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Speech by Norbert Barthle, Member of the German Bundestag

The eurozone is still in a critical phase. Building a new stability architecture for the eurozone, in parallel to managing the immediate crisis, is an unprecedented challenge.

But the question is this: have we done enough to avert future critical developments? Which direction should be taken in further institutional reforms in the EU and the eurozone?

Let me put it another way. There is intensive debate at present, not only in Germany, as to whether the consequence of the present crisis should be *more* Europe – or *less* Europe.

My own answers to that question are as follows:

1. We clearly need *more* Europe – but not in every policy area.
2. More Europe can only work if we can convince citizens, to a greater extent than before, to join us on this road. For that to happen, we not only need to enhance the legitimacy of the European institutions; the national parliaments also have a key role to play.

Let's look at the first point:

Policy- and decision-making in Europe must become more transparent and the division of responsibilities between the Member States and the European level must be adjusted. The principle of subsidiarity must be filled with life – on a continuous basis.

Trade, the financial markets, the euro, climate and environment, and foreign and security policy are examples of policy areas in which the European level must have the capacity to act. Here, we will need even more willingness from the Member States to transfer sovereignty to the European level in future.

On the other hand, there are other areas, such as budgetary, economic and social policy, which must remain the primary responsibility of the Member States. However, it is becoming increasingly important to give some thought to smart coordination, control and correction mechanisms which safeguard compliance with mutually agreed principles.

As for the European monetary union, we must ensure that the institutional architecture does not create the wrong incentives for its members. For example, we need even more effective linkage between budgetary and financial policy in future, and we need effective implementation of this policy.

In this context, I believe it would be sensible to appoint a European Commissioner for budgets, with powers similar to those of the Competition Commissioner, in that he or she could veto national budgets if they do not conform with the mutually agreed rules.

This would not violate the national parliaments' budgetary rights. The aim is simply to safeguard compliance with the agreed deficit ceilings already legitimized by the national parliaments.

In the economic policy field, too, we must further improve the coordination of national policies. We have already had a vivid demonstration of the abyss that can open up as a consequence of divergent developments, particularly in levels of competitiveness within the eurozone.

I therefore fully support the proposal for ex ante coordination of national economic policy measures which the Commission has brought into play.

The proposal made in the Van Rompuy report for contractual arrangements on structural reforms is also very sensible, in my view.

Nonetheless, I cannot deny that we view the proposed fiscal capacity for the eurozone, with its own borrowing facilities and its own budget, very critically.

Encouraging a public debate will be extremely important in future, particularly in relation to the coordination of policy measures for which the national level is responsible.

And that brings me to my second point: “more Europe” can only work if we convince citizens, to a greater extent than before, to join us on this road.

To that end, there must, *firstly*, be an increase in the democratic legitimacy of European institutions, as well as mechanisms to safeguard the constitutionality of all their decisions.

Various ideas proposed in this context merit further discussion, such as the direct election of the Commission President. The European Parliament, too, must play an even more central role in European law-making in future.

And *secondly*, an equally important aspect, in my view, is the further strengthening of the role of national parliaments in matters of European policy.

In Germany, we have made good progress here in recent years. In the past, EU policy was mainly dealt with by the executive. Today, Parliament plays an active role in this policy field.

The assistance programmes launched in response to the euro crisis were the catalyst for the increased involvement of the German Bundestag.

The Bundestag gave ex ante approval *in principle* to the granting of the first package of bilateral loans for Greece. But when the programme was executed, the Bundestag was involved in a very limited way only.

This then evolved into a very active role during the establishment of the EFSF and ESM as rescue mechanisms. Today, the Bundestag participates in all decisions relating to assistance programmes:

- All decisions pertaining to the EFSF and the ESM that result in an increased financial risk to the federal budget must be approved by the German Bundestag in advance. Let me emphasise that point – the approval must be given *in advance*.

If a euro country applies for new financial assistance, the German representative in the relevant EFSF or ESM bodies can only approve the support if he or she has been given prior

authorization to do so by the German Bundestag. If no such authorization has been given, he or she must vote against the application.

- If core conditions of certain approved aid measures need to be adjusted, this requires the prior approval of the Bundestag's Budget Committee.

- The Budget Committee must also be consulted to clear the release of aid tranches.

It goes without saying that the executive has considerable interest in being able to make decisions quickly if it is clear that developments are escalating into crisis. Parliamentary participation always takes place in a field of tension – between MPs' wide-ranging rights to information and participation, on the one hand, and the government's capacity to contribute to effective action at the European level, on the other.

In my view, we have achieved a good balance here. Experience has shown that even in a crisis, not every decision needs to be taken as swiftly as some "crisis managers" would, in the heat of the moment, have us believe.

The point that I always make in these situations is this: the German Bundestag can convene and make decisions very quickly.

Summing up, then, Parliament's new rights of participation are intended to ensure that the Bundestag can exercise constructive and critical oversight of the work of the EU's rescue mechanisms.

Our task is to provide the requisite democratic legitimacy for key decisions adopted by the Federal Government – or to withhold our support if we are convinced that this is necessary.

This is essential to safeguard democratic support for important decisions at European level.

So far, our experience in Germany has been positive. We have a very critical public debate about the assistance programmes launched under the EFSF and ESM. Nonetheless, the political parties which support this policy course enjoy a high level of public confidence.

Encouraging a public debate by creating a stronger role for the national parliaments is something that we must achieve in the field of economic policy coordination as well.

– So why not initiate an intensive debate about the country-specific recommendations or measures relating to ex ante coordination?

– Why not refer the National Reform Programme, submitted as part of the European Semester, or the stability programme to Parliament for approval? The latter has certainly not been done, at least in Germany, so far.

In conclusion, let me say this: Europe cannot continue to grow as a project for political elites. It can only grow with citizens' support. If we encounter obstacles along the way, the solutions must be found in dialogue with citizens. We cannot take Europe forward against the will of the people in our countries.

And I firmly believe that the national parliaments should play a very active role in this process.