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Key note speech by Klaus Welle, Secretary General of the European Parliament
3 September 2012

PRESENTATION:

- Good evening ladies and gentlemen, welcome to our key note plenary. And I am delighted that I can present to you Klaus Welle, here for our key note speech. Before I will briefly introduce him, just one word on the procedure, after the key note speech I will hand over to my colleague Daniel Göler for the welcome addresses and after the welcome addresses we will have then the fair and deserved wine reception outside. So, that is basically our great plan for this evening.

I will now present to you Klaus Welle, Secretary General of the European Parliament since 2009. And I start presenting him by quoting him: *"If we want to build a lasting Union of solidarity we also need to invest in our European identity. We need to understand history as a European history and not merely as a compilation of national histories"* (K. Welle, Centre for European Studies in Brussels, March 2012).

Appointed by the Bureau [of the European Parliament] in 2009 Mr. Welle is the highest ranking official in the Parliament's administration. He plays a pivotal role in daily parliamentary business by working together closely with various political entities as well as the President, the Bureau and the Members of Parliament. Mr. Welle is the initiator and the editor of the report *"The European Parliament 2025 - Preparing for complexity"* which was published earlier this year. The report aims to identify the challenges that the Institution faces in the upcoming decade and which role the European Parliament can or may assume in order to tackle these challenges.

A German national, Mr. Welle was born in Westphalia, close to the German-Dutch border. In addition to his banking apprenticeship at the Westdeutsche Landesbank, Mr. Welle received a degree in economics and was a recipient of several prestigious grants and scholarships. He also completed his military service in the German Air Force. After several years of heading the European and Foreign Policy Department at the CDU's office in Bonn, Mr. Welle was appointed Secretary-General of the European People's Party and

the European Union of Christian Democrats in Brussels in 1994. He then went on to serve as Secretary-General of the EPP Group in the European Parliament for five years. Mr. Welle also served as Director General for Internal Policies and Head of the Cabinet of the President of the Parliament. This equipped him with insights into challenges and tasks that the Parliament faces.

Mr. Welle was appointed Secretary-General of the Parliament three years ago. As mentioned in the report Mr. Welle has paid particular attention to the multi polar context in which EU politics develop. He is very aware of "the great picture" and his daily agenda reflects this meeting with representatives from all over the world. One of the questions for instance that the report raises is how the European Parliament should develop its relationship with other regional bodies such as ASEAN and the African Union.

Mr. Welle is working hard to reform the EP organisational structure, capacity and processes. This endeavour has not only been met with approval and recognition but also, let me add that, with resistance and contestation. I take this as an indicator that the initiated reforms are profound and substantial.

Mr. Welle was awarded the so-called silver medal for the service of 15 years to Europe. It is safe to say that there are very few that have such an extensive knowledge of the European Parliament.

Please welcome Mr. Klaus Welle.

Klaus Welle:

- Thank you very much for your interest and also for the nice introduction. Nevertheless I have to make two confessions at the very beginning: I served in the German Air Force, but I have never left the ground and I worked for WestLB and WestLB nowadays is bankrupt. But I left it 25 years ago...

What I will try to do today, of course, is to speak for myself and not for the Institution. I am also very happy to discuss and to take questions. I hope you will find a little piece of, maybe not gold, maybe silver, one idea that you take with you from this lecture and that you can use for your future research or that allows you to see things differently. So have patience with me and try to look for the one piece which is interesting to you.

I am speaking as a practitioner. I am not a researcher; nevertheless I am interested in a reflected debate on Europe. This evening I would like to address three issues. First, I would like to present to you my view on the European Institutions after Lisbon because I believe (I don't know whether it is also the case in other countries outside Germany) that we are putting too much emphasis on *sui generis*. Everything is *sui generis*, but if everything is *sui generis* then you don't see anything. I believe we can know a little bit more about European Institutions than just say that everything is *sui generis*. I will try to give you my view of the functions of the different Institutions.

In the second part, I will try to briefly outline why I believe that the financial crisis is, in reality, a constitutional issue.

And in the third part I will do something very difficult which is to outline some basic ideas about how we could address the legitimacy issue in the European Union without Treaty change. Because this will be the major question in the months ahead, between September and December under the chairmanship of President Van Rompuy: can we still address issues on the basis of current treaties or do we have to go forward. Personally I would like to present to you some ideas of what could still be done in the current framework.

I. European Institutions after *Lisbon Treaty*

What is the *Lisbon Treaty*? From my point of view, if we get into details it is very important to realize that the *Lisbon Treaty* is a treaty of Parliaments. Why is this important? Because we had the Convention and 2/3 of the Members of the Convention were Members of Parliament. What do Members of Parliament do if once in a lifetime they have a chance to sit in a Convention and draft a next treaty? They draft a treaty for parliaments. Basically the Members of the European Parliament and the Members of National Parliaments have put everything into the treaty that they always wanted to see in the European treaties. And the governments have tried to avoid the biggest disasters from their point of view. But what has come out is finally a treaty of Parliaments.

I believe it is very essential to understand this. Why? Have a look at the Treaty exercises before like the *Treaty of Nice*. The *Nice Treaty* was the last treaty which was prepared in the traditional way: by Intergovernmental Conference. National civil servants sitting together and finding out how much further they were ready to go in European integration. What was the outcome of the *Nice Treaty* in terms of progress in European integration? - Zero or very close to zero. There is one thing which is very important in the *Nice Treaty* - but it was put in there through the European Parliament and the Commission - and that is a legal base for European political parties. It is very important to realize that the traditional method of Treaty change and therefore of making progress in European integration had come to an end. And that only by a change of method: we could advance further and therefore the *Lisbon Treaty* is actually a Treaty of Parliaments.

For the European Parliament this basically means that what was enshrined in the *Lisbon Treaty* could be called the completion of our traditional agenda. Not 100% but let's say 90%, maybe 85%. We would like to have a little bit more on tax, a little bit more on immigration, but 90% of our traditional agenda, from the point of view of the European Parliament, now has been achieved.

Let's try to have a systematic look. To start with, I would like to have a look at what the Americans call the legislative branch of government. And I am not making this reference by accident.

In our system the first part of the legislative branch of government would be the European Parliament.

What have we achieved?

The ordinary legislative procedure is now standard with very few exceptions.

Secondly - full budgetary rights, the differentiation between the two kinds of budgetary expenditures having been abolished.

Third, surprisingly I may say (because it was not like this in the Treaty) we also have now a major impact in the area of Foreign Affairs. How? We combined several legislative procedures to have a say on the European External Action Service.

The outcome is that now every Ambassador of the European Union, before taking up his post has to come if we ask for it, for a Questions and Answers session in the European Parliament. That is not a legal precondition for the appointment but believe me, the relationship between Parliament and an Ambassador is completely different if the first thing the Ambassador has to do before taking up his post is to go to a Question and Answers session of the European Parliament. He will not go out being under the impression that European Parliament is not his interlocutor.

Through negotiations we have acquired full budgetary rights and full rights of budgetary control in this area. And - you are all experts in politics - the moment you have full budgetary rights and the possibility for discharge, you also have an impact on the policy which is being conducted.

The big surprise in the whole package may be with international agreements. Why? Traditionally, Parliament has been active in legislation. But how was that role in legislation perceived by the ordinary citizens? Usually, when legislation comes into force two or three years later and once it is implemented into national law, it used to be perceived as an action of national politics.

What is different in the field of international agreements and not only in international trade agreements is that now the Parliament has the last word. If the Parliament is saying NO, it is NO. The most recent example of this has been ACTA. There has been a vivid debate in Europe on ACTA, but the final point to ACTA was the negative vote in the European Parliament. This kind of decisions can no longer be separated from the European Parliament. Citizens all over Europe perceive them as our action.

It is now the European Parliament that elects the President of the Commission. It will be very interesting to see in 2014 how this procedure will in fact be conducted. Why? Because there is Declaration 11 to the *Lisbon Treaty*, which says that: "the European Council before making its proposal needs to consult with the European Parliament." This, of course, may be something very technical. But it can also be something incredibly mediatic and visible. Something like the Queen receiving the leaders of the political families, or the King, or the President of the country. Then all citizens over Europe can understand that the mandate for the Commission's President is finally coming from the European Parliament. There is a lot of space for institutional development in there.

Treaty changes will not only be dealt with in Conventions, but the European Parliament - this is something we haven't realized sufficiently ourselves - is also entitled to start

proposals for Treaty change. The Parliament itself can put the issue of Treaty change on the agenda. We cannot enforce Treaty change alone, but we can put it on the agenda. And then the Commission needs to position itself and the European Council needs to decide. It means that a very important part of the agenda setting capacity is now being shared with the European Parliament.

Maybe just for the specialists, I would like to mention something the Commission always likes to forget which is a part of article 17 of the Treaty on the European Union and reads: "The European Commission is initiating the annual and multiannual programming of the Union." That is where the amnesia in the Commission starts, because the second part of the sentence reads: "...with the view to reach inter-institutional agreement." We easily say the Commission has a right of initiative, even monopoly of it. Yes, but "with the view to reach inter-institutional agreement". This paragraph is still lacking implementation and it is logical that the Commission is not very keen, but I am sure the day will come - it also depends on us and our preparation - when in fact the agenda setting capacity for the annual and multiannual programming will be shared between Institutions.

Of course, all these rights very easily exist just on paper. They are in a text. It all depends on what we are making out of it. So, what is absolutely crucial is that we also have the capacity, the in house capacity, in terms of strategy but also in terms of means and staff, to bring this into fruition.

Let's take some examples:

- International trade:

Under the *Nice Treaty* we were giving an opinion. Now we have the final decision-making, so we cannot do it anymore with 4 administrators.

- Agriculture:

Up to recently we were absolutely free to defend that position and the other position.

Now we are decision-making, so we can't do it anymore with 4 or 5 administrators.

- Fisheries: the same issue. I could go further.

What we have been doing in the last three years is to reallocate resources: from the language services into the political support, but also through substantial additional budgetary means to be able to fight in the same league as the Member States.

We have also established a new Directorate on Impact Assessment. But impact assessment for the first time in two directions: the traditional way of impact assessment is to check the impact of proposed legislation on economic, social, environmental issues, which means that it served as a kind of a break on the system: something is being proposed, you check it and maybe it is too costly.

But what we haven't been doing sufficiently, at least for the last 20 years, is to check whether it is not too expensive that we don't have legislation in certain areas. This is something we knew 20 years ago, because it was the whole reasoning behind the

Internal Market project. You only do the internal market if there are potential gains for all of us and profits by having one set of regulations instead of 27.

We are organising our impact assessment in two units: one is checking the impact of proposed regulation and the other one is dealing with the cost of non-Europe and the European added value. This means that from suggestions voted by Members in Parliament for additional legislative initiatives we pick a number and try to define what we are losing because we are not having legislation in this area.

To give you one example and maybe the most striking: what is the cost that we haven't had more regulation in the financial markets for 10 years? The cost is billions. The European tax payer has paid dearly for the fact that we thought we could do with a light touch legislation. The European Parliament is able to say: we can give you lists, and pages and pages of proposals to Commissioner McCreevy. Probably most of them went directly into his waste paper bin.

I would also like to mention just to complete on capacity building that after the coming into force of the Lisbon Treaty, to be precise one month after, we have established our own parliamentary office in Washington D.C. We currently have 11 staffers in Washington to do what? We realize that basically what the US Congress is doing in terms of legislation on the continental scale in North America, we very often have to do in Europe. That is on financial services, that is on many issues to do with transport. That is fighting against terrorism. They do agriculture reform, we do agriculture reform.

We believe that if we have a close cooperation between these two law-making bodies, the chances for us together to still set jointly global standards are much higher than if we are completely separated.

After I have made this list and I have said that for 90% of our traditional agenda we are there, are we now comparable to a National Parliament? Definitely not. Why not? On a national level you always have the same majority in the Parliament and in the Executive. Once the Parliament deviates from the Executive on an important question, the Executive has to resign and the Parliament is dissolved. So, the space of manoeuvre for a National Parliament is relatively limited. That is not the case in the European Parliament. We are completely free to make a judgment on Commission proposals, to agree, to disagree, and to amend. Like the Council is completely free.

In fact we are in a situation of permanent, open negotiations between the Commission, the Council of Ministers and the European Parliament. With one very interesting side effect - if you don't belong to the biggest group, to the majority group, you are not automatically considered to be wrong. You might be right even if you belong to a smaller group which means that majorities are formed on every single issue. And the argument counts on every single issue. Therefore Members need to be open to all the other Members of all the other groups because it might be that tomorrow it is exactly their vote that you need to have a parliamentary majority.

If there is a comparison to be made, the only comparable institutional setup I can imagine is in fact the United States Congress where you can have one majority in the House of Representatives, another majority, but not a sufficient one currently, in the Senate and maybe a President who has to negotiate between the two.

So, these are from my point of view important changes in the European Parliament and many of these are known.

What I think is much less known is the important change in the Council. What is the important change in the Council? The book of Julius Caesar "Commentarii de Bello Gallico" starts with "all Gall is divided in three parts". That is exactly what happened to the Council. The Council has been divided into three parts: the European Council now as a separate Institution, which it wasn't before, the Council of Ministers and Security and Defence which was given to Baroness Ashton.

So, the Council has been divided into three parts. Why is this interesting for us? Because what is left in the Council of Ministers is basically legislation. When we now look at the Council of Ministers, they look like a kind of mirror image to us. Again, not in 100% but 90% or 85%.

Additionally, the rotating Council Presidency has nothing else to do but to lead the Council of Ministers. They are not sharing the Presidency of the European Council; they have nothing to do with foreign affairs anymore. So we are the only business in town for them. And if we have to do legislation together, we have become interdependent. And once you realize that we have become interdependent you start to cooperate, because one cannot succeed without the others.

This has been very well established in the last 2,5 years with regular meetings on three levels: Presidency of the Institutions, Minister of European Affairs with the Chair of the Committee Chairs and I have a monthly meeting with the Secretary General of the Council and the Ambassador of the rotating Presidency.

What we have *de facto* now between the Council of Ministers and the European Parliament is a two-chamber system where the European Parliament represents the citizens after direct elections and the Council of Ministers represents the Member States: the two sources of legitimacy in the European Union.

Now what about, what the Americans would call the executive branch of government?

You have of course the European Commission. I think it is fair to say that it is the majority view in the European Parliament that the European Commission has to be the Executive. But we would also like them to really want to be the Executive. It is not by accident that we invited for the newly established State of the Union speech not the President of the European Council but the President of the European Commission. Because the President of the European Commission is the only one who is accountable to

the European Parliament and comes into office through the European Parliament and in some cases also has to leave office through the European Parliament.

But if the European Commission is the Executive, what is then the European Council?

If you were to look at the set up in a national system, you would see the European Council where in a national system you have the President. The only problem is that in our national system we have very different kinds of Presidents. We have Mr. Gauck in Germany who has to basically lead through authority, through moral authority and on the other hand we have the French President who can go - if he wants to - into all kinds of details of daily politics.

What kind of President, what kind of Presidency at Union level then? Of course, the 27 heads of state immediately decided they would rather be Sarkozy than Christian Wulff but they had to find out after relatively short time that not all the 27 could be Sarkozy, maybe only 2 or 3. So, some of them have rediscovered the beauty of the community system.

Nevertheless, it has to be admitted that in the crisis they played an indispensable and positive role, in the sense that the European Council has served as a kind of elevator to bring issues, which until recently could only be discussed at national level, up for discussion and then - decision - at the European level. Questions like national budgets for example. It is a positive function.

However in their functioning I think we can at least identify 3 weaknesses.

The first might be surprising, but from my point of view is a lack of expertise. Why the lack of expertise? Because at the end of the day, a Prime Minister or a President of an important country is basically advised by his key advisors which are 3 or 4 persons. Nothing to compare with the system in the European Commission where everything goes through years and years of scrutiny, hearings, all kinds of interest groups, arguments in favour, arguments against.

In fact we found out that, for example during the financial crisis, the rejection of the reversed qualified majority on proposed sanctions against Member States was considered a success in spring, celebrated as a success, and in autumn the acceptance of the same reversed qualified majority was again a big success. And it is not the only issue. In fact the Finance Ministers found out regularly that what was decided by the European Council could not be implemented.

If you cannot implement what has been decided, you do not only have a lack of expertise, but you also have a lack of efficiency. Because if you decide, if you announce and then you cannot implement, it is not an efficient way of decision-making.

And last but not least, on many occasions at least in the early days, Prime Ministers had to experience that they got to know about suggested decisions rather through the media

than in meetings. If only a few are taking the decisions this is posing a very serious question about the legitimacy of the whole system.

II. Financial crisis is a constitutional issue

How does the financial crisis fit into this? First, I think it is interesting to realize that the objective situation in the Euro area, with the exception of Greece, is not worse than in the United Kingdom or in the United States.

For the United Kingdom there are different figures circulating. I have read one which was the official figure for debt in the United Kingdom: 67%, but when you include bank rescue it is 145% of GDP. I recently learned from Daniel Gros from CEPS that there is a figure (comparable to EUROSTAT figures) which is 100% of GNP. For the United States - 113% of GNP - and new debts still at the level of 8% of GNP. Just to compare: Spain - overall debt 70%, new debt at least getting closer - 4,5-5%.

If the objective situation, even in some of the crisis countries is not worse, maybe even better than the one in the United Kingdom and the United States, why do we see this instability in the Euro area? I think it can be brought to a relatively simple formula.

The traditional mechanisms used by Nation States to stabilize in times of crisis were abolished in the Euro zone and the European ones were not created.

To be precise: no state financing through central banks is allowed, no devaluation, no artificial inflation to decrease debt. Add to that, that there is no central taxing capacity, only 1% budget. Plus the problem that when you are in a currency area it is very easy to sell state bonds and get the currency out. It is not the same if you invest in the Pound area or in the Dollar area. It is very easy to do this in the Euro zone area and to run the finances of a Member State dry.

The organisation of the Euro zone itself created its instability. But then the real question is why was the Euro zone organized as it is organized?

I think it is organized as a monetary union based on two principles: the first principle, to put it bluntly, could be called: "no solidarity". In the language of the Treaty it is not called "no solidarity", it is called "no bailout". The other principle is no pooling of sovereignty in economic, social, financial and budgetary issues. The underlining consensus was: no solidarity and no pooling of sovereignty.

Where we are now is in the middle of a process where we have a double shift of paradigm at the same moment. We are about to create a community of solidarity and we are about to share in a substantial way additional elements of sovereignty.

In all debates you can follow, you always have the same principles which are being discussed: EFSF, ESM, ECB intervention, banking union, fiscal union, economic union,

political union. Even if you don't pay for transfers, if you give guarantees of some 100 billion Euros, you are in solidarity.

The situation we are in is challenging the new generation of political leaders: they have to make value judgments.

What do I mean by value judgments? If I look back to the German unification and the decision on the Euro in 1990 and 1991, this was a value judgment made for the sake of German unification. It was not a calculation of "+" and "-". And in fact, that value even had a figure. It meant the necessity of transfers of 140 bln per year in taxes and social security. It meant the inclusion of the German mark into the Euro. A similar value judgment, but by far not of that magnitude, is now being required.

What is the worth, the value of the European integration for us and for European citizens?

We have, because of all of this, new issues of legitimacy. The European Union now is not anymore the distant law-maker whose decisions you are 2 or 3 years later confronted with. And you maybe do not even know that it is coming from the European Union because it is transposed into national law.

But the European Union is perceived and *de facto* intervening into the heart of the social and economic life of citizens. This doesn't need to be explained in Greece, this doesn't need to be explained in Portugal, it doesn't need to be explained in Ireland, it doesn't need to be explained in Spain. But in reality also in the countries which are giving the guarantees.

III. Increase democratic accountability without Treaty change

More legitimacy, but legitimacy is becoming a scarce resource. Why? Because we know that Treaty change is difficult.

The pragmatic question is then how can we change and strengthen the legitimacy within the existing European Treaties.

First, there is something very fundamental in every democratic system - it is absolutely crucial that the citizens know that they have a choice. If they are no longer happy with one set of policies or one set of people, they can opt for another set of policies or another set of people. That is exactly what is happening in the election in all the Member States.

How is this mechanism functioning in the European Union? It is there, of course, citizens vote in the European elections and the European Parliament then votes the new Commission into office. But this relationship is relatively blurred.

One measure to strengthen that relationship and give a choice incarnated by personalities ahead of elections is to have lead-candidates for the European elections for

the function of Commission's President. This already started last time but slightly under cover with President Barroso. Because of this experience all the other European political parties, at least the Socialists and the Liberals, have come to the conclusion that they will also present lead-candidates.

This from my point of view is a very important idea even though, in the first step, it will, of course, have limited effects. Why? Have a look at the United States' system. In every single election to the US Congress since 1972, voter participation never reached 40%, unless this was the electoral year for the President. If it is the electoral year for the President voter participation for the US Congress is 60%. But in fact the US Congress isn't even voting the President, this is a separate election. Nonetheless it shows the dynamism you can get into a political situation if you are working with political figures that you can identify with.

And in reality, let's be honest, even in a national system it is not so far from this. At the end of the day the discussion is: do you want Steinmeier or Merkel? Do you want Brown or Cameron? If we want to have a higher turnout and if we want a higher participation and if we want to give people a choice, I think the question of lead-candidates for Commission President for European elections is absolutely crucial.

There are also smaller things which might seem technical but I nevertheless would like to mention them. European electoral law, I am not speaking now about trans-European lists, I would like to speak about things much more simple. Why don't we have a deadline that at least 6 weeks before the European elections candidates have to be known?

Why don't we have stricter rules that there is a genuine democratic process which leads to the nomination of candidates? Why don't we have stricter rules for replacements? I recently had the case of two ministers of a government who left the government took back their posts in the European Parliament even though they had never spent one day in this Institution after the elections.

Why can't we have, at least during the day of the election, the same opening hours for voting? Currently in Italy closure is 10 o'clock in the evening which means that you cannot have European results transmitted to the European electorate on electoral evening. There are a lot of small things that, if accumulated, could lead to an important progress.

And in the area of financial crisis we have supervision for banking, supervision for insurance, but the board Members are not appointed in consent by the European Parliament. Why aren't they appointed at least with consent by the European Parliament?

We have programme countries. The programme countries are under direct intervention from the IMF and the European Union. And in that situation, National Parliaments are in a very weak situation to resist the programmes required from them. How can this be complemented by the European Parliament and how do we organize a real democratic scrutiny on programmes?

And maybe, a last point. If everything I have said before on the connection between the financial crisis and some central means is correct can we really - as we are doing currently - completely separate the debate on the Multiannual Financial Framework from the debate on how we are confronting the financial crisis?

My view is that the crisis is as much a constitutional and political crisis as an economic crisis.

It is a test of will for a new political generation.

And of course when we are looking back, we are forgetting about all the trouble that was there in the past. How easy was it to start this project in the 50's when the memory was still fresh of war and all of the atrocities that went with it?

How easy was it in the 60's when De Gaulle had his policy of the empty chair?

How easy was it in the 70's when the catch word was the Euro sclerosis?

How easy was it in the 80's when the internal market had to be created and in order to have the chance to do this, to find an agreement on the financing of the European Union with a hostile British government?

And finally, how easy was it in the 90's to establish the single currency?

I am just mentioning this to say that if we believe that everything was easy in the past and it is just difficult today, I think we are absolutely wrong.

Every generation is put to a test and where we are now is the test of this political generation. The stakes are very high because the basic question behind it is whether we will be a player in the multi polar world that is just coming into existence or not.

It is also the question whether we will have a chance to remain the subject of our own history or whether we will become the object of other people's decisions.

One thing there we know for sure and this is that no single country in Europe will be able to do so.

Thank you very much!