“The Future of European Integration”

address by

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Introduction

It is a great privilege to address this plenary meeting of COSAC being held here in Dublin during the Irish Presidency.

As a former parliamentarian I am particularly pleased to join in your debate on "The Future of European Integration" and I do so as the Chairman of the Institute of International and European Affairs, which is a Dublin based think-tank established twenty two years ago.

Referendum Country

Let me start by explaining the origins of the Institute**.**

First of all, Ireland has a written constitution which, for a combination of political and legal reasons, has to be be amended before the Irish parliament can ratify a European treaty.

But amendments to the constitution can only be made by the people in a referendum - not the parliament- and we have already had such nine referenda, the first in 1972 on our accession to the EEC and the latest on the Fiscal Compact.

The practical effect of this requirement is that the electorate is called upon periodically to decide whether or not Ireland should remain a member of the European Union.

It became obvious after the Single European Act that other European treaties would follow and that each would necessitate a referendum; that was the reason the Institute was established. I should say that it is independent and widely representative.

The aim is to facilitate informed debate in Ireland on our membership of the EU and this is done by providing ongoing analysis of European developments and by assessing the implications of proposed changes to the Treaties.

In pursuit of this aim, the Institute has published economic and political analysis of new treaties, starting with the Maastricht Treaty , and of developments and trends in the integration process itself, such as the current moves to create a banking union.

In doing so, we have developed a considerable expertise in the integration process and from time to time we are invited to appear as expert witnesses before the Joint Oireachtas Committee on European Affairs.

I suppose one the characteristics of a think tank is that it focusses on the future by developing scenarios and we are presently doing that in a major project on the "Future of Ireland in Europe" which is focussed on the prospective Banking Union and on parallel developments in Economic and Fiscal Union.

As this process may lead to a Political Union we are also sketching out what this might mean in practice and as part of this exercise we reassessing the democratic

principles on which the EU is founded and addressing the future role of Europe in the world.

Europe as a Process

My contribution here today on "The Future of European Integration" is consequently built on this work and starts with the observation that the European Union is constantly under construction, as Jean Monnet stresses in the very last paragraph of his Memoirs.

Perhaps the best description of the integration process is that of Andrew Shonfield who described it in a series of lectures in 1972 as a "Journey to an Unknown Destination".

"Journey" conveys a sense of movement and "an unknown destination" suggests that there is no preordained blueprint. There isn't: Europe evolves out of the concrete necessity for our countries to act together in order to solve common problems.

We conduct our analysis on the premiss that common solutions will be constructed by the member states voluntarily sharing sovereignty in carefully specified areas of policy in accordance with agreed procedures established by law.

This is an important insight because shared sovereignty is in contrast to intergovernmentalism and is unique in the conduct of international relations. It calls for a different way of thinking and a new form of analysis.

Franco-German Project

I should also say that we regard the rapprochement between France and Germany as the rationale for the European Union and basis on which the project is built.

It is primarily driven by Franco-German leadership, as we are reminded by recent developments, and while other countries have a role to play they are not as central to the process as France and Germany.

Three Vectors

Now for our views on the future of European integration**.**

If it is seen as a process in which sovereignty is being progressively shared on a voluntary basis by countries which elect to do so then its evolution can be predicted in accordance with three separate but inter-related vectors:

an enlarging membership,
an expanding agenda, and
a deepening interdependence.

Membership

The thrust of the first vector is consistent: membership constantly increases and it has gone form six to twenty-seven, soon to be twenty-eight, in a series of six, soon to be seven, enlargements. Clearly, there will be more new member states, beginning with the Balkans.

There may be additional members from the "near neighbourhood" and there could eventually be more new members from the "mature democracies", such as Norway or Iceland.

In the light of this dynamic, it would be reasonable to assume that over the next twenty years or so the Union will expand to between thirty and thirty-five member states.

This will add to the economic weight and political significance of Europe but it will also add to the complexity of the decision-making process and increase the difficulty of arriving at consensus.

As a result, widening the membership sets up its own dynamic for change in the management of the Union.

It also has an effect on the way member states relate to each other and to their range of common interests.

Expanding Agenda

The second vector is the ever expanding policy agenda.

The European project has moved progressively from a coal and steel community to a common market covering trade, then in a major leap to an internal market covering all the factors of production, from which came a monetary union with a single currency, which, in turn, is has given rise to an economic union and to the need for a banking union, to be followed, as seems probable, by some form of political union.

In addition, complex challenges, like climate change, have expanded the economic policy agenda.

The evolution of a common foreign and security policy, as well as the need for common positions on international trade and issues like climate change, have given the agenda an international dimension, which is growing in importance in view of changed relations in global affairs.

Deepening Interdependence

The third vector is the deepening of interdependence through changes in the decision making system and the institutional architecture of the Union.

Changes in decision making in the Council have been characterised by continuous movement away from unanimity towards majority voting; in other words, by the progressive abandonment of the veto.

This process has been going on for sixty years but still has along way to go, as recent developments confirm and as current developments suggest.

Institutional Architecture

But deepening the integration process also involves changes in what the Institute calls the "institutional architecture" of the Union.

The Rome Treaty created just two decision-making institutions so that decision-making essentially consisted of a dialogue between the Commission and the Council of Ministers.

That dialogue was slowly turned into a trilogue through a gradual but conscious policy to turn the European Parliament into a co-legislator with the Council.

But since the Lisbon Treaty the European Council, consisting of the Heads of State and Government, has also become an official institution, so that the decision-making system is now best described as a quadrangular one.

The Eurozone

The institutional architecture has been made even more complicated by the emergence of the Eurozone which, de facto, has become the core of the Union.

The proposal by Chancellor Merkel and President Hollande to establish a permanent President of the Eurozone Finance Ministers confirms that the institutional architecture is a long way from being settled.

The two leaders went further by proposing the creation of a Eurozone grouping within the European Parliament in parallel with the Eurozone Finance Ministers.

There is already a Eurozone "European Council" so the future configuration of the Union is becoming clear before our eyes.

Variability

So the first conclusion about the future is the integration process will continue to widen the membership, expand the policy agenda and deepen interdependence.

But life is not so orderly as this formula suggests and in reality the future is not so easy to predict .

Future scenarios have to take account of the reality that member states differ in terms of economic capacity and political will.

This has given rise in the past, and will continue to give rise in the future, to the phenomenon of variable geometry. But it takes two forms because there is a fundamental difference between economic capacity and political will.

The first give rise to different speeds in accomplishing an objective.
While Member States may start at different times they are expected to reach a common destination at some point in the future. That's a standard feature of the integration process.

But differences in political will give rise to a separate phenomenon: that of different spheres of action. In this case, the member states are divided into two, or more, camps for an unknown period of time ahead.

In arriving at scenarios about the future it's important to stress that the Union has always lived with variable geometry; defence would have been the first example. The Schengen Agreement would be an example from middle phase of integration.

The euro, would be the most recent example of not only differences in economic capacity but also in political will.

The recognition that there could be insoluble differences in political will led to the creation of the enhanced cooperation procedure at the time of the Maastricht Treaty and it has been refined to the point whereby some member states can be authorized to move ahead with a new form of shared sovereignty, such as the impending Financial Transaction Tax.

It is no more than common sense to allow for the fact that member states differ in their capacity to meet economic objectives. This is not a problem for the future.

But it is clearly a separate issue where a member state has the economic capacity to act if it wishes but the political will to do so is absent; this is a problem for which there is no obvious solution.

The Eurozone

It presents a particular dilemma in respect of the euro.

As we know, seventeen member states have joined the euro and a further seven will join later when they have the economic capacity to do so.

On the other hand, Britain and Denmark secured legal opt-outs from membership and Sweden is exercising a de facto opt-out. These three countries have indicated that they don't wish to participate in the creation of a common currency as an adjunct to the internal market.

The problem is that creation of the euro has set up its own dynamic with the result that the integration process precedes among those who share the political will to share a common currency and to follow the logic of constructing a fully functioning monetary union.

That logic includes a banking union with unprecedented innovations in prospect, such as a single regulatory authority and a common bank resolution mechanism.

It has already led to the Heads of State and Government and the Finance Ministers of the Eurozone to meet apart from their non-eurozone counterparts simply because they have interests in common which they do not share with non participants.

This development was predictable and the division between the "ins" and the "outs" is likely to become more pronounced as the banking and economic unions are fleshed out and are followed by some form of fiscal union.

Core Europe

One scenario is that the Eurozone will become the de facto core of the European Union and will be endowed with its own institutions and decision making procedures from which Britain, Sweden and Denmark will be excluded.

The question is whether membership of the internal market but self-exclusion from the euro are compatible with each other or, indeed, are politically acceptable in respect of a Union to which all are theoretically committed to the same degree.

The proposal of Chancellor Merkel and President Hollande to divide the European Parliament in two, in effect to create a European Parliament for the Eurozone was always in the logic of the euro itself but has now taken on a dramatic reality which has t be factored in scenario building.

Discussions in the next European Parliament on separating the euro and non-euro MEPs will give some indication on what sort of Europe lies ahead.

Global Governance

The final scenario for consideration concerns the role of Europe in the World.
We all recognize that this century will be dominated by the rise of China and the threat to which we are subjected by Climate Change.

The European Union began as a project to manage the internal affairs of Europe. Of necessity, it was inward looking. When our Institute was formed we began with an agenda focused on the emergence of the single market, the evolution of the common agricultural policy and the emergence of the social and regional funds.

We called ourselves "The Institute of European Affairs".

Today, our agenda is as much focused on Climate Change, China, IT and cyber security as it is on banking union and the fiscal compact.

We have changed our name to "The Institute of International and European Affairs".

This change reflects the fact that the European Union has evolved into a project for managing the external relations of Europe in which the concentration will be on

global governance centered around climate change via the UN, international finance via the IMF and World Bank and trade via the WTO.

The integration process will have to take account of these new responsibilities and devise a governance system for Europe which will allow us Europeans to deal with the rest of the world in a coherent and consistent manner.

National Parliament

That will not be easy. It will almost certainly involve expanding the ambit of shared sovereignty.

That will create new problems in respect of national sovereignty.

One response could involve national parliaments. We know that the European Parliament had its remit expanded in step with the progressive movement away from the Veto towards majority voting. The Parliament became a co-legislator with the Council.

The direct election of MEPs was another development in compensating for the loss of the veto. It was entirely justified but it had the effect of severing the direct connection the European Parliament and the national parliaments from which the MEPs had previously been drawn.

Despite the innovations in the Lisbon Treaty, there is a still big gap between National Parliaments and the common European institutions. The European Parliament as presently constructed does not fill the gap.

There is a democratic deficit that needs to be resolved.

It would be worthwhile in these circumstances to consider the creation of a European Senate composed solely of members of national parliaments. A bi-cameral European Parliament would correspond to the Parliamentary system in most federations where the states or regions are represented in an Upper House.

It is a model that would bring great benefit in bringing Europe closer to the people and certainly to the national parliaments who feel somewhat disenfranchised by the current institutional architecture and decision making processes.

In order to play a real political role within Europe, the Senate would have to have the same legislative powers as the directly elected lower house.

This would add to the complexity of the institutional architecture, of course, but it's going to get more complex anyway. It would be better to put that trend to good use by re-enforcing the legitimacy of the European project in the eyes of European citizens and its national parliamentarians.

Conclusion

In conclusion, it can be said that the future of European integration will be an extension of the past in terms of membership, agenda and interdependence but that a break point may occur in the future when the Eurozone consists of all but a small number of member states.

The future will be different in so far as the Union will be as much concerned with external as internal affairs and will have to develop new systems and institutions to play a cohesive role on the world stage.

Democratic legitimacy will become an issue as the Union gets larger, more complex and more involved in national affairs. The closer involvement of national parliaments may be the best option for resolving the so-called democratic deficit.

We in the Institute have no scenario for the break-up of the Union or the implosion of the Eurozone.

On the contrary, we see the demands for a better system of global governance adding to the original "raison d'être" of the European Union.

Our scenarios suggest that for the foreseeable future, the process of European integration will continue along a well trodden path towards greater interdependence.

Ends.