

DOES THE EUROZONE NEED A PARLIAMENT?

Valentin Kreilinger | *Research Fellow at the Jacques Delors Institut – Berlin*

Morgan Larhant | *Former Research Fellow at the Jacques Delors Institute*

SUMMARY

The proposal to establish a “Parliament of the Eurozone” has re-emerged in the debate on deepening the Economic and Monetary Union (EMU), particularly in France. In this context, we look beyond the institutional innovation at what might be the interest and scope of such a proposal and how it could be useful or even essential for a better functioning of the Eurozone.

Assessment: The parliamentary dimension of the Economic and Monetary Union (EMU) is currently flawed, with national parliaments as the true linchpin of the euro area, but a great variation in their involvement from one Member State to the other; the European Parliament still at the margins of the main processes (European Semester and monitoring of financial assistance from the European Stability Mechanism); and inter-parliamentary cooperation, initiated on the basis of Article 13 of the Treaty on Stability, Coordination and Governance, still in its infancy.

Effect: This highlights some of the shortcomings of the EMU: weak ownership of rules by actors; an ineffective coordination of economic policies between Member States as well as the lack of politicization of the issues, reduced to simply applying rules and not making collective choices.

Central claim: Since most of these issues are located at the intersection between national and European interest and competences, the strengthening of the parliamentary dimension can only take the form of specific inter-parliamentary mechanisms. This excludes, at least in the short and medium term, the idea of an exclusive role attributed to the European Parliament.

Options and “thought experiment”: The first option, minimalist, suggests improving the functioning of the existing inter-parliamentary cooperation by creating a specific Eurozone component. The second, intermediate, proposes setting up an Assembly, composed of national and European parliamentarians that would meet without changing the existing treaties. Finally, the last option, more ambitious (maximalist) as it requires a new legal basis, refers to the creation of a “Parliament of the Eurozone”, with its own competences, as a new permanent institution. This paper concludes that option two seems to respond best to the immediate challenges, while avoiding excessive legal hurdles.

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INTRODUCTION

Just like the idea of a European finance minister¹, the idea of a Parliament of the euro area has recently re-emerged in the public debate, especially in France.² For some, it means injecting more politics into the rules of economic governance that have featured the Eurogroup and the European Commission; for others, it is the logical consequence of the objective to create a separate budget for the Eurozone³; for all of them, it is the democratic pledge of deepening the Economic and Monetary Union (EMU). But beyond the symbolic measure, or even slogan, what could be the interest and scope of such an institutional innovation? Is it really essential for a better functioning of the euro area?

The objective of this Policy Paper is to provide some responses to these questions.⁴ We will show that the special arrangements for the EMU governance, where the national and the European level overlap every day, need an active cooperation between national parliaments and the European Parliament. Only in its most ambitious form and in a second phase, could this cooperation take the form of a specific Parliament for the euro area.

1. Parliaments, “laggards” of euro area integration

1.1. Asymmetries between national parliaments

Before the Maastricht Treaty, the definition of national economic policies essentially took place at the Member State level and the European level only constituted a level of “coordination” to deal with this “matter of common interest”. The paradox of this Treaty, however, consisted in sticking to this decentralized logic even when it created a fully centralized monetary pillar in parallel. As they neither could, nor wanted, to tackle national economic and budgetary competences, **the contracting parties of this treaty opted for a second-rank optimum: decentralized decisions that are supervised on the basis of common rules.** Regardless of whether these rules were enshrined in the treaties themselves⁵ or by acts of secondary legislation in the Stability and Growth Pact (SGP)⁶, a very atypical governance structure was put in place, where European rules constrain national policy decisions⁷ – at least, as long as the national level accepts to comply.

As a consequence, **parliamentary control was based primarily on national parliaments.** Since the Union’s competence in this field is simply a shared competence⁸, bordering on simple coordination measures⁹, the European Parliament’s role could, in fact, only be a reduced one. Thus national parliaments became central. Their prerogative to adopt the annual budget, their contribution to the definition of national economic policies and their control over the executives have made national parliaments, sometimes without noticing, the linchpin of the EMU.

1. Enderlein Henrik, Haas Jörg, “What would a European Finance Minister do? A Proposal”, *Policy Paper No. 145*, Jacques Delors Institut – Berlin, 2015.

2. Hollande François, « Ce qui nous menace, ce n’est pas l’excès d’Europe, mais son insuffisance », *Journal du dimanche*, 19 July 2015

3. Rubio Eulalia, “Federalising the Eurozone: Towards a true European budget?”, *Policy Paper No. 155*, Jacques Delors Institute, 2016.

4. This paper is in the spirit of the recent report by the Jacques Delors Institute in cooperation with the Bertelsmann Stiftung describing a pragmatic roadmap for deepening EMU: Enderlein Henrik, Letta Enrico, Asmussen Jörg, Boone Laurence, De Geus Aart, Lamy Pascal, Maystadt Philippe, Rodrigues Maria João, Tumpel-Gugerell Gertrude and Vitorino António: *Repair and Prepare: Growth and the Euro after Brexit*, Gütersloh, Berlin, Paris: Bertelsmann Stiftung, Jacques Delors Institut – Berlin and Jacques Delors Institute. It is also linked to the reflection of the Policy Paper “Improving EMU: Our recommendations for the debate on the five presidents report” of Bertoincini Yves, Enderlein Henrik, Fernandes Sofia, Haas Jörg and Rubio Eulalia, Jacques Delors Institute, *Policy Paper No. 137*, June 2015.

5. Prohibition of monetary financing of states under Article 123 TFEU; no-bailout principle enshrined in Article 125 TFEU.

6. Regulations 1466/97 and 1467/97.

7. See also Crum Ben, “Saving the Euro at the Cost of Democracy?”, *Journal of Common Market Studies* 51 (4), 2013, pp. 614-30.

8. Article 4(1) TFEU.

9. Article 5 TFEU.

” THE DEGREE
OF ADAPTATION OF
NATIONAL PARLIAMENTS
IN EU AFFAIRS VARIES
SIGNIFICANTLY”

The decentralization of parliamentary control, however, leads to an asymmetry between Member States. As the literature on the topic shows¹⁰, the main reason behind this is that the degree of adaptation of national parliaments in EU affairs varies significantly, depending in particular on whether the European affairs committee has important prerogatives to constrain the positions taken by the executive (or not). But it also reflects the very specific nature of EMU, where regulation is done less by the adoption of secondary legislation and more by complex iteration procedures between Member States and the Commission on the one hand, and among Member States themselves on the other hand, resulting in a control that depends primarily on the involvement of each parliament. An opportunity that national parliaments seized to a different extent before the crisis, as several reports of the Conference of Parliamentary Committees for Union Affairs of Parliaments of the European Union (COSAC) show.¹¹

1.2. An exacerbation of these dynamics in response to the crisis

The financial crisis of 2008 resulted in an unprecedented strengthening of the EMU governance framework, because it highlighted the shortcomings of decentralized control, the lack of real convergence between the economies of the euro area and the intrinsic link between the spheres of banking and sovereign debt. Among other measures, the European Semester was born and is characterized both by extending the scope of multilateral surveillance (in particular the creation of the Macroeconomic Imbalances Procedure) and a growing linkage of European and national levels. Beyond the complexity of the procedures that were put in place, however, we want to highlight that **the responses to the crisis have exacerbated the dynamics previously observed.**¹²

” THE REAPPEARANCE
OF INTERGOVERNMENTAL
LOGIC”

Despite the centralization of a number of functions, the European Parliament has remained at the margins.¹³ One might have imagined that, as with the dynamics of integration observed in other areas of public policy, the transfer of a number of competences to the European level (multilateral surveillance, banking supervision, financial crisis assistance) would be accompanied by a strengthening of the prerogatives of the European Parliament. But nearly nothing of that sort happened. Thus, even though the European Parliament, co-legislator since the Lisbon Treaty on multilateral surveillance¹⁴, obtained the regular organisation of “Economic Dialogues”¹⁵ that in principle guarantee information and exchange with the other actors in the European Semester, it remains very much at the margins of decision-making.¹⁶ In a similar way, the reappearance of intergovernmental logic, whatever its causes – bypass the obstacle of a veto by a specific country, the lack of appetite for a more in-depth revision of the Treaties, etc. – has always led to the same result: sidelining the European Parliament. The creation and development of the European Stability Mechanism (ESM) is probably the best, if not the only illustration of this (TSCG, intergovernmental agreement on the Single Resolution Fund, etc.). The European Parliament is now reduced to using the few legal bases at its disposal to try to expand its scrutiny of economic governance.¹⁷

10. See in particular Raunio Tapio, “National Parliaments and European Integration: What We Know and Agenda for Future Research”, *The Journal of Legislative Studies* 15 (4), 2009, pp. 317-34; and Rozenberg Olivier, Heffttler Claudia, “Introduction”, in *The Palgrave Handbook of National Parliaments and the European Union*, edited by Heffttler Claudia, Neuhold Christine, Rozenberg Olivier, Smith Julie. Palgrave Macmillan, 2015, pp. 1-39.

11. See in particular chapter 3 of the 8th biannual report (October 2007).

12. A phenomenon exacerbated by the prominent role acquired during that period by the European Central Bank (ECB), see Enderlein Henrik, Letta Enrico et al., *Repair and Prepare: Growth and the Euro after Brexit*, op. cit., p. 18.

13. Fasone Cristina, “European Economic Governance and Parliamentary Representation. What Place for the European Parliament?” *European Law Journal* 20 (2), 2014, pp. 164-85; and Dawson Mark, “The Legal and Political Accountability Structure of ‘Post-Crisis’ EU Economic Governance”, *Journal of Common Market Studies* 53 (5), 2015, pp. 976-993.

14. Article 121§6 TFUE. Accordingly, the European parliament was a co-legislator of four of the six-pack regulations in 2011.

15. Article 2a of Regulation 1466/97.

16. Allemand Frédéric et Martucci Francesco, “La légitimité démocratique de la gouvernance économique européenne : la mutation de la fonction parlementaire”, *Revue de l’OFCE*, No. 134, 2014/3. The insistence of the European Parliament to go beyond its powers, for instance through a scrutiny of the elaboration of the Annual Growth Survey, is illustrative of this willingness to be more closely involved.

17. On the basis of certain provisions of Regulation 472/2013 (Articles 3, para 9, 7 para 1, 7 para 4 and 7 para 10), the European Parliament set up a working group on financial assistance to Greece in spring 2016.

The heterogeneity of national parliamentary scrutiny has increased. In the absence of specific provisions in the post-crisis legislation about the involvement of national parliaments¹⁸, their adaptation was again left to the discretion of each – hence further increasing the pre-existing asymmetries.¹⁹ The involvement of the national parliaments of the 28 Member States in the monitoring and implementation of the European Semester is very revealing in this regard: while some parliaments like the Danish Folketing have set up a “National Semester”, structured around the three main stages constituted by the Annual Growth Survey (AGS), the preparation of Stability or Convergence Programmes (SCP) and National Reform Programmes (NRPs) and finally the analysis of country-specific recommendations (CSR), many have not even changed their operating rules.²⁰ Some have drawn a link between this “variable geometry” parliamentary adaptation and the degree of implementation of CSRs²¹, a hypothesis that still needs to be confirmed in the light of the most recent rounds of country-specific recommendations.

” THE INVOLVEMENT OF NATIONAL PARLIAMENTS VARIES CONSIDERABLY ”

This heterogeneity is also found in a second important area of financial governance: parliamentary scrutiny of financial assistance programs. Whether it takes place before (ex ante) or after (ex post) the implementation of the program, the involvement of national parliaments varies considerably, as most recently illustrated in the case of the third rescue package for Greece in 2015 (see Table 1)²²:

TABLE 1 ► Parliamentary votes on the third rescue package for Greece (July and August 2015)

| | EX POST | | | |
|-----------|---------|---|-----------|----------------------|
| EX ANTE | | NO VOTE | COMMITTEE | PLENARY |
| No vote | | (National Parliaments of the other 10 Eurozone countries) | Latvia | Netherlands Spain |
| Committee | | | Finland | Estonia |
| Plenary | | France | Austria | Germany |

Source: Valentin Kreilinger, own elaboration: Kreilinger (2015), with modifications. Based on dpa international (13 August 2015), Bloomberg international (18 August 2015) and own research. Recipient country (Greece) not included.

This is probably best illustrated by Germany, where the Federal Constitutional Court had seen the association of the Bundestag (which was granted significant powers) as a prerequisite to respect the “democratic principle”: regular information on the discussions in the ESM; approval of any capital increase of the mechanism; validation of the amount of funding under the different programmes.²³ Powers that go far beyond, for example, the role accorded to the French National Assembly.²⁴

18. Regulation 1466/97 simply provides in Articles 3 para 4 and 7 para 4 that the government clarify the extent of involvement of parliament in the preparation of the stability and convergence programs. Regulation 473/2013 provides for the interaction between the Commission and national parliaments of Member States subject to enhanced surveillance (Article 3 para 1) or subject to a macroeconomic adjustment programme (Article 7 para 11).

19. Benz Arthur, “An asymmetric two-level game: Parliaments in the Euro crisis”, in *Practices of inter-parliamentary coordination in international politics the European Union and beyond*, edited by Crum Ben, Fossum John E., ECPR Press, 2013, pp. 25-40; and Jancic Davor, “Parliamentary Involvement in the Economic and Monetary Union after the Euro Crisis”, in *Interparliamentary Cooperation in the Composite European Constitution*, edited by Lupo Nicola, Fasone Cristina, Oxford: Hart Publishing, 2016, pp. 183-204.

20. For an overall perspective, see the 28th biannual rapport of COSAC (June 2014). See also: Raimla E., *Involvement of the National Parliaments in SCPs and NRPs – 2014, 2015 and 2016*, Study, European Parliament Directorate-General for Internal Policies – Economic Governance Support Unit, 26 September 2016.

21. Kreilinger Valentin, “National parliaments, surveillance mechanisms and ownership in the Euro Area”, *Studies and Reports No. 110*, Jacques Delors Institut - Berlin, 2016, pp. 36-37.

22. See in particular Kreilinger Valentin, “Asymmetric parliamentary powers: the case of the third rescue package for Greece”, Jacques Delors Institut – Berlin, 18 August 2015; and Höing Oliver, *Asymmetric Influence: National Parliaments in the European Stability Mechanism*, Universität zu Köln, 2015.

23. Fines Francette, “A propos de quelques limites constitutionnelles au fédéralisme économique européen”, pp.214-230, in *L’Union européenne et le fédéralisme économique*, edited by S. de la Rosa, F. Martucci et E. Dubout, Bruylant, 2015.

24. Fromage Diane, “The ESM and National Parliaments: France”, *Constitutional Change through Euro Crisis Law*, 28 July 2015.

1.3. The unfulfilled promise of inter-parliamentary cooperation

Inter-parliamentary cooperation has been perceived by some as a remedy to address the shortcomings in parliamentary control. Thus, in the context of the negotiations about the TSCG and due to pressure from the French Parliament inter alia, the provision to establish an inter-parliamentary conference was put into **Article 13 TSCG**.²⁵ Composed of representatives of the relevant committees of the European Parliament and national parliaments of the 25 Contracting Parties²⁶, it has met twice a year since October 2013 with the aim “to discuss budgetary policies and other issues” covered by the treaty. In the early years of its existence, however, the conference **has not been able to meet expectations** and thus confirmed the difficulties encountered by all inter-parliamentary initiatives since 1989.²⁷

” THE CONFERENCE WILL ONLY FIND ITS PLACE IF ITS WORK IS DEEMED USEFUL ”

There are multiple reasons for this. First, for more than two years, the conference was busy negotiating its Rules of Procedure instead of addressing the key economic and fiscal issues in the euro area; the version finally adopted reflects a lowest common denominator compromise about the role that this body should play.²⁸ This leads to the second reason: the very different expectations of the delegations created a conference in search of its identity, alternating between a simple place for socialization, a tribune for monologues without operational significance and a real forum for deliberation. Its composition reflects this original ambiguity since it was designed to reflect neither the specific interests of the euro area, nor normally those of the Union as a whole: it constitutes a hybrid body, not well suited for the expression of a common position. Last but not least, the conference suffers from logistical constraints of its own, starting with the lack of dedicated resources that make it too dependent on the rotating Presidency and the administration of the European Parliament.²⁹ The conference will only find its place if its work is deemed useful and has a real influence that could even motivate busy parliamentarians to participate.

2. Does the parliamentary dimension of the euro area need to be strengthened by a dedicated parliament?

2.1. Improving the functioning of the Eurozone

On the one hand, **the idea to strengthen the parliamentary component of the Eurozone often refers to premises that can be contested**. The first of them relates to the legitimacy of decision-making or input legitimacy, to use a traditional typology.³⁰ Using that assumption to justify a greater involvement of parliaments in reality denies the legitimacy of finance ministers who serve on the Eurogroup and ECOFIN – a position that is difficult to defend. The second premise is the link between a hypothetical Eurozone budget and the creation of a parliament for decision-making in the matter – the idea being that, at least since the Magna Carta, any taxes must be authorized by parliament. The limit of this reasoning is, however, that “fiscal capacity of the euro area” does not necessarily mean “European tax” and that it is easy to imagine such a budget being funded by contributions that were previously authorized by the respective national parliaments.

25. Kreilinger Valentin, “Inter-Parliamentary Cooperation and Its Challenges: The Case of Economic and Financial Governance”, in *What Form of Government for the EU and the Eurozone?*, edited by Fabbrini Federico, Ballin Ernst Hirsch, Somsen Hans, Oxford: Hart Publishing, 2015, pp. 271-88; and Cooper Ian, “The Politicization of Interparliamentary Relations in the EU: Constructing and Contesting the ‘Article 13 Conference’ on Economic Governance”, *Comparative European Politics* 14 (2), 2016, pp. 196-214.

26. Croatia was not a Member State of the EU at that time and the United Kingdom and the Czech Republic refused to sign the treaty. In practice, however, meetings of this conference ironically include representatives from all 28 Member States...

27. Larhant Morgan, “Interparliamentary Cooperation in the European Union: time for a new start?”, *Policy Paper No. 16*, Notre Europe, 2005.

28. *Rules of Procedure of the Inter-parliamentary conference on Stability, Economic Coordination and Governance in the European Union* (adopted in Luxembourg on 9 and 10 November 2015).

29. Kreilinger, 2016, op. cit., p. 51.

30. See Scharpf Fritz W., *Governing in Europe: effective and democratic?*, Oxford University Press, 1999.

And even if deliberation appears indeed necessary to decide the allocation of resources, it is the nature of the expenditure (investment, direct spending in the case for example of a European unemployment insurance or stability support as part of a financial assistance program) which would justify, or not, a parliamentary role at the European level. Finally, the third assumption refers to the idea that a parliament of the Eurozone would be essential as an institutional counterweight to a possible European finance minister – a reasoning that often only follows from the desire of institutional symmetry.

” NATIONAL
PARLIAMENTARIANS OFTEN
REMAIN IN THE ILLUSION
OF “REFORMS IMPOSED BY
BRUSSELS”

On the other hand, **there are good reasons to promote such an innovation; current shortcomings in the EMU governance can serve as the starting point.** The first of these relates to (the lack of) national ownership over reform projects that intensified the debt crisis in Europe. While governments generally submit NRPs to their parliament before transmission at European level³¹, their margin of manoeuvre is limited, if not inexistent, so that national parliamentarians often remain in the illusion of “reforms imposed by Brussels”. A greater overlap between the national and European levels would thus help to create better ownership and therefore increase the efficiency of these instruments. Such an interweaving of the levels of governance, this is the second argument, would also facilitate the coordination of economic and budgetary policies. There is no doubt that one of the euro area’s troubles, particularly in the period 2012-2014, was a lack of coordination that led to a suboptimal aggregated fiscal stance.³² If national parliamentarians had the opportunity to debate about this general direction at the European level and then had the task to transpose these orientations in their respective national parliaments, one can reasonably assume that coordination would be stronger. The third argument, which amplifies the first two, is that strengthening the parliamentary dimension would allow for a greater diversity of political views represented, which in turn would be a fertile ground for greater politicization of these topics.³³ As long as decisions are seen as rules, not as political choices, their acceptance in national politics will be greatly reduced.

2.2. The need for specific inter-parliamentary mechanisms in the euro area

While possible benefits of strengthening the parliamentary dimension can be in little doubt, the question of how is worth asking. In this regard, one should above all escape turf wars that regularly oppose the supporters of strengthening the powers of the European Parliament against those of national parliaments. **The reality is that today no parliamentary body is able to ensure adequate control and that both levels have a genuine interest in being better involved.**³⁴ Accordingly, the question is not to know who would benefit from reforms, but what their structuring logic should be.

In order to achieve this, **it seems useful to differentiate between the products of the governance of the euro area (“output”) according to an interest filter.** Take for example the (National) Stability Programmes: it is undeniable that, since fiscal policy remains a national responsibility, it would make little sense to subject them to a review by the European Parliament. Following the same reasoning, what would be the legitimacy of one national parliament to approve or reject for itself the annual recommendation on the euro area? Zero. More difficult still: is it possible to maintain that a single national parliament could block the granting of financial assistance from the ESM? To be discussed. The graph below illustrates this “mapping” of interests following the competences in question³⁵:

31. Hallerberg Mark, Marzotto Benedicth, Wolff Guntram B., *An Assessment of the European Semester*, European Parliament, 2012. See also Kreilinger, 2016, op. cit., p. 33.

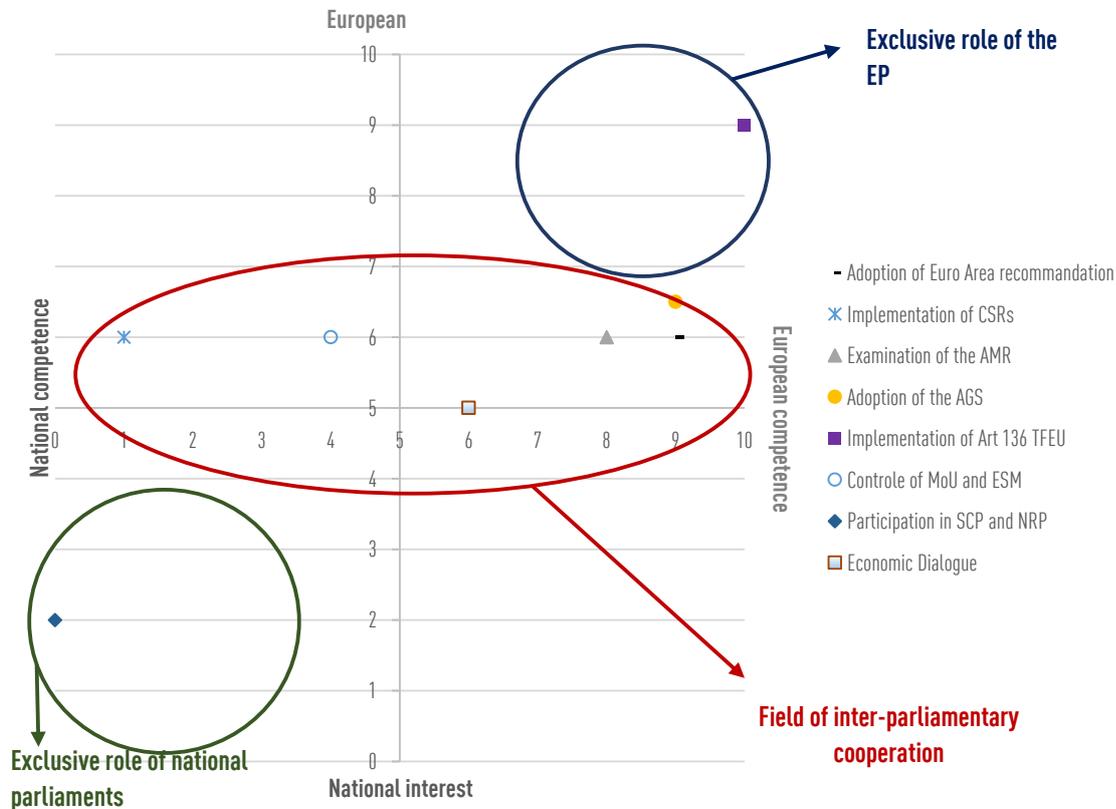
32. Aviat A., Diot S., El Kasmi S., Jégou N., “Vers un meilleur pilotage de l’orientation budgétaire de la zone euro?”, *Trésor-éco*, No. 163, mars 2016

33. Hix Simon, “Democratizing a Macroeconomic Union in Europe”, in *Democratic Politics in a European Union Under Stress*, edited by Cramme Olaf, Hobolt Sara B.; Oxford University Press, 2014, pp. 180-98.

34. See in particular Lupo Nicola et Fasone Cristina (eds.) *Interparliamentary Cooperation in the Composite European Constitution*, Hart Publishing, 2016.

35. This graph shows some of the main “output”. Two scores (ranging from 0 to 10) were attributed to each, according to the existing legal bases at European level (axis national competence - EU competence) and the purpose served (this assessment is to some extent subjective). With this visualization – subject to further improvement – it is possible to identify exclusive areas of competence for national parliaments and the European Parliament, but also the possible field for inter-parliamentary cooperation.

FIGURE 1 ► Mapping of national and European interest and competences



Source: Morgan Larhant, own elaboration.

In a nutshell, in a system that remains largely decentralized, the issue of strengthening the parliamentary component in the euro area is, in our view, summarised by **two key questions: how can it be ensured that national parliaments fully exercise control? How can the interest of the euro area as a whole be represented?**

With respect to the first question, it is clear that **not all national parliaments are in the same boat** and that it is possible to strengthen the follow-up of economic governance by certain parliaments without significantly modifying the institutional balance of their constitutional systems. For example, considering the case of the French Parliament, several steps could be taken to quickly meet this objective. While the Rules of Procedure currently provide for “a balanced representation of the standing committees” in the European Affairs Committee, one might consider favouring the dual membership with the Finance Committee, in view of the importance taken by economic subjects on the European agenda. Second, while it seems complicated for the principle of the separation of powers to have a greater involvement of the national parliament in the preparation of the Stability Programme, it seems essential that they have the opportunity to vote on it. Since 2011 this vote should, as a matter of fact, be the practice according to the Public Finance Planning laws.³⁶ Finally, given that Parliament is co-responsible for the implementation of the reforms contained in the NRP, it appears desirable that it becomes more closely involved in the preparation of this document, similar to other national parliaments.³⁷

36. Requirement introduced in Article 14 of Law No 2010-1645 of 28 December 2010. This obligation has nevertheless frequently been bypassed since then, for instance with the latest Stability Programme.

37. In the Bundestag, draft NRPs are discussed at committee level and, in 2016 there was also a plenary debate before it was sent to the European Commission. Similarly, the Czech Senate is required to discuss the guidelines of the Government at a preparatory stage. See pp. 48-49 of the 28th bi-annual report of COSAC.

The second question relates to **whether the European Parliament can, by itself, represent the “interest of the euro area”**, for example in the format of a **dedicated subcommittee**.³⁸ After all, this is the position expressed by several EU decision-makers and not the least important.³⁹ From a legal point of view, the option would be difficult but not impossible.⁴⁰ While its rules prohibit any discrimination on grounds of the nationality of its members, an agreement between the political groups in the European Parliament could be enough to get around the obstacle.⁴¹ Politically, however, the result is more uncertain. First, because, as we have seen, the European Parliament has only very limited legislative powers in the area. In addition to that, and this is the consequence of the previous point, national parliaments have kept their prerogatives (adoption of national budgets, law-making on reforms, executive control) that they would obviously be reluctant to give away. Could one imagine that national parliaments would let the European Parliament define the economic policy to be conducted in the euro area or the aggregate fiscal stance when it would be their task to ensure the implementation of these orientations? Similarly, whereas the resources of ESM come exclusively from national sources in the form of initial capital and guarantees, why would national parliaments agree to completely relinquish their oversight function? Asking these questions often gives a response in favour of the status quo. Finally, from a very pragmatic point of view, it is clear that the context is not favourable to such radical change: most Member States are weary of strengthening the central authorities, breaking with the momentum initiated by the Single European Act. Thus it seems to us that only innovative forms of inter-parliamentary cooperation would be able to represent that interest.⁴²

2.3. Three possible ways to strengthen inter-parliamentary cooperation

Responding to the challenges of Europe’s monetary union is a long and arduous process to build legitimacy that involves more than a few institutional adjustments.⁴³ But the status quo is not sustainable either. In the spirit of the recent report of the Jacques Delors Institute in cooperation with Bertelsmann Stiftung describing a pragmatic roadmap for deepening EMU that, we propose in a “thought experiment” **three options for strengthening inter-parliamentary cooperation that differ by their level of institutional ambition**.

In the first two cases, this essentially means creating a space for exchange and regular dialogue between parliamentarians at the European level, which goes beyond the few existing mechanisms. The third option involves more systemic governance changes, because it leads to the creation of a new institution with prescriptive powers.

” CREATING A SPACE FOR EXCHANGE AND REGULAR DIALOGUE BETWEEN PARLIAMENTARIANS AT THE EUROPEAN LEVEL”

The first option is a kind of “inter-parliamentary conference 2.0”, strengthening the inter-parliamentary conference under Article 13 TSCG mentioned above. This would follow a working paper adopted by the Presidents of the national parliaments of the six founding member states at a meeting in Luxembourg in January 2013. The idea is to create within the conference a sub-group specifically responsible for matters relating to the euro area that meets the day before the conference⁴⁴, following the modus operandi found between the Eurogroup and ECOFIN. Of course, the Rules of Procedure that were agreed after long negotiations would have to be amended and, where appropriate, improved, for example by providing for the possibility to convene emergency meetings by a major-

38. Bertoincini Yves and Vitorino António, “Reforming Europe’s governance”, *Studies & Reports No. 105*, Jacques Delors Institute, September 2014, p. 68. Bertoincini Yves, “The parliaments of the EU and the governance of the EMU”, *Tribune*, Jacques Delors Institute, April 2013. Bertoincini, Enderlein, Fernandes, Haas and Rubio, op. cit., 2015, pp. 9-11.

39. During his 2015 speech on the State of the Union (9 September 2015), President Juncker declared: “The European Parliament is and must remain the Parliament of the euro area. And the European Parliament, in its role as co-legislator, will be in charge of deciding on the new initiatives the Commission will propose in the months to come to deepen our Economic and Monetary Union.”

40. Fabbrini Federico, *Economic Governance in Europe: Comparative Paradoxes, Constitutional Challenges*. Oxford University Press, 2016, p. 213.

41. This was also the option advocated by the report of the Committee on Constitutional Affairs “on the constitutional problems of multilevel governance in the European Union” of 15 November 2013 (para 29 to 31).

42. See also Bertoincini and Vitorino, 2014, op. cit., p. 69-70. Bertoincini, Enderlein, Fernandes, Haas and Rubio, 2015, op. cit., pp. 9-11. Enderlein Henrik, Haas Jörg, *Structural policies for growth and jobs: best practices, benchmarking and the role of the Eurogroup*, In-depth analysis provided in advance of the Economic Dialogue with the President of the Eurogroup, European Parliament Directorate-General for Internal Policies – Economic Governance Support Unit, September 2016.

43. Enderlein Henrik, Letta Enrico et al., *Repair and Prepare: Growth and the Euro after Brexit*, op.cit., p. 14.

44. See Fromage Diane, “European Economic Governance and Parliamentary Involvement: Some Shortcomings of the Article 13 Conference and a Solution”, *Les Cahiers européens de Sciences Po*, No. 01/2016, p. 14, developing in particular the idea of a meeting in a Eurozone format the day before or after the conference.

ity of three quarters. An innovation that could eventually bring together this strengthened conference ahead of the launch of new financial assistance programmes under the ESM.

In its most institutionalized version, this “inter-parliamentary conference 2.0” could, if the TSCG and the Treaty Establishing the ESM are amended accordingly, eventually be granted an autonomous decision-making capacity. Established permanently, it could then, if parliamentarians were given the mandate of their respective assemblies, contribute to the decision making before a financial assistance programme.⁴⁵ Such a solution would, however, require to match the scope of the TSCG with the ESM.

” THIS NON-PERMANENT
ASSEMBLY WOULD MEET IN
TWO FORMATS”

The second option requires at least an inter-institutional agreement⁴⁶ to create a “Eurozone Assembly”, comprised of national and European parliamentarians, with their respective strengths to be defined. This non-permanent assembly would meet in two formats: in “scrutiny committees” dealing with specific issues in economic governance (euro area recommendation, monitoring ESM activities; implementation of CSRs, etc.) and working as much as possible as networks; and meeting in plenary twice a year, ahead of the European Council meetings in December and June, with the task to adopt the work of each committee. Membership in the Assembly would of course

depend on each parliament but, once selected, the members would be elected into the different committees on the basis of their expertise and competence alone, which would break the national logic that has been so detrimental to inter-parliamentary initiatives until today. Within the different committees, the working methods would be identical to those found in most parliamentary institutions: possibilities to conduct enquiries, hearings, write reports, etc. Naturally, the collective work of this new entity would require additional resources, including through a dedicated secretariat that should be established in the framework of the constitutive inter-institutional agreement.

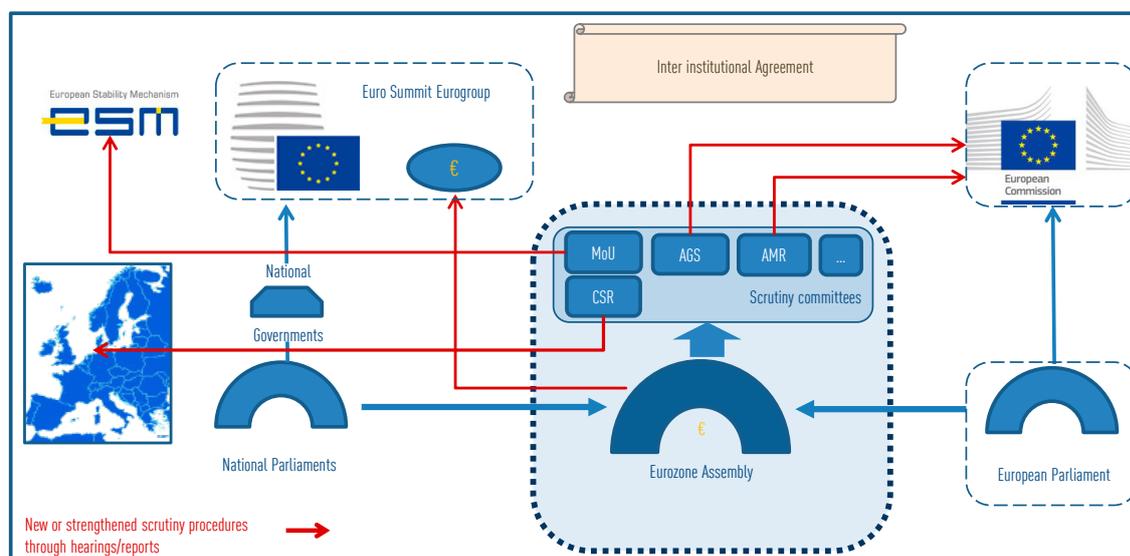
This option could, once again, in a more institutionalized version, eventually include competences related to specific question of the granting and the implementation of financial assistance programmes. Thus, the scrutiny committee in charge of the follow-up activities of the ESM (e.g. MoUs) could be granted decision-making power, subject to modifications of the ESM treaty.⁴⁷

45. Enderlein Henrik, Letta Enrico et al., *Repair and Prepare: Growth and the Euro after Brexit*, op.cit., p. 22.

46. The creation of such an Assembly is a decision of each of the participating entities; it is useful to recall in this regard that COSAC was created in 1989 by simple conclusions of the Conference of Speakers of Parliament. It is also important to recall that article 9 of the protocol 1 annexed to the Treaties provides that “The European Parliament and national Parliaments shall together determine the organisation and promotion of effective and regular inter-parliamentary cooperation within the Union”. Finally, given that this Assembly would not have any legislative powers, a change of legal bases does not appear indispensable. However, since this Assembly would interact with EU institutions, it seems inevitable that the relationships are governed by a dedicated inter-institutional agreement following Article 295 TFEU.

47. Enderlein Henrik, Letta Enrico et al., *Repair and Prepare: Growth and the Euro after Brexit*, op. cit., pp. 24-25.

FIGURE 2 ▶ A thought experiment: How to organise a Eurozone Assembly? Internal functioning and scrutiny relationships



Source: Valentin Kreiling and Morgan Larhant, own elaboration.

Finally, the third option is that of a “Parliament of the Eurozone”, a new institution that would have a permanent seat. Inter-parliamentary cooperation would no longer simply lead to a better exchange of information and a more structured debate, but the expression of a deliberative process. This option would require a stronger legal basis, either in the form of a revision of the Treaties of the Union or within an intergovernmental framework.⁴⁸ Such a step forward could happen later in the reform process, as suggested by the report of H. Enderlein, E. Letta, et al.⁴⁹

” THIS IS AN OPTION THAT IS DIFFICULT TO IMPLEMENT FROM A LEGAL AND INSTITUTIONAL POINT OF VIEW”

Many questions linked to a new parliamentary institution would arise: which delegate selection rules, what distribution among Member States, what competences? etc. Others, such as the issue of dual membership in this institution and the national parliaments or European Parliament would probably require revising the internal rules of these institutions. This is thus an option that is difficult to implement from a legal and institutional point of view; it would only make sense as part of a more comprehensive overhaul of the EU’s entire economic and financial governance, eventually leading to a federal-style architecture. Such an architecture could include, as has already been proposed, a minister of finance for the euro area and a European Monetary Fund.⁵⁰

48. See Piris Jean Claude, *The Future of Europe. Towards a Two-Speed EU?* Cambridge University Press 2012, pp. 127-130, proposing “a parliamentary organ different from the European Parliament”.

49. Enderlein Henrik, Letta Enrico et al., *Repair and Prepare: Growth and the Euro after Brexit*, op. cit., p. 35.

50. Enderlein Henrik and Haas Jörg, 2015, op. cit.

CONCLUSION

To sum up, **it is probably useful to recall the main findings and recommendations.** First, the very specific governance of the EMU, characterized by a high degree of decentralization makes national parliaments an essential linchpin for the functioning of the Union. Alas, the asymmetry observed in the involvement of each of them and, in parallel, the limited powers devolved to the European Parliament lead to a flawed parliamentary dimension. Second, the strengthening of the parliamentary component could address some of the weaknesses in the set-up of the EMU: weak ownership of rules by actors; the need for better coordination between Member States as well as for a politicization of the issues in order to make collective choices and not simply apply rules. This strengthening, and that is the third conclusion, will require establishing a specific inter-parliamentary channel for the Eurozone, as both national parliaments on their own and the European Parliament are limited in their ability to be involved. Finally, depending on the level of institutional ambition, at least three options for a parliamentary strengthening are conceivable; the intermediate option, a Eurozone Assembly seems to respond best to the immediate challenges, while avoiding excessive legal hurdles.

Naturally, this institutional response would not solve all the problems from which the EMU still suffers. It would further complicate the European institutional mechanics, making it unattractive at a time when some are quick to propose radical or even simplistic solutions. But by strengthening national ownership of European decisions and politicizing them, this proposal could help to bridge the gap of understanding and comprehension related to economic issues in the Euro area which is too often observed between the European level and the national level.

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Hertie School of Governance

Pariser Platz 6, D - 10117 Berlin
19 rue de Milan, F - 75009 Paris
office@delorsinstitut.de
www.delorsinstitut.de

