



# FUTURE OF EUROPE OBSERVER

## What next for the EU?

In light of the forthcoming elections of the European Parliament and the ensuing debate within Europe of key policy issues, the ZEI Master of European Studies “Class of 2014” gives an overview of the current constitution of the EU.

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## In which constitution is the EU today?

by Annabel Ruth Edevbie, Silvia Vlasseva and Nasima Akaloo

The legal order of competences in the EU, provided by the Lisbon Treaty, strengthened the powers of the EU institutions and improved their working methods, thus enhancing the efficiency and democratic legitimacy of the Union. Although the Lisbon Treaty only came into force in 2009, the urgency unleashed by the crisis triggered the need for more reforms. In relation to the sovereign debt crisis, the EU strengthened the role of the Commission through, for example, the establishment of the European Semester Mechanism in 2010. Proposals by the Commission for additional reforms were outlined in her Blueprint for a deep and genuine EMU in 2012. They include a greater role for the European Parliament in the EU financial architecture and decision making powers for the Euro Group with regards to the Eurozone.

The Final Report of the Future of Europe Group in 2012 also contained proposals for the improvement of the overall func-

tioning of the EU and enhancing its position as a global player.

These proposals include inter alia a European Defence Policy and a European army, a future Treaty revision by a super-qualified majority and the right of initiative for the Parliament.

Some of the member states have, however, opposed the efforts of EU institutions towards more integration and formation of a federal structure. They resist conceding more sovereignty to Brussels and oppose some proposals for structural reforms and changes in competences within the EU.

In the light of up-coming elections the rise of Euroscepticism has become a political issue. The economic and financial crises have resulted in the polarization of political views putting the European project to the test once more. Although there were signs of economic recovery in the Euro Area in 2014, the debates and disputes over the future path of EU integration remain salient.

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## The Future of Europe Observer

The Future of Europe Observer accompanies the debate in the European Union on governance and regulation.

# Preserve the institutional integrity of the Lisbon treaty

by Anna Pokorna, Robert Stüwe, Dragan Momcilovic

Even though the Treaty of Lisbon made a first effort to distinguish legislative competences of the EU (exclusive, shared and supporting), practical politics proves that the European Council tends to be reluctant to recognize the concessions it has made to the European Parliament (EP). The heads of government still claim to have the ultimate say on crucial decisions.

However, several newly established treaty provisions put the European Parliament on the winning side. The co-decision procedure, for example, was extended and relabeled as the ordinary legislative procedure, where the EP can use its powers more influentially. Likewise, after Lisbon MEP's have to give their consent to international agreements.

In reality, there is a power struggle between the European Parliament and member states' governments. The European Council seems unlikely to give more leeway to the Parliament, whether it is about the banking union, the EU budget or migrant flows. In that respect, in both the ordinary legislative procedure and non-legislative

procedures (implementing and delegated acts) there are tensions which prevent the institutional interplay from working properly. This lends credence to the public image of the European Parliament as a toothless tiger. From the beginning, EU decision-making mechanisms were shaped by the governments. Therefore, intergovernmental practices from the past set a certain course of institutional development that the frequent treaty changes since the mid-1980s could not reverse. This concept of path-dependency explains why the strengthening of the Parliament has so far not fully materialized.

In order to cure the lack of democratic accountability without sacrificing functionality completely, the member states, as a first step, should follow the existing rules of institutional interplay. On top of it, the enhancement of the principle of subsidiarity in the Lisbon treaty has empowered national parliaments. To safeguard the integrity of the existing institutional interplay, national political players should not misuse the subsidiarity principle as a tool for re-nationalizing decisions.

## Bonn's 4th regulation meeting on network neutrality and data security

On 13 January 2014, ZEI hosted the 4th Bonn's regulation meeting. In the context of this event, important representatives of the telecommunication industry, including network operators, lawyers and representatives of administrative bodies came together to debate current topics of telecommunication law.



Peter Hustinx, the European Data Protection Supervisor, presented an impulse statement on the title "A proposal for a European single market for the electronic communication sector as an area of tension between data protection, network neutrality and economic freedom", followed by a lively debate chaired by ZEI Director Prof. Christian Koenig.

# Not more and not less, but a smarter Europe

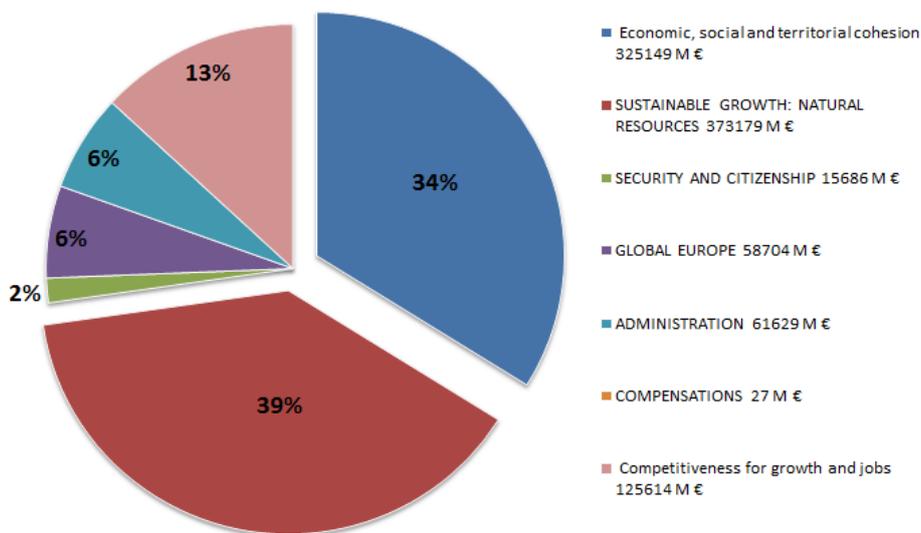
by Adam Ryckaert, Hong Tian, Tornike Sulaberidze, Mirsad Vitia

After a lengthy and frustrating negotiations, the European Union has agreed on its multiannual financial framework (MFF) for the period 2014 until 2020. The budgetary ceiling of EUR 960 billion for commitment appropriations and EUR 908 billion for payment appropriations is set.

For now, EU spending consists of the following categories:

- Smart and Inclusive Growth (includes both „economic and territorial cohesion“ and „competitiveness for growth and jobs“) - research, innovation, education, training, European telecommunication/ transportation networks, etc.
- Sustainable Growth - Agricultural policy, common fisheries policy, rural development, etc..
- Security and Citizenship - border protection, immigration, consumer protection, public health, etc.
- Global Europe - covers all foreign policy action
- Administration - administration expenditures for EU institutions
- Compensations - temporary payments given for the purpose of Croatia’s growth and benefit

**Total Expenditure 2014-2020: EUR 959,988 M**



In addition to the headings above, there are also flexibility mechanisms that allow the EU to respond to unforeseen emergencies and crises.

The annual budget negotiations will continue to produce debates over priorities. Beyond this the frustrating path toward the multiannual framework 2014-2020 has questioned the very mechanism of EU revenues. For now, the three sources of revenue are:

1. Traditional own resources - mostly customs duties coming from outside of the EU (25% of the resources allocated from these duties is collected by the member states, the rest is collected by the EU)
2. Own resources based on value added tax (VAT) - a 0.3% tax applied uniformly on all member states
3. Own resources based on gross national income (GNI) - a standard percentage of individual GNI given by each member state

Faced with the continued demand for “more Europe“, it is inevitable that the revenue mechanisms be revisited in the years ahead. Policy priorities and revenue mechanisms should not be confined to the debate of “more“ or “less“ Europe, but rather a “smarter“ Europe.

# Solidarity: Need for a more coherent social policy

by Sarah Gansen, Anna Francesca Giachin and Micol Visciano

As one of the main priorities of the EU is to “contribute to solidarity [...] among people” (Art. 3 TEU), the EU is obliged to establish a functional framework for the growth of European solidarity. Yet, over recent years the EU has focused on austerity measures to provide short-term solutions, aiming to contain the increase in public debt, instead of fostering endemic, sustainable growth. But for a sustainable future, EU political actors have realized that – to say it in Barroso’s words – “‘business as usual’ would consign us to a gradual decline” and that the need for solidarity can only be complied with by implementing a realistic, feasible and profitable social policy agenda.

Therefore, the EU has set long-term objectives, most notably within the framework of the Europe 2020 Strategy. Based primarily on soft law, it combines already existing financial instruments like the European Social Fund (ESF) with newly introduced flagship initiatives to achieve transformational change. Priorities are concentrated on employment, education, social inclusion, innovation and climate. As the European Commission’s task is to “encourage cooperation between the member states and facilitate the coordination of their action” (Art. 156 TFEU), it accordingly has the responsibility to monitor and assess the situation in the member states. Furthermore, it issues a yearly report on the progress towards attaining targets’ and develops policy recommendations or warnings. With regard to the ESF, the European Parliament (EP) and the Council’s function is to “adopt implementing regulations to [it]” (Art. 164 TFEU). Also, the Council’s role consists of ensuring the program’s practical implementation while the Par-

liament is responsible for mobilizing citizens and national parliaments to translate the Europe 2020 goals into national targets. According to their respective situations, national and local authorities have to individually implement the initiatives in their country in a way that allows them to achieve the ambitious but attainable targets to the best of their potential.

The creation of evaluation mechanisms and a constant dialogue between various levels of government illustrates that EU actors have realized that the functioning of solidarity is – more than ever – bound to the nation states and how it is implemented there. Although Europe 2020 constitutes a good starting point, its measures are – due to their soft law character – subject to misuse by the member states, high-

lighting the need for better coordination and more control.

The extreme heterogeneity of social models within the EU and the danger of undermining the subsidiarity principle, present a significant challenge to social cohesion. Yet, promoting social cohesion

is more imperative than ever. A possible revision of the Treaty of Lisbon needs to turn soft law measures into binding social regulations. All future treaty changes and policy measures should guarantee the triad of solidarity, consolidation and further growth.

*“Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity.”\**

*«L’Europe ne se fera pas d’un coup, ni dans une construction d’ensemble: elle se fera par des réalisations concrètes créant d’abord une solidarité de fait.»\**

\*The Schuman Declaration - 9 May 1950

## What's next for EU-Africa relations?

Shortly before the fourth Africa-EU Summit in Brussels, West African and European researchers and practitioners will meet at the University of Avignon, France, on 27-28 March 2014 to discuss practical solutions for both regions and their partnership through comparative academic work. The workshop is part of the research and consulting project "Sustainable Regional Integration in West Africa and Europe", a co-operation between ZEI and the West Africa Institute in Praia, Cabo Verde. Raising awareness about existing obstacles and untapped value-added of regional integration in the EU and the Economic Community of West African States (ECOWAS), the workshop will focus particularly on technology and innovation, energy and natural resources, as well as competition and regulatory policies for integrating trade in the service sector. The WAI-ZEI cooperation project is financed by the German Ministry of Education and Research (BMBF) from 2012-2016.

Participants of the last WAI-ZEI Conference at the Ministry of External Relations (MIREX) in Praia, 21-22 October 2013



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## Security policy: Wake up and act as one

by Kevin Butkovsky, Julian Wilhelm Marenbach and Thomas Panayotopoulos

As the European Union becomes an increasingly cohesive political union, the need to address its status as a “global power” is greater than ever. While the EU is clearly an established global economic power, its Common Foreign and Security Policy (CFSP) attempts to do the same to expand its military and security role in the global political milieu. Since 2002, the EU has undertaken 25 missions to further the CFSP, allowing the European Union to establish its presence as a global military power. These missions notwithstanding, it is still difficult to label the European Union as a fully-fledged military or security power. While the CFSP does operate under general political guidelines, many have remarked that there are no real political goals to guide the CFSP. It is therefore difficult to categorize the EU as a global security power. Still the EU clearly resembles a collective security organization, similar to NATO, rather than a single global political actor. It is necessary for the EU to develop a “Single Foreign and Security Policy” (SFSP), in which a single foreign policy identity is adopted among the member states and then implemented on the EU level. The creation of such a policy would allow the European Union to function as a single, standalone actor on the international stage, thus solidifying its position as a global security power.

The creation of a SFSP would entail the adoption of a broad, non-controversial political identity in line with the values established by Article 3 of the Treaty on European Union and the implementation of policies consistent with that identity. Due to the sensitive nature of external policy, intergovernmental cooperation on the part of the European Council should be used to develop the goals and governing principles that would define a SFSP. While the collective European experience has already begun the process of creating collective norms, these norms must now be codified. Furthermore, the High Representative should have the power to create European military and political institutions, in which all member states participate and contribute, capa-

ble of carrying out missions that further a European foreign political identity. This Europeanization of both an external political identity and the tools needed to implement it would create the SFSP needed to transform the European Union into a global security power.

Despite the benefits that a SFSP would bring to the EU, there are many difficulties that would hinder its development and implementation. Many member states still resist the cession of significant foreign policy powers to the European level, preferring to opt-out of this structure. Any opt-outs would significantly jeopardize the effectiveness of a SFSP and dilute the EU’s capability to speak for all of its members. This problem is compounded by a general lack of solidarity among EU member states that has existed since the 1980s. The Europeanization of external policy would require a very high degree of solidarity among member states; even slight feelings of disunion would hamper the development of a European security identity.

A further challenge is the role of NATO; under the Berlin Plus Agreement, the EU may only react if NATO declines to, making the EU dependent on NATO decision-making. If the EU wishes to become a global security power, it must be able to act independently, without relying on NATO’s consent. A crucial part of the development of a SFSP is therefore a re-negotiation of the Berlin Plus Agreement and the establishment of EU independence from NATO. The first discussion in five years on Foreign and Security Policy at the EU summit of December 2013 has both proven the deep differences and even a lack of interest in these important questions. To take itself seriously and to be considered relevant in the wider world, the EU needs to overcome this paralysis.

# Representation without taxation? Proposals for an EU tax

by Deepak Raj Pandaya, Michael Amoah Awuah and Yasemin Menten

Any serious discussion of the future of the EU requires a revision of its revenues mechanisms. The fact that the EU budget largely depends on member contributions, whilst Article 113 of TFEU only deals with harmonization of indirect taxes, facilitating the internal market, has triggered a challenging question. Should there be an EU tax? Several proposals have been discussed in politics and academia.

The European Commission, for one, mostly supports the idea of an EU wide tax as it would strengthen the autonomy of EU institutions, but the idea comes along with numerous debates regarding the principle and structure of tax payment. Some of the strongest arguments for an EU tax include:

- Easing burden on National budgets
- Creation of EU's own resources
- Limit "just retour thinking"
- Movement towards EU parliamentary prerogatives
- Encourage cost transparency of the EU budget
- Promote increased political participation of EU citizens (as power of money will be significant in forging a European identity parallel to national identity)

Strong arguments against an EU tax include:

- Dilution of national sovereignty of member states
- Increment of fiscal burden on taxpayers
- Lower budgetary discipline among member states
- Increased tensions between net payer/receiver countries
- Reduction in tax competition

Beyond the debates there is always a question of the practicality of such a tax as there is a common monetary policy for a group of member states and different fiscal policy in each member state. The debate contains strong arguments from both sides. But the technical design process is a vital issue. Some important EU tax design models suggested by the Commission are: "Modulated VAT", "EU Corpo-

rate Income Tax", "Energy Taxation", "Excise Duties on Tobacco and Alcohol", "Transfer of Inflation Tax Revenue", "Communication Taxation", "Personal Income Tax", "Climate Charge on Aviation" and "Tax on Financial Transactions".

Besides revenue consequences, an EU tax could be seen as a step towards tax harmonization and the acquisition of attributes of statehood by the EU. Whether in support or opposition to an EU tax, party preferences and country-specific interests will play an important role. Despite different situational choices the whole or partial materialisation of an EU tax should not be disregarded. "Taxation without representation", did not work in the United States. „Representation without taxation“, the current situation in the EU, will also not work forever.

## New ZEI Discussion paper C 222/2014

### Simon Perger: Regionale Integration in der arabischen Welt – eine neofunktionalistische Analyse

The study at hand elaborates on the phenomenon of regional integration in the Arabic world. In this conflict-fraught region the Gulf monarchies form a relatively stable exception. Their Gulf Cooperation Council (GCC) is the most ambitious project of regional integration in the area.

The main question of this paper is, certain core findings of different neofunctionalist theories can be extracted from the European context and can be adopted to the integration process of the GCC. Specific focus lies on the creation of a common "Gulf-identity" as a driving mechanism for further integration.

Download: [http://www.zei.uni-bonn.de/dateien/discussion-paper/dp\\_c222\\_perger.pdf](http://www.zei.uni-bonn.de/dateien/discussion-paper/dp_c222_perger.pdf)



# Revisiting a Constitution for Europe

by Anja Abramovic, Grigoriani Bougatsa, Johanna Leufke

Reasons given for the failure of the first efforts for a European Constitution in 2005 often refer to popular dissent and fear of an overly centralized Europe. EU citizens were not very familiar with the content of the Constitution for Europe. Some argued that the failure was caused by a lack of communication between institutions and the European public, while others claim that the content was irrelevant and that the term „constitution“ was a threat to national sovereignty .

The Treaty of Lisbon recognized the need for greater citizen involvement, by creating the European Citizens Initiative. But despite its introduction and the need of an EU to its citizens, it is still not implemented. The Commission is the one who makes the final decision and it is not obliged to act upon proposals, but rather just to consider them.

The process of European integration already has a constitutional dimension, which has been recognized by the judicial branch, namely the European Court of Justice and by national constitutional courts. Even though the Lisbon Treaty is not a constitution itself, it is a very important step in the constitutional de-

velopment of the EU, considering that it has strengthened key constitutional elements.

More and more voices in Europe are calling for a simplification of the governing Treaty of Lisbon. It should only include genuine principles and omit unnecessary detail, such as specific policy-making, in order to leave room for changes of policy preferences, reacting to changed circumstances and the need to correct misjudgments. The need for clear leadership not only on matters concerning the Monetary Union but for every EU policy should be addressed by a revised Treaty. Redistributing authority and making the division of powers clearer and more effective should be the main focus.

In the next years, a fundamental question shall be, whether or not political leaders across the EU accept a new European Convention in order to agree upon a short, sharp and consensual constitution for Europe; the alternative would be a further muddling-through, which will lead to more frustration and euro-scepticism.



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