

# AND NOW FOR SOMETHING COMPLETELY DIFFERENT



**A**fter an exhilarating seven year rollercoaster of debate, depression and details, January 2009 should finally see the EU's latest Treaty, signed in Lisbon on 13 December 2007, become law in the EU's 27 Member States. The hope of many is that obsessive discussion about the Treaty, and then enlargement, and then the Treaty again has now finally passed, and the focus in 2008 will be on what the EU is actually doing. Expect to hear a lot about the creation of an internal market for energy, more new Member States adopting the euro, the EU reducing mobile phone charges, more tentative steps toward a common (im)migration policy, the EU bringing down the world's greenhouse gas emissions, and Postman Pat going on strike as the EU tries to bring European postal services into the twentieth century.

This meat-and-potatoes stuff is a little boring. It is also a test. Citizens' lack of identification and engagement with the EU, together with the so-called democratic deficit, has long been seen as getting worse, to such an extent that it threatens the Union's very existence. Many EU-watchers say that the answer is for the EU to stop navel-gazing about institutional reform and focus more on what it actually does.

To a degree, Commission President Barroso agrees with this. In the latter half of his first term, which comes to an end mid-2009, Barroso has been steering the Commission more towards initiatives that affect the lives of ordinary people, and putting more emphasis on talking directly to European citizens. There is now a Commissioner for communication, who is a Commission Vice-President. Now that the Treaty is finished, this theory will be tested. There is even a clear yardstick: the June 2009 European Parliamentary elections. Despite the rising powers of the European Parliament, turnout at these elections has been steadily falling. One excuse for this in 2004 was that the new Member States had just voted in accession referendums and saw no need to vote again. There will be no excuses this time, and the EU is already working to push broadcasters to cover the event in a more pan-European way, rather than, until now, as a series of second-rate national elections.

This could gain momentum if the two rival blocs in Parliament, the Socialists and the centre-right European People's Party, could summon the courage to formally put up candidates to be Commission President, which the Member States would be more-or-less forced to accept if one party convincingly won. Barroso (EPP) already seems to be running, and there is talk of the emergence of a creditable Socialist candidate. Such a contest would give the elections a new edge.

The new Treaty of Lisbon, which now needs to be ratified by all 27 Member States, goes very much in this direction. A "Europe of results" suggests that the EU is already working hard and well enough even without it. However, the Treaty sharpens the tools the EU has, and makes them work better in an enlarged Union. It also simplifies things, meaning that European studies teachers up and down the continent can breathe a big sigh of relief that they will no longer need to explain what the three "pillars" are.

In essence, the Treaty streamlines somewhat the current institutional framework. The Commission shrinks, probably. From 2014, the number of Commissioners will be reduced from today's 27 to two-thirds of the number of Member States. The European Parliament too is reduced, from today's 785 members to 751. The Council doesn't shrink, but the voting weights that are the basis of most decisions (the "qualified majority" system) are altered, so that the biggest Member States, and in particular Germany, with its 80 million plus population, have more sway, from 2017.

The Treaty also brings to the stage one and a half new actors. The first is a fixed President for the European Council (the quarterly meetings of the Heads of State or Government, together with the Commission President). The aim is that the new President - Blair perhaps, or departing Danish Prime-Minister Rasmussen - will bring continuity to the forum and help it act more to set the broad direction of the Union.

However, it is European foreign policy that may well, in the long-term, be the signature feature of this Treaty. The other new actor is the supercharged foreign policy "High Representative", currently Javier Solana. The High Rep now becomes not only the new President's right hand man (or woman), but is also Commission Vice-President and chair of the monthly meetings of EU Foreign Ministers, and will have a new all-singing, all-dancing External Action Service at his disposal.

The other theme that the history books might eventually extrapolate from the conclusion of this seven year process is an inching forward of the euro area countries meshing together, as it becomes increasingly clear that the euro area is unlikely to exactly match the EU for the foreseeable future. This is not Verhofstadt's programme. Indeed, in broad terms, nothing in the area of monetary and economic policy changes.

However, the ECB is promoted to the full status of an institution, and, for the first time, the term "Eurosystem" is introduced, to clearly identify the ECB and those national central banks of Member States that have actually adopted the euro. Another first is talk of "unified representation" for the euro area on the international stage. The oddly spelt Euro Group (the monthly meeting of euro area finance ministers,

together with the ECB President), which in practice has become a central feature of the euro area's economic governance, is officially recognised, as is its fixed President, currently Jean-Claude Juncker.

For the euro area countries themselves, a new provision allows them to adopt new measures to strengthen budgetary discipline and set out new economic policy guidelines, should they wish to do so. As soon as the Treaty comes into force, decisions on euro area countries' non-compliance with current measures, such as the Excessive Deficit Procedure and the Broad Economic Policy Guidelines, will be taken only by euro area countries. Finally, before the EU27 decide whether a country can adopt the euro, the EA15 will make a politically-charged recommendation.

The Treaty then is incremental change, fine-tuning the EU's machinery for more efficient decision-making in an EU of 27. It includes potentially significant strides forward in foreign policy, and the contours of a creature called the

euro area become a bit sharper in the fog. The Treaty's test is whether it helps an EU anxious to show results to its citizens. In June 2009 they will have a chance to give a first verdict.

A full analysis of the changes introduced by the new Treaty, focusing on economic and monetary aspects, can be found in the December issue of the ECB Monthly Bulletin.



By Baron Frankal, DG-I