The European Union is on the wrong track

The European Union is on the wrong track. Both the Netherlands and France voted in a referendum against what was labelled the European Constitution, which then morphed into the Lisbon Treaty after a few minor amendments. This Treaty states that the European Council (the group of government leaders) is to become an institution.

Behind this apparently innocuous name there is much more than one might think at first sight. Each European institution is in fact to have its own bureaucracy.
The European Council currently has 20 officials: in ten years this will have jumped to 200. It will have its own building, which is already under construction. The Lisbon Treaty means a major shift of power in an inter-governmental direction. The result would have pleased President De Gaulle and Mrs Thatcher. The Netherlands should never have agreed to this treaty.

The heart of the European Union is the internal market, augmented by policies on competition and international trade. The Monetary Union came later, when these had been established. Its difficulties form a crisis but not an existential one as some people seem to think. Should the Monetary Union be wound up - which I don't think will happen – the EU will continue to exist. More about the EMU later.

The internal market

The internal market is the EU's most important achievement. It has been called 'an authentic miracle of free market liberalism'.[i] It must at all cost be defended. When I left the European Commission in November 2004 I was sitting on a pile of 1500 infringement proceedings. Governments always want to do what is against the European law. They do not like the competition which is essential to the internal market.

Of the four freedoms which make up the internal market, the freedom of movement of capital and goods is almost perfect. That of services unfortunately is not. That is a great pity because about 70% of our economies consist of service. According to Mario Monti the productivity of European services is 30% less than that of the American services industry.[ii] This is because there is insufficient competition.

My objective in proposing the services directive, which was unanimously adopted by the Commission in 2003, was to base the freedom of movement of services on the same *'Cassis de Dijon'* decision which governs the movement of goods. In essence this means country-of-origin-control.

The opposition was quasi-unanimous in France. In a way this was odd because France is a very important exporter of services. One would therefore have thought that France would be interested in a properly functioning internal market in that area. But no. The Polish Plumber became the bugbear who scared most Frenchmen into opposing the extra competition which the directive would bring. The European Parliament further emasculated the proposal.

According to some, the Polish Plumber even played a role in the French referendum on the so-called Constitution of Europe, which as is well known was negative. I doubt whether that is true.

The Monetary Union

The euro is experiencing difficult times. In itself the monetary union (EMU) is important for the Netherlands, as it ensures monetary stability in the Eurozone. But it can only function if the European member states impose fiscal discipline on themselves. This discipline is laid down in the Stability and Growth Pact, which was solemnly agreed in Dublin. Member states would adhere strictly to this Pact, but that hasn't happened. If a solemn agreement which must be strictly observed is

consigned to the scrapheap after only a few years, one does need to ask oneself whether there is any European declaration to which one can attach genuine credence.

The European Commission is the guardian of the treaties, it is sometimes said. But its former president Prodi called the Stability Pact 'stupid'. When I distanced myself from that remark on Dutch television, he nearly sacked me. I was also the only European Commissioner who opposed the relaxation of the Pact under German and French pressure. The Germans, I said then, preach water but drink wine.
The Chancellor Angela Merkel has now apologised for the German stance at that time. This at any rate gives some hope for the future.

It is now proposed that Member States which infringe the Stability Pact should face sanctions. But these must be decided upon by national politicians and not be automatic, as the Germans wanted. So will they work?

I wish Greece all the best but do not see how that country can climb out of the hole it has dug for itself. This means that it will have to restructure its debts. Some people believe that Greece should get out of the EMU so that it can devalue its currency. But that would place a huge pressure on its foreign debts. With restructuring the burden falls on others (particularly the German, French and Dutch banks).

The real scandal of course is not simply that the Greek government lied about its statistics but that Greece joined the monetary union in the first place. This was made possible through a deal agreed between the Council of Ministers and the Commission.

As Herman van Rompuy, now President of the European Council, has said, the euro has acted as a sleeping pill which allowed the Mediterranean countries in

particular simply 'to let God's water flow over God's acres'. The difference in competitiveness between the Club Med countries and Germany has now risen to 30%. The Achilles heel of monetary union is that the 'one size fits all' philosophy does not work between countries with different economic cultures. The dividing line in Europe doesn't separate East from West, or the centre from the periphery, but North from South. That problem is not easy to solve.

Another way of putting the same problem is that the euro is a coin without a nation. According to some, the euro's difficulties can never be solved as long as national sovereignties are not pooled. But a federal Europe is not acceptable for most Member States. So the euro will continue its hazardous existence.

Economic Governance

This matter comes to the fore in the discussion on economic governance. France has always insisted on it. But what does it mean? As it is, there is the Stability-and-Growth Pact, even though it is at present inoperable, and there are the Broad Guidelines on Economic Policy (the GOPE in French). Do we need anything more? Is the French insistence on this point perhaps its wish to protect itself against fiscal competition? But we are taxed too heavily in Europe. Some competition here would be a good thing.

One sometimes has the impression that the French do not really like competition. If so, that aversion has deep roots. Rousseau opposed it. The Saint-Simonians disliked it. Louis Blanc in 1848 hated it. So when President Sarkozy not long ago rhetorically asked in Berlin 'what Europe owed competition' he was following a respectable national tradition. In a way this is remarkable because the great 19th century French economists were all free traders and the French educational system is super-competitive.

I must enlarge on this point because at issue here is a deep-seated difference in views between France and Germany. In a way France stands for the South of Europe, Germany for the North.

Basically, the difference is that the French want intervention by the state while the Germans want more competition and rigour. These differences have been spelled out by the former director-general of the *Commissariat au Plan* in his book '*Capitalisme contre capitalisme*'. He contrasts the Rhineland economy with Anglo-Saxon casino capitalism, as he calls it. I think France stands at one end of this dichotomy with its preference for intervention by the state, while Germany, not quite Anglo-Saxon, stands in the middle.

Mr Barroso, the present head of the Commission, has said that the EU needs 'economic coordination'. [iii] Coordination of what? I fear this would mean less competition. That would not be a good thing. What Europe needs are enterprises which are 'red in tooth and claw' and not domesticated ones.

Economic growth

Herman van Rompuy also says that we must double our economic growth in order to finance the social welfare state which he refers to as 'the European way of living'. But this advice puts us in a catch-22 situation. In order to double our economic growth, we must reform the welfare state, in particular the labour market. Which political leader has the courage to tackle that?

We cannot increase growth if we do not recognise that the party is over. Of the Belgian labour force 35% works between the ages of 55 and 64. We shall all have to work longer and harder. More hours in the week, more weeks in the year, no state pension before the age of 67.

The European Commission

The result of a market process, as was recently said by the European Commission, should not be accepted regardless. First the Commission would have to be able to establish through surveys whether consumers are satisfied. If that is not the case, the Commission could intervene, even if it would be to the detriment of economic effectiveness. This proposal betrays a total lack of understanding of the nature of a market process.

The Commission's latest proposal is to calculate, alongside the standard of Gross Domestic Product, that of Gross Domestic Happiness.
What is that in aid of?

Unfortunately this is not the only thing that makes the European Commission subject to ridicule. Another one is the proposal to give independent women an entitlement to maternity leave. In the Netherlands and in Bulgaria. Can we not decide this on ourselves?

Evidently the European Commission has learnt nothing from the resounding 'No' it had to swallow in France and in the Netherlands. These proposals show that it is getting ready once again to run with its head against the proverbial brick wall. It will never learn. Why is that?

The European Commission under Prodi, who was in charge from 1999 to 2004, comprised (for 90% of the time) twenty commissioners. Romano Prodi acted as a *prime minister*. He was the boss, that is true, but there were also extremely able commissioners: Fischler for agriculture, Monti for competition, Lamy for trade. There was genuine discussion in the Commission and by no means every proposal made it across the finishing line with eleven votes (of the twenty).

Under Barroso this has degenerated into a *presidential* system. There are now 27 commissioners. Power rests with the President and his cabinet. His secretary

general has more power than many commissioners. The discussions in the Commission no longer amount to very much.

What do commissioners want? They want to become famous by getting noticed for initiatives, whether ill-considered or not. The only way to stop this flood of initiatives is to reduce the number of commissioners to what is necessary to run the EU. A Commission of twelve able people should be large enough to do that. They will be so busy that they will have no time for ridiculous ideas.

It has been proposed to have a smaller number of commissioners than member states, stipulating that this would happen in rotation. This has a major disadvantage which has not been given sufficient thought.

A reduction by rotation would mean that at certain times a Commission would have to function without France, Germany or the United Kingdom. Such a Commission would not be credible. Moreover, these large major member states will want to safeguard themselves against the time when it becomes their turn, by doing everything in their power to ensure they have as many directors-general as possible of their own nationality. A reduction by rotation would therefore lead to a greater politicisation of the civil service (than is already the case).

What then? International politics offer a variety of examples.
Which of these models deserves to be pursued? The European Union has large and small member states. The large member states are France, Germany and the United Kingdom, followed at some distance by Italy, Spain and Poland. The other member states are small. The Netherlands is the largest of the small states, which we constantly mention without making much impression.

Now Poland has a bigger say than Lithuania, Italy than Greece and France than Belgium. We can say, like Calimero, that this is unfair, but it remains a fact. An unwillingness to see reality is not a recipe for good governance.

This line of reasoning would mean that – as in the Security Council – the six largest member states have a permanent commissioner post, leaving six posts for the smaller member states. How these should be divided up is open for discussion.

I can hear people grumbling that this looks like the detested directorate of the powerful. This will not necessarily be the case. People will always listen to a capable person who knows what he is talking about. Moreover, the large countries do not by definition agree with each other.

Slovenia is now a member. Croatia and Serbia are on their way, and Bosnia and Macedonia will follow. Five commissioners who speak the same language. Plus Albania. Each of them with their own commissioner? It would be better to act now rather than to find ourselves in the near future with an unmanageable Commission.

The European Parliament

The European Parliament is still living in a federal fantasy. It still wants 'more Europe'. It wants the Commission to take up every initiative that comes along. There is even a confused soul who wants an initiative on *obesity*. The mistake that is made time after time is this: because a matter is important or desirable, the Commission must take it up. But this is absurd. The European Parliament has *legitimacy* because it is elected in a proper manner. But it is not *representative* because, except in Belgium and in the European Commission, the citizens do not want a federal Europe. This shows up the true democratic deficit. Unelected bureaucrats wield a great deal of power but the citizens of Europe cannot exercise control since the European Parliament does not reflect their wishes.

It is a curious Parliament because it does not have an opposition. It may be divided on particular issues like the Services Directive but not on matters of essence. It wants the European Commission to undertake new tasks without heeding the doctrine of subsidiarity. It constantly wants 'more Europe', indeed like the accession of Greece to the EMU. It still believes in an 'Ever Closer Union', as the Preamble to the original Treaty of Rome has it, even though the Treaty of Lisbon has put paid to that concept. The few critical Members of Parliament are looked upon as heretics. Above all the European Parliament wants the EU to have more money.

Finances

The Prodi Commission has had to propose a budget for the period 2007-2013. President Prodi wanted to increase the factor by which the combined GPD of the EU is multiplied to its maximum of 1.24%. At that time actual expenditure was 0,95%. Romano Prodi wanted a double acceleration: firstly, in line with the growth of the EU's combined GDP, secondly from 0,95% to 1.24%. Most commissioners agreed with him. There were two dissidents. Michael Schreyer, who was Commissioner for the Budget, proposed 1.10%. I said 1.0 % was enough. I said this for two reasons. Firstly, because all treasuries in Europe had to save money and it would not do for the EU to be profligate: and secondly, because budgetary largess prevents programmes that have failed or become superfluous to be weeded out. Luckily the Council of Ministers decided upon 1%.

The European Commission now wants a budgetary increase for next year of 5%. This proposal shows that it has lost contact with reality, in view of what national treasuries have to face.

The chairman of the liberal group in the European Parliament is Guy Verhofstadt, former prime minister of Belgium. He wants to issue euro bonds, so that the EU can spend more. He is probably thinking of the saying by the American journalist

H. L. Mencken: 'No politician becomes well known by saving money. Spending money is what makes him.'

Commission President Barroso has now adopted this idea. He wants to issue bonds for infrastructure projects together with the European Investment Bank (EIB). The Netherlands must never agree to this. We are one of the few net contributors and must not lose control of the flow of funds. It will not be difficult to make cuts in programmes and funds. Let the Commission start with that.

Opt-outs

The Dutch government and Parliament must keep a much closer eye on their affairs, which affect all of us. Our intentions regarding family reunification are now hampered by European legislation. Why didn't we, when the Lisbon Treaty was still being negotiated, stipulate an opt-out as the British and Danes did, so that we could do our own thing? The Netherlands suffers from an exaggerated internationalism. This is an expression of our inferiority complex.

The awful thing about politics is that so many nice people are wrong and leave the unwelcome truths to the hard-faced men who win few elections. Of course, to decline can be seductive. But it undercuts itself for we live in a jealous and competitive world. So please, no more gesture politics.

Frits Bolkestein, November 2010

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[i] The Economist, 24-9-2009

[ii] The Economist, 10-7-2010

[iii] Financial Times, 24-8-2010, Economist, 7-8-2010