

THE PARLIAMENTS OF THE EU AND THE EMU GOVERNANCE

WHAT PARLIAMENTARY DIMENSION FOR THE "POLITICAL UNION"?

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Yves Bertoncini takes part to the discussion on the democratic dimension of the EMU and of the European "political union" in this Tribune inspired from his concluding remarks at a seminar co-organised with FEPS in Brussels on 25 March on the theme "The role and place of the parliaments in the coordination of budgetary and economic policies".

The debate around the roles of the national and European parliaments in the Eurozone governance has been substantially relaunched and reshaped in the last few years. It is part of a more global discussion on the democratic dimension of the Economic and Monetary Union, and even more widely, on the European "political union", as the parliaments are both the pillars and the core of the democratic processes. In this context, I would like to make four sets of comments directly inspired from recent interventions and debates on that issue*.

1. The need to clarify the real impact of the EMU governance reforms on national sovereignties and democracies: four different models

Tommaso Padoa-Schioppa has recalled us that, when dealing with democracy, it's important to apprehend not only the "demos" aspects (i.e. the citizens involvement for example) but also the "kratos" ones (i.e. the nature and scope of the powers concerned). It's even more essential to do it when analysing the EMU governance, whose recent evolutions have created an extraordinary [confusion as regards the powers of the European authorities](#)¹ over national policies and choices.

The so called "Eurozone crisis" has illustrated the high degree of interdependence established between the countries which have decided to share the same

currency; it has led some of them to rescue those confronted with excessive private or public debts, as well as to the reinforcement of the EU control over national budgetary and economic policies. But the succession of several "memorandums of understanding", "packs" and "pacts" seems to have created a political system based on "blurred responsibilities", whereas the EU treaties are more classically based on the subsidiarity principle.

Even if a certain degree of complexity is somehow unavoidable to work together as "united but diverse", it is politically urgent to clarify to what extent the reforms of the EMU governance have had a binding impact on national sovereignty and democracies. This is all the more important to fight against the idea that "Brussels" is governing the member states with no legitimacy to do so, when it's globally not the case. We can do it by analysing more precisely the nature of the different powers exercised by the EU in the framework of the new EMU governance and by classifying them in reference to the powers of existing international organisations: if we let aside the "banking union" field, it is then striking that four different models of relations between the EU and its member states can be identified.

1.1. The "IMF model" (in the countries under programme)

This model corresponds to the relations established between the EU (and more widely the Troika) and the "countries under programme": Greece, Ireland, Portugal and soon Cyprus (while in Spain, only the financial sector is concerned).

* This Tribune also benefited from the speeches and debates during the audition on "Deepening democracy in Europe and solidary integration" organised by the French National Assembly on 13 February 2013 and the conference on "What room for democracy in the Eurozone governance?" organised by Eurotémis in Sciences-Po Bordeaux on 30 November 2012.

These relations have been established because these countries had *de facto* lost part of their sovereignty given their inability to get money from the financial markets at a convenient price – as it has been recalled, “Sovereignty ends where solvency ends”². These relations do not preclude the expression of national democratic choices, as the rescue plans and structural reforms are naturally voted by national parliaments (and sometimes rejected, as in Cyprus recently). But in this model, the countries benefiting from an external aid are exercising a limited sovereignty, and the Troika representatives are able to require precise and major commitments in compensation of the money they are lending. It is worth mentioning that this model fully concerns only four EU countries (at least at this stage), what clearly distinguishes it from the three other models.

1.2. The “UNO model” (for the control of national budgets’ excesses)

This model describes the EMU governance of national budgetary policies, based on the idea that the member states cannot cross certain limits/borders without affecting the stability of the whole Community.

The member states are then committed to maintain their current deficits under the limit of 3% of their GDP and their structural deficit under the limit of 0.5% of their GDP. The member states can act totally freely if they respect these limits (there is hardly any EU interference in their budgetary, economic and social choices). All of them can be put under surveillance if they are closed to such borders – this corresponds more or less to the provisions of the chapter 6 in the United Nations charter. And all of them (except those having an opting out) can theoretically be concerned by a more coercive approach (the equivalent of chapter 7), based on possible sanctions adopted by the Council of Ministers, under the proposal of the Commission. In any case, they are then confronted to an “obligation of results” (going back to the good side of the border) but not to an “obligation of means”: it is up to them to define how they should do it, and then to comply or not with the more precise recommendations made by the EU. The reforms introduced by the Six- and Two-Packs and the Fiscal Compact did not fundamentally modify this state of play³: the Six-Pack has just made most sanctions easier (through the reverse qualified majority rule); the Two-Pack only organises this monitoring of budgetary choices *ex ante* (i.e. before the approval of the national budgets); and the Fiscal Compact has

led to integrate some elements in the national legal orders.

1.3. The “hyper-OECD model” (for the monitoring of national economic and social policies)

This model stands for the relations established between the EU and its member states in the conduct of their economic and social policies.

These relations are based on the definition of common objectives, especially in the framework of the “Europe 2020” strategy (and before the so called “Lisbon strategy”). They are also based on a combination of recommendations, monitoring and peer pressure, exercised at a political level. Such political pressure is much bigger than the one exercised by the OECD and will probably be stronger from now on, in the framework of the “European semester”, so as to avoid major structural divergences between the Eurozone economies. But it does not have any binding effect on the member states ability to define their own domestic options. The valuable 3% of expenditures for R&D target should in no way be mixed with the 3% of GDP deficit ceiling: the EU is competent to ask for efforts to its member states in both cases, but it holds real powers only in the second one.

1.4. The “World Bank model” (to promote more national structural reforms)?

Such model is based on the assumption that, if the EU provides financial assistance to its member states, this money should be used to promote more structural reforms at the national level.

The emergence of this model is the direct consequence of the limited results achieved by the “hyper-OECD” one in terms of structural reforms. It stands for a shift from “political incentives” to more financial ones, presumably more efficient. The recent proposal to establish a new “financial instrument for convergence and structural reforms” is emblematic for such a shift, as well of the repeated attempts to impose more macro-economic conditionality for the use of the EU structural funds.

These four models’ scopes and impact are very different, both in geographical and political terms. The fact to distinguish them should be a pre-requisite to any substantial debate on the links between the EU and national democracies. The promotion of such

clarification by political leaders and observers would certainly contribute to a more accurate debate around the Eurozone governance reforms and the role the EU parliaments should play in this context.

2. The parliamentary dimension of the EMU: a positive agenda at three complementary levels

The Eurozone crisis had led to a twofold reinforcement of the national and European parliaments, symbolised by the unprecedented bailout plans voted by the former and the adoption of the Stability Pact co-decided by the latter (through the Six- and Two-Packs reforms). But by providing a more important role to the national parliaments at the European level, the article 13 of the Treaty on Stability, Coordination and Governance (TSCG) has created serious tensions between these two categories of citizens' representatives, which should be dealt with within the next few months.

In this context, it is essential to underline that what is at stake is to accompany in a more democratic way the progress that has recently been made possible in the EMU governance, and not to diminish the democratic dimension of the EU or of the role of the European Parliament. There are some democracy vacuums or deficits to fill, not a limited range of parliamentary prerogatives to redistribute. In other words, a bigger involvement of national parliaments should in no way be perceived or organised as a way to weaken the prerogatives of the European Parliament. In reality, all the EU parliaments indeed face a positive agenda, at three complementary levels.

2.1. The control of national parliaments on their governments

As we all know, the Eurozone crisis has given an even more major role to the European Council, both in terms of crisis management and for the definition of the general guidelines to be followed. It has also given an important role to the Council of Ministers, especially to the Eurogroup. In such context, the control of the heads of states and governments and their ministers by their national parliaments is of vital importance: this control has to be efficient from a democratic point of view, which means both substantial and visible.

Unfortunately, the [Study which we have recently conducted in partnership with TEPSA⁴](#) and upon request of the European Parliament confirms the heterogeneity

of the national parliamentary lives and practices, including when applied to the control of the decisions made by the national governments at the EMU level. Seven different models have been identified, ranging for the very parliamentarian Danish case to the more executive Luxembourg one. This heterogeneity is both natural and damaging: it is indeed within the member states that the "democracy deficit" on EU affairs is the most substantial, as many national governments can take key decisions at the European level without proper scrutiny or debate over their action.

Some major improvements should then first be made in many European countries to reinforce the democratic dimension of the EMU governance. Meanwhile, we can at least observe that the Eurozone crisis was at the hearth of many recent legislative elections, and that many voters have had the opportunity to intervene directly to express their positions as regards this crisis and the attitudes to be promoted by their governments.

2.2. The reinforced role of the European Parliament in the EMU governance

In the recent period, the European Parliament has naturally played a key normative role, not only in the reform of the Stability Pact (through the Six-Pack and Two-Pack), but also in the adoption of all the directives and regulations aiming at regulating better financial services, and then to prevent new crises. It has also used its powers of control to hear and question the major EU decision makers, such as the president of the Commission or the commissioner for economic and monetary affairs, the president of the European Council and the president of the European Central Bank (ECB). However, at least three new steps should be envisaged to go further in the semesters to come⁵.

The first one consists in putting the Eurozone crisis and its settlement at the core of the next European elections of May 2014: this objective could be achieved not only by drafting precise state of the art and recommendations in the "Manifestos" of the European political parties, but also by giving to each candidates running for the presidency of the Commission a clear programme and mandate on this central issue.

The second step is the creation of a Eurozone subcommittee within the European Parliament. Given the importance of such issue, it should indeed be natural to establish such subcommittee: after all, other

subcommittees already exist in fields where the EU has less powers than for the Eurozone governance, such as Human rights or Defence. Such subcommittee should welcome MEP's from the Economic and monetary affairs, Social affairs and employment and Budget committees. There would be no functional necessity to establish a "passport control" for its potential members, i.e. to restrict membership to Eurozone countries MEP's.

The third step is the reinforcement of the European Parliament's control powers over the Eurozone decision makers, which would be made easier if a stable and full time president of the Eurogroup was appointed. The recent controversy around the conditions of adoption of the Cyprus rescue plan has clearly illustrated the lack of transparency and accountability of such body. A permanent president of the Eurogroup would be the more regular interlocutor of the Eurozone subcommittee, which would exercise a sound, public and regular control over him/her.

2.3. The establishment of a European inter-parliamentary conference

The article 13 of the TSCG provides a new legal basis to establish a "conference of the representatives of the relevant committees" of the European and national parliaments, in order to discuss budgetary and economic issues. The point is not to create a new European institution, but a place where national and European parliamentarians will meet and debate about EMU issues, so as to foster mutual understanding and ownership. In the European "Federation of nation states", it is very welcome to combine the two legitimacies of representatives directly elected by the citizens, either at the national level or at the European one.

The organisation of such conference will be useful for at least two reasons: first to involve better national parliamentarians at the EMU level, given their role in the adoption of the Eurozone "bailout" plans as well as in the decisions regarding national budgetary and economic choices; second to gather representatives from the specialised committees concerned by the EMU governance, for example the Economic and finances committees, and not only the European affairs ones. In a nutshell, it will lead to the creation of a kind of "EMU COSAC", which will be both a forum of socialisation and an influential actor. This goal will be more easily met if this conference receives sufficient resources and publicity, so as to raise and maintain

the degree of motivation of the national parliamentarians concerned⁴.

3. The division of tasks between the European and national parliaments at the EMU level: a functional vision

The parallel establishment of a Eurozone subcommittee within the European Parliament and of an EMU inter-parliamentary conference on budgetary and economic issues on the basis of the article 13 of the TSCG will all the more reinforce the democratic dimension of the EMU governance that it will be made on a coordinated and rational basis, and not on a rigid and exclusive one. The most suitable way to achieve such objective is to adopt a functional vision of the division of tasks to promote, and to apply it to at least three different ranges of issues.

3.1. The discussions about EMU guidelines and decisions

There is no doubt that the European parliamentary discussions about the EMU governance should be further developed, so as to bring a political added value, both in terms of publicity and in terms of substance, to the negotiations taking place at the European Council and Eurogroup levels.

The Eurozone subcommittee of the European Parliament should then meet on a regular basis to monitor all the aspects of the EMU governance (especially the Annual growth survey and the implementation of the Stability and convergence programmes) and to draft or adopt resolutions on the decisions taken by the executive authorities. For its part, the EMU inter-parliamentary conference should usefully meet at least twice a year, for example before each Eurozone summits, so as to adopt resolutions based on an exchange of views between national and European members of parliaments.

These two bodies could also regularly hear Eurozone decision makers to shed light on their works and discussions. It would appear logical to let the Eurozone subcommittee hearing the European decision makers (Commission, ECB, European council) and to ask the EMU inter-parliamentary conference to question the national or intergovernmental ones (heads of state or government, managing director of the European Stability Mechanism (ESM), national finance ministers, etc.). In some cases, joint hearings

could be organised, especially as regards the presidents of the Euro-summits and of the Eurogroup.

3.2. The monitoring of the decisions linked to the Eurozone fiscal capacities

Until now, the Eurozone crisis has led to mobilise national funding (loans and guarantees) to bail out the “countries under programmes”, under the control of the national parliaments concerned, as well as to launch a reflection on the creation of a new “fiscal capacity” at the Eurozone level. The EU parliaments should then also be involved in a common perspective to deal with all the possible dimensions of the Eurozone “fiscal capacities”, which are historically at the core of their prerogatives, along the following lines:

- The European “bailout” capacities are massively national at this stage, especially in the framework of the ESM; but they are also partly European, thanks to the European Financial Stabilisation Mechanism (EFSM), which is currently limited at 60 billion euros. The monitoring of the use of the bailout funding should then be organised according to this state of play, which could evolve over time: the EMU inter-parliamentary conference for the ESM, and the Eurozone subcommittee for the EFSM.
- The European funding devoted to the implementation of national structural reforms should logically be monitored by the European parliament if the “Financial instrument for convergence and structural reforms” was to be created in the EU framework, including on the basis of a reinforced cooperation. In parallel, the EMU inter-parliamentary conference could also deal with the concrete impact of these national reforms and on the political, economic and social conditions to be met to implement successful ones.
- If a “Cyclical stabilisation fund” was to be created, its monitoring would also be defined in connection with its way of funding. If this stabilisation fund is based on an insurance-type philosophy (meaning the voluntary contribution of member states), the EMU inter-parliamentary conference would be the right body to deal with its organisation and use. If the funding was made on a European basis, thanks to the use of new EU own resources, the European Parliament would naturally be more directly mobilised.

- Finally, the establishment of a “European guarantee fund” and of a “Banking resolution scheme” could logically be monitored by the Eurozone subcommittee, given their integration in the wider project of European “banking union”. Even if these funds will probably be financed directly by the banks, their use would indeed require political decisions and monitoring, including by parliamentarians.

3.3. The debate over debt mutualisation mechanisms of national debts

The creation of two bodies dedicated to the EMU governance matters should finally lead to anticipate the possible set up of debt mutualisation mechanisms: first by discussing the political feasibility of the different options put on the table (Redemption fund, Eurobills, Eurobonds, etc.) and then by monitoring the concrete functioning of such mechanisms should they be put in place.

No doubt that the EMU inter-parliamentary conference would be the good forum to debate such perspectives, given the fact that the debts are currently issued at the national level, so as to finance the public budgets voted by the national parliaments. On the medium run, the EMU inter-parliamentary conference could also be mobilised to define the level of debts that it is legitimate to mutualise, as well as the degree of control established over the national budgets in compensation for such mutualisation.

The European Parliament should soon participate in a working discussion with the Council and the Commission to explore the issuing of common debt, as planned by the compromise made for the adoption of the Two-Pack. Its Eurozone subcommittee will be involved in such debate if this debt mutualisation was to be decided at the Eurozone level, on the basis of an enhanced cooperation (to finance European or national expenditures). The European Parliament would also be involved if Eurobonds were issued to finance EU expenditures (for example dedicated to investments for trans-European networks).

4. Going beyond institutional issues: more visible political cleavages, including within parliaments

Many political debates around the “EMU governance” are structured by the classical opposition “Brussels

versus peoples". These debates have been fuelled since a long time, given the initial "democracy deficit" of the European construction. But they have been given a fresh boost after the emergence of the Troika, perceived as a technocratic actor imposing its choices to national elected decision makers, in the framework of the "IMF model" relation mentioned above.

This statement is both dangerous and misleading. There are in reality many other political oppositions and cleavages at stake in the EMU governance, but also a desperate need to make them more visible, so as to let citizens apprehend better the roots of the decisions taken by the EU and let them know to what extent they can influence these decisions. The parliaments are traditionally the places to organise the expression and treatment of such cleavages: they should then also play a key role to address such challenge, on four complementary grounds, so as to fight against the ongoing misperceptions of the issues at stake.

4.1. The useful cleavages between institutions

The European Parliament has played a decisive role in the shaping of EMU governance reform put in place by the Six- and Two-Packs, together with the European Commission; such role has often been mentioned by the media. More recently, its rejection of the Multiannual financial framework agreement reached by the European Council was also largely commented, well beyond the specialists' circles. This kind of conflicts can usefully illustrate the fact that "Brussels" is not a monolithic centre of power and that pluralism is one of its key features. But the challenge there is to have sufficient media coverage of the Brussels/Strasbourg debates concerning the EMU governance and other important issues, as well as a clear and consistent explanation of the meaning of the different positions taken by the respective institutions.

4.2. The need to shed light on the cleavages between member states

The oppositions and conflicts between member states have been frequently mentioned since the beginning of the Eurozone crisis, especially on the occasion of the successive European Council meetings and Eurozone summits aiming to deal with such crisis, with huge media coverage. By contrast, the opacity of the decisions taken at the Eurogroup level are all the more regrettable - the recent decision on the Cyprus rescue plan has clearly underlined that it could even lead to a

general accountability deficit. The governments are all (more or less) accountable vis-à-vis their national parliaments and their parliamentary debates (if public) can then help clarifying the elements of convergence or divergence between member states. But the cleavages between the representatives of member states (be they in the governments or in the parliaments) will be much more easily perceived and settled when they will also be expressed in the framework of the EMU inter-parliamentary conference.

4.3. The rise of the cleavages between European peoples

The third striking range of cleavages which have emerged with the Eurozone crisis concerns more directly the European peoples. These cleavages are naturally painful, and even dangerous when they are based on absurd stereotypes (Greeks = lazy; Germans = Nazis; etc.) or on a North-South divide. On the other side, they also traduce different interests and perceptions from one country to another and are quite normal in a Union where people are "united but diverse". Such cleavages explain quite well many of the decisions taken by the EMU authorities (including in the recent debate over the Cyprus rescue plan), be they good or bad. In any case, their explanation power is much bigger than the one of the above mentioned and too often used cleavage "Brussels versus peoples". All in all, it would then be preferable to have a more formal and contradictory debate between the different viewpoints expressed by the peoples of the EMU. This will also be made possible through the dialogue established between their elected representatives, both at the Eurozone subcommittee and in the framework of the EMU inter-parliamentary conference, which will echo more or less directly to the cleavages between public opinions.

4.4. The need for more cleavages between European political parties

Last but not least, it would be useful to [highlight better the cleavages between political parties](#)⁷, which also partly structure the functioning of the Eurozone governance. It's indeed hard to say that the domination of the EPP representatives at the European Council, but also at the Commission and in the European Parliament, has no influence on the content of the guidelines and decisions taken by the EMU authorities. Such party lines should then be at the core of the next European elections of May 2014, so as to illustrate the choices given to the EU citizens between

various political options promoted by the EPP, the PES, the Liberals, the Greens, etc. They should also be more visible in the discussions that will take place within the Eurozone subcommittee and the EMU inter-parliamentary conference, so as to show once again that the debate is more open than perceived as regards the EMU governance, even if the final decisions naturally reflect the respective electoral and political weight of the political forces involved.

There is no doubt that, given their links with political parties and EU decision makers, the political foundations have an even stronger role to play in the formulation of analyses and recommendations aiming at clarifying the on-going debates around the EMU governance and, more widely and more ambitiously, at feeding the campaign of next May 2014 European elections.

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3. António Vitorino, "The 'TSCG': much ado about nothing?", *Tribune, Notre Europe*, February 2012.
4. Olivier Rozenberg and Wolfgang Wessels (dir.), Claudia Heffttler, Valentin Kreilinger, Mirte Van Den Berge and Laura Ventura, "Democratic Control in the Member States of the European Council and the Euro zone summits", *Study by Notre Europe – Jacques Delors Institute and TEPSA at the request of the European Parliament*, March 2013.
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6. For precise proposals on the EMU inter-parliamentary conference, see Christophe Caresche, *Rapport d'information de l'Assemblée nationale*, n° 202, 25.09.2012.
7. Yves Bertoncini and Valentin Kreilinger, "Is the European party system ready for '2014'?", *Synthesis of a seminar co-organised with EuroCité and Europartnaires*, *Notre Europe – Jacques Delors Institute*, March 2013.

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