



EPIN
EUROPEAN POLICY
INSTITUTES NETWORK



European Union

Report of the 4th EPIN meeting 18th of September 2002

The Future of European Economic Governance - Prospects from the Working Group
(Ben Crum)

The first session of the EPIN-meeting dealt with the Future of European Economic governance. Convention member and MEP Linda McAvan gave an introduction that was followed by comments by Daniel Gros (CEPS) and Stefano Micossi (Assonime).

Linda McAvan (MEP) noted that she had entered the Convention with some scepticism but that it was gradually giving way to a moderate optimism. With the working groups well on their way, she expected the debates to become more substantial and livelier. One complicating factor with which the working groups are faced is the variation in attendance that has the consequence that debates are regularly reopened. This has led the Working Group of Economic governance to postpone the conclusion of its work by a month to mid October. Though attendance is of course easier for Brussels-based members (like EP and Commission representatives), there is a broad participation of all members, including also the representatives of CEE countries.

At the beginning of the Working Group's work there were some fundamental debates on the relations between economic policy with tax policy and social policy. Eventually the working group is, however, focussing its work on the issues listed in its mandate. In these debates the proposals issued by the Commission this spring have figured prominently.

A major topic for debate has been the position of the European Central Bank. Central issues involved the ECB's transparency and accountability (to the EP) and its objectives. Another important debate has been held on the Stability & Growth pact, addressing in particular the question whether they need to be made more flexible, for instance by adopting 'the golden rule' (whereby the deficit is allowed to vary according to the economic cycle). Other issues discussed involved the Broad Economic Policy Guidelines (BEPG) (do they have any effect? are they robust enough? should the Commission powers be strengthened?) and the Euro-group (should it get a formal place within the Union structure?). Also the issue of tax harmonisation has been raised but a consensus in favour of it is unlikely to emerge.

A more general topic has been the democratic legitimacy of economic governance. In particular, suggestions have been made to secure more involvement of national parliaments in the policy processes (like BEPG). On this issue there has also been contact with the working group on national parliaments.

The Working Group has not yet reached its final conclusions. However, there appears a broad consensus against a widening of EU competencies on economic and social policy at this moment. As major treaty reform looks therefore unlikely, the working group's report will probably focus on how to improve current performance, improving efficiency and accountability.

Daniel Gros (CEPS) made a case against extending European economic policy-making beyond monetary policy and the Stability and Growth pact. In particular he argued against a need for a European demand-side economic policy. Proponents of such a policy generally submit that it is needed to counter spill-over effects from differences in national policies. Gros pointed out that so far the net spill-over effects of variations in national tax policies appear negligible. The

argument that monetary Union increases spill-over effects does not stand either. Indeed it is more likely to have the contrary effect. The economic problems Europe currently faces do not have their cause in the integration process. Rather they are the consequence of too much optimism of national policy-makers during the 1999/2000 boom.

Stefano Micossi (Assonime) expressed his concern about current developments in European economic policy-making. He observed that completion of the process of market integration was slowing down as it was touching upon deeper entrenched national interests and reaching complex sectors like financial services. At the same time macro-economic policy constraints are put in place at the EU level (Stability pact, BEPG), though actual policy-making is left to the member states. The effectiveness of these constraints remains caught in a tension between the needs for European co-ordination and national flexibility. Finally, Micossi noted the development of the open co-ordination of social policy, expressing some doubts about its likely effectiveness. Micossi concluded that European economic policy raises increasingly higher expectations, while it is in fact falling back in effectiveness and clarity of design.

A lively discussion followed. It was suggested that a European demand-side policy may be justified if monetary policy does have price effects, as some – contrary to Gros - insist it does. Furthermore, the point was made that relaxing the deficit requirements of the Stability pact need not be objectionable when national debt is limited and well under control. It was, however, conceded that any relaxation of the rules should be very clearly circumscribed. The observation was also made that the divergence between Ecofin and the Euro-group is bound to be an increasing cause for concern

There was also debate on the use of softer policy instruments like open co-ordination. It was argued that policy co-ordination (for instance on pensions) may well be a necessary first step towards structural reforms (pensions) that are required to retain the Stability Pact in the long run. At the same time the weaknesses of soft policy approaches was duly recognised. European attempts at policy co-ordination are, for instance, unlikely to work without the effective involvement of national key players. As was widely agreed, a typical example of such a failure is the Cologne-process in which the European social partners involved simply lack the organisational clout to give effect to any agreements. Another risk is that too high expectations are placed on soft policy instruments. Thus the Lisbon process may well undermine the credibility of the EU as it raises extremely high expectations that simply cannot be brought about by the instruments available.

Views on the Convention

(Marco Incerti)

Pierre Jonckheer, Member of the European Parliament for the Verts/ALE group, gave his view on the Convention. First and foremost, he stressed that it follows two IGCs (Amsterdam and Nice) that resulted in failures as far as the reform of the institutional architecture of the European Union is concerned. He is worried that also the Convention will not produce substantial enough results. He explained that the situation is made worse by the fact that there is a sort of parallel convention of national governments, and that many of the important negotiations take place in the *couloirs* rather than in the Plenary Sessions. Moreover, the candidate countries have not so far made their mark on the Convention, having failed to show any coherence as to the kind of Europe they envisage. These countries will probably be opposed to a strengthening of the supranational institutions, out of concerns for their national interest. Furthermore, Jonckheer considered that the aim of the European Council is to strengthen its role weakening the Commission at the same time, whereas at the moment it seems that the allocation of competences will remain the same. He also noticed that debate is heating up on subsidiarity. However, this debate needs to be re-focused, as the problems that the *conventionnels* want to solve by drawing up a list of competences would better be dealt with by amending the instruments. Thus the key question

should be "do we have the instruments we need in relation to the goals that we want to attain?" In his view, the Nice Treaty, represented a step backwards, as it made decision-making more difficult. Jonckheer is in favour of generalising the co-decision procedure, and he also backs an extension and a simplification of qualified majority voting in the Council. Otherwise, he foresees an overall weakening of EU regulations in the long term, and a costly enlargement from both the economic and social point of view

After Jonckheer, Kirsty Hughes, co-ordinator of the EPIN network, spoke. She noted that the pace of work of the convention is speeding up, with ten working groups now underway and with a draft Treaty structure due in October. Giscard d'Estaing had interestingly expressed praise for the draft Constitution submitted by Andrew Duff, MEP, - since Giscard does not share Duff's federalist views, his praise may indicate support for that model of constitution i.e short (7 pages) and clear, imposed above the more detailed Treaties. With regard to institutional arrangements, there is already strong support for major simplification of legislative procedures and decision-making instruments, including an extension of co-decision. This suggests that the EP may increase its powers as a result of the Convention. But the big question of the relative powers of Commission and Council remains open. This includes key issues such as: the Commission's right of initiative; the election/appointment of Commission and/or Council Presidents; size of the Commission; the use of the veto; holding Council legislative sessions in public; and control of the EU's strategic work programme. As the working groups report, more clear choices will face the convention and debates will be starker, probably encouraging more media coverage and public debate.

Finally, she mentioned the idea that has been circulated by some of a Constitutional Congress that would bring together members of national parliaments and members of the European Parliament. This proposal is apparently gathering momentum, even though it is not yet clear what the role of such a Congress would be, nor how it would work in practice – might it elect Commission or Council Presidents or assent to the work programme?

These presentations were followed by a roundtable in which various members of the network described the level of public awareness about the debate on the future of Europe in their own countries. The overall perception was that the public debate has failed to involve the majority of citizens. This may be due to the fact that at the moment the Convention is focusing on complex technical issue or that it has been in its 'listening phase'. Some expect a more active involvement of the public as the choices to be made become clearer. Another concern that was voiced was related to fact that considerable discussion is happening in a parallel debate outside the convention.

National Debates - UK and Turkey

(Marianne Mortensen)

The speakers, Alasdair Murray from the Centre for European Reform of the United Kingdom and Baris Altan of the Turkish Economic and Social Studies Foundation presented the national debates in their respective countries.

British debate: In the UK the debate on the future of Europe cannot be separated from the ongoing debate concerning the euro, and the Convention has been regarded with scepticism. However, this position seems to have changed, as now the UK is trying to exert its influence on the Convention. Perhaps more important for the work of the Convention itself is the fact that a positive stance towards the idea of an EU constitution is emerging in the national debate. This shift followed the remarks made by Foreign Secretary Jack Straw in a recent key speech, in which he expressed support for this idea in principle.

Turkish Debate: The debate on ‘the future of Europe’ is remote from Turkish people's minds. The key focus in Turkey is on the relations with the EU and Turkey’s role as an EU candidate country rather than on the future of Europe debate. Moreover, there is a lack of communication from the representatives in the Convention and the government to the civil society. A group of NGOs is organising on EU issues and in particular around human rights in an effort to bridge the gap between the government and the people. Currently, the group consists of twenty NGOs but expect to encompass seventy in the nearest future. Big steps have been made in Turkey with the recent introduction of its new human rights package before Parliament.

The Cyprus conflict plays a big role in the Turkish debate and it is something that the Turkish officials are often confronted with by the EU member states. However, those Turkish politicians who are in favour of joining the EU are downplaying the link between the entry into the EU and the Cyprus problem. In the run-up to the general election Europe is central to the debate, particularly for the position of the reform- and EU-friendly politicians. Furthermore, the outcome of the general election will impact on the future standpoint of Turkey towards the EU and its ongoing candidacy. The EU decisions at Copenhagen will also be of considerable importance, as to whether a sufficiently positive signal is given to Turkey.

Questions and discussion

The perspective of a future President of the EU was debated. It was considered that small member states are largely opposed to the idea of a President of the EU, as it will weaken the Commission’s position. Whether their position would soften if the new President was chosen from a smaller country was unclear. The UK did recognise that it had not handled the public introduction of its proposal very well – and now might consider using the word chairman, as this was softer than president, and might help other countries accept the idea. Germany has not made its views public on an EU president. Germany may support a simultaneous strengthening of the Council and the Commission but is unlikely to be in favour of an exclusive strengthening of the Council. Germany’s predominant concerns at the moment are moreover with the budget not institutional questions. Ideas were also emerging in Germany that the Commission could be strengthened by reducing its size, and that all member states could be assured they would still have a voice by distributing the positions of Commissioners and chairs of Councils at the same time, so that all member states had one position.

The discussion on Turkey focused on whether its eventual membership of the EU was likely or desirable. The question was brought up whether Turkey is willing to accept some sort of associate membership of the EU. Different views were expressed on this topic. Concerns in Germany as to the realism of Turkish membership were described – Turkey’s size (likely to be large than Germany once it joins in population terms), its poverty and its geographical position (with dangerous borders) all underpinned the view that membership was not feasible or desirable. It was added that the Helsinki agreement is constraining the debate on alternatives to full membership. The alternative view was put that Turkey would not accept less than full membership, since Turkey already has favourable trade agreements and a custom union. Hence, it would be difficult to give additional benefits without offering Turkey full membership. The argument was also made that during the next decades the EU will change considerably, with many more members and that therefore the impact of Turkish membership on the EU will be different to the way some evaluate it today.

We gratefully acknowledge financial support for the EPIN network under the PRINCE programme of the European Commission.