

# Core EU challenge: democratic deficit or trust deficit?

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Thank you, Ambassador, for your introduction. It is a great honor and a pleasure to be at the Council of Europe, an institution with which I have long-standing relations. I think that the Council of Europe and its sister institution, the European Court of Human Rights, are key and constitute the core of the notion of the European identity that we are debating today and which we are attempting to uncover. The Council of Europe has been for many years a frontier institution, instrumental for the “creation of Europe,” and in my capacity as Chairwoman of what at the day was the Legal Affairs and Internal Market Committee, I was able to fully appreciate its value and the importance of its work.

As this is a debate among friends, I would take the liberty not to strictly adhere to the proposed title. Why? When preparing my remarks, I thought that the most important issue at the time was the upcoming European Elections. However, today, I think there are other issues that are much more important and enlightening with regards to the concept of European Identity, which we are seeking to define.

We find ourselves in the midst of a complex time for the common project of the European Union, in a Europe where many fail to see a genuine future with the crisis having seemingly broken the "European soul". It is nowadays impossible to ignore the power of Euroscepticism, the dangers that cloak the retreat into nationalism and the resurgence of extremism. It is embarrassing to even speak about a "project" when the present generation blindly believes that the future of its children is bound to be worse than its present. The European Union sees itself confronted today by two unique challenges to our common history. First, European legitimacy has for years been largely based on prosperity. And yet, we are still overwhelmed by the euro crisis which, despite significant progress, has yet to be resolved. Second, a united Europe has lulled us into the illusion that war is no longer a possibility, at least in the classical sense (i.e. within our borders). The events in Ukraine have, however, awakened us to the reality that significant threats still exist with consequences that can impinge on both our safety and wellbeing.

Europe is grappling with the need to construct a *raison d'être* adapted to the 21<sup>st</sup> Century world that is emerging. A new center of gravity, going beyond immediate prosperity, must be established in order to ensure our influence in an increasingly competitive world in which even the most optimistic prognoses foretell that, unless we Europeans are united, we will disappear from the forefront of the big global players<sup>1</sup>.

Overcoming these challenges will only be possible as a result of a large-scale awareness campaign, deliberately Europeanist and without naïveté: "Europe not only has to be useful, but it

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<sup>1</sup> According to the [Bruegel Institute](#), in 20-30 years there will not be a single European country in the G8.

also has to make sense"<sup>2</sup>. Accordingly, although our attention tends to focus exclusively on the immediate, there is an urgent need to look backwards and to remember where we come from and who we are, as well as to consider where we stand and in what direction we are heading. We need to find out the role Europe now plays in the world and, more importantly, what kind of world Europe will find after the crisis.

**European identity: how are we seen and how do we see ourselves?** It is essential to start by raising two fundamental questions: what is the perception the world has of the European Union, and how do we see ourselves as Europeans? The projection of the Union is after all nothing but a reflection of our own identity. This identity may be approached from two points of view, merely by relying on examples that are now ubiquitous. One is Ukraine, a country on the fringes of the Union that has come to remind us that ours is a union of values. We enumerated those values in the Copenhagen criteria<sup>3</sup>: democracy, good governance, rule of law, respect for human rights and protection of minorities. Mariano Rajoy presented a condensed idea of these values during the Carlos V European Prize ceremony, when he spoke of "extending the paths of liberty, justice, cohesion and solidarity"<sup>4</sup>. If there is any doubt about the effectiveness and appeal of these values, one need only look east to the youth in Maidan Square who, enduring brutal repression and bitter cold, kept up a resistance for weeks symbolized by the blue flag with twelve stars, This is the flag for which more than a few gave their life. As they have seen what has happened in Poland and the Baltics, they are aware that Europe is more than a land of economic opportunity. Europe is also a land of hope and freedom. What is heartbreaking is that, at least up until now, the Union has fallen short again. Europe has shown itself to be inadequate and sputtering in its response, once more taking insufficient measures vis-à-vis an emboldened Putin who harbors deleterious dreams of recovering the former Soviet Union's geostrategic role.

Europe, nevertheless, is also able to provide a positive image to the rest of the world, as has been the case in the negotiations on Iran's nuclear program, where a united Europe has been instrumental in brokering the beginning of a solution that could establish itself as a first step towards a still too distant stability in the region.

Besides, when we travel (at least in my experience in the United States, Africa or Asia), we are already seen as Europeans before being identified by our nationality.

Further, there are astonishing statistics that reveal that, in countries like Russia, the population turns out to be more pro-European than the members of the Union themselves. A poll conducted

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<sup>2</sup> Julia Kristina, *Crisis of the European Subject*, 2000.

<sup>3</sup> The Copenhagen European Council (1993) defined the criteria that, according to the principles laid down in the Treaty on the European Union (1992), had to be met by countries seeking accession. These criteria were: 1) political and institutional criteria (European state, according to the geopolitical concept of Europe, stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities); 2) economic criteria (a functioning market economy and the capacity to cope with competition and market forces) and 3) administrative and institutional capacity to effectively implement the *acquis*.

<sup>4</sup> [Speech by Mariano Rajoy, at the ceremony to award the Carlos V European Prize to José Manuel Durao Barroso, Yuste \(Caceres\), January 16<sup>th</sup> 2014.](#)

by the Pew Research Centre in 2013<sup>5</sup> shows that Russia is one of the countries whose public opinion is most favorable (63%) toward the Union. Meanwhile, among European publics the results are disturbing, with views of the EU more positive in the UK (43%) than in France (41%), one of the pillars and founders of the Union.

The European Union has failed to fulfill many of the promises that dazzled previous generations of Europeans. A harsh reality reinforced by the opinion of a majority of Europe's citizens. Although there is a visible minority of educated young people who could well be defined as passionately pro-European and that today hoist the flag of an optimistic European movement, nearly all Europeans feel confused, distant, and some even skeptical towards the process of European construction. By 2008 Europe was already facing a "sweet decay"<sup>6</sup>. Today, with the risk of systemic collapse fading, a new element of uncertainty has paradoxically arisen: the temptation for the average citizen to forget the hard realities of the crisis and to delude themselves into thinking that they can return to a stable environment where peace, order and prosperity reign and that would be allowed to devote themselves to private matters free from major interference. In that world, threats are denied and decisions are delayed. Indeed, in 2010 the so-called "Monti Report"<sup>7</sup> mentioned this sense of complacency as one of the main challenges that the single market faced: The Market, like many other European policies, is perceived as "yesterday's business", despite the economic crisis proving the need for action to strengthen these policies. A large sector of the population has been overcome by nostalgia and needs to be convinced that we are going through a global mutation, and that it is simply not realistic to expect to return to yesterday's world.

It is no secret that the old continent is aging, and that demography is today becoming one of the most dangerous threats to Europe's future. Birth rates are declining alarmingly while life expectancy is simultaneously increasing (even taking into account the negative effect on life expectancy caused by the crisis). The EU population pyramid is undergoing a fundamental change that trends towards a reversal of its structure with the amount of working age people decreasing while the number of retirees continues to grow (especially those who belong to the so-called "baby-boom generation"). This has led to an increased burden on the working population with a disproportionate impact on social spending, both from the point of view of pensions and from the full range of related services. In December 2012, Angela Merkel highlighted the unsustainability of the European model under the "7/25/50" formula: Europe now accounts for 7% of the world population, 25% of global GDP and 50% of total social spending. But by 2040 it is expected to represent 5.5% of the world's population, approximately 15% of GDP with a population that has aged to levels that will lead to clearly unsustainable social spending.

As they never tire of reminding us, this increasingly aging population is becoming more and more disaffected, as seen in the previously mentioned figures from the Pew Research Centre or,

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<sup>5</sup> [Pew Research Centre, Global Attitudes Project, updated in July with polling data from 2013 spring survey.](#)

<sup>6</sup> Felipe González warned in June 2008 that [the EU was experiencing a "sweet decay"](#), *La Razón*, May 28 2009

<sup>7</sup> Monti's 2010 Report on more Single Market: A new strategy for the single market. At the service of Europe's economy and society, page 6.

among others, Eurostat (whose latest report<sup>8</sup>, which is not based on “cooked” results, shows only 28% of the EU public has a positive perception of the Union).

The euroscepticism on everyone's lips is the banner hoisted by populist parties whose members threaten to the headlines with raucous and mischievous messages delivered from the European Parliament beginning in June. These parties come from both the left (Syriza in Greece and Grillinis in Italy) and the right (Marine Le Pen's National Front in France or Geert Wilders' People's Party for Freedom and Democracy in the Netherlands<sup>9</sup>). Their common feature is that they repeatedly make use of demagogic accusations and populist mottos. Their arguments are based on the repatriation of powers, taking advantage of the longing to return to the past while also capitalizing on the widespread anomie and difficulties of a large portion of the citizenry. Separatist parties could also well be included in this group, as shown in particular by the cases of Catalonia in Spain or Scotland in the UK. Something that should be highlighted, and which is unfortunately missing in the European debate, is that many of the changes advocated by these parties would be more painful in the medium term for the very citizens they are appealing to than the toughest adjustment policies promoted by the Union have been short term focused. This is the fundamental disconnect: the ideas advanced by the populists, unlike the positions they attack, have no future whatsoever.

Nevertheless, it would be absurd to deny the reality that underlies the malaise that engulfs so many citizens, or even to dismiss it as unfounded. On the contrary, we must address their setbacks (or even hardships) as a preliminary matter to allow them to regain confidence in the Union. It will be essential to prove to them (or rather, remind them) what advantages membership entails, not only having recourse to the immediate concept of "added value", but also from a purely political standpoint. This is because widespread disenchantment is also a direct consequence of the lack of leadership, or rather the presence of inadequate leadership. Citizens share a sense that on many occasions both governments in their capitals and institutions in Brussels act reactively, selfishly and short-sightedly. It is therefore crucial to recover politics in the purest sense: statecraft, the art of living in society, and prioritizing and solving the problems of everyday life, all while keeping sight of the need for an inclusive project for the future. For Spain, this approach also implies the opportunity to resume the momentum that led to the incorporation of European citizenship in Article 9 of the 1992 Maastricht Treaty, endowing this citizenship with substance going beyond voting in municipal elections and consular protection<sup>10</sup>.

**Governance of the Union.** Against this backdrop, governance of the Union itself is at stake. According to estimates produced by the European Parliament (Figure I), antiestablishment and Eurosceptic parties, and in general all parties which were previously marginalized will take over a considerable number of seats. This will certainly undermine the traditional alternation of the control of the Parliament between the European People's Party (EPP) and the Group of Socialists and Democrats (S&D), with the Alliance of Liberals and Democrats for Europe (ALDE) acting as a hinge party. There is no doubt this outcome will not only distort the image of the Parliament

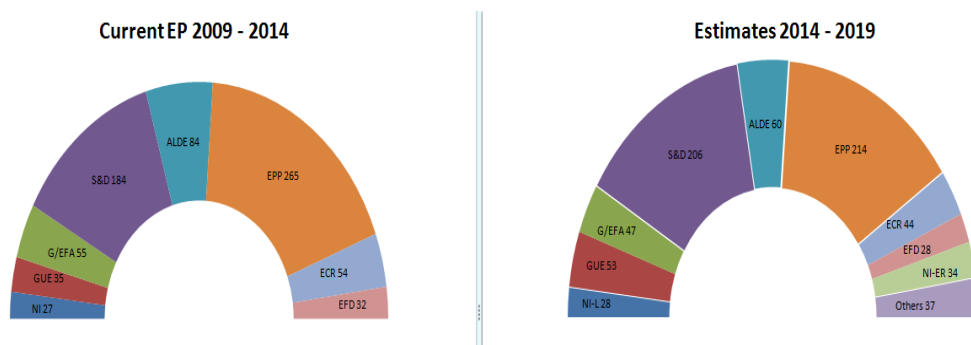
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<sup>8</sup> [Standard Eurobarometer 80, Public opinión in the European Union, Autumn 2013.](#)

<sup>9</sup> [Following an alliance of convenience entered into last November](#), these parties will create their own group in the EP.

<sup>10</sup> In 1990, a proposal for European Citizenship was submitted by Spain, according to which a third sphere of rights and duties would be created. This third area would make the EU citizen a citizen of the Union. The content of this citizenship includes not only freedom of movement and residence, but also the right of political participation in the place of residence.

but will also represent a formidable challenge for both the EPP and the S&D, which will need to work together in order to move forward in the European integration process.



**Figure I: the European Parliament today and estimates for the 2014-2019 term.**

In addition, these provisions allow for a positive reading of the "institutional triangle"<sup>11</sup>, since they will oblige a more heterogeneous - although still symmetrical - Parliament, to work constructively in pursuit of institutional balance and to hold off voluntarist whims to gaining power at the expense of weakening the Commission or the Council.

One of the frequent criticisms against the Union is the alleged existence of a gargantuan bureaucracy. However, it is easy to find comparisons to show how unfounded such criticisms are. According to data by the European Commission, the EU has a total of 55,000 officers and other agents, including the central institutions and agencies in Brussels, Luxembourg, the rest of Europe and the world<sup>12</sup>. By contrast, the Birmingham City Council employs 60,000 citizens and the Central Administration of Paris 50,000. The EU administrative costs represent less than 6% of the total EU budget, salaries accounting for about half of that 6%. Another common myth refers to an overblown budget. In reality, however, the budget amounts to around 1% of the GDP of the 28 Member States. Compared with the 0.7% preached to development aid, the figure gains a different interpretation, considering the historical importance of European integration.

It thus becomes imperative to confront other standard critiques: the ones that proclaim that the Union suffers from a "democratic deficit". Indeed, today it is hard to find any analysis on the upcoming European elections, or for that matter, any reference to the governance of the Union, that does not elaborate on this "democratic deficit." Such arguments are, simply put, an expression to the longing for a genuine European federalist project, the time for which, however, has not yet come. This predicated deficit is always followed by proposals advocating the direct election of the President of the Commission, the transformation of the Council into a lower parliamentary house, or the creation and granting of real powers to European political parties. These initiatives form the more assertive stance of the Parliament. Yet again, while the Federalist nostalgia is haunting many EU insiders, the overwhelming majority of European citizens is calling for European institutions to focus their energy on solving practical issues. This federalist drive, though commendable in many ways, is lacking viability and momentum. What needs to be understood and impressed upon is that the current situation calls for realism.

<sup>11</sup> The notion of "institutional triangle" refers to the relationship between the European Commission, the Council of the European Union and the European Parliament, under the principle of institutional balance. The latter means that each institution acts within the powers they are granted under the Treaties by virtue of the principle of division of powers.

<sup>12</sup> [European Commission to trim EU staff costs, BBC News Europe, July 1<sup>st</sup> 2011.](#)



The European Union, that "unidentified political object", as Jacques Delors labeled it<sup>13</sup>, is characterized by the open nature of its construction, a mixture of incrementalism and qualitative leaps. It came into being through a complex process whose stages have been marked both by treaties and innovative solutions, as well as by even acts of improvisation agreed upon after late-night marathon negotiations. All stages invariably followed key turning points and defining moments in the history of the integration project. Walter Hallstein called this a "*creatio continua*"<sup>14</sup>, an open constitutional process without a genuine final model that above all requires large doses of political will.

In order to overcome the legitimacy crisis that undermines both the image and the efficiency of the Union, we need to explain to the different constituencies that each phase of the construction process prompts a particular institution that, in turn, depends upon the constituent actor. It was individuals – the fathers of European integration, such as Monnet, Adenauer, De Gasperi or Schuman – who led the outset of the process thanks to their iron determination and flooding *auctoritas*. In the years of stabilization of the process, the political impetus of the Union belonged to the European Commission, guardian of the treaties and depository of the power of legislative initiative. Today, in the face of a changing world and confronted with the greatest internal crisis seen, the driving force falls on the European Council, composed of the Heads of State and Government of the Member States.

In the midst of this "return to intergovernmentalism," the traction of the Union stems from the European Council, with Germany at the helm. And although Berlin, internal and external reluctance aside, rarely likes to make a show of it, its very future depends on the proper functioning of the European Union. The reluctant German leadership came into sharp relief when confronted with the other major European challenge: the potential departure of the UK. Angela Merkel was the one who defined and vocalized the European position on her visit to the British Prime Minister on February 26th, during which she argued<sup>15</sup> against a "fundamental reform of the European architecture" but called for "limited and specific" amendments to the Treaties. These reforms should focus on promoting greater efficiency, trimming the *acquis* of a large amount of unnecessarily intrusive legislation and on adopting measures to promote European competitiveness. These reforms are vital for the future of the Union and necessary as an end in itself, even if the EU's aura would be vitally diminished shall the UK exit.

After the forthcoming elections, the European Council will have the final word on confirming the President of the Commission. The corollary is that, at least for the moment, the Commission must be prevented from becoming, as some expect, an imitation of national governments. The next Commission, far from setting itself up as a partisan institution, oughts to hoist an inclusive and conciliatory identity, devoted to guaranteeing the good functioning of the Union, and in particular to weeding the existing legislative hodge-podge<sup>16</sup>, thus intervening only in those areas that will clearly add value to national policies. An unavoidable task today, at all levels, consists of maximizing accountability, intelligibility, and above all more involvement, an involvement of higher quality, from national parliaments.

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13 [Statement by Jacques Delors, President of the European Commission between 1985 and 1995, on September 9, 1985 in Luxembourg.](#)

14 Among others, he did so before the European Parliament in June 1960.

15 [An EU plan that could work for Cameron, \*The New York Times\*, March 2<sup>nd</sup> 2014.](#)

16 This is the case of Directive 1999/22/EC relating to the keeping of wild animals in zoos, Directive 2003/88/EC concerning certain aspects of the organisation of working time, that points when "lunch breaks" should be made, or the 1994 directive that stipulates that bananas have to be "free from malformations or abnormal curvature" and that in extra class bananas, there should be "no wiggle room"

**For a programme of genuine added value.** The European Parliament has recently published a study<sup>17</sup> that could well represent the core of its action programme for the next term. It is a set of sectoral analysis on the "cost of non-Europe", whose synthesis is represented in Chart I (below). The Chart strongly emphasizes the need to build a proper single market, rather than preserving the current hodge-podge under the fallacy whereby we have completed a European market whose foundations were laid by the Treaty of Rome in 1957.

The idea of the cost of non-Europe is not new, and back in 1988 the European Commission produced a similar study, although it was then limited to the Single Market<sup>18</sup>, an instrumental document for the implementation of economic rights recognized by the Single European Act of 1986, and even of the Monetary Union of the Maastricht Treaty. This approach underscores a reality: the European Union is a formidable multiplier of the power of each Member State. There are several areas - especially competition, but also fields as varied as industry, health and environment - in which the sovereignty of each one of us cannot be fully realized unless it is shared. A certainty we should be effective in conveying against those who are unfamiliar and even denigrate the benefits that membership of the Union report to their country, a position paradigmatically associated with the UK<sup>19</sup>.

The abhorred EU spending is concentrated in those areas of European competition where member states alone cannot provide solutions, or often provide insufficient solutions, by themselves. Sectors such as agriculture, cohesion, internal market, transport, innovation, environment and immigration, are the areas where Europe concentrates its expenditure and which generate value added.

Today, as evidenced by the graph, the first challenge still lies in the completion of the Single Market, especially in the two areas in which we should focus: the Single Market centered on the consumer and the Digital Single Market. The chart also captures the immediate economic benefits which the implementation of the reform measures of the Economic and Monetary Union as well as that of the financial markets would entail. Beyond these policies, the cost of non-Europe in the energy field should also be highlighted.

A single energy market stands out as a pressing new frontier for the European Union. The events in Ukraine have shown that Germany will play a key role in this area - in which so much is at stake for Spain - including interconnections of gas supply networks to ensure security of supply in the Union, or power interconnections to support Europe's commitment to renewable energy. This sector is cardinal from an economic point of view, but also from the point of view of foreign policy and security.

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17 [Mapping the cost of Non-Europe, Study by the European Added Value Unit \(European Parliament\).](#)

18 The lack of completeness of the common market involved significant cost, subject of a study that the Commission entrusted a group of experts led by Paolo Cecchini with. The report was presented in March 1988 with the title "The costs of non-Europe". The Cecchini Report investigates the costs due to various non-tariff barriers in the main sectors of the European economy. Its second part calculates the benefits of the single market among for member states.

19 [The economic benefits to the UK of EU membership, Euromove, December 2011.](#)



**Chart I: the cost of non-Europe**

With a leg on the side of internal policies and a leg on the side of foreign policy, the graph also portrays the relevance of the common commercial policy and the negotiations of free trade alliances, among which the Transatlantic Trade and Investment Partnership (TTIP) stands out.

**Europe in the world.** The scheme refers as well to the field of security and defense. In this area, however, what is at stake goes far beyond economic quantification. Can we Europeans collectively afford to ignore the tremors that overwhelm the world beyond our borders? Can we bury our heads in the sand not to face a world in which we are no longer guaranteed a privileged position? Europe is in danger of gradual marginalization, of progressively becoming a relic of the past, too, and even more immediately, in geostrategic terms. This weakness is reflected in the obsolescence of our current European Security Strategy (ESS)<sup>20</sup>, drafted in 2003 with a token revision in 2008. This is the main defect vitiating it, which the December 2013 European Council intended to remedy with no success. A readjustment which makes us realize that Europe faces not only a new generation of security threats such as cyber-terrorism, but also classic security risks such as inter-state conflicts, the emergence of failed states and organized crime<sup>21</sup>. As a result, concerns about the economy give way to concerns motivated by the Union's strategic insecurity.

The ESS was developed in the aftermath of the Iraq war, amid heated debate over a proposed European constitution, in a hasty and reactive process hijacked by those who sought to position Europe as a counterweight to the United States. Thus, the ESS does not reflect the reality of today's world—a fact that symbolically demonstrates its introductory phrase "*Europe has never been so prosperous, so secure nor so free.*"

The ESS' three basic tenets – development assistance, soft power, and effective multilateralism – remain important. But Europe's leaders must reconceive these concepts in light of today's challenges. In terms of development, Europe must move away from the idea that aid should be used to bolster trade linkages and acknowledge the importance of foreign investment. In fact, net

<sup>20</sup> [European Security Strategy, 2003.](#)

<sup>21</sup> [Conclusions of the Presidency - Thessaloniki, June 19th and 20th 2003.](#)



private capital flows to developing countries now outweigh official development assistance by nearly ten to one worldwide.

The ESS's emphasis on soft power is also in urgent need of reassessment. The ESS's soft-power vision should not be allowed to obscure the security challenges that Europe faces in its immediate neighborhood, undoubtedly in the south, but obviously today in the eastern border with Ukraine. The presence of Russian troops in this country has made us brutally aware of classical security risks, particularly inter-state warfare that we yesterday considered outdated in our geography, a notion that is reflected in the ESS.

This brings us to the ESS's third tenet: advancing "the development of a stronger international society, well-functioning international institutions, and a rule-based international order." In this case, the problem boils down to a lack of commitment, with the EU choosing the convenience of informal and *ad hoc* groupings over the challenge of reforming key institutions like the United Nations, the International Monetary Fund, and the World Bank, which are essential for effective multilateralism. Indeed, the EU is among the leading actors in the current "G" fad, which has culminated most recently in the G-20. And, despite being an embodiment of international law, the EU indulges in soft-law approaches, whether at COP-19 climate-change meeting last December in Warsaw, or by supporting the "Geneva agreement" on Iran's nuclear program, which, it is now clear, is nothing more than two aspirational declarations linked by a press release.

Finally, Europe must consider America's role as an essential component of the geopolitical environment. A partner whose nuanced reassessment of priorities in the world forces us to take a more active security role with respect to challenges in which we have so far largely disengaged. Beyond the aforementioned TTIP, NATO – despite being at a low ebb - is still relevant. They both provide a unique opportunity to shape a rule-based international order. And it makes no sense that some Member States, as has recently been the case of France both in Mali and the Central African Republic, take the initiative and bear the greatest (and sometimes all) brunt when facing some of the common threats. It is urgent to address the need for a concerted action.

**Looking into the future.** The world is rapidly changing and after the crisis we cannot afford to dream of returning to the situation *ex ante*. We Europeans can and must support a forward looking vision that is free of the defeatism that abounds today, critical, realistic and at the same time confident in the potential of our joint project. A vision cognizant of the fact that Europe, when united, still has a say in today's world.

We have a say in international trade & investment, and we (sometimes) have a say in foreign policy. The new world is out there and confronting it squarely will strengthen our identity. This is the identity Ukrainians remind us of. For we have not forgotten what the last words of the Memoirs of Jean Monnet sum up: "*la communauté elle-même n'est qu'une étape vers les formes d'organisation du monde de demain*"<sup>22</sup>.

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22 Jean Monnet, Memoirs pag. 617 (Édition Fayard): "The Community represents only a stage on the way to tomorrow's organized world".