



## A Eurozone Subcommittee in the European Parliament: High hopes, low results?

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**The task of ensuring the democratic legitimacy of the euro has been placed high on the agenda. A eurozone subcommittee in the European Parliament is one of the rare concrete proposals to secure this, creating high hopes. Due to legal and political hurdles the idea might nonetheless have minimal results, which might result in suboptimal parliamentary scrutiny of the eurozone. This Policy Brief argues that if a eurozone subcommittee is to be both meaningful and politically feasible, it should combine substantial competences with innovative decision-making.**

Since the eurozone sovereign debt crisis erupted, the European Union has been labouring to make its Economic and Monetary Union (EMU) sustainable. The resulting reforms have increased the powers of the EU in various fields of economic policymaking (six-pack, European Stability Mechanism, Banking Union, etc.). This surge in EU powers requires strong democratic control at the European level. Herman Van Rompuy, European Council President, was right to see 'democratic

legitimacy and accountability' as one of the key pillars of EMU reforms.

Other EU leaders have joined the European Council President in calling for the improvement of the EU's legitimacy. The rise of Eurosceptic parties in the 2014 European elections has further underscored the fact that a substantial percentage of Europeans are uneasy with the EU's present working methods. Hence it is only normal that citizens expect the EU to take measures intended to enhance its democratic legitimacy. Despite these expectations, concrete proposals on how to achieve better legitimacy remain scarce.

One of the more concrete ideas that have been floated is the introduction of parliamentary activity that is specific to the eurozone. This could take the form of a eurozone-specific subcommittee in the European Parliament (which would report to the regular economic affairs committee, hence the term *subcommittee*). In theory, a eurozone-specific parliamentary body could deal with legislative matters, exercise scrutiny of other European institutions and play a role in the EU's economic governance.

The legal and political hurdles discussed below make the creation of a eurozone-specific

parliamentary body with comprehensive responsibilities difficult to obtain. Nonetheless, within these limits, a eurozone subcommittee with sufficient added-value might be feasible. As a eurozone-specific body in the European Parliament is one of the few concrete ideas in circulation, it should in any case be seriously considered. This Policy Brief argues that a refusal to take steps in this direction entails certain dangers for the European Parliament and European democracy at large.

### REASONING BEHIND A EUROZONE SUBCOMMITTEE

European heads of state and government repeatedly stress that democratic legitimacy and accountability should be assured at the level at which decisions are taken. Although this principle is often evoked, it is not always applied in practice. Most decisions concerning the eurozone are taken at eurozone level. Monetary policy is determined by the European Central Bank (ECB). Informally, most decisions by Member States about the eurozone are taken at the Eurogroup, where only countries using the single currency are present. Leaders of the eurozone for their part meet at Euro Summits. No eurozone-specific body exists in the European Parliament. The Economic and Monetary Affairs Committee (ECON) is the parliamentary committee that deals with EMU matters. Yet the ECON Committee is a conventional committee, in the sense that it makes no differentiation whatsoever between eurozone and non-eurozone Members of the European Parliament (MEPs).

To some extent, the lack of differentiation between EU and eurozone-level scrutiny can be seen as going against the very concept of representative democracy. In a representative democracy, the governed (i.e., 'the people') elect those who govern them. It is most peculiar to include UK citizens among the group of people that are governed by rules that concern only the

eurozone, because the UK is neither willing nor obliged to join the common currency. Even so, MEPs from the UK carry more weight on eurozone decision-making than the MEPs from the eight smallest eurozone countries grouped together.<sup>1</sup>

The introduction of eurozone-specific parliamentary activity is intended to address this discrepancy, and is far from new. Over a decade ago prominent politicians like former Commission President [Jacques Delors](#) and then German Minister of Foreign Affairs [Joschka Fischer](#) pleaded for a separate parliamentary body for the EU's core. As the eurozone has become the *de facto* core of EU integration, new proposals focus on a parliamentary body for the eurozone. The German Glienicker Group and the French Eiffel Group have notably made related proposals. Even more importantly, [foreign ministers of 11 Member States](#), and a [French-German position paper](#) also pleaded in favour of exploring eurozone-specific parliamentary activity. This support from Member States leads one to think that certain steps towards eurozone-specific scrutiny could be taken.

### SEVERAL HURDLES

Despite the expectations that have been created, it remains highly doubtful that eurozone-specific parliamentary activity will become reality in the foreseeable future. Several hurdles lie in its path, both in legal and political terms.

#### *Legal hurdle No. 1: No legislative role for a eurozone subcommittee*

The EU Treaties stipulate that the European Parliament as a whole approves or amends EU legislation. The possibility of a subset of the Parliament adopting legally binding texts was not foreseen.<sup>2</sup> For example, in the event of enhanced cooperation, all MEPs vote on legislative acts – including MEPs from Member

States that did not join the enhanced cooperation at stake. Similarly, MEPs from eurozone countries cannot decide on a modification of EU rules that solely apply to the eurozone without the input of MEPs from non-eurozone countries. The EU Treaties would have to be revised in order to modify these voting rules. This is not a short-term prospect.

The fact that voting on EU legislation is a responsibility of the European Parliament as a whole limits to a large extent the possibilities for eurozone-specific parliamentary activity. Yet despite not having a legislative role, a eurozone subcommittee could potentially still play a useful role through non-binding means (see *infra*).

### *Legal hurdle No. 2: No distinction between MEPs?*

According to some, it is not possible to differentiate between MEPs from eurozone countries and MEPs from other Member States. Reference is made to the Treaties, which state that '[c]itizens are directly represented at Union level in the European Parliament.'<sup>3</sup> MEPs are hence to consider the interests of all EU citizens, not just those of the Member State from which they originate. From this legal perspective, the creation of a eurozone subcommittee arguably does not make much sense.

Another legal argument used to plead against a distinction between MEPs is more general in nature. The Treaties prohibit discrimination against EU citizens on grounds of nationality. This evidently also applies to MEPs: a Belgian MEP cannot be treated differently to an MEP from Poland solely on the basis of his/her nationality. Yet a possible distinction between eurozone and non-eurozone MEPs would not be based on the nationality of an MEP. It would instead be determined on the basis of the Member State where he/she was elected. The nationality of an MEP and the Member State of

election do not necessarily coincide – with former MEP Daniel Cohn-Bendit being one of the most prominent examples.

The Treaty provisions mentioned above can be interpreted as pleading for the unity of the European Parliament. Yet they do not appear to impose a clear-cut ban on any form of differentiation between MEPs. This seems all the more clear when taking into account the fact that a eurozone-specific body in the European Parliament would not have legislative powers.

### *The political hurdle*

Beyond the legal hurdles, political objections are at least as important. Several policymakers oppose the idea of having eurozone-specific parliamentary activity. Understandably, such objections come from countries that are not part of the eurozone. The non-eurozone countries that have an obligation to join the common currency fear that such eurozone-specific parliamentary activity might exclude them from decisions that they are bound to apply in the future. Opt-out countries – Denmark and the UK – for their part worry that such a subcommittee would lead to a loss of influence, with the UK also being concerned about a possible negative impact on its financial sector.

The most important political objections actually come from inside the European Parliament itself. Several MEPs have argued against a distinction in parliamentary mandates. The major fear is that a eurozone subcommittee would harm the unity of the European Parliament. As MEP [Syed Kamall](#) puts it, a eurozone subcommittee would be “a case of divide and rule.” Others fear that an unambitious eurozone subcommittee would not be able to live up to expectations that it would improve the EMU’s legitimacy.

## THE DANGERS OF LOW RESULTS

Agreement on eurozone-specific parliamentary activity in the European Parliament is a decision that the MEPs themselves have to take. A [proposal](#) on the matter has been on the table in the Parliament, but did not lead to practical results. With the start of the 2014–2019 legislative term, new initiatives on the subject lie on the horizon. Yet any new initiative is bound to face serious opposition, limiting the scope of any potential agreement on the matter.

Such a low-key result could either consist of a eurozone subcommittee with as small a scope as possible, or in simply blocking the idea altogether. In essence, the European Parliament would then continue to operate as if the EU was still one homogenous block without deeper integration in the eurozone. This might provoke unwanted consequences. As the idea of a subcommittee would have minimal positive results, this is likely to cause disillusionment about the EU's ability to improve its democratic legitimacy.

Furthermore, if Member States are not satisfied with the way eurozone-specific scrutiny is organized at the European Parliament, they might seek other venues for improving the EMU's democratic legitimacy. In that case, an inter-parliamentary assembly of national parliamentarians (perhaps including some MEPs) is the obvious alternative. In fact, such an assembly already exists in the form of the Inter-parliamentary Conference on Economic Governance. If such an assembly were to be endowed with eurozone-specific competences, these competences would at first be limited. Yet when a future revision of the Treaties occurs, the inter-parliamentary assembly might have become the obvious body to be entrusted with more far-reaching eurozone-specific competences. Parliamentary scrutiny would then shift away from the European Parliament towards a more national-based approach.

Such a national-based framework for democratic control would go against the long evolution towards control at the European level, transcending the individual national interests. More national scrutiny of the EU is of course to be applauded, but it should not come at the expense of the role of the European Parliament. Yet by resisting the creation of a eurozone subcommittee in order to maintain 'unity' in the Parliament, the institution could actually be preparing the grounds for a move in the opposite direction. As [Renaud Dehousse](#) puts it '*[b]y insisting on an idealized vision of a European people in the making, [the European Parliament] will provide fodder to those who argue it should be confined to purely symbolic functions.*' The rejection of a substantive eurozone subcommittee might thus prove to be a long-term defeat for the European Parliament, disguised as a short-term victory.

## REQUIREMENTS FOR A SUCCESSFUL EUROZONE SUBCOMMITTEE

In light of these dangers, the European Parliament would be wise to show openness towards organizing eurozone-specific parliamentary scrutiny. At the same time, if a decision to create a eurozone subcommittee is made, it needs to transcend a minimalistic compromise. A subcommittee with genuine added-value would need to combine substantial competences and original decision-making.

### *Substantial competences*

In terms of competences, the subcommittee should cover all the areas of closer economic integration that have emerged in the EU. The following six aspects of the EMU would ideally be dealt with inside the subcommittee:

- Eurozone aspects of economic policy coordination: this includes the eurozone-specific recommendations issued during the European Semester, as well as the draft budgetary plans of eurozone countries.

- *Sanctions* during the Excessive Deficit Procedure and the Macroeconomic Imbalance Procedure.
- *Banking Union*, including hearings and confidential discussions with EU officials.
- *European Stability Mechanism* (ESM): monitoring financial assistance programmes and the overall functioning of the ESM.
- *Monetary dialogue*, notably the hearing of the President of the ECB.
- *Fiscal Compact*: its implementation and application, as well the potential integration into EU law.

While these six areas cover a broad range of EMU-related matters, it should be clear that the European Parliament's role in these areas is often limited. It has little to say in the European Semester, for example, while the ESM-treaty simply does not provide a role of scrutiny for the Parliament. Yet the non-existence of a eurozone subcommittee might be precisely one of the reasons why the European Parliament has not been endowed with a greater role in these matters. By creating a eurozone subcommittee, the European Parliament would signal that it is capable of adapting to the closer integration that is taking place among some of the EU's Member States.

Furthermore, the potential creation of a eurozone subcommittee could be used as leverage by the European Parliament to acquire additional scrutiny powers. As the push for eurozone-specific parliamentary activity essentially stems from national governments, this puts the European Parliament in an advantageous position to negotiate with the Member States on stronger parliamentary control in return for the creation of the subcommittee.

With regard to the areas of closer integration mentioned above, it is important to highlight that they are not always limited to the eurozone: the Banking Union will most likely comprise

eurozone and non-eurozone members, while the Fiscal Compact was signed by 25 Member States. In order to highlight the fact that the subcommittee is not solely dealing with eurozone matters, it could be dubbed the 'Euro Area Plus Subcommittee' (although this wording would link it to the unsuccessful Euro Plus Pact that was signed in 2011).

If a subset of EU Member States decides on additional closer economic integration in the future, this could then be added to the tasks of the subcommittee. Important potential additions include contractual arrangements on structural reforms between the EU and the Member States, as well as a eurozone budget. The latter in particular would be a game-changer, as it could give the eurozone responsibilities in terms of taxation.

### *Innovative decision-making*

The scope of competences is not the only factor to be taken into account to evaluate the eurozone subcommittee's design. A compromise on the subcommittee should also transcend the lowest common denominator in terms of decision-making (i.e., no differentiation whatsoever between MEPs). In this sense, the design of the eurozone subcommittee should adhere to two guiding principles.

*Openness in decision-shaping* is the first important principle. MEPs from all Member States should be able to participate in the work and deliberations of the subcommittee. In this way non-eurozone MEPs are not excluded and the perception of backroom decisions is avoided.

*Differentiation in decision-taking* should apply as a second principle. In terms of voting, a distinction should be made between MEPs that were elected in Member States that participate in the specific closer economic integration (e.g., eurozone, Banking Union) and MEPs from other Member States. For a decision to be adopted by the subcommittee, it would need to

have at least a majority among MEPs from the Member States participating in the closer integration.<sup>4</sup>

While the idea of differentiation in decision-taking is undoubtedly contentious, it is an even more vital condition for giving the subcommittee the necessary added-value. Importantly, non-eurozone MEPs should bear in mind the fact that the subcommittee's decisions would in no way commit Member States that at this point do not participate in the relevant closer economic integration.

## CONCLUSION

A eurozone subcommittee in the European Parliament will not undo the EU's perceived lack of legitimacy. Nonetheless, with the proper design in place, a eurozone subcommittee could be a step in the right direction. It would allow the European Parliament to adapt to the new reality of a Europe with different layers of integration.

In order for a eurozone subcommittee to be worthwhile, it needs to be original in its functioning. Merely replicating the ECON

committee's organization – minus some powers – will not do. If the decision is made to create a eurozone subcommittee, the latter should have (i) substantive competences and should (ii) combine openness in decision-shaping with differentiation when taking decisions. The key concerns of non-eurozone countries should be alleviated by the openness and non-legislative role of the eurozone subcommittee.

Understandably, it would not be easy for the European Parliament to establish a eurozone subcommittee with the characteristics that were discussed in this Policy Brief. Yet such a eurozone subcommittee crucially offers a rare chance to strengthen the democratic scrutiny of the EMU. Furthermore, MEPs need to consider the potential consequence of not having a eurozone subcommittee: a drive towards national-based parliamentary scrutiny of the eurozone. In order to defend the European ideal, the European Parliament will have to be pragmatic.

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## ENDNOTES

<sup>1</sup> In the 2014–2019 Parliament, the UK has 73 MEPs. Together, the smallest eight eurozone countries only have 64 MEPs. A counterargument to this logic is that a country like Austria also has the right to vote on fisheries, despite being a landlocked country. Whether the counterargument is fully valid is questionable: Austria pays into the fisheries funding and consumes fishery products – justifying a say on the matter. Furthermore, decisions about economic policy are arguably of a qualitatively different nature, illustrated by the fact that informal decisions in the Council are taken at the eurozone level.

<sup>2</sup> See Part Six of the Treaty on the Functioning of the European Union (TFEU).

<sup>3</sup> Article 10(2) Treaty on European Union (TEU). In a similar vein, Article 14(2) TEU states that 'The European Parliament shall be composed of representatives of the Union's citizens'.

<sup>4</sup> This distinction is used, for example, in the case of the Schengen Agreement, where non-EU Member States participate in decision-shaping, but not in decision-taking. See Blanchet, Thérèse (2013) *Justice and Home Affairs: A Laboratory for Differentiation*. In Lepoivre, M. and Verhelst, S. (eds.) *Variable geometry union: How differentiated integration is shaping the EU*. *Studia Diplomatica* Vol. LXVI, Issue 3.



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