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‘Through an Intergovernmental Decade: All Heads on Deck!’

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The Lisbon Treaty strengthens the EU as it stands today but with no further objectives. The way it has embedded unanimity in key areas will put huge pressure on the European Council. Pierre Defraigne argues that the coming decade will be marked by greater intergovernmentalism. This speech claims that only the collective leadership of Heads of State and Governments and the President of the Commission under President Van Rompuy’s chairmanship can break the deadlock over the EU’s economic governance and defence.

For half a century, the EU has achieved its integration against a background of growth and behind NATO's strategic shield. The pace of integration never slowed down for too long: another phase was always in the making. Today the fair weather is over, US protection has become less effective in a post-American multipolar world moving eastwards, and since the euro's entry into force, there is no new project ahead, but the prospect of further and more difficult - some will therefore say all the more necessary - enlargements.

The Lisbon Treaty, designed for accommodating twelve new Member States on "take it or leave it" grounds, is, in the words of Wolfgang Munchau, a "pre-crisis Treaty for a post-crisis world". Contrasted with the three Great Treaties - Rome, the Single Act and Maastricht- it carries neither a new deadline, a roadmap and a schedule, nor drastic advances in competences and governance.

With regard to competences, it gives a stronger legal base to energy policy, makes trade policy more comprehensive and includes tourism, civilian protection and space among matters of common interest. With regard to governance, the qualified majority is extended in many areas but mainly for marginal matters. The twin majority (combining 55% of the Member States and 65% of the population) is a real breakthrough, but it will enter definitively into force only in 2017. The Commission, whose President has been appointed by an unanimous Council before the last June election -a blow to the future Parliament-, will remain far too big to be manoeuvrable as a political body at least until 2014. The European Parliament gains a lot in terms of co-decision in legislative and budgetary matters, but remains desperately unconnected with the citizen, leaning more to the influence of capitals and of lobbies and civil society. The Council, with its unhinged rotating Presidency, with an orphan General Affairs Council and with an experimental External Affairs Council chaired by the most potentially powerful individual, Lady Ashton, with her double-hat and the External Action Service, is turning into an extremely complex diplomatic - bureaucratic machinery, as the French would say "une usine à gaz".

The winner is the European Council with a Permanent Chair and a concentration of powers linked to its new status as the fifth fully-fledged institution, but it will also suffer from congestion under the strain of many demands: Ecofin Ministers, for example, have just agreed on an appeal procedure which sends back to the

European Council possible conflicts between the national financial supervisor and the EU supervisor, and who doubts that the foreign affairs Ministers will not wait for directions from their respective chiefs. Good luck, President Van Rompuy! Were you told this before accepting the job?

Being an optimist, I must mention what some might see as mere footnotes in the Treaty which could, thanks to leadership and political momentum, allow for decisive breakthroughs in some areas: the Passerelle clause from unanimity to majority, enhanced and structured cooperation and the Citizens Initiative. I'll hint later at possible applications.

What is more revealing about the Lisbon Treaty is what was left out: unanimity remains the rule for eurozone governance, for financial forecasts, taxation, social legislation, foreign policy and defence. This perpetuates the self delusion of a fictitious sovereignty among national bureaucracies, but it also meets some strong interests and fits in nicely with the neoliberal ideology that has been at work in the highest echelons of the EU for the two last decades.

With the handicap of unanimity, it's going to be extremely difficult to tackle three urgent and fundamental issues for the unity of the EU and its role in the world. Only political leadership can deliver when institutions are unfit. We're entering a phase of intensive intergovernmentalism. Even if you are a committed federalist, you have to admit that there is no alternative today. The burden that falls on Van Rompuy and Barroso is therefore unprecedented in EU history.

The first problem is of course the danger of a protracted crisis –the most plausible scenario as of today- that jeopardises social cohesion and political stability in Europe, not to mention the single market's and even the eurozone's unity, which are closely interlinked. The question is: how do you manage a fair social model with sluggish growth, high unemployment, ageing, heavy public debt in several Member States and often already too high taxes? The bombastic Lisbon Strategy eventually came down to turn labour, wages and corporate taxes into the main adjustment factor for competitiveness because of its failure to promote innovation through EU-wide common policies? Paradoxically, would cohesion and sustainability not instead be the best next springboards for growth?

The European Council will have to address the EU's fundamental institutional inconsistency which has led EU economic policy to focus on the supply side, ignoring both demand shocks and collateral damage on the stability and equity fronts. The initial division of labour between the EU and the Member States with regard to the three functions of economic policy – efficiency, stabilisation and equity – is now irrelevant. It still rests upon an obsolete concept of subsidiarity. With the completion of the full free movement of capital within the EU and with the third countries, capital regulation and taxation have gradually emerged as a source of instability and inequity in Europe. For example, tax competition might still enjoy the favour of the financial press, of some conservative governments and of course of the free-riding States, but it has become completely irrelevant, inefficient and unfair. Only an intergovernmental deal can unlock the present stalemate. Paving the path towards effective financial reregulation and full harmonization of mobile factors such as taxation – namely corporate profits and financial assets – looks as arduous as the passage to the euro, yet more because it implies 27 countries, rich and poor. Yet it has to be done. Enhanced cooperation might provide a transitional solution.

The second issue is about the EU's real influence in multilateral governance with the Doha Round at a dead end, Copenhagen back to the drawing board and the absence of the Eurozone around the Board table of the IMF. This is not mainly nor only an institutional problem, but a political one: how to achieve a consensus strong enough to project forcefully the EU's views in the multilateral arena. Domestic cohesion commands external influence more surely than sheer economic weight or institutional arrangements.

The third question is not presently on the EU agenda and yet it is looming ahead: its defence. What is the political cost in terms of credibility vis-à-vis third countries and the economic cost in terms of having to endure the rule of the dollar for Europe, of not taking its share of responsibility and burden for its own defence? Who thinks that the USA, Russia and powers in Asia, starting with China, will take the EU seriously as a fully-fledged global player so long as we remain so undetermined and indecisive on defence and as long as we decide by unanimity, which makes the EU unpredictable and unreliable for its main partners? The competition among the “Big Three” definitely blurs the image of Europe in the world.

The new Treaty per se gives no new impetus to the institutions, so from now on things must come from the collective leadership of the Heads of State and Governments. It's up to them to build up a triple EU sovereignty - monetary, financial and tax sovereignty- which now eludes even the largest Member States. They will also have to pioneer, through the structured cooperation mechanism, a way towards an EU defence system because power is indivisible.

The upcoming decade will be intergovernmental. There will be no doubt about that as long there is no European demos. But precisely this is not the end of the story because the citizens' legitimacy deficit will pose a more and more acute problem. Maybe the fact that most left wing parties do not govern in most countries gives them a chance to work out a genuine pan-European coalition. That could save Strasbourg from remaining the black hole of citizenship in Europe.

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