

THE JUNCKER COMMISSION: EMERGING FROM THE ECONOMIC CRISIS, AVERTING A POLITICAL CRISIS

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Sofia Fernandes presents the summary of a debate on the topic “The Juncker Commission: what internal priorities (growth, social, subsidiarity and so forth)?” held at the annual meeting of the Jacques Delors Institute’s [European Steering Committee \(ESC\)](#) on 13 December 2014.

On the basis of introductory speeches by former European Commission Vice-President **Etienne Davignon** and by former Italian Prime Minister **Enrico Letta**, participants debated the **Juncker Commission’s main internal priorities**.

The discussion began by addressing Europe’s new institutional landscape with, in particular, a new method for electing the president of the European Commission and an overhaul of the way the Commission team is organised (1.1.). The risk of a political crisis looming over the European Union (EU) today was also discussed: while Europe’s member states have avoided the chasm of the economic crisis, although they have not put it completely behind them, they also need to avoid plunging headlong into the pit of a political crisis (1.2.). The debate addressed the need to strengthen the legitimacy of European action, underscoring the role of national parliaments (1.3.).

Where the new Commission’s priorities for action are concerned, the stress was inevitably laid on such short-term issues as achieving a “New Deal” based on debt reduction goals, a boost to investments and the adoption of structural reforms (2.1.). Particular attention was devoted to the “Juncker Plan” and to the flexibility of the Stability and Growth Pact (2.2.). Issues linked to the reform of the Economic and Monetary Union currently under way were also addressed (2.3.). And lastly, it was stressed that the Commission’s credibility would suffer if its action were to shoot off in all directions, which is why the Commission needs to establish a limited number of priorities (in particular, energy union, a digital single market, a capital markets union and the transatlantic agreement) and to explain the added value of Europe’s action in the spheres in question (2.4.).



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1. The impact of the new institutional and political landscape on European action

1.1. Europe's new institutional landscape

The new method for electing the president of the European Commission bolsters his legitimacy and will hopefully herald an improvement in relations between the European Parliament (EP) and the Commission. This might make it possible to counterbalance the leadership of the European Council, which has become stronger in recent years. Two factors are going to have a major impact on Europe's action over the next five years.

On the one hand, approximately 30% of the EP's members (members from eurosceptic parties) are opposed to the Commission on principle. The upshot of this is that we may predict that there is going to be a tendency to moderate criticism of the Commission on the part of the other 70% of the EP's members (on condition that the Commission does not act too reprehensibly, of course).

On the other hand, the appointment of coordinating vice-presidents within the Commission seems on the face of it to be a positive development, because it should rekindle the political debate within the Commission, a debate which appeared to have begun to flag in recent years. This new organisation could also make for a sleeker Commission, because it had begun to be weighed down by the burden of 28 members, an excessive number. Having said that, however, the new structure's success is going to depend eminently on the quality of the Commission members and on their ability to work together.

1.2. Avoiding plunging headlong into the pit of a political crisis

The rise of populist parties is unquestionably a source of concern with regard to the EU's future. Yet it is just as necessary to focus on the influence of these parties' rise on the policies supported by mainstream parties, because even those parties are finding it increasingly difficult to bear aloft the banner of the European project. It has become difficult to be positive about the EU. What we need to ensure above all is that the debate on how to respond to the rise of populism in Europe does not distract us from such crucial issues as the redirection of European policies or the strengthening of Economic and Monetary Union (EMU).

If Europe is to avert a political crisis, it needs to speak more to its citizens. If Europe's leaders are not in a position to propound a European narrative based on the offer of concrete opportunities for people's daily lives and of solutions for their real problems, then Europe is simply going to go on getting a bad press. The Commission's president and vice-president must play their leadership role in defining this new European narrative and in ensuring that Europe does not fall into the rut of "business as usual".

The year 2015 is going to be marked by a succession of major national elections, particularly those in Greece, in the United Kingdom, and in Spain. Each of these elections can potentially increase the risk of a political crisis in Europe. Where the United Kingdom is concerned, it is of course to be hoped that the country will choose to remain in the EU. Also, if a member state leaves the EU, that might jeopardise the European project by setting a precedent and triggering a domino effect on other countries. Yet we must avoid the EU's functioning from simply grinding to a halt pending the result of a British election or referendum. It seems equally clear that it is going to be difficult for twenty-eight countries to make any great progress on the path to European integration, and that makes a two-speed Europe inevitable, with the euro area playing the role of a driving force for European integration. Besides, this two-speed Europe also meets the growing need, when one shares the same currency, of having common policies and common instruments.

1.3. Strengthening the role of national parliaments to bolster the legitimacy of European action?

Several members of the ESC highlighted the fact that it is necessary to strengthen the EU's relations with national parliaments, particularly in order to prevent governments from laying the blame on the EU for the constraints hampering their action at the national level when it is in fact the national leaders themselves who have embraced these "European" obligations. The EU cannot continue to play the "scapegoat" role that the national governments pin on it. To this end, it would be useful for each European Council meeting to end first with a common press conference rather than with twenty-nine different ones, because in the current circumstances each participant wishes to convey the idea at home that he or she has emerged the winner from the meeting; that, however, inevitably means that there has been a loser too, and that loser is commonly considered to be the Commission.

Where the involvement of national parliaments is concerned, in any event, it was stressed that while it is true that it is necessary to do more and to do it better, parliaments themselves are often not very interested, apart from a handful of exceptions, and so it might therefore be more productive to raise the issue of the national parliament's role in each country (monitoring its government) rather than at the European level.



Étienne Davignon, Pascale Andréani, Jean-Louis Bourlanges and Renaud Dehousse. © Jacques Delors Institut

of tasks among the member countries, whereby some would invest more while others would implement reforms - that is not the right approach.

While priority over the past five years has been afforded to cutting public deficits and debts, the new Commission, which wishes to impart a fresh thrust to Europe, has placed a boost to investments at the top of the European agenda by announcing an investment plan worth some 315 billion euro. While this "Juncker plan" is welcome, there is still some doubt surrounding its expected leverage effect, which seems excessively optimistic, and the risk of a low return on the projects funded. The member states have to agree to pump fresh money into this plan in order to attract private capital and to thus tackle the terrible dearth of investments from which Europe is suffering.

Yet it was stressed in the course of the debate that we are not formulating the question in the proper terms if we ask President Juncker to stimulate demand through this investment plan. In actual fact, two different instruments would be required: on the one hand, a recovery plan funded by public capital to stimulate demand within the euro area; and on the other, an investment plan with private capital at the level of the EU-28.

Moreover, the impact of this plan, which is not going to be in place before mid-2015, is not going to be felt before 2016. Thus the "Juncker Plan" must not take up all the room on the European agenda. It cannot resolve all of the problems and its positive impact is going to take over a year for anyone to perceive it. Expectations are extremely high and thus we have to take care to prevent a frustration effect from taking hold either of the economic actors or of the man in the street. This "investment" agenda must also be completed by a "regulation" agenda because if there is a dearth of private investment in Europe, it is, among other reasons, because there is uncertainty in many fields concerning the policies being pursued (for instance, in the energy sphere).

Another recent dynamic, which has to be taken into consideration in this new equation, is the major drop in the price of oil, which is expected to allow the Europeans to slash their energy bill by somewhere in the region of 150 billion euro. It would be very useful for Europe's leaders to discuss how to use that sum.

2. The priorities for strengthening growth in Europe

2.1. Towards a "New Deal" based on debt reduction, investment and structural reforms

The growth outlook for the euro area over the coming years is weak. In view of such economic circumstances, it is going to be difficult to overcome the social difficulties encountered in the EU today. Strengthening the growth outlook should therefore be the primary goal of all European action. In this context, we can see today that there is a fairly common analysis everywhere in Europe regarding what needs to be done: it involves reducing the debt, boosting investment and adopting the kind of structural reforms that will make it possible to modernise the economy. What varies from one member state to the other is the priority afforded to each of those factors. As long as each player continues to pick and choose what they like in this debate and to discard what they like least, it is going to prove impossible to achieve a comprehensive agreement.

What the EU needs today is a "New Deal" in which a balance is found between the different measures. That agreement, however, cannot rest on a sharing

What is the European Central Bank's (ECB) role in this new dynamic? The ECB certainly has a very important role to play, but it has to be said that expectations today with regard to what it is doing and to what it can do are too high. As Mario Draghi stressed, no one must expect the ECB to have the answers to all of the problems, because the member states must not shirk responsibility for their actions by relying too much on the ECB.

2.2. Flexibility in the Growth and Stability Pact

A debate on the importance of deficit and debt reduction and of structural reforms in this European "broad agreement" is going to be inevitable in the spring, when the Commission is called on to evaluate, in particular, France's situation in the context of its excessive debt procedure.

The present Commission seems to be prepared to resort to the flexibility clauses in the Stability and Growth Pact in order to allow more time for budget consolidation to those countries that put in place the kind of structural reforms that will allow them to modernise their economies. While this may not resolve the problem of the constraints on member states' action caused by the fiscal rules, it may still help to avoid the adoption of a budgetary policy which might have too negative an impact on growth. Moreover, while it was pointed out that this is not the most opportune time to renegotiate the fiscal rules, it was also stressed that the main problem with the fiscal rules is that they rest on sanctions which are extremely difficult to apply, whether for economic reasons (levying a fine would only worsen the situation of a country that is already having to cope with budgetary difficulties) or for political reasons (they would trigger a wave of protest from the politicians and the citizens of the country concerned).

2.3. A (still) ongoing reform of the EMU?

In December 2012 a report known as the "four presidents' report" (Herman Van Rompuy, José Manuel Barroso, Mario Draghi and Jean-Claude Juncker) established a road map for strengthening the EMU. Two years on only modest progress has been made, to say the least, aside from in the sphere of banking union. Member states are no longer coming under the market pressure that existed in the early years of the crisis in the euro area. But this lack of pressure means that the strengthening of the EMU is

in danger of making excessively slow progress, or indeed no progress at all. Nor are the prospects for the coming months very encouraging right now: an assessment and revision of the "Six Pack" and of the "Two Pack" are planned, but as things stand today it is not possible to place any other initiatives on the table because the member states do not want any.

Yet if we want a "genuine" monetary union, we will inevitably have to pursue and to deepen the debate on the euro area's fiscal capacity, which includes a debate on the adoption of a shock absorption capacity, as the four presidents' report suggests.

2.4. Sectoral priorities: energy, the digital economy, a capital markets union and the transatlantic agreement

The single market is the single best endogenous source of growth and of job creation in the EU. But despite the progress made over the past 25 years, the single market has yet to be completed, two spheres in particular being highlighted: energy and the digital economy.

It is important to have a clear energy strategy in order to attract private investments in this sector. By way of an example, approximately 30 billion euro's worth of private investments per year are missing in the energy sphere in Germany today for the simple reason that the country's energy strategy has no visibility. The single energy and single digital markets must be implemented not only through deregulation measures but also through regulation if investments are to be stimulated. In addition, if any progress is to be made in the single energy and single digital markets, it was stressed that it may be necessary to do so with a narrower group of member states, along the lines of the Schengen Agreement.

It was also stressed that the capital markets union must be at the top of the European agenda in the next few years, for two main reasons. First of all, because it is crucial to ensure that businesses enjoy better access to funding, given that the financial crisis has highlighted the fact that we cannot allow responsibility for funding the economy to rest solely on the banking industry's shoulders. And secondly, because this capital markets union is one of the most important priorities for the British, and in the current political climate it is important to prove capable of undertaking new initiatives that can attract their commitment.

But aside from internal growth sources, the EU must prove capable of making the most of the opportunities to be seized in the global economy. In that connection, the transatlantic agreement will be a crucial factor on the European agenda over the next few years and the challenge will be to ensure that the economic deregulation resulting from that agreement is not implemented to the detriment of either social rights or consumer safeguards.

And lastly, the issues of immigration and of the future of the European social model are inevitably going to have to occupy an important place on the European agenda in the coming years.



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