A EUROPEAN UNION *À LA CARTE*? REFLECTIONS ON STRUCTURAL ADMINISTRATIVE REFORMS AND ECONOMIC GOVERNANCE

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Abstract

Recent developments within the European Union have made scholars and politicians alike question the depth of the institutional reform processes conducted by the Treaty of Lisbon, to the extent that a new Intergovernmental Conference is likely to occur in the foreseeable future. Nevertheless, in the aftermath of the economic downturn, the Union has become endowed with numerous financial instruments meant to tackle the multiple facets of the crisis and its outcomes, whose analysis is paramount for the understanding of the degree of readiness the Community framework exhibits at this time, from a financial standpoint. In the light of the above, one questions the usefulness and feasibility of a possible return to the community method, which did yield considerable results in the previous steps of the integration process. Our study performs a scenario analysis of the hypothetical application of this method in the current context, set against the background of the pattern of multilevel governance that has resulted from recent evolutions. Special emphasis is placed on the specific mechanisms of the European Semester, which denotes a set of procedures and institutional endeavours assisting in the implementation of the latest multiannual agenda of the Union, namely Europe 2020. Structural and administrative reforms but also capacity building and competitive federalism emerge as potential facets of the broader Europe à la carte concept, itself lying at the core of this analysis.

Keywords: community method, multilevel governance, European Semester, capacity building, competitive federalism

Premises

Seven years after the coming into force of the Reform Treaty of Lisbon, on the 1st of January 2009, the analyses stemming from all areas of expertise inevitably lead to formulas ranging from *compromise* to *failure*.

The new treaty has not managed to tailor the processes of European integration to today's world, one that is more open, more globalised, but also more vulnerable than all models and simulations proposed by specialists. Moreover, through the new article 50, the Union will have to rewrite part of the philosophy of integration with the prospects of leaving the Community, a measure that has already become operational through Brexit. A possibility which is not to be neglected is taking shape in integration literature, namely that of an Intergovernmental Conference, following which member states would design a new treaty.

In fact, there is already an excessively used truism in the post-Lisbon period, that of European reform and renovation. Without a doubt, *We, the peoples of Europe*, the formula that lies at the forefront of the Treaty of Nice, requires simplicity, a clarification of competences and the creation of a comprehensive political agenda.

Let us not forget that a Union of 27 states is the challenge remaining on the agenda, both when preparing and when making decisions, with a presidency of the Union whose role is still far from being rendered clear, with problems of political and administrative management, as well as the need for reform of several institutions.

In most analyses, one insists ever more on the community method, which has proved its virtues through its rigorous application and the advancement of European construction. Jacques Delors' support for the latter does not lack substance – *The more numerous we are, the more useful the community method becomes for the objectives we have set; the more we are, the less will the European Council be able to handle all matters* (Păun *et al*., 2007, p. 27).

Is it possible to return to the community method?

The answer to this – one of the essential questions of European construction – is far from simple. That is also because the institutions of the EU have become, over time, inherently interdependent, since a new step of the integration process has been reached, one that relies on the capacity of those institutions to provide leadership, manage policies and integrate various interests.

Some brief comments are necessary from this viewpoint, pertaining to governance. Ron Rhodes has been among the first to introduce the concept of *network,* which denotes the myriad of independent actors involved in the provision of services.

For instance, the community level has strong word in decision-making in the area of regulating markets, but, if corroborated with the EU budget, greatly inferior to national ones, we are not witnessing an influence on member states' legislation in matters such as social inclusion, poverty, urban or family policies. Reaching agreements in intergovernmental negotiations is also difficult, which is why, through the Single European Act (SEA), this task was delegated to the Commission, endowed with its comitology procedures. In the case of international relations too, a model of representation of interests has taken shape, but it does not automatically lead to a horizontal network, with several members, as it opts for collective negotiations at national level, in different frameworks, from one country to another. Of course, at community level there are tripartite agreements similar to corporatist ones, which may imply collective negotiation processes on employment conditions in the EU or work schedule etc. Thus, representation of interests in the EU does not necessarily take the form of a new governance, but it may exhibit hierarchical and non-confrontational corporatist traits. The aforementioned statements are needed since policy networks – chiefly economic ones – are being developed.

The relatively simplistic definition of *supranational governance* in the historiography of integration has long been rendered obsolete, conceptualised, amongst others, by Sandholtz, W. and Stone, A., or by classics such as Keohanne or Hoffan, in the '60s (Sandholtz and Sweet, 1998)

When referring to the literature that lies closer to contemporary developments, we should remember Kjaer (2004), Kohler–Koch (2003), Leonard (2007), Wallace and Wallace (2004).

There is also some literature on governance that has been filling libraries, after the Treaty of Maastricht, with openly-confessed zeal for codifying actors and interdependencies, initiated by James Rossenau (Rossenau and Czempiel, 1992).

In spite of such obvious conceptual developments, the new multilevel governance – regional, national and European – with its negotiation networks, with the orientation and coordination of the rules of the game with regard to markets, hierarchies and once again networks, does not succeed in grasping the complexity of the process. This occurs all the more because the Committee of the Regions has drafted the White Paper on Multilevel Governance, where it has pinpointed both the horizontal and the vertical instruments needed. The view of the Committee of the Regions places emphasis on the real involvement of local and regional authorities in the community process, as partners (Sabel and Zeitlin, 2010).

Applying the subsidiarity principle, along with that of conferral, upholds the success of the European strategy meant to achieve a new shared, multi-layer and multilevel governance (Hooghe and Marks, 2001; Ion, 2013).

The European Commission has, in fact, adopted the theory of the multilevel governance system, which is found in the fundamental principles of the community method. To put it simply, if the *executive* is represented by the Commission and has legislative initiative, then it promotes the general interest of the Community, without being a government per se. Meanwhile, the *legislative* is composed of the Council of Ministers and the European Parliament. The former promotes and harmonises the interests of the states, while the latter is better connected to the interests of citizens, engendering a certain political option (Trechsel, 2006).

Reforming the European Union: the European Semester

Amid the economic and financial crisis of 2008, as well as the multiple and often simultaneous crises, European governance and chiefly the economic one has been asked to generate solutions so as to protect the common market and the Economic and Monetary Union. The European Semester was created to provide more coherence and flexibility, amid the need to *coordinate* and *plan* the economic and fiscal policy (Steinbach 2014, pp. 124-126). Since 2011, through this new approach, there has been genuine economic *supervision* and an explicit calendar for policy-making. The European Semester has met expectations, which is why the debates on fiscal policy, macroeconomic imbalances, problems in the financial sector and structural reforms have become part of the expectations from the Semester, before governments draft their own budgets and present them to national parliaments, in the latter half of the national semester.

The *uphill* coordination of policies has aimed to render the implementation of policy orientation more efficient and help integrate the European dimension in the creation of national policies.

The annual cycle, with two semesters, the European and then the national, starts from the Annual Growth Survey (Corpădean, 2015, pp. 254-266), conducted by the Commission, through which it provides the general orientation of the priority actions to be implemented at EU and national levels. The next step is in the hands of member states, presenting to Brussels the Stability and Convergence Programmes of their fiscal plans and national reform programmes (Steinbach, 2014, p. 124).

After the completion of these preliminary steps, the Commission evaluates, from an integrated standpoint, fiscal, macroeconomic and structural policies, and issues Country-specific Recommendations for each of the 23 member states, including those outside the Eurozone (Bulgaria, Denmark, Poland and Romania), which signed the Euro Plus Pact in March 2011.

Euro Plus is aimed at coordination, competitiveness and convergence in areas with supranational, national or shared competences, and at setting targets meant to achieve progress through specific procedures. The Euro Plus Pact is part of the European Semester.

The Euro Plus Pact relies on the existing framework, so as to implement the economic priorities decided at EU level, within the Europe 2020 Strategy (Trybus and Rubini, 2012, pp. 94-95).

As of January 2011, the European Union has also put into practice a new financial supervision architecture. Hence, it has created the European Systemic Risk Board (Buckley, Avgouleas and Arner, 2016, pp. 142-143), for a macro-prudential surveillance of the financial system, and three European supervisory authorities: the European Banking Authority, the European Insurance and Occupational Pensions Authority (Haentjens and de Gioia-Carabellese, 2015, pp. 12-13) and the European Securities and Markets Authority (Moloney, 2014, pp. 942-943).

Rules on capital requests and banks, investment and insurance companies have been reinforced, norms on payments and bonuses have been laid out and bank stress tests have been carried out.

For Eurozone countries only, temporary financial mechanisms have been activated to avoid slips. Therefore, the European Financial Stabilisation Mechanism (EFSM) (Paulus, 2014, pp. 47-50) has been set in place, on the basis of guarantees from the Community budget, of up to 60 billion euros. Furthermore, the European Financial Stability Facility (EFSF) has started its activity, as an intergovernmental body which can provide up to 440 billion euros as guarantees from Eurozone members.

Other financial support mechanisms have been added to these, amounting to 250 billion euros from the IMF (Zestos, 2015, pp. 83-84).

The European Stability Mechanism (ESM) became operational on the 1st of July 2013, substituting the EFSF and EFSM, and being endowed with an effective credit capacity of 500 billion euros.

To the above we may add, in the special case of Greece, an additional Task Force mechanism, beginning with the 1st of August 2011(Ritleng, 2016, p. 2).

2016 has brought various new economic governance instruments, launched by the Commission through the European Semester. We shall merely enumerate a few, such as the Investment Plan for Europe, worth 315 billion euros (Ibid.), which aims to continue structural reforms, so as to correct imbalances, raise productivity and attain a new convergence level, meant to diminish disparities within the Union. New fiscal measures are required in order to support economic growth and employment. Fulfilment of the Stability and Growth Pact, the creation of a European Fund for Strategic Investments (EFSI), with genuine opportunities for investors from outside the EU, support for small and medium-sized enterprises, a European Investment Project Portal (EIPP), a European Investment Advisory Hub (Barrera *et al.* 2016, pp. 53-55) etc. – here are just some of the measures striving to create an investment-friendly environment in the EU.

Pre-conclusions

One pre-conclusion of this study pertains to legitimacy. The EU does not yet provide an answer as to how it can generate adequate solutions for its citizens, through policies and representativeness. The second pre-conclusion is germane to the measures the Union adopts to strengthen the position of the European Commission, chiefly through the new economic governance and the shared competences it has received by means of the fiscal policy. To this we may add the reinforced competences of the European Court of Justice in controlling the implementation of supranational regulations.

The Euro Plus Pact and the Fiscal Compact, the project providing for the introduction of a European tax directly feeding the Community budget – so disputed and controversial – make us think, at first glimpse, of a *competitive federalism*, and a diminution of the role of member states in the economy. The economic governance organised as networks which are directly dependent on *capacity building* at Union level and in each member state pleads for this concept, usually quantified as *more Europe*. This approach immediately entails a type of *organisational capacity*, more vigorous openness to cooperation and networking in both the public and private sectors. It implies an additional effort of cooperation and compatibility. At this point, we cannot yet speak of real capacity-building at EU level, given the development disparities among the member states, on the common market, as well as from a cultural and institutional standpoint. The EU still makes use of a simplistic conceptualisation of *administrative capacity*, itself flawed, since member states fail to make use of the Common Assessment Framework (CAF) handbook, opting instead for national models.

The limited achievements of capacity building is due not only to disparities in matters of development, the limits of the Union's cohesion policy and the interest of member states in maintaining stronger national/intergovernmental competences, in comparison with the dispersion of those at European level, but also to the excessive spread of regulations. In the economic field – as we have previously underlined – over the last few years, four supranational bodies have been created in the area of financial markets alone. Albeit necessary, at least some of them could have been included in structure of the European Central Bank.

Partly because of the lack of clarity, *capacity building* is far from achieving real positioning within the Union, on the basis of the so-called *competitive federalism* (at least at the level of economic governance). Furthermore, the Union, much like the common market, has had troubles absorbing ever more difficult asymmetrical shocks, over the last few years. The speciality literature, with more and more pertinent references, suggests that EU member states are not sufficiently prepared for *more Europe*. The *EU à la carte* formula remains the option of the European Community. This justifiably exhibits some nostalgia for the community method, i.e. the remarkable integration process from the last decades. Nevertheless, it is to be noted that the 20th century has recently come to an end, leaving room for a new one, in which the EU is preparing its framework for a new beginning.

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