

The new European Parliament must insist on a constitutional Convention after the elections to oversee future treaty change

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*One of the key distinctions between the 2014 European Parliament elections and previous elections has been the selection of formal candidates for President of the European Commission by several European political families prior to the vote. **Andrew Duff** writes that while this may have created a more 'European' focus to the campaign in mainland Europe, the impact in the UK has been less visible, with the elections viewed as a rehearsal for a potential referendum on EU membership. He argues that the real issue at stake in these elections is the future direction of the integration process and that David Cameron's reform plans will have to sit alongside a wider agenda of treaty change aimed at deeper fiscal integration and the creation of a new form of federal polity. The new Parliament should therefore insist on calling a constitutional Convention and candidates should be clear about where they stand on these issues.*



This time it is at least a bit different. Thanks to pressure from the European Parliament, the main European political parties have selected champions to compete for the job of President of the European Commission. This raises the stakes. The numerous debates between Jean-Claude Juncker, Martin Schulz, Guy Verhofstadt and the Green leaders have introduced a European dimension which previous electoral campaigns for the European Parliament have lacked. The media report some clear lines of differentiation emerging between the transnational top candidates.

In the UK things are also a bit different, but in a different way. The British political parties are not so keen to be seen campaigning with or for the champions of the EU level parties to which they are technically affiliated. Labour seems struck dumb on Europe. The Conservative Party, marginalised in the European Parliament, is not even offering up a candidate to succeed President Barroso. The British debate on Europe amounts to a rehearsal for the In/Out referendum the country will supposedly one day have: the clashes between Lib Dem leader Nick Clegg and Nigel Farage of UKIP have polarised the campaign neatly, accentuated by a row about the relative toxicity of UKIP's poster campaign. UKIP is torn between campaigning to get more MEPs and dismissing the European Parliament as a waste of space, but its vociferous populism goes down well in a country that is suffering from a severe bout of nationalism.



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So what does this rather different type of European election herald? Get set for a battle royal in June and July between the new Parliament and the European Council over the nomination and election of the Commission President. Watch how the increased numbers of Eurosceptic deputies immediately change the dynamics and landscape of the new House. But, at a deeper level, who and what will really be making the political weather in Europe over the next five years?

Over the last decade there have been two drivers of European integration, namely enlargement and treaty change. Today, the accession of new member states is no longer an imminent possibility. Instead, the critical next phase of unification will be that of internalised enlargement – expansion of the membership of the Eurozone and Schengen areas, a gradual reduction in the number of opt-outs, cop outs and exceptionalisms, development of core groups in security and defence, use of the enhanced cooperation provisions of the treaties to complete the single market, and a deepening of collaboration in police and justice policy for those who can cope.

Serious candidates for election to the Parliament, therefore, might sensibly be asked where they stand on the internal enlargement of the Union. The priority, which must be addressed immediately by the new Parliament and Commission, concerns the completion of banking union. The EU needs to do much more to restore financial stability and consolidate economic recovery. Although the regulatory framework is in place, big steps are still needed to break the link between bad banks and the public purse. As things stand, EU banking legislation is half-baked: while surveillance and supervision is centralised at the EU level, national governments retain a veto on issues of restructuring and resolution of failing banks. This year's more stringent stress tests conducted by the European Central Bank (ECB) should expose the continuing fragility of Europe's banks.

Although David Cameron has sought to exclude the UK from EU banking union for reasons of 'national sovereignty', he cannot isolate the UK entirely. The City of London, where most of Europe's banking is done, is neither blameless for the financial crash nor immune from its consequences. Since 2007 the British tax-payer has coughed up €60 billion to bail out bad banks, not all of them British. Contrary to the prevailing view, it seems very much in the long-term national interest for the UK government to negotiate its way into the single supervisory mechanism run by the European Central Bank, and to accept the pooling of risk at the European level. The British could indeed be exerting great influence on the hesitant Germans to accept, for starters, the establishment of a large common resolution fund for all Europe's banks.

The imperative for sharing some part of the financial burden across the internal market goes further than banking. Despite some recent adjustment in the bond markets, the borrowing costs for the Eurozone's poorer members are still too high for their hapless governments to be sure of completing their respective austerity programmes. Social dislocation caused by the crisis means that those same governments risk being destabilised if these European elections advantage the protest parties of the far right and left.

By way of crisis management, for example in the European Stability Mechanism and the Outright Monetary Transactions of the ECB, the EU has already begun the gradual mutualisation of a portion of sovereign debt among members of the Eurozone. Unless and until this process is accelerated decisively, the risk of a break-up of the euro will not be negligible. Some joint form of debt redemption is still needed.

Eventually, the EU will have to create its own treasury capable of managing a large, liquid eurobond market – what the Barroso Commission calls 'stability bonds'. The current, over-centralised coordination of national fiscal and economic policies, with all its attendant moral hazard, needs replacing by a genuine common economic policy of the Union to complement its common monetary policy. The EU treasury will enjoy a fiscal capacity of its own, with revenue raised by autonomous federal taxes, and be empowered to apply contra-cyclical measures at the macro-economic level. In a fully-fledged fiscal union, the ECB will assume the role of lender of last resort.

Neither the European Court of Justice nor the German Federal Constitutional Court will brook such fiscal integration by dissembling or by stretching the interpretation of the Treaty of Lisbon beyond tolerance. The shift in sovereignty from the states to the EU level implied by banking and fiscal union must not be evaded, disguised or understated. The fact is that a new polity is being born at the core of the European Union, based on the Eurozone. Radical treaty change is absolutely necessary to give legal effect and democratic legitimation to these reforms. The main thrust of the treaty revision will be to concentrate executive authority in the Union, now opaque and diffuse, on the European Commission. The new Commission selected this autumn should ready itself to assume the credentials and culture of a proper parliamentary government, held to proper account in the two chambers of the EU legislature, Parliament and Council.

How to accomplish such a deepening of the federal character of the EU will dominate the agenda during the next decade. The MEPs elected on 22-25 May will have the power to insist that the overhaul of the treaties is conducted in a constitutional Convention made up of themselves, the Commission, the governments of the member states and representatives of national parliaments. They must use this power wisely. No self-respecting elector should vote for a candidate who does not pledge his or her vote for a Convention.

David Cameron's own proposals for 'renegotiation' of Britain's terms of membership will have to find their place in such a democratic Convention. He should be warned, however, that a Convention is no hiding place: only good reforms which command a consensus on their own merits will surface at the end of the process. Cameron's EU partners wait with trepidation for the catalogue of demands he threatens to make with the aim of loosening the ties that bind the UK to Europe. If his bid is not pitched at settling Europe's British problem for good, he will be laughed out of court.

British candidates for the European Parliament in this election – from all parties – will no doubt be able to explain what they intend to do in these interesting times. There will not be a referendum on whether to stay in or leave the present European Union because the present state of affairs will not long prevail. The pertinent question to put to new British MEPs, therefore, is what kind of Europe do they really want. Indeed, where does the UK stand on internal enlargement? If the British do not want to participate directly in this latest phase of integration, will they at least waive their veto against treaty change to allow others to go ahead?

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About the author

Andrew Duff

Andrew Duff is the Liberal Democrat MEP for the East of England. He has been spokesman on constitutional affairs for the Alliance of Liberals and Democrats for Europe (ALDE) since 1999. He tweets [@Andrew_Duff_MEP](#)



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