governance still requires.

An analysis of the nature of the various competences exercised by the EU in the context of the EMU's new governance by comparison with the competences exercised in international organisations allows us to note that relations between the EU and its member states reflect four different political regimes which have an extremely variable political impact on national or popular sovereignty (*see Table 6*):

– The "**IMF regime**": the sovereignty of the 4 "countries benefiting from European aid programmes" is conditioned by the fact that representatives of the Troika and of the European Council can combine **an obligation to achieve results with an obligation concerning the means for achieving those results, demanding specific, major pledges** in return for the loans they grant. Other than when a new bail-out is required, it could appear possible to extend this European control over the budgetary, economic and social choices made at the national level only

in the event all or some of the member states commit to the mutualisation of national debts (Eurobills or Eurobonds).

- The "**UN regime**": this regime applies to the monitoring of national budgetary surpluses (rather than to national budgets *per se*) and it also rests on member states' pledges not to exceed certain budgetary ceilings (in particular, a deficit standing at over 3% of GDP). If they comply with those ceilings, they are free to act as they please, but if they consistently exceed them, then in theory they can be subjected to a coercive approach based on potential financial penalties. In any event, member states have an **obligation to achieve a result (i.e. to return below the ceiling) but no obligation as to the means used to achieve that result:** it is up to them to define the ways chosen for achieving it and it is their choice whether or not to comply with the EU's detailed recommendations.
- The "**hyper-OECD regime**": this regime concerns the relationship between the EU and its member states regarding monitoring national economic and social policies, thus "structural reforms". These relations are based on a combination of political initiatives (recommendations, supervision and mutual pressure) among member states. This political pressure is considerably greater than that brought to bear by the OECD, yet it has no compulsory impact on the member states' domestic political choices. Where structural reforms are concerned, **the EU can recommend but it cannot command.**
- The "**World Bank regime**": this regime rests on the principle whereby if the EU grants financial aid to its member states, that **aid must serve to promote structural reforms at the national level.** The proposal to set up a new "financial tool for convergence and structural reforms" illustrates this approach, as indeed do the reiterated attempts to enforce a macro-economic conditionality in return for access to European structural funds.

In the absence of clarification regarding the real scope of their competences and powers, the EMU institutions will continue to adopt **doubly counterproductive positions and recommendations** because on the one hand those positions and recommendations will be perceived as being excessively intrusive and thus illegitimate in view of their level of detail, while on the other they will ultimately have no direct, concrete impact on the decisions taken by the member states concerned.

### 2.2. Reviewing the euro area's political and institutional architecture

An improvement in the **governance of the euro area** primarily requires three sets of political and institutional adjustments (*see Table 5*):

- the organisation of **regular euro area summit meetings** by its permanent president, with a contribution from the Commission president;
- the creation of a **full-time Eurogroup presidency**;
- the implementation of strengthened services for the euro area: a **Commission-ECB-Eurogroup Trio** for bail-outs, and closer cooperation between the services of the Commission and the Eurogroup Secretariat in the context of a "**European Treasury**" for the coordination of economic policies.

**Strengthening the euro area's parliamentary aspect**, on the other hand, requires the following adjustments:

- national parliaments must exercise stronger information and penalty control over their governments in connection with all decisions relating to the EMU;
- a **sub-committee for the euro area** must be created at the European Parliament and must be open to all MEPs (up to a maximum of 60 members);
- a genuine "**inter-parliamentary EMU conference**" must be put in place with its own internal regulation and with powers complementary to those of the European Parliament.

### 2.3. Organising differentiation around the euro area

As Jacques Delors has suggested, it is to be hoped that further progress in economic and monetary integration will rest on recourse to an enhanced cooperation mechanism based on two options. Either, preferably, recourse to a **comprehensive enhanced cooperation for the EMU** resting on a group of initiatives; or recourse to **several enhanced cooperation** designed to allow for the "variable geometries" among member states, although this latter option carries with it the risk of complicating the governance of the EMU. Basically, the enhanced cooperation(s) in question should involve:

- **the definition of the component parts of a "euro area budget":** on the one hand, a "super-cohesion fund" or "competitiveness fund" to finance aid for structural reform; and on the other, a "cyclical stabilisation fund" designed to temper the impact of the economic cycle and funded by the euro area's member states, if necessary in accordance with an insurance-style rationale.

- **a move towards the harmonisation of laws within the euro area:** harmonisation **in the fiscal sphere** must first impact company tax through some form of tax rate framework based in particular on countries' geographic specificity; while harmonisation **in the social sphere** might be based on regulations relating to the minimum salary and on measures facilitating cross-border mobility for workers (in particular with regard to the transferability of qualifications and supplementary pensions).

Several of the changes proposed can be adopted in the very short term while others may be envisaged in the medium term, especially where they demand a modification of the treaties. The important thing is that the changes as a whole must be seen to form part of a political dynamic designed to anchor the EU's functioning more strongly to its citizens and to its member states in order to allow it to boost its effectiveness and to bolster its legitimacy.