

A summit of little substance

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The European Council meeting on 24-25 October 2013 was a rather low-key affair, with the scheduled policy debates on substantive issues overshadowed by the National Security Agency scandal and allegations that the US intelligence authorities had tapped the mobile phone of German Chancellor Angela Merkel (and possibly other heads of state or government). EU leaders did not take any ground-breaking decisions on the four key topics on the agenda: the digital economy, innovation and services; youth unemployment, financing the economy and cutting red tape; deepening the Economic and Monetary Union (EMU); and migration. They reiterated past positions and objectives, called on Member States to fulfil their obligations, and postponed decisions on key issues. But there are some general conclusions one can draw from this Summit regarding the future of the EMU, the relationship between Paris and Germany and the predominant challenge in the months to come.

Overview of the key results

On the main issue for this summit – the digital economy – the Conclusions reiterate the goal of completing the Digital Single Market by 2015, which is key for Europe’s future economic development. The Summit Conclusions call for investments in new and strategic technologies such as 4G, big data and cloud computing; the modernisation of public administrations (including e-government, e-health, e-invoicing and e-procurement); and improvements in ICT skills. Although the NSA spy scandal has shaken trust in privacy and data security, EU leaders postponed the adoption of a regulation on data protection until 2015 because of major differences among governments between those who fear that a tough European data protection regime would “add a lot of costs to business” (UK Prime Minister David Cameron) and those who want to defend their strict national rules.

With regard to innovation, services, youth unemployment, financing the economy and cutting red tape (‘REFIT’), there were no major new initiatives. The Conclusions simply take stock of and herald the progress achieved, reiterate policy goals defined at previous summits, call on the European Commission to monitor progress and make further proposals, remind Member States to implement what has already been agreed, and pledge to come back to some of these issues at future summits.

Concerning the deepening of the EMU, there was a discussion about economic policy coordination and the banking union but, as expected, the European Council did not make any final decisions and will return to both issues at the December Summit, when decisions about the future Single Resolution Mechanism and the introduction of “contractual arrangements” will be taken.

Following the deaths of hundreds of migrants off the island of Lampedusa in early October, EU leaders expressed their “deep sadness” and stated that “determined action” should be taken to prevent the loss of lives at sea and avoid such “human tragedies happening again”. But they did not draw any concrete immediate policy implications from this. Instead, they invited the newly-established Task Force for the Mediterranean (led by the Commission) to identify priority actions, with a view to taking operational decisions in December. Calls from Italy and other Mediterranean countries for more solidarity – especially regarding a fair distribution of asylum seekers among Member States – and for a more fundamental rethink of European migration and asylum policies were not taken up by the European Council. EU leaders did agree to return to the issue in a “broader and longer term policy perspective” in June 2014, but it seems unlikely that recent events will prompt major changes to Europe’s defensive approach to migration and asylum given the diverging interests and positions of Member States on this issue.

Beyond these more specific ‘results’, there are three general conclusions that can be drawn from this European Council meeting.

Cornerstones of an EMU bargain

First, although EU leaders did not take any concrete decisions on a further deepening of the EMU, the process is gaining momentum and the cornerstones of a ‘final bargain’ are becoming increasingly clear, although many details still need to be settled. Now that the federal elections are out of the way, Berlin is eager to accelerate progress and the fact that before it officially assumes its supervisory role in November 2014, the European Central Bank will soon commence an asset quality review followed by stress tests on almost 130 ‘systemically relevant’ banks which could reveal some nasty surprises, increases the pressure to reach a political settlement by the end of 2013, which then – according to the planned schedule – should be adopted by legislators before the European Parliament elections in May next year.

This ‘bargain’ will include an agreement on the details of a future Single Resolution Mechanism (SRM), which is likely to cover only major financial institutions and include strict ‘bail-in’ rules involving bank shareholders, junior and senior bondholders as well as large banks’ savers and institutional investors. The European Stability Mechanism (i.e. taxpayers’ money) might be used to bail out struggling banks, but only after all other sources of financing, including a European resolution fund financed through bank contributions, have been tapped. It will also include the introduction of ‘contractual arrangements’ between individual Member States and the Commission supported by funds provided through a new “solidarity mechanism”. These contracts – championed by Germany but not supported by all EU governments – aim to promote the implementation of structural reforms in the framework of the European Semester by enhancing national ownership and providing specific financial incentives.

It seems unlikely that the deepening of the EMU will – at least in this phase – go much beyond this. There appears to be no political appetite to go much further in creating a “Genuine Economic and Monetary Union”: there will be no single European deposit guarantee scheme, no automatic stabilisers (shock absorption mechanism), no European unemployment insurance scheme, no retrospective recapitalisation of banks, no transfer of competences leading to an economic union worthy of the name, and no major institutional reforms aimed at strengthening democratic accountability and legitimacy.

Rapprochement between Paris and Berlin

Second, the fact that French President François Hollande and Chancellor Merkel used the first opportunity after the German elections – provided by the (new) NSA allegations – to put on a very public display of closing ranks at the highest EU level could be seen as a signal that Berlin and Paris are preparing for a political rapprochement. Neither side was ready to seek compromises on major issues before the elections: Paris was waiting for the outcome of the ballot in the hope that the next coalition government in Berlin would be more favourable to certain French positions; Chancellor Merkel did not want to strike any political deals with Paris that might cross certain red lines with a potentially negative impact on her electoral campaign.

Following the elections, it seems likely that both Paris and Berlin will now be ready and willing to seek compromises on key issues, especially with respect to the future of the EMU. This is good news, as past experience shows that crucial European issues cannot be resolved until Germany and France have reached a balanced agreement that can then serve as a basis for a compromise among all Member States or euro countries.

The big elephant in the room

Third, as at previous Summits, once again there was a big ‘elephant in the room’: namely, the potential political consequences of the crisis and its likely impact on the outcome of the European Parliament elections next May. The chances are high that anti-EU, anti-euro, anti-immigrant, and/or anti-establishment/elitist parties or movements will

generally do well, especially if turnout is low again, as those keen to register a protest are traditionally more inclined to cast their votes. These parties have gained ground in many EU countries across Europe since the outbreak of the crisis, including in Austria (the FPÖ, Team Stronach), France (Front National), Finland (True Finns), Germany (Alternative für Deutschland), Greece (Golden Dawn; Syriza), Hungary (Jobbik), the Netherlands (Freedom Party), Italy (Five Star Movement), and the United Kingdom (UKIP) and a surge in their support at the European elections could have serious implications at both European and national level.

The new European Parliament might include a large number of Eurosceptic forces and even if these MEPs do not form a coherent bloc, they will complicate dealings with, and the climate within, the Parliament. Even more importantly, the success of 'anti-parties' could have a negative – and in some cases, even destabilising – effect at national level, further boosting their standing, putting mainstream political parties under greater pressure, and fostering the radicalisation of domestic politics and European policy-making.

Even if no one says this explicitly, many of the issues dealt with at this Summit were linked to the fears of governments and EU institutions that euro-critical forces might win even more support if they do not (pretend to) take action to promote growth and fight unemployment, highlight not only the economic but also the social dimension of the EMU, and cut red tape (REFIT) to demonstrate that Europe is not a 'bureaucratic monstrosity'.

But none of this will be enough if mainstream parties allow anti-EU populists to 'steal the show'. Pro-EU forces will have to confront populist rhetoric head on by addressing the fears and grievances that lie behind protest voting, challenging some of the myths and 'easy solutions' propagated by anti-EU/euro parties, and communicating a transnational message about why the EU matters backed up by concrete policy proposals that go well beyond the lowest common denominator.

They will have to convince 'mainstream voters' to turn out at next year's European elections by persuading them that their vote will make a difference. For this, European political parties should nominate the 'best and the brightest' as their top candidates for European Commission president and EU leaders should then choose the 'relative winner' of those elections as president. If there is "no automatism" between the party candidates and the choice of president, as Chancellor Merkel insisted at her press conference after the Summit, it will be even more difficult to persuade citizens that their votes count for something.

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