

POST-SUMMIT BRIEFING

21 June 2010

Summary

Speakers at an EPC Post-summit Policy Briefing discussed the 17 June European Council, and there was a general consensus that the Summit was “unspectacular” without any surprises or crises. However one speaker felt it marked a major leap forward in EU integration with its emphasis on strong European economic governance and a desire to extend EU powers over issues such as health and pensions. Sadly the new EU growth strategy: Europe 2020 was hardly discussed at all although it is “fundamental to resolve all other crises”.

Full Report

Janis A. Emmanouilidis, EPC Senior Policy Analyst summarised the conclusions of the EPC’s analysis of the outcome of the 17 June European Council.

Panellists **Jochen Bittner**, correspondent for the German Newspaper *die Zeit* and **Fabian Zuleeg**, EPC Chief Economist, then gave their reactions and comments.

A “major leap” in EU integration

Jochen Bittner disagreed with Mr Emmanouilidis that the Summit was “unspectacular”, as he felt it marked “major leap forward” in EU integration, with its focus on European economic governance and increased coordination and the fact that the EU Council should see itself as more of an economic government with “a will to enhance competitiveness among Member States”. Dr Bittner believed this would “deepen the divide between the EU and the people of Europe”.

He described how the Council agreed to take responsibility for the governance of areas such as: social security spendings, health costs, pensions, education systems, and wages, all issues which currently fall outside of EU responsibility and are Member States’ responsibility. However, this Summit called for them to be treated more like EU policy areas, without actually calling them as such. It pushed them “to the center of EU gravity”, he said, and praised this shift as positive in that it will force Brussels to be “harder, more responsible, and more preventative in fiscal policies”.

He noted some of the controversial issues that arise with a “harsher” Brussels, including the possible withdrawal of a country’s right to vote in the Council if it repeatedly ignores deficit reduction recommendations, plus financial penalties, which could include the suspension of EU Structural Funding. The German government sees these policies as “healthy and effective” as they “create peer-pressure” among Member States. “We all need to become better in Europe, but there are some states that need to become better than others” is how he described the German government position on such issues.

However, Dr Bittner feared that such policies could also be dangerous and could “delegitimise” Brussels and the EU, as national governments are under a dual pressure: that of their constituencies, and that from “above”, namely from Brussels. He felt that in times of crisis, national governments are tempted to place the blame on Brussels, rather than on themselves when their constituents are upset. For example, when citizens complain about cuts in the austerity packages, governments say it was not their decision, but that of some “bureaucrats” in Brussels. Dr Bittner labeled this as the “perfect strategy” to delegitimise the EU.

He concluded by stating that the Summit “leaves us with a paradox”. There is a definite need for further economic coordination in the EU, but clear limits as to what the EU can enforce.

Seeds sown for future crises

Fabian Zuleeg described the competitiveness scoreboard introduced during the Summit as a “neat idea”, but didn’t expect much from it. It is useful to know who “sits on top” in terms of competition, so while a scoreboard may formalise these rankings, it wouldn’t reveal any novel findings.

Mr Zuleeg also felt that the Summit was “unspectacular” as there were no surprises, but agreed with Dr Bittner that the push for greater economic governance was impressive. Looking back over the past two years, the fact that an issue such as economic governance is now on the table is indeed rather “spectacular”. The economic crisis has made it apparent that our economies are interdependent and unless there are changes within the economic sector, such crises will continue to occur. In terms of measures to prevent future crises, he believed that it was difficult to know how the financial situation would evolve, but it is a major step forward to have such measures on the table.

Turning to the role of Europe 2020 on the Summit’s agenda, he felt it was disappointing that it was hardly mentioned, even though it is meant to be the growth strategy and supposed “to set direction”, and will be “fundamental to resolve all other crises”. In other words, without growth, countries will not be able to pay back what they are currently borrowing. When one looks at the current forecasts for Europe, with a predicted growth rate of 1%, the future growth looks “dismal” and will not be enough to deal with the unemployment crises, nor to renew European economies, he said. Not having a “real discussion” on EU 2020 was a “real mistake”, and will “come back to haunt us”.

Mr Zuleeg concluded by stating, “I think we’ve sown seeds for future crises by not tackling the current crises”.

Discussion

Questioned about why there was a lack of engagement with Europe 2020, Mr Zuleeg saw a “mixture of reasons”. One is the resistance on the part of some Member States to debate and decide certain issues at the EU level. Although targets are set at the EU level, delivery depends on the Member States, and so far they have not been delivering (i.e. for the Lisbon Strategy, Europe 2020’s predecessor). In addition, Mr Zuleeg felt that some politicians either do not realise or wish not to realise the challenges they face, because it is politically difficult.

Dr Bittner said that Chancellor Merkel is “not thrilled with the Europe 2020 agenda”, as she is “not convinced of the blessings of such a strategy”. She believes it may be a good idea to set up goals and targets, but the rest of the decisions and responsibility should be left to the nation states themselves. Mr Zuleeg said that such criticisms are “justified”, because “we didn’t do what we were supposed to do with Europe 2020”: Member States were meant to give a higher level of commitment, but this did not materialise, so it created aspirations without any path for implementation. In short, “I think we have created exactly the same danger that we had with Lisbon”, said Mr Zuleeg.

In response to a question on the importance and possible effects of publishing bank stress-tests, Mr Zuleeg stated that this was indeed the first step. Given how concentrated the financial sector is, if the bank stress-tests of the top 25 institutions are published, this will represent a large part of the sector as a whole. Mr Emmanouilidis agreed that the press had underestimated the potential of publishing the stress-tests as this move was not only about showing that banks were “on the safe side”, but also under what conditions. Such tests should also reveal how banks will fight potential future stress. He explained that there is importance in the details and that “transparency is something we need”.

When asked why the Summit did not discuss oil prices or energy, Dr Bittner said these topics have been pushed aside by the climate debates. At the same time there was 'climate fatigue' at the Summit, with the view that one should concentrate on the crisis, and discuss "luxury items" like climate change later. Mr Zuleeg said most of the Summit debate on climate change focused on whether the EU should aim for a 20% or a 30% emissions' reduction. Sadly there was no debate on energy efficiency at the Summit, although this is an area in which the EU can make progress.