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**Aussenpolitische Aula «The future of the European Union: Finding and striking the right balance», University of Berne**

This event is organized by the «Schweizerische Gesellschaft für Aussenpolitik», the «Delegation of the European Union to Switzerland and to the Principality of Liechtenstein» and the «Fondation Jean Monnet pour l'Europe».

The spoken word shall prevail.

## **The future of the European Union: finding and striking the right balance**

### **Introduction**

I am pleased to have the opportunity to join you today and thank Ambassador Michael Matthiessen for his invitation to address you.

Last year was marked by the Britain's referendum decision to leave the European Union and by the election of Donald Trump to the presidency of the USA. Both these outcomes revealed significant constituencies of voter disillusionment with the political establishment, wishing to take control back, to limit immigration and unresponsive to appeals to facts or expert analysis. Though emanating from the Anglo-Saxon sphere these tendencies were not confined to it. Were they harbingers of things to come, not yet a new normal but no longer merely a populist fringe? Was this a universal expression of the mood music of the times we live in and what would be its consequences for the EU?

As summer 2017 begins there are some green shots of optimism that suggest the European Union may be standing on the threshold of moving on from our winter of discontent. None of the underlying challenges have altered but the atmosphere is changing. This is a start.

### **A Year of Elections**

This year the Dutch elections were the subject of unparalleled international media attention. This focused disproportionately on Geert Wilders and whether his would succeed in leading the largest party in the land. Though gaining some extra seats that was not to be. On March 15 the Dutch electorate contained the populist challenge, a first electoral reversal to for those populist forces promoting a kind of domino theory of populism, that once the UK and the USA had started the trend it would gain traction and momentum across the face of the continent of Europe also.

We meet between the two rounds of the French presidential election, one of the most consequential such elections in decades. For the first time in the Fifth Republic none of the traditional parties of power has won through to contest the second round. The choices on offer and their consequences for France and the EU are radically different. The prospect of a Macron presidency seems probable but best in a democracy to wait until the votes have been cast before drawing firm conclusions. Almost irrespective of what they subsequently choose to do a Le Pen presidency would signal the beginning of the end for the kind of Union that Europe has known, while a Macron presidency opens the way to a new beginning for the EU. Rarely have the choices been so starkly defined. Next Sunday evening will point the way.

In Germany whichever Chancellor candidate succeeds in forming the next administration one can be sure that the Federal Republic's commitment to the European ideal will remain undiminished. The rise of populism here too will be evident in the results of the Bundestag elections but so too, if the polls are accurate, will its containment.

In Italy opinion polls show a substantial rise in support for the populist M5S as it vies in consecutive polls with the PD for top place. The general election is due in the next year. With the return of Matteo Renzi to the leadership of his party after an overwhelming victory in a leadership contest the stage is now set for an electoral battle in which the European theme will feature prominently.

Meanwhile in the UK the Prime Minister, Theresa May, has called a general election in a context where the Conservative party is set to make very large gains by reabsorbing disaffected UKIP voters and by taking advantage of the disarray of the opposition Labour Party. This will give the Prime Minister more personal authority in the nomination of ministers and in the conduct of the Brexit negotiations. This could afford her some flexibility regarding transition periods or even an extension of the Article 50 negotiating period should that prove necessary (only with unanimity of the EU 27). However, while the Tory election manifesto has not been published at the time of preparing these remarks, there has been no sign to date of any attempt to soften the Brexit terms and conditions as sought by H.M Government. There has been no more flexible managing of expectations. This suggests that what has been described as a hard Brexit still is the preferred British policy option.

### **EU post Brexit – Energise not Paralyse**

Nine months after the Brexit referendum, on 29 March 2017, the UK officially notified its Article 50 withdrawal from the EU. Throughout this period the EU's mantra has been 'no notification, no negotiations', but it has not been idle. The European institutions have now revealed their clearly coordinated hand. They want an orderly withdrawal; an agreement based on a balance of rights and obligations; are against 'cherry-picking' and sector-by-sector approaches and propose the sequencing of negotiations. The EU will act as one in EU-UK negotiations. This drama will be in two acts, the leaving part and the future relations part, linked but separate, and based on different treaty legal bases. At last weekend's Summit in Brussels (29 April 2017) the 27 adopted their negotiating position by unanimity and at record speed.

This is testament to the extent and depth of the many months of preparation in advance. Holding that line will be tested in the coming months but a message of 'united we stand, divided we fall' speaks not just to the Brexit negotiations but also to a determination and resilience in the face of the many common challenges that must now be faced together. Britain's departure must energise not paralyse the twenty-seven.

A reinvigorated France together with the next German administration can breathe new life into the European Union. It is important (assuming a Macron victory), that having escaped from the clutches of populism on this occasion, EU leaders do not simply breathe a collective sigh of relief and revert to a kind of business as usual muddling through agenda. This will be a call to action. It will be a rejection of fatalism.

We are now faced with a generational opportunity to recalibrate our Union and to make it fit for purpose for the times we live in. Not to do so would be to gift the sceptics with the mother of all political gifts for the electoral cycles to come four and five years hence and would be the surest pathway to hollowing out the Union from within.

### **Scenarios**

The European Commission has offered five short scenarios papers – Carrying on – Nothing but the Single Market – Those wanting more doing more – Doing less but more effectively and – finally - Doing much more together. Further policy documents are promised on the Social Dimension, Deepening Economic and Monetary Union, Harnessing Globalisation, Future Defence Policy and Future Financing of the Union. The scenarios are sufficiently diverse and differentiated to encompass every conceivable option. The question remains how

to find and strike the necessary balances. This touches on form as well as on content.

### **Prudence or Novelty**

A point of departure is whether to choose a route that seeks to exploit to the fullest extent the possibilities under existing treaties or whether a radical overhaul of the treaties is required. The more radical the treaty change proposed the more complex the political debate and in particular the process of ratification. Ratification of radical change may result in calls in several jurisdictions for popular endorsement through plebiscitary democracy, perhaps even for a pan European Union referendum.

Many advance the idea of a pan EU referendum as the only way to lend popular legitimacy to the European project and as a necessary democratic antidote to a Europe of elites. At a formal or abstract level, this idea holds obvious attractions. However, practical experience suggests a pause for thought.

Denmark's rejection of the Maastricht Treaty (1992), Sweden's rejection of a referendum on the Euro (2003), the failure of the Constitutional Treaty referendum in two founding member states, France and the Netherlands (2005), the loss of referenda on the Nice Treaty (2001) and the Lisbon Treaty (2007) in Ireland, the rejection of a Danish referendum to opt-in to EU Justice and Home Affairs (2015), a Dutch rejection of the Association Agreement with Ukraine (2016) and the British Referendum to Remain or Leave the EU (2016); though not pan European speak to the risks and uncertainties that popular plebiscites can provoke. What all these referenda have in common is a measure of the inability of national governmental elites to convince their electorates of the merits of policies to which they not only subscribe but which they themselves have helped to formulate. Who would sell a new Constitution or comprehensive Treaty change to Europeans if not national politicians? The track record suggests that a degree of caution is merited.

While the rise of populism on continental Europe appears to be checked it has not gone away. In the current febrile political climate cure by a pan European referendum, or by multiple national referenda, could risk to be graver in its consequences for European integration than the infirmities it would seek address. The stakes would be high but the downside risks great. The prize would be popular legitimacy. The risk would be wide scale popular de-legitimisation of the *status quo ante*.

Nothing is better suited to populism than the rich cherry picking possibilities offered by referenda on comprehensive treaty change. Having slowed but not slayed the populist dragon why revive it with such a gift?

Prudence sometimes is wiser than novelty. This, in my view, is a time for prudence, which should not be misunderstood as an excuse for inactivity. Much more can be achieved under the existing treaties and if or where necessary specific, concrete and tailor made amendments could be contemplated.

### **More Europe?**

There is a second observation of a general character that invites some reflection. With the departure of the United Kingdom, accounting as it does for twelve per cent of the population of the EU, sixteen percent of its GDP and a non-negligible role in shaping important parts of the EU policy agenda, the already significant onus on other large states to undertake the burdens of leadership will increase commensurately. This is especially so for the traditional locomotive of European integration, France and Germany.

As a renewal of the EU is contemplated and as a reforming and modernising France may be at hand, to what extent will these key players choose to enable the EU's institutions to play a greater role? Or, alternatively, to what extent will they wish, subliminally, to see the EU

reformed in their own likeness? How this balance is struck - more EU autonomy or 'more like us', will set boundaries for what may be achieved, not least in the conduct of macroeconomic policy where policy preferences remain contested and divergent.

One is reminded of the quote from Shakespeare's Twelfth Night: "Be not afraid of greatness. Some are born great, some achieve greatness, and others have greatness thrust upon them." In the case of the financial and banking crisis Germany's role was thrust upon it. Germany was and is the largest, richest and most stable economy in the Eurozone, alone among the larger states in the quality of its economic management and performance. By default more than by design it became the indispensable player. It has found itself in the eye of controversial storms accused both of doing too little or doing too much, damned if it does and damned if it does not.

Germany itself has a strategic positioning choice to make, not about being European, which is not in doubt, but rather about the extent to which it wishes to promote or safeguard against the further and deeper Europeanisation of much EU public policy.

### **More About Delivery**

On a more general note, too often debates on the future of Europe get locked into a false binary choice presented as – 'either it is federalism or failure'. The challenge for the European Union today is less abstract. We need to find pathways that reach the hearts and minds of everyday Europeans. This is less about what the EU is and more about what it does or fails to do on energy, on climate change, on border management, on migration policy, on security and defence, on the fight against terrorism, on innovation, on economic growth, investment and jobs and the hopes of our rising generation.

This for me is first about policy instruments and capacity to act. Then form can follow function in institutional re-tooling. Targeted incremental change is needed, designed to address shared problems in a concrete manner with tailored policy instruments.

This should be less about process and more about delivery. Confronted by crisis the EU is quick to meet but too often slow to act and it has not been short of crisis in recent years. Agility and responsiveness require freedom of manoeuvre and an appropriate level of resources, allied to democratic legitimacy with full and transparent accountability. The next round of Medium-term Financial Framework discussions is due to start relatively soon. Brexit, after the settlement of existing British liabilities, will leave a hole in the next EU budget that already labours under the strain of its modest scale. Taken together, this is not simply an appeal for more Europe but for a more appropriately resourced European Union in terms of capacity, including budgetary capacity.

Not to do this is to permit the continued flood of popular expectations of what the EU ought to do, like projecting everyone's wish list onto a blank screen, while in practice politically blaming it for failures whose sources linger in complex intergovernmentalism or insufficient budgetary resources. Ministerial cop-outs of blaming Brussels, while simultaneously often, themselves, being the source of its inertia, is a destructive formula that needs to be confronted. This diminishes rather than enhancing all EU institutions, the Council included, and all sides of the argument in popular opinion.

As we mark sixty years since the Treaty of Rome it should be recognised that the integration process has always sought ways and means to accommodate and organise differences, some provisional, some permanent. While classified by many terms – variable geometry – differentiated integration – opt outs - multi-speed – the essential feature has been to make progress together to the greatest extent possible, excluding none, blocked by none. This is not a new debate. It should not become a new constraint.

### **Conclusion**

Our Union is imperfect but not impossible to change. Not to grasp the nettle of change is to run the double vulnerability of being open to exposure to future shocks and the risk of further alienation of popular opinion from the European project. The cost of doing a limited number of things better would be radically more affordable than the alternative, which would be the cost of failure and the risk of further disintegration.

Mutual problems will not yield to mutual suspicion, or even less to demutualised solutions. These are the shared lessons of our European history.

**To summarise:**

Brexit is regrettable but as Britain's choice it must be respected. Necessarily it will occupy much time and effort in the coming months and years but the EU should resolve itself to be energised and not paralysed by it.

The rise of populist and euro-sceptical parties, even if contained in consecutive continental elections, is a wake up call. For those elected to lead it is a call to action. Procrastination or business as usual carries risks of deeper long-term voter alienation and a future resurgence of populism.

Much more can be done under existing EU treaties and if and when necessary specific and focused treaty changes could be contemplated. There is no excuse for inactivity but prudence may be wiser than novelty in defining the nature of change and in particular its adoption and ratification. Representative democracy must shoulder this responsibility and be accountable for its delivery and outcome. The EU needs a period of calm deliberation and not roller coaster ride politics.

Monnet's method of seeking the common interest commends itself as the counterpart to the temptation to project a better EU as being a greater territorial version of one's own state and its legacy policy preferences. Listening will be as indispensable as thinking and proposing reform if it is to mobilise the capacity to succeed and be sustainable.

To reach the hearts and minds of citizens the process of reform will need to be more about what the EU does or fails to do rather than what it is. Delivery matters to credibility. Too often gaps between aspiration and delivery have become credibility gaps for the European project.

This means calling not just for more Europe but rather for a more appropriately resourced agreed European Union in terms of capacity to act, including budgetary capacity and the necessary margins of policy manoeuvre, with accountability, to ensure agility in the face of policy challenges.

This will carry costs for doing some things better, together, but such a prospect is much more affordable than the costs of the alternative, of changing little or nothing, which risks failure and further disintegration whose costs for all would be tragic and enormous.

We live in an age of uncertainty, impatience and populism it is not just our state of affairs but also our state of mind, of spirit and of determination that is being tested. Forging the common interest of the peoples of Europe and not simply maintaining the balance of those interests is what must drive the search for mutually reinforcing solutions to the many challenges we face together.

The political frontline for these issues in the coming days and months will not be in Brussels but instead will be found on the electoral battlefields of member states. It is those who dare to speak for an effective Europe, perhaps for a more perfect union in many things and not necessarily an ever-closer union in everything, on whose vision and leadership we rely.