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Speech by President Barroso: "European Governance and the Community Method"

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

Conference on the Community Method

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Ladies and Gentlemen,

Dear friends,

I am pleased to join you today at this event and pleased also that we with BEPA are joining forces for the day with Notre Europe, one of Europe's foremost think tanks. Notre Europe is renowned for its original thinking on European questions and boasts some distinguished people leading its work. In particular, I pay tribute to the work of Notre Europe's Founding President, Jacques Delors and your current President, António Vitorino who will address the meeting later today. Both Jacques Delors and António Vitorino continue to give much to the cause of European integration and we are really very grateful for that.

We are here today to consider issues of governance. In particular, the governance of the European Union and the central dynamic within that – the Community method. I know that Notre Europe instituted a debate last year on the future of the Community method and we look forward to hearing some of the findings in the course of the day.

Since the inception of the European Community, there has been a debate on how best to build Europe. Inter-governmentalism has been favoured by some, and the Community method by others. In truth, we have built a genuinely unique sui generis organisation, thanks to a large extent to the Community method. Most of us here today feel pride in the achievement.

Sixty years after six countries signed the Treaty of Paris, we are now 27. And, a significant number of would-be members are knocking at the door to come in. So, despite all the recent upheavals, the EU remains a potent symbol of progress both politically and economically, and has a pole of attraction. This, in itself, is testimony to the success of the Union we have built and are building together.

And yet, we know that the financial and economic crises have tested our institutions, our solidarity and the faith of many in the European project. We were, let's be honest about this, unprepared for the scale and depth of the financial crisis and later the sovereign debt crisis that hit us. It is easy with hindsight to criticise, but all of us now understand that monetary union and fiscal union are two sides of the same coin and the latter was overlooked when our currency was launched, or at least the latter had at that time not the conditions to be

proposed and accepted. We have paid a price for that omission. It should be a lesson for our future.

In any discussion about the future of Europe, talk invariably turns to methodologies, institutions and processes. As methods go, they don't come more profound or important than the Community method. This is the reality. The very term evokes the spirit of the European integration process. I want to make that point: we are talking about a method but probably it is more than a method, it is a question of the culture, the political culture of our institutions, or if you want in more romantic way, the spirit of our project. In fact the origins of this method are to be found in the positions taken by the Founding Fathers of the European Community, and in the texts of the Paris and the Rome Treaties. We can look already at this definition in the creation of the High Authority for Coal and Steel.

I believe that both Robert Schuman and Jean Monnet defined in an excellent way the essence of European integration and the community method. For Schuman, "a supranational institution, such as our Community, does not have the characteristics of a state; but it holds and exercises some sovereign powers". Indeed, the transfer of legislative powers from the Member States to the European level describes very well the nature of the European Union.

Monnet added another important dimension regarding the method of governance. I quote, "putting governments together and making national administrations cooperate starts with a good intention but fails as soon as there are differences in interests, if there is no independent political body capable of taking the common view and coming to a common decision". I would in particular stress the 'independent political body capable of taking the common view'. In other words, the existence of a supranational institution with the right of initiative and executive powers.

Of course very often the debate about the Community method is about the role of the Commission, and we all know that the Community method goes beyond the role of the Commission. In addition to the right of initiative of the Commission, the co-decision between the Council and the European Parliament constitutes today also an important element of the Community method, in particular in those cases decided by the qualified majority of Member States.

This is, of course, accompanied by a Court of Justice which ensures the uniform interpretation of and compliance with the founding Treaties and with secondary legislation. This is a unique situation, both in historical and in global terms. A group of democratic countries has left the disorder of power politics and created an order based on independent institutions – truly independent institutions - and the rule of law. It is easy sometimes to forget the scale of what has been historically achieved.

When we needed to make progress, the community method has delivered because it has been both an effective and a legitimate way to tackle some of the main challenges facing Europe. To build a strong level of convergence among a group of states with distinct experiences and different interests has been a huge task. Thanks, in large part, to the exercise of the right of initiative by the Commission and to the responsibility placed upon it to act as the guardian of the Treaties, thus guaranteeing respect for the rule of law, we have secured unprecedented co-operation and stability on our continent.

The community approach is also necessary in the management of economic interdependence. Only independent institutions can create rules that benefit the economic interests of all. Only an institution sensitive to the general European interest can properly regulate the single market. The logic of conflicting national interests could never have created a common market in the first place. And let me tell you from my own experience, namely after the financial crisis, that if it was not because we have institutions called the European Commission and the European Court of Justice probably the internal market would already have disintegrated because of the nationalistic tendencies to renationalise some of the competencies and trends to accept the rules; the rules are applicable for others but not being so receptive when it comes to accept the rules that are applicable to ourselves.

Likewise, an independent institution such as the Commission with the competences to represent first the Community and then the Union on the world stage has played a major role in making Europe the biggest global trading power.

- A political community among 27 countries.
- A common market of 500 million people
- An increased, stronger entity in core global issues including in some extent in foreign policy and some security related matters.

These are some of the main achievements of recent decades. None of them could have happened without the unifying force of the community method.

Although the stability and resilience of the community method is remarkable, the reality of political change has imposed important democratic and institutional reforms upon us. As a result, the Lisbon Treaty reinforced the legislative and budgetary powers of the European Parliament. At the same time, the European Council was boosted by formal recognition as an institution, which in practice it already was – and also with the so called permanent President, replacing for that purpose the rotating presidencies of the Council.

I welcome these developments. I know that this is controversial inside the most pro-European camp but I really welcome the developments of the re-enforcement of the powers of the European Parliament and also of the creating of the permanent President of the European Council.

Surely, we must recognize that, in a democratic Union, the directly-elected Parliament ought to be at the heart of the legislative process. And this, in turn, reinforces the democratic legitimacy of the Commission itself. As you know the College has to be approved by the directly elected MEPs and the President of the European Commission is indeed elected by the European Parliament. It can even happen that he is re-elected. Representative democracy is thus well-established in Brussels.

Likewise, in an enlarged Union of 27 – very soon hopefully 28 - countries, and when European politics and domestic politics are becoming increasingly intertwined, in fact we are watching this now I think to a point we have never reached before, when the European debate becomes a national debate and when the national debate becomes a European debate, it is only natural that the Heads of State and Government should play a leading role, namely drawing the strategic orientations for the EU through this institution, the European Council. The relevant issue here is how much they are willing to play that role in full respect of the rules and the institutions the Member States have themselves created. This is the important issue.

In the period since the Lisbon Treaty we have seen some important developments and there are some debates about the balance between institutions and processes. In reality I believe we are operating with both processes, and that was always part of the Community method: some intergovernmental approaches that are needed but also the respect for the supranational institutions. From time to time, the emphasis is placed on one more than the other. And in this context, the Commission itself must play an important political role: that of an institution that builds trust between Member States, not only as a political facilitator and honest broker but also between the different institutions: the European Council, the Council, the Parliament and the Commission.

In fact that is a personal remark I want to make: I believe that after entering into force of the Lisbon Treaty the role of the Commission now is freer because before it was the Commission – and I had that experience during my first mandate – that had a very important role in terms of brokering compromises and as a facilitator between the Member States. Having now a permanent President of the European Council this should be one of his most important tasks. That gives the Commission more room, more space to its role as initiator and sometimes to go deeper in the dialectics, sometimes there is some tension in the relationship between the Commission and the Member States.

The institutional framework and policy processes of our Union are now being road tested. They are being tested against a backdrop of unprecedented challenges to our economic and financial systems.

In recent years, many people have predicted the demise of the Community method, part of this is part of the usual Cassandra atmosphere we are now living in Europe, also because they see the Community method as a victim of the crisis. I actually think that the opposite is true and as we steer the Union to calmer waters, the resilience of the Community method will

replace talk of its demise.

Let's just for a moment look behind the headlines and consider the facts, the record of Community action and the Commission's involvement in response to the economic crisis.

First, the Six Pack of instruments which entered into force last December, made up of five regulations and one directive, proposed by the Commission and approved by the Council and the Parliament last October. It represents the most significant reinforcement of economic governance in the EU since the launch of EMU nearly twenty years ago.

I do not know any other case in the world of so much transfer of competence of powers from national to the supra-national level as we have now in economic and financial terms with the so called "Six Pack". These are facts. I want to enforce this point because in fact there is resistance precisely because there is movement. It is precisely because there is movement in terms of further integration that we hear many talks about resistance.

Second, the five-point Roadmap to Stability and Growth presented by the Commission last October. We set out clear priorities for Europe, namely for Euro area – a decisive response on Greece, enhancing the Euro area's backstops against the crisis, strengthening the banking system, frontloading stability and growth enhancing policies and building a more robust and integrated economic governance.

Here also some of these reforms that have been taking place now, whether we can consider some of them not going far enough or fast enough, the reality is that they represent a qualitative step of a great magnitude compared to the situation "ex ante".

Third, financial regulation. Over the past three years, we have designed a new system of financial regulation in Europe. This was not easy, but it was necessary to ensure that we tackle some of the root causes of the crisis. Over thirty pieces of legislation have been tabled including the creation of independent supervising authorities – another complete novelty agreed by the 27 Member States, independent supervising authorities at the European level – and also rules on derivatives, naked short selling and credit default swaps and another system of remuneration for bankers.

In addition, last November, the Commission published a Green Paper on the feasibility of introducing Eurobonds. Not perhaps the most popular document in every European capital, but a clear sign of the Commission's political determination to advance the strategic European common interest at this time. It is an example of the Commission rising above short-term calculations and thinking in the long term interest of European citizens.

Some of the fiscal provisions were included in the Treaty on Stability, Coordination and Governance in the EMU. Although the Commission approach was from the very beginning the preference of the Commission, and not only of the Commission also of most of the Member States, the new "fiscal compact" is contained in an international agreement outside the Treaties because as you know unanimity for the revision of the current Treaties was unfortunately not possible.

It is important to emphasise that, despite the intergovernmental solution, the Commission will indeed be heavily involved in the operation of the "fiscal compact". And then we have a paradox, the paradox is the following. It was the Commission itself that said to some of our member states: "some of the tasks we do not want to perform them, precisely because we want to keep our role deriving from the treaties, from the EU treaties and not from an intergovernmental treaty." And what is interesting and if there is time afterwards in discussion I could go more in detail with this, it was the member states that sometimes are not very enthusiastic about the role of the Commission were the ones who were asking us to go deeper and to assume more responsibilities. Precisely they have understood in practical terms, when it comes to concrete matters of surveillance and enforcement that they could not do without an independent institution that was the Commission, and that is the Commission.

To be frank there were at the beginning of that debate some ideas that I considered extremely dangerous and that we were able of course to avoid. The idea to create completely parallel structures, a kind of Commission Bis, a kind of a European Parliament Bis, so that we could fragment indeed the European Union and put at risk the integrity, not only the integrity of the single market but the integrity of the European Union. But that proposed solution was of course not retained. So it was true that the 25 Member States that are now going to sign

the "fiscal compact" also stated their intention to fold the international agreement into the existing Treaties within five years. Sometimes, in Europe, we are required to exercise a degree of pragmatism in order to achieve the longer term goals we seek. That was already in the original Schuman declaration.

And, if we are in any doubt about the need for the Community approach, let us remember that one of the key lessons of the crisis was that markets spotted and then exploited the deficiencies in European economic governance. Here, the key word is trust. A single currency cannot be sustained without independent institutions and effective decision-making processes, able to implement what has been agreed by all. That's why we have a Commission, that's why we have for instance the very important role of the ECB. And let me tell you that when we discussed with our major partners, from the United States to China, these issues, the real question they put to us is not so much about what is going to be the deficit or the debt of this or that country in the next 10 years.

The real question is about the political determination of the Member States, namely the Member States of the Euro area to sustain and support the Euro. And the more we advance in terms of integration, the more member states are ready to show the world, investors, markets, their own citizens, that this is for real, that they mean business when they say they will do whatever is necessary to protect the Euro, the more confidence there exists. So we have a very interesting situation where it was not the usual so called "federalists" that were asking for more integrated governance of the Euro zone, it was in fact investors, investors coming outside of the world, that were telling us, sometimes with more friendly, sometimes with less friendly tone, that you need to go further in your economic integration if you want to have a single currency. And they are right. Ad hoc inter-governmental solutions, without involving the Community institutions, could not provide the stability necessary to build confidence. This has been a very healthy lesson for all our Member States. Consequently, I believe the role of the Commission as the 'economic government' of the Union, to put it more precise for the economic government for the competencies that have been entrusted to the Union level by the member states, this role of economic governance has prevailed and we are at the very heart of Europe's development as we climb out of the crisis. And I can make a forecast that is not very difficult for me to make, you will see more and more in the near future, more demands on the European Commission to assume this role, precisely because of the new tasks that have been agreed by this fiscal compact and the need to have a clearer picture of what's going on, not only in terms of surveillance but also in terms of enforcement.

As we look to the future, we need to consider a number of issues around the Community method: is it efficient? Is it legitimate? Can it deliver what citizens expect? I am clear that on all these counts, the answer is a firm 'yes'. But, we know that this is not obvious to all our partners. We cannot rely on the assumption that the legitimacy of our collective governance is universally understood and accepted. We have to earn political legitimacy on an ongoing basis, different from what happens, or at least in most of the cases happens with nation states, that they don't have to show their legitimacy everyday. Our Union needs what we call a legitimation by results. We are aware of this, we know this. That is why the question of political culture, the question of leadership is so important, also when it comes to discussing the community matters. It's much more than processes and institutions and legal matters that of course are extremely important. It's about leadership and political culture. It is about democracy and legitimacy. This is one of the most difficult issues that we have to address. That is why we need to engage with our citizens on the merits of the solutions we propose, and we must win the public debate. It would be a complete mistake to think that the European project can succeed being a kind of elitist project. We have to go for the public debate and win it. If the policy choices we make are successful, we can speak with confidence of the 'European way' of doing things.

If we want people truly to re-engage with the European project we must demonstrate that Europe adds value to their lives. We have to show that we are listening. In particular, Europeans are worried about the future of their economies and their jobs. They expect their institutions and their leaders, at national and European level, to do all they can to promote economic growth and to create jobs. And rightly so. Europe is playing a central role here. Most of our Member States do not enjoy much room for fiscal stimulus for growth-oriented measures. The main realistic sources of growth must come from the core of our community approach: the single market and external trade policy. Matters where the member states

already have agreed that competencies are at European level.

Let me mention a very recent example. Last week, 12 Heads of Governments sent the President of the European Council and myself a letter suggesting some measures to boost economic growth in Europe. All of them happen to fall into the community sphere, and in all of them the Commission plays a central role. In fact, we have already been hard at work on most of them. And I've just replied to them, showing exactly what is the state of work in most, if not in all of these areas. This is a clear example of how the community approach can contribute to growth and jobs in Europe and also how we need to combine the community approach and the decisions taken at community or European level with reforms and decisions taken at national level.

As a result of the crisis, there has never been a time when Europe has been asked to do so much. Citizens expect quick and decisive action to stimulate growth. At the same time, they do not want to be simply bystanders in the European political process. We need to strike the right balance between efficient economic governance and democratic legitimacy.

In this sense, this crisis may also turn into a drive for greater democracy within the Union. I believe it's already happening, that process. We are already feeling that process, feeling that need to go further in terms of increasing legitimacy, democratic legitimacy. In fact if you look at the positions taken by some of the political forces at European and even at national level, this is the debate. And this is a very interesting message that I have been conveying to some of our international partners, from Washington to Beijing, and to New Delhi and to Brazil, it is the following. Did you see that the debate in Europe is not about how we are going to undo the European project, how we are going now to put in question what we have achieved. The debate is now how we are going to do to integrate further. Is it through the community matter, is through a kind of intergovernmental approach, is it through some kind of a mix?

The reality is that debate now in Europe, between the mainstream parties, between the capitals is how we are going to reinforce Europe and not how we are going to undo our project. We must recognize that national budgets, fiscal policies, economic governance are at the heart of national politics. The reinforcement of the competences of the Union and of the Commission in these areas raises therefore the issue of political and democratic legitimacy. We must not forget a lesson about today's Europe: more competences for the Union requires more democracy at the European level. Therefore, we must consider ways to strengthen European democracy. I have some ideas about this but the reality is that, this precisely because I am a democrat and I like to poetical debate, I think we need here to come up with new ideas, namely in terms of the cooperation between national democracies and European democracy.

Ladies and gentlemen that's why I prefer now to conclude with just very final remarks.

Ladies and Gentlemen

People expect the President of the Commission to make the case for the Community approach – as I just have done. But frankly, I have done so not because I am concerned about the Commission being marginalised as some people pretend. Indeed as I've said the Commission has now competence that it never had in the history of the European integration, or indeed because I have some theological or dogmatic ideological attachment to it. It's true that I am a very committed European, but what I'm telling you about the need of the Community method is based not only on my experience as Commission President almost 8 years now, but also my experience of 12 years in a national government. I believe that this is critical for the future of the European Union. We'll put at risk our Project if we undermine this Community approach. I continue to make the case for the Community approach because of the stability it brings, the effective decision-making it delivers and the fairness inherent in the system, namely in terms of relations among the member states themselves, smaller, bigger, more central, more peripheral, richer or not so rich. The Community method has prevailed because it is ultimately the most sustainable way of accommodating the extraordinary diversity in our Union. It is precisely because of European political, cultural and national diversity that we need it. It reconciles differences and promotes unity.

To put it simply, the reason why the Community method has survived numerous treaty changes, institutional reforms and enlargements is because it works. It may not be perfect, but we should be careful of dismissing or playing around with something that is arguably the

rock on which our Union has been built. In a nutshell, the Community method is a creation that, if it did not exist, we would need to invent it.

Thank you for your attention and I wish a very fruitful and lively discussion.
