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European Newsletter

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Note from the editor

This bi-monthly newsletter monitors and analyses institutional and political developments in the European Union, with a particular interest in any developments relevant to the future of the European Constitutional Treaty. It will regularly feature contributions from expert commentators on current European issues, providing a platform for differing opinions. Views expressed are those of the authors and are not necessarily shared by the Federal Trust. Back issues are available at http://www.fedtrust.co.uk/european_newsletter.

Contents

1. Editorial, <i>Brendan Donnelly</i>	1
2. The European Parliament and European Politics, <i>Nick Clegg MP</i>	2
3. The developing status of the European Political Parties, <i>Stephen Day and Jo Shaw</i>	3
4. Conference report: The European Parliament and the European Political Space	5
5. News from the Federal Trust	5

1. Editorial

Over the past five years, the attitudes of the British public and government towards the European Union have been significantly affected by two new factors, Britain's continuing position outside the Eurozone and the rejection of the European Constitutional Treaty in the French and Dutch referendums of 2005. It is now considerably more difficult than it was five years ago to imagine the United Kingdom's participation in substantial new initiatives for the deepening of European integration, particularly if any such initiatives are sufficiently politically controversial to require endorsement through a referendum.

When the United Kingdom remained outside the European single currency in the late 1990s, there were many in the rest of the Eurozone and some at least in the United Kingdom who believed that it was only a matter of time before this position became politically and economically unsustainable. Such a development would correspond to the familiar pattern of Britain's European policy, whereby initial opposition to new European projects is in the medium term replaced by acceptance in face of their successful realisation. This pattern, however, has emphatically been broken in the case of the euro. Britain is today further from joining the euro than it appeared to be in 1997. Its economic performance outside the Eurozone has not noticeably suffered and indeed has been superior to that of some large countries that have adopted the single currency. When Britain joined the European Community in 1973, an important reason why it did so was the expected economic benefits from membership. While few in the United Kingdom would today dispute the likely economic disruption which

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The Federal Trust for Education and Research

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...is a think tank that studies the interactions between regional, national, European and global levels of government.

Founded in 1945 on the initiative of Sir William Beveridge, it has long made a powerful contribution to the study of federalism and federal systems.

leaving the Union would cause the British economy, Britain's apparent ability to succeed economically until now outside the Eurozone has changed the political context in which the United Kingdom will judge the attractiveness or otherwise of any future proposals for the deepening of European economic and political integration.

A parallel process has occurred in regard to the European Constitutional Treaty. Two years ago, most ministers of the British government believed that a British referendum on the Treaty could and would be won if Britain were the last to vote on a text endorsed by all twenty four other member states of the Union. One year ago, most ministers feared that even if Britain were the twenty fifth country to vote on the text, it would be impossible to achieve a positive vote from the British electorate, so effectively had opposition against it been mobilised. It therefore came as an enormous relief to the British government when negative verdicts were returned in the French and Dutch referendums. Not merely was the British government spared a probable humiliation in the eventual British referendum. It appeared that its own lack of enthusiasm for any institutional reform in the European Union beyond the purely technical was shared by national electorates in France and the Netherlands. Those advocating in the United Kingdom British participation in new initiatives for the deepening of economic and political integration have often based their argument upon the supposed dangers of British 'isolation' within the European Union. Britain's ability to succeed economically outside the Eurozone (at least until now) and the grave doubts which now exist over the future of the European Constitutional Treaty have greatly weakened the force of such rhetoric.

Whatever the intrinsic merits of the Constitutional Treaty (and they do exist, although not in sufficient quantity and quality to justify the text's 'constitutional' aspirations), the British government is not wrong in its analysis that the Treaty is dead beyond resuscitation. Desperate and implausible speculation exists about a possible second French referendum on part of the Treaty, with the rest of it being subject to parliamentary ratification.

Even if such a transparent manoeuvre were successful, it would need to be followed by successful referendums in at least the Netherlands, Denmark, Poland, the Czech Republic, Portugal, Ireland and the United Kingdom. It is almost inconceivable that such a concatenation can be achieved. At least one of the countries mentioned would be likely to imitate the example of the French and Dutch voters to express disquiet over enlargement, globalisation, domestic politics or the European Union generally, all the mixture of varied factors which formed the background to the rejection of the Treaty in the referendums of mid-2005.

Does the death of the Constitutional Treaty imply the indefinite postponement of any further progress upon European political and economic integration? Emphatically not. Governments should now consider how to implement those useful elements of the Treaty which can be salvaged without formal treaty amendment, notably elements of the package on foreign affairs, transparency in the Council, the election of the President of the European Commission and the role of national parliaments. None of these were controversial issues during the Dutch and French referendums. It seems perverse now to continue with the probably futile ratification process for the Constitutional Treaty rather than to start asking if its new and significant proposals cannot be realised more simply. Equally, national governments should make better use of the existing mechanisms of integration contained in the present treaties, particularly in the sphere of Justice and Home Affairs and the development of the Eurozone's economic governance. In both these areas, the British veto on the integrative progress is either limited or non-existent. Britain, moreover, may well be willing to play a constructive role in the development of new policies within existing structures, such as European energy and defence policies.

The British government is probably right to conclude that the danger of its being confronted in the near or medium term with a European constitutional reform to which all its twenty-four partners are absolutely committed is almost non-existent. It also fears less than it used the

possible emergence of a 'core Europe', reasoning plausibly that the political and economic preconditions for any such development are not currently available. In short, the fear of isolation within the (enlarged) European Union is no longer a motivating factor in British European policy. This change has not been fully appreciated by all Britain's European partners. Whether a realised 'core Europe' or a more politically developed Eurozone will create in future the reality of painful British isolation in the Union is a question for the next generation of continental European leaders. What Britain's reaction to this isolation might be will be a question for Mr. Blair's successors.

Brendan Donnelly
The Federal Trust

2. The European Parliament and European Politics

The European Parliament is sitting on the dividing line in one of the greatest dilemmas in contemporary politics. This dilemma is the mismatch between the resilience of national political loyalties and the reality of supranational integration and supranational political challenges such as migration, the environment, and new and emerging security threats. There is clearly a democratic deficit in our globalised world. The essential question is how to reconcile the persistent web of loyalties that ties electorates to their national institutions with the fact that voters' national representatives cannot deliver on the expectations invested in them. In this respect, the EU has to be seen as a means of giving states back some of the power lost through the process of globalisation.

The European Parliament represents a radical vision: it is the most bold and imaginative bid yet to establish supranational democracy. It remains a remarkable and indeed revolutionary attempt to bridge the gap between the electorate and supranational forces. However, it is necessary to ask whether the EP has succeeded in fulfilling its

promise. The answer has to be partly positive but mainly negative. The EP has been successful to the extent that it operates as a sophisticated and highly professional legislative chamber. Starting from rudimentary beginnings, it has managed to insert itself into the EU's complex legislative processes. On the whole, and despite the many negative stereotypes, any judgement on the EP's legislative work has to be positive, both in terms of its legislative professionalism and its political maturity. For lawmakers, the EP is perhaps second only to the US Congress in its reach and in the effect of its legislation.

However, the EP has not yet mustered enough political legitimacy to act as an authentic 'voice' of the people. There is ample evidence of this: turnout at European elections is low, especially when compared to national elections; citizens lack even basic familiarity with the workings of the EP; and MEPs suffer from low popular resonance. In essence, the EP does things the electorate is not aware of, does not care about and does not understand. Although this applies to varying degrees to national parliaments too, there is a persistent perception and reality that MEPs are political afterthoughts.

From my own personal experience, I know that the EP's extremely large and diverse constituencies are a hindrance to building a close relationship between MEPs and their voters. For example, my constituency as an MEP was the same size as Denmark and included within it great social and economic differences. However, as the EP has to be manageably small, it would be difficult to reduce the size of its constituencies. Now, as an MP, I feel much more accountable to my electors: to me, it seems that there are now real consequences to my actions as a representative.

The EP has not used the opportunity to show us how to create a meaningful parliamentary bridge between voters and supranational governance.. Indeed, precisely as challenges are becoming more supranational, loyalties in Europe seem to be becoming more national and parochial.

The EP, then, has succeeded as a legislative body but not as an

accountable and legitimate political institution. As a result, it remains a crucial task to reduce the EP's democratic deficit. However, conventional institutional innovations such as pan-European parties and incremental changes in the powers of the EP miss the point. Such innovations would be important in Brussels but not for voters across Europe: they may make sense institutionally but have little political resonance.

Instead, the relationship between the EU and national parliaments and elites has to change fundamentally. Politicians and journalists in each member state have to improve their perception and presentation of the EU. It is simply not possible to change the EU's image from Brussels because European institutions are dependent on the way they are refracted and interpreted by national media elites.

What kinds of innovation are then needed? The following suggestions may be useful starting points. First, there should be more frequent 'traffic' between MPs and MEPs. It should be a common occurrence for MPs to become MEPs and vice versa. Second, national parliaments need to be systematically involved in EU affairs. The 'early warning system' contained in the Constitutional Treaty was a good first step towards including national parliaments in EU law-making. Third, the Commission should reform the way it presents its annual legislative programme in order to stimulate political debate and create ideological conflict.

With the French rejection of the Constitutional Treaty, the UK has missed out on the opportunity of holding its own vote on the document. I believe that a referendum could have had a positive impact on the European debate in the UK as it would have forced Tony Blair and others to stop fence-sitting and work hard to defeat the Eurosceptic media. Since we will not now be forced to have this debate, we will have to find different ways of making the case for Europe.

Nick Clegg MP

This is an abridged account of a speech held on 30 March at the Federal Trust conference on 'The European Parliament and the European Political Space'.

3. The developing status of the European Political Parties

Introducing the Euro-parties

Composed of national member-parties that stretch across and beyond the borders of the European Union the European Political Parties (Euro-parties) have been described as 'parties of parties'. Such a label has done little to clarify whether they are simply a vehicle for their national member parties or political entities in their own right.

Developments post-2004 stem from the second paragraph of Article 191 of the EC Treaty which reads:

'Political parties at European level are important as a factor for integration within the Union. They contribute to forming a European awareness and to expressing the political will of the citizens of the Union.

The Council, acting in accordance with the procedure referred to in Article 251, shall lay down the regulations governing political parties at European level and in particular the rules governing their funding.'

This finally seems to offer a real chance for the Euro-parties to establish themselves as key political actors. By cutting the umbilical linkage that they shared with their corresponding European Parliamentary Groups, necessitating their physical relocation outside of the European Parliament and introducing a funding regime, the 2004 Regulation on the funding of European Political Parties has opened up a plethora of possibilities. This has brought with it a new sense of self-assurance and optimism.¹ What remains to be seen is whether such optimism is justified or misplaced.

The Impact of the 2004 Party Regulation

The most visible impact of the Party Regulation has been a subsequent proliferation of newly formed Euro-parties. By the spring of 2006 *ten* Euro-parties spanning the political spectrum had received official recognition and were in line to receive funding. These parties can be divided into two general groups. First, there are those responsible for bringing about the Regulation:

The *European People's Party* (Christian democratic/centre right grouping) (EPP);

The *Party of European Socialists* (social democratic grouping) (PES);

The *European Liberal Democratic and Reform Party* (liberals and allied) (ELDR);

The *European Federation of Green Parties/European Green Party* (EFGP);

The *Democratic Party of the Peoples of Europe-European Free Alliance* (grouping of ethno-regionalist and -nationalist parties, mainly of a social democratic or liberal orientation) (DPPE-EFA or just EFA).

Then there are those that emerged in the wake of the Regulation and the funding possibilities it provides:²

The *European Democratic Party*, a centrist pro-European integration grouping which is part of the Group of the Alliance of Liberals and Democrats for Europe (ALDE) (EDP);

The *Alliance for a Europe of Nations*, based on the European Parliament Group Union for a Europe of Nations (UEN), which is a populist, nationalist and mainly eurosceptic grouping of parties which are generally socially conservative in nature (AEN);

The *European Left Party*, based on elements of the European Parliament Group Nordic Green Left/European Left (GUE) which is a far left grouping bringing together a number of communist, socialist and red-green parties (EL);

EU Democrats, a euro-sceptic grouping bringing together some of the left-oriented members of the current Independence/Democracy Group in the European Parliament, and a number of MEPs who are currently unattached (EUD);

Alliance des Démocrates Indépendants en Europe emanating from the above group but representing those with a rightist-orientation.

Another consequence of the Regulation has been an opportunity to undertake a period of self-reflection as well as engage in a re-branding/re-launch exercise. In terms of the former this has opened the door to a wide ranging debate that is touching upon intra-party organizational/statutory reform as well as ideological development. In relation to the latter this has included new party logos, improved websites and a desire to achieve greater visibility.

Thinking the future? Developing a *value-added*

If the Euro-parties are to develop as entities in their own right they will need to overcome a prevailing fear amongst their national member parties that any increase in their power will result in a corresponding loss of sovereignty. If they are to succeed in such an endeavour then they will need to display a capacity to provide a *value-added*.

Providing coherent policy ideas. Can they play a greater role in the European policy-making process? Could the establishment of party political European think-tanks provide the necessary momentum?

Democracy promotion. Building upon their decade-long experience with regime change in Central and Eastern Europe they need to showcase their expertise when it comes to the Balkans and former Yugoslavia.

Generating copy in the European media. March 2006, for example, saw a scattering of headlines as the EPP held talks with the Pope concerning the importance of Christian values for Europe; the ELDR celebrated its 30th anniversary (as did the EPP) and the PES held a leaders meeting in Prague that was seen as a boost to the local Social Democrats in the run-up to parliamentary elections. Is it possible to sustain a constant flow of copy?

Connecting with rank and file national party members and European citizens.

How can the Euro-parties act as linkage mechanism/transmission belt between these two groups and the European institutions? What participatory opportunities can they provide, not least as part of the Plan D for Democracy initiative?³

Helping to forge a European political discourse. Ensuring that national member parties highlight the European dimension associated with policy-making.

Within such a framework the role and steering capability of the Euro-party leaders and General Secretaries will be critical.

Concluding Remarks

In light of the above are the Euro-parties right to feel optimistic about the future? The answer is probably a mixed bag. On the one hand it is certainly the case that many favourable conditions in relation to their future development are now in place. Many of the unintended consequences of the Party Regulation, which led one official who was delighted with the general outcome, to describe the situation as a 'bit Kafka-esque', are in the process of being ironed out.⁴ There has also been persistent talk (post-Laeken) of introducing Euro-wide constituencies for the 2009 European Parliament elections and introducing an American-style election for Commission president, both of which are viewed as a way of facilitating Euro-party development.

On the other hand the extent of political will on the part of national member parties remains the biggest uncertainty. It is still unclear, for example, if national member parties truly believe in the role, significance and purpose of a Euro-party. Of course, all future possibilities are likely to be resource-dependent. The European Left Party and the European Free Alliance, for example, only have a staff of two and even the much larger PES has to operate with only fifteen employees. Thus whatever the future holds it is important not to expect too much too soon.

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Our interest in the Euro-parties began with an ESRC-funded project entitled the Constitutionalisation of Transnational Political Parties. The financial assistance of the ESRC (Grant Number: R000223449) is gratefully acknowledged. We are presently completing a monograph provisionally entitled The European Political Parties for Hart Publishing.

¹This was very much apparent during a series of interviews conducted in February 2006.

² There is a possibility that 2006-7 will witness the formation of a new European Conservative Party emerging out of the UK Conservatives attempts to create a new European Parliamentary Group.

³ For more on this see http://europa.eu.int/debateeurope/index_en.htm.

⁴ See Leinen Report on European political parties (2005/2224(INI), A6-0042/2006, 27 February 2006. The report was subsequently adopted by the European Parliament on March 23. There were 498 votes in favour, 95 against, and 7 abstentions.

European People's Party
 Party of European Socialists
 European Liberal and Democratic Reform Party
 European Federation of Green Parties
 European Free Alliance
 European Democratic Party
 Alliance for a Europe of Nations
 European Left Party
 EU Democrats

4. Conference report: The European Parliament and the European Political Space *Goodenough College, 30 March*

The Federal Trust is joint team leader, with the German Institute of International and Security Affairs (SWP), Berlin, of a research programme on the European Parliament and European Politics, funded by the European Commission through EU-Consent network (www.eu-consent.net). On 30 March, the team's first conference (held with additional sponsorship from UACES) examined the role of the European Parliament as part of the broader EU political system, paying particular attention to the effects of Enlargement. With over 60 delegates and 12 speakers from across Europe, the conference was well-attended, varied and lively.

The keynote speech saw former Liberal Democrat MEP and current Home Affairs spokesman Nick Clegg MP address the EP's failed promise in fulfilling its mission to reduce Europe's democratic deficit. His forthright opinions stimulated an animated debate, provoking criticism and agreement in equal measure. His speech is reprinted in abridged form in this newsletter.

The following sessions examined more specific aspects of politics in the EP. In the first panel, Simon Hix (LSE), stressing the partisan nature of EP politics, examined parliamentary voting behaviour since Enlargement, while Pierpaolo Settembri (EIPA, Maastricht) presented a more consensual view of politics inside the EP by looking at votes in parliamentary committees.

The second panel considered the EP's relations with other European and

national institutions. Andreas Maurer and Daniela Kietz (SWP Berlin) showed how the EP can influence treaty reform by the means of interinstitutional agreements, while Brendan Donnelly, Director of The Federal Trust, presented a sceptical view of the possible role national parliaments can play in legitimising and democratising European governance.

The final session examined the first experiences and the impact of MEPs from the new member states on the EP. Tim Bale and Paul Taggart of Sussex University presented their research project into the roles adopted by first-time MEPs, while Melchior Szczepanik (Loughborough) looked at how the new MEPs, in particular from Poland, adapted to the new environment and whether they have had an impact on the politics of the Parliament. Finally, Richard Whitaker (Leicester) considered whether committee assignments in the EP have changed since Enlargement.

This was the first in a series of Consent-sponsored workshops to be organised by the Federal Trust (with SWP Berlin) over the next years.

For more information please visit www.fedtrust.co.uk/europeanparliament, where you can also download the following conference papers:

Simon Hix/Abdul Noury, 'After Enlargement: Voting Behaviour in the Sixth European Parliament'

Pierpaolo Settembri, 'Is the European Parliament competitive or consensual - and why bother?'

Andreas Maurer/Daniela Kietz, 'The European Parliament in Treaty Reform: Predefining IGCs through Interinstitutional Agreements'

Tim Bale/Paul Taggart, 'The newest of the new? Accession state MEPs: who they are and who they think they are'

Melchior Szczepanik, 'The European Parliament after enlargement: any different?'

Richard Whitaker, 'New kids on the Brussels block: committee assignments in the European Parliament before and after enlargement'

5. News from the Federal Trust

Working Group on 'The Governance of the Euro: Determining a viable economic and political framework for the Eurozone'

The Federal Trust has convened a high-level Working Group on the Governance of the Eurozone, considering the key strategic issues that will impact on the governance of the single European currency in the future. It is chaired by Sir Stephen Wall, Former European Advisor to Tony Blair.

The following papers have formed the basis of the discussions of the Working Group:

Guy Verhofstadt and the 'United States of Europe': The Eurozone as a new core Europe?

Economic Choices for a Reformed Eurozone

An Economic Government for the Eurozone

Micro- and Macro-Reforms: two sides of the same euro

These papers and further details about the project are available at www.fedtrust.co.uk/eurozone.

Working Group on 'Democracy, Legitimacy and Accountability in the EU'

The Federal Trust is currently convening a broadly-based Working Group to examine how to improve the democracy, legitimacy and accountability of the European Union in light of the failure of the EU Constitution. The Group is chaired by Professor Vernon Bogdanor, Brasenose College, Oxford University. The Working Group will present a final report in early 2007.

The Federal Trust is producing a series of papers as a basis for discussion among the Group. The following two papers have been published so far:

The EU and its voters: Connecting to citizens via democracy, legitimacy and accountability

Voting for Europe: Citizens, Elections and Referendums

To download these papers or to find out more about this Working Group, please visit www.fedtrust.co.uk/democracy.

The Future of European Foreign Policy - Governance Structures and Institutional Frameworks

The Federal Trust has embarked on a joint project with the European Research Forum at London Metropolitan University considering the evolution of European foreign policy. The research has focused on three thematic areas of the governance of CFSP:

- the **European Diplomatic Service**,
- the **EU Foreign Minister** and
- the **European Security and Defence Policy**.

Policy Briefs on each of these topics can be downloaded at www.fedtrust.co.uk/policybriefs.

Seminar Series with Chatham House

All seminars take place at 6 pm at Chatham House, St. James' Square. To register for these events please contact Jonathan Church, jonathan.church@fedtrust.co.uk.

The following seminars are planned for the coming months:

Tuesday, 6 June: Democracy, Identity, Legitimacy: Three sides of the same euro?

Tuesday, 4 July: An energy policy for the EU: Gas, wind or reality?

New Policy Briefs

All Policy Briefs are available for download at www.fedtrust.co.uk/policybriefs.

Policy Brief 24: The US Deficit, the EU Surplus and the World Economy

George Irvin and Alex Izurieta

This Policy Brief argues that the long US consumer boom is unsustainable, but that its cure cannot be left to the market. Instead, a package of co-ordinated policy measures is needed. The main elements of such a package are managed revaluation of the major non-dollar currencies and, crucially, the reflation of the EU economy.

Policy Brief 25: To leave or not to leave? The Conservatives and the European People's Party in the European Parliament

Markus Wagner

This Policy Brief assesses the choices available to the Conservative Party if it decides to end its association with the European People's Party in the European Parliament. It considers in particular the effects of such a move on the legislative influence and the organisational power of the Conservatives in the EP. The Brief also examines the availability of attractive alternative arrangements. The Policy Brief concludes that it will be difficult for the Conservatives to establish a new EP Party Group that it can present as modern and forward-looking.

Policy Brief 26: The European Security and Defence Policy

Jeannette Ladzik

This Policy Brief examines the development of the European Security and Defence Policy and assesses its successes and shortcomings. It considers in particular the EU's Rapid Reaction Force, the new battlegroup concept and the development of civilian capabilities. Despite real achievements in achieving a common defence policy, this Policy Brief argues that there are still some important problems that remain.

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