



# BULLETIN

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## The European Commission in EU Economic Governance: In Search of Political Capital

**Agata Gostyńska, Marta Stormowska**

*The “two pack” was an important formal step in strengthening EU economic governance, but the Commission’s ability to exercise its new powers will largely depend on the Member States. Their governments, though, are reluctant to commit to reforms that may cost them popularity at home. The road to a genuine Economic and Monetary Union will thus be a bumpy one unless the gulf between EU and national politics is narrowed. The current efforts to secure democratic legitimacy for the next Commission College by fostering competition between the candidates for Commission president in the next European elections may be difficult to put into practice and should thus be flanked by enhanced dialogue with national parliaments.*

**The Commission’s Competences in EU Economic Governance.** The sovereign debt crisis highlighted the drawbacks of the relatively weak EU powers of surveillance of the euro members’ economic policies. EU secondary law has therefore expanded the European Commission’s role in this field as well as created a framework for an annual cycle of economic policy coordination (the so called European Semester). The European Commission was granted stronger powers in both the preventive and corrective arms of the Stability and Growth Pact (SGP) as well as in the new excessive macroeconomic imbalances procedure. By introducing semi-automatic sanctions on eurozone members in breach of the bloc’s fiscal discipline rules—unless opposed by a qualified majority of the Council—the Commission’s hand has been formally strengthened.

On 30 May 2013, a new set of regulations streamlining the European Semester and complementing provisions on the revised SGP entered into force (the so called two pack). According to the new rules, euro members will be asked to submit their budgetary plans to the Commission before they can be adopted at the national level. If a serious instance of non-compliance with the SGP is detected, the Commission may request a revision as part of the usual European Semester cycle. The European Commission has not gained veto power over euro members’ budgetary plans, but non-compliance with the Commission’s opinion may be taken into account in the excessive deficit procedure.

**The Commission on the Rise?** The Commission itself has high expectations of its future role in economic governance. This was expressed in its Blueprint for a Deep and Genuine Economic and Monetary Union, developed in parallel to European Council President Herman Van Rompuy’s work on the issue. For example, the Commission seems not to exclude the possibility that its opinions on national draft budgets should be given a binding character. According to the Commission’s blueprint, the EU’s powers in the coordination of economic policies could be strengthened by an extension of judicial review by the Court of Justice, supposing the Commission gained the right to initiate infringement procedures. The Commission has also envisaged an enhanced role for its vice-president for economic and monetary affairs, who could run a putative EMU Treasury if fiscal capacity for the EMU is created.

Such a leap in its powers would necessitate a treaty revision and would probably meet with reluctance from some Member States, which for some time have prevented the Commission from properly exercising its existing powers to police the SGP. The most famous example of this came in 2003 when France and Germany formed the blocking minority necessary to shelve the excessive deficit procedure against them. More recently, in December 2012, Spain’s

announcement that it would miss its deficit target for 2013, coinciding with the entry into force of the new six-pack rules, raised doubts as to the efficient application of the Commission's powers, particularly towards the largest EU economies. Then, in June 2013, French criticism of the scope of the Commission's Country Specific Recommendations (CSR), issued as part of the European Semester, only added to the ambiguities surrounding the Member States' commitments.

**Hurdles for the European Commission to Take the Lead.** Although EU law has formally strengthened the Commission's powers, the crisis has elevated the European Council to the prime political forum for crisis management. As a result, it has passed to Member States the decisions on crisis measures, which the Commission is then asked to put on a legislative track. The Commission's formal role as an agenda-setter, arising from its monopoly on the legislative initiative, thus diminished. The creation by the Lisbon Treaty of a permanent European Council president, now held by a politician with a strong interest in forging EU economic governance, has additionally weakened the Commission's role. This resistance from national governments to the Commission's legislative role naturally affects the way it subsequently carries out its executive function and drags it into a vicious circle of searching for political credibility.

The Commission's efforts to build the political capital necessary for the efficient execution of its powers is complicated by two more specific factors. There is dissonance between France and Germany on the further consolidation of public finances and the role of the EU executive in this process. Also, a wider debate has been reinvigorated by the United Kingdom and the Netherlands on the proper balance of competences between the EU and Member States. The Dutch government, which has undertaken the review of the EU legislation, now promotes the motto "at the European level only where necessary, at the national, where possible," which depicts the European Commission as an institution which has "creeping" powers.

Opinion polls on the image of the European Union suggest that such calls would find fertile ground among European citizens. According to the 2012 Eurobarometer, 58% of Europeans perceive the EU as "inefficient." In addition to that, surveys conducted by the Pew Research Center in May 2013 show that there is a noticeable opposition among societies of select Member States to the idea of giving more power to Brussels (in Greece, around 63%). For the EU's elected political leaders, this makes it difficult to defend the actions of an unelected Commission and makes it tempting to dilute any ambitious decisions undertaken on the EU level in the national discourse, at least.

**Recommendations on Narrowing the Gap between the EU and National Politics.** The "Europeanisation" of the forthcoming elections to the European Parliament, as supported by the European Commission, is an obvious first step in closing the gap between national and European politics and boosting the European public sphere. The undertaking by European political parties to nominate candidates in the European elections for the position of Commission president, a position which in turn must be formally elected by the European Parliament, is meant to boost the legitimacy of the Commission's actions and thus the ability to play real pressure vis-à-vis the Member States to carry out reforms. Yet, this will not be straightforward. Under treaty rules, the Member States gathered in the European Council are the ones that propose a candidate for Commission president, creating room for intergovernmental bargaining behind closed doors. Moreover, getting top national figures to stand for the European electoral campaign might prove more difficult than expected.

Concentrating only on the "Europeanisation" of the elections is a risky strategy for another reason, too: the sovereign debt crisis placed national parliaments in the limelight, which as the guarantors of the subsidiarity principle might soon demand more formal influence over the EMU architecture than is currently offered by existing provisions, including those of the fiscal compact. Already, they control their political leaders and, by parliamentary debates organised around European Council summits, exercise some form of collective oversight of EU politics. Thus, any Commission effort to build political capital on the EU stage will likely be facilitated by dialogue with national parliaments and focus on issues of joint concern: the coordination of Member States' economic and budgetary policies and on the limits of the execution of EU powers, something already debated in the UK and Dutch parliaments. Cooperation with the national parliaments, most naturally as part of the European Semester, could contribute to better coherence of discourse at the national and EU level.

Politicising the Country Specific Recommendations by making the Commission's recommendations the subject of open debate by boosting both the involvement of the European Parliament and national parliaments was an idea indicated in the Polish food-for-thought paper dated October 2012. Strengthening the parliamentary legitimacy of this decision-making process could contribute to increasing its transparency, highly desired by especially non-eurozone members such as Poland. The Commission itself can also contribute to this goal by acting in its traditional role as a bridge-builder among different categories of Member States, ensuring EU coherence. This should remain a priority in wider discussions about the Commission's politicisation, likely to be touched upon when expected ideas about the future of the EU political dimension are issued, a debate about which the current Commission might be willing to initiate before the end of its mandate.