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LISBOAN

Linking Interdisciplinary Integration Studies by Broadening the European Academic Network

Report on the workshop “Will the changes in the Eurozone demand new institutions for the EU?”

Federal Trust for Education and Research (Partner No. 56)

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**“Will the changes in the Eurozone demand new institutions for the EU?”
Federal Trust / LISBOAN Workshop held on 24th September 2013, London**

The workshop, which was attended by 55 participants including academics, embassy staff, journalists and the interested public, began with presentations by Professor Dr Andras Inotai, Research Professor of the Institute of World Economics, Research Center for Economic and Regional Studies, Hungarian Academy of Sciences, and Dr Petr Kratochvíl, Director, Institute of International Relations, Prague.

Professor Dr Andras Inotai analysed the problems and challenges associated with the euro crisis. He described Germany’s economic position as currently “very fortunate”, but argued that this was not necessarily the outcome of conscious strategic decisions by the German authorities. A particular conjunction of circumstances over the past decade had led to Germany's present economic strength, but it should not be assumed that these circumstances would continue indefinitely, particularly if the problems of the eurozone were not approached with flexibility and imagination. Professor Inotai was sceptical about calls for higher wages and consumption in Germany. He thought that there was no necessary causal relation between higher wages in Germany and economic improvements in other countries of the Eurozone. Higher incomes in Germany might well fuel demand for products made outside the European Union or go into German savings accounts. The underlying problem of countries such as Spain was primarily one of competitiveness, not simply of demand. Generalized domestic austerity however was not an answer to the economic and financial problems of the eurozone, where stronger economic growth was the key. Acting together, the states of the eurozone and the European Union more widely, should do more to improve European competitiveness, by investing in research, training and targeted infrastructure improvements. This would require however resources well beyond those of the current Financial Perspective. It might be that the deployment of such resources would need eventually new political institutions to ensure their transparency and accountability. The more pressing question however was whether the member states of the Eurozone had the political will to act together in this fashion. Professor Inotai inclined to the view that they had, but accepted that others might have a different view. He found particularly worrying the present cool relations between France and Germany. The differing economic and social structures of the two countries had allowed them to complement each other in the development of the European Union. There was a danger now that these differences were driving the two countries apart.

In his lecture, **Dr Petr Kratochvíl** raised the following three key dichotomies: output and input legitimacy; the interests of EU citizens and those of the EU’s Member States; and supranational compared with intergovernmental governance. During the crisis excessive focus had been placed on the output side of policy-making, with decision-making taking place on an ad hoc basis, in response to crisis and without respect for existing rules and procedures. The European Stability

Mechanism was a good example of this problem, since however necessary the Mechanism might be it was difficult to reconcile its nature and functions with the existing Treaties. Such unstructured and unpredictable decision-making had greatly harmed the legitimacy of the European Union. A growing difference between formal and informal decision-making meant that the legitimacy of the EU was at an all-time low. He called for the European Union to act in a more coherent and politically transparent fashion, both at the level of the Union itself and at the level of the Member States. He favoured giving the citizens of the European Union a direct say in the way the Union was run, notably by the linking of the nomination of the Commission President firmly to the outcome of the European Elections. Member States however had also a responsibility to make a better job of explaining the workings of the European Union and why they made the choices they did in the European Council. Dr. Kratochvil believed that in the longer term changes to the European Treaties would be necessary, and these changes should not be in the direction of greater intergovernmentalism, the dangers of which had become very apparent in recent years. These changes would probably modify the roles of the existing European institutions rather than generate new ones.

The second session of the conference began with the presentation of **Professor Dr Otmar Höll**, Scientific Researcher, Austrian Institute for International Affairs, who concentrated on analysing the position of the EU in a global context. He warned that the EU was beginning to lag behind the rest of the world both economically and politically: its slow political reactions could hinder the advancement of EU interests in the fast-changing world of today. The continuing crisis of the euro had not yet led to decision-making structures capable of responding to global challenges. The emerging Banking Union for the European Union was definitely a step in the right direction, but it would not of itself be sufficient to regain lost global influence. Dr. Höll had much sympathy with the economic analysis of Professor Inotai and hoped his recommendations would be followed. Dr. Höll drew some comfort from the setting up of the European External Action Service, which might well over time allow quicker decision-making in the Union's external relations and represented a recognition that Europe needed to act more coherently and effectively on the world stage. National governments however were particularly jealous of their prerogatives in external affairs, particularly those of the larger Member States. The Action Service was an important institutional initiative which needed to be nurtured over coming years. The enhanced competences of the Union's High Representative for External Affairs fell into the same category. Dr. Höll believed that the right institutional structure for the external policies of the Union was now in place. What was important was for the Member States to make this structure work.

In conclusion, **Brendan Donnelly**, Director, The Federal Trust, suggested that there were more reasons to believe that the European Union would be able in the long term to solve its current problems than reasons to believe that it was condemned to failure. The continuing evolution of the Union's institutions was central to this process and the European Elections of 2014 had an important contribution to make. The European Elections were the only occasion on which the

Union's citizens voted as a body. Their vote must count for something, and the election of the next President of the European Commission was a genuine political prize which would enhance the standing of the Elections and encourage a sense of political community among Europeans. Brendan Donnelly agreed with those who predicted that the Union would evolve through its present institutions rather than by the founding of new ones. He believed that fears of or hopes for a multispeed Europe were largely misplaced. He could only see three possibilities in the long term for the future of the Union: as a homogeneous group of its present members; as a large core and very small periphery, likely to comprise only the United Kingdom and one or two others; or as a homogeneous group of less than its present members, with the United Kingdom having left the Union. None of these options would need any substantial revision of the present institutional structures of the Union.

The final section of the conference was dedicated to the presentation of the Synopia report "*Remaking Europe: Framework for a policy*". **Pierre de Boissieu**, former Secretary General of the Council of the EU, presented some key findings and recommendations, such as giving priority to transforming the eurozone into a truly integrated area, the definition of the essential political goals within the EU-28 that are already present in the treaties, and finding better ways of cooperation between the European Parliament and national Parliaments. The report clearly stated that this was a time for consolidation and the authors affirmed their vision of Britain remaining part of the EU, and the vital role of the Franco-German initiative to lead the way.

Sir Stephen Wall, former Permanent Representative of the UK to the EU, added that lessons had to be learned from the last ten years when the EU sometimes failed to serve its citizens. A comprehensive approach was needed to balance the interests at stake. At the end of the consolidation process should stand, in the authors' view, a move towards a more federal structure, but a treaty change was not necessary now, and discussions about it could actually hinder urgent and essential developments. According to Sir Stephen the EU only worked "when both the people as well as governments had confidence and trust in the structures". Paramount was the political will and willingness, i.e. the "agreement that they have to agree".

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