Strengthening Capacities for Reform – Perspectives of Institution Building in the European Union
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1. Why Do Institutions Matter in the European Union?

From an outside perspective, observers of European integration might well ask why the European Union in general pays that much attention on its institutions and procedures of policy-making, and why, after more than half a century of European integration, it still devotes significant resources on shaping its political system. Since the first fundamental institutional reform with the European Single Act in 1986, the member states have undertaken not less than four substantial reforms of EU primary law that were laid down in the Treaties of Maastricht (1992), Amsterdam (1997), and Nice (2001), and finally the Constitutional Treaty (2004). How can this extraordinary investment in institution building be explained, and why is it – and will probably remain – an ongoing process?

The reasons can be traced back to the beginning of European integration in the 1950s. Institutions and decision-making procedures in the European Union have from the very beginning of integration proved very effective as a framework for shaping policies in an organisation that subsequently expanded its size and tasks. Especially the establishment of supranational institutions that can initiate and adopt binding legislation for the member states explains to a large extent the European success story. Hardly would the current level of integration exist if there had not been institutionalized procedures of decision-making on a supranational level. Until today the concept of supranationality remains unique in the landscape of international organizations all over the world.

Why institution building is still going on, even after half a century of integration, is first of all due to the fact that the founding fathers in the 1950s did not develop a master plan to set up a more or less complete political system within the first years of integration. Neither was there a clear consensus on how such an institutional backbone should look like in detail nor did the founding members agree on where exactly integration should take them: Toward an economic or even a political Union? Toward a Federal Europe or a Europe of Nations? Toward an intergovernmental or a supranational union? Starting with coal and steel, important industries in the 1950s not only for the economy but also for the ability to conducts wars, which were put under the responsibility of a High Authority (later transformed into the “European Commission”), the member states adopted a pragmatic approach to integration. In the following years the organisation gradually developed its policies and adapted its
institutions and procedures of policy-making. This has led over the years to a completely new kind of political system that some critics blame for being overly complex, complicated, and hardly effective. But there is a systemic rationalism in this institutional jungle: Only the open character of the process and the balancing of different approaches to European integration made it possible to forge compromises and to keep the integration process going.

The question of finality has in fact often been discussed but has always been left open. And for good reasons: As the European Union is constantly changing its face due to continuous enlargement and due to the extension of competences, its political system must remain flexible in order to accommodate these changes. For that reason institutional dynamism is one of the key characteristics of the European Union, and it is probably also the most important resource for its future success.

2. EU Institution Building and Enlargement

When the six founding members Germany, France, Italy, Belgium, the Netherlands, and Luxemburg signed the Treaty establishing the European Community for Coal and Steel in 1951 they agreed on an institutional quadrangle with a “High Authority” as executive (later European Commission), a Council of Ministers with steering and legislative powers, an advisory assembly as a forum for discussion with limited rights of control (later European Parliament), and a Court of Justice examining the interpretation of the Treaty. Institutions and procedures of policy-making in the beginning were designed for six member states and a limited field of action.

Two developments increasingly challenged the institutional set up over the years: successive enlargement rounds (known as “widening process”) as well as a gradual transfer of competences to the community level (“deepening process”). The most recent example of widening is eastern enlargement 2004, the most illustrating example of deepening is the Treaty of Maastricht (1992) that created the three-pillar structure under the roof of a “European Union” with two new intergovernmental pillars (Common Foreign and Security Policy, Cooperation in Justice and Home Affairs) flanking the supranational pillar of the European Community.

As the European Union gradually expanded in size and tasks, the institutional structure of the “old” community was challenged. In order to remain effective
reforms were inevitable. Eastern enlargement that was on the horizon with the end of
the Cold War hereby served as an important catalyst. The 2000 reform process that
prepared the institutions for eastern enlargement as well as the constitutional process
(2001-2004) is a good example to illustrate the reform content as well as the
instruments of European reform.

2.1 Preparing Enlargement 2004: The Intergovernmental Conference 2000 and the
Treaty of Nice
A reform of the existing treaties became imperative, as the accession of up to twelve
new member states was at sight in the late 1990s. On the stroke of midnight, the
Union would grow from 15 to at least 25 member states, which proved a serious
challenge to its ability to function. Each of the 25 countries would be represented in
the institutions, take part in the voting, and would attempt to promote its various
interests. It was obvious that the EU bodies could not simply grow in line with the
increase in the number of member states without placing a strain on the effectiveness
of the enlarged Union. The time was ripe for reforms that would ensure the long-term
decision-making ability of the enlarged EU.
Institutional changes require changes on EU primary law. The Treaty of Nice (Art.
49 TEU) foresees a clear procedure for treaty reform: the “intergovernmental
conference”. Intergovernmental conferences are international negotiations by the
member states. They are the forums in which member states, the European
Parliament and the Commission can submit proposals to the Council of Ministers
demanding reforms of the EU institutions. The Council then decides whether these
changes are important enough to convene an intergovernmental conference of
government representatives on different levels. The conferences usually last for
several months but over the years have significantly expanded their time framework.
At the end of an intergovernmental conference the EU heads of state and government
decide unanimously whether or not and how to amend the treaties. After the new
treaty has been formally signed, it must, in accordance with the varying
constitutional arrangements in different member states, be adopted by the
parliaments of the member states and/or by the electorate in a referendum. A Treaty
can only come into force when every country in the EU has ratified it. In the past 20
years there have been at short intervals a whole series of intergovernmental
conferences. These have led to the Single European Act, the Treaties of Maastricht,
Amsterdam and Nice, and the Treaty establishing a Constitution for Europe. Intergovernmental conferences have an important drawback. They only involve government representatives, and they take place behind closed doors. In the negotiations each country tries to represent its interests, so that in the end it is often possible to agree only on the lowest common denominator. In the most recent rounds of reform intergovernmental conferences had made it possible for governments to protect their own interests, which mitigated against far-reaching reforms. Many of the compromises that were struck quickly turned out to be insufficient or even obsolete in practice.

With the 2000 intergovernmental conference the member states intended to prepare the Union for eastern enlargement. But when it was concluded and the Treaty of Nice signed by the heads of state and government of the then 15 member states, there were critical voices on the outcome of the reform. It proved impossible to reach satisfactory agreements on most of the important institutional issues: the future size and composition of the Commission, the extension of majority decisions in the Council of Ministers, and the revised weighting of votes in the Council of Ministers.

The consensus was based on the lowest common denominator. A reduction in the size of the Commission, which was supposed to maintain the viability of the college in an EU of 25 and more member states, was adopted in principle, but deferred to a later date. Most countries put up stiff resistance, since they did not wish to relinquish “their” commissioner. There was also deadlock with regard to the extension of majority decisions in the Council of Ministers. Germany, for example, wished to retain unanimity on asylum and immigration policies and also managed to secure unanimity on the subject of co-determination and employee participation. Spain refused to relinquish its right of veto with regard to subsidies for structurally weak countries and regions. Britain refused to relinquish its veto on the harmonization of fiscal policy, as did the French in the area of cultural policy. The Treaty of Nice also failed to deal with the problem of the weighting of votes of the individual member states in the Council of Ministers. The weighted votes do not proportionally reflect the size of the various countries, since their distribution fails to correspond to the actual percentage of the population. Small states are in a better position than large ones, which distorts the equilibrium amongst the member states. Furthermore, the weighting of votes in the Treaty of Nice forms part of a complicated “triple majority”. A majority in the Council of Ministers requires a certain number of
weighted votes (at least a two-thirds majority) and the majority of the member states, who at the same time must represent 62 per cent of the overall population of the Union.

But one particular decision taken in Nice was destined to be of great importance for the future of EU reform. As a result of an Italo-German initiative, a declaration was appended to the Treaty, the purpose of which was to initiate a wide-ranging dialogue about the following subjects: the legal status of the Charter of Fundamental Rights, a more precise assignment of competences to the EU and the member states, the role of national parliaments in the institutional architecture of Europe, and the simplification of the existing treaties. The so-called “post-Nice process”, which began with this declaration just after the Treaty of Nice was signed, formed the basis for the work on the Constitutional Treaty – in which only a few months later a new chapter in institution building was opened, as a new reform method was applied.

2.2 A New Reform Method: The “European Convention” and the Constitutional Process

With the establishment of the Convention for the next reform of the European treaties, EU countries were attempting to address flaws in previous intergovernmental negotiations. There was a deliberate decision to select a completely different set of participants for the EU Convention, which, uniquely, was to meet in public. The Convention was made up of 105 members and their deputies, and comprised government representatives and members of national parliaments, members of the European Parliament, and members of the Commission. Delegates from the governments and parliaments of the accession states were also represented, though they did not have the right to vote. The reform process was also to benefit from a greater degree of civil society involvement from EU citizens. In this way, it was thought it might be possible to overcome the general lethargy and scepticism about European integration. And it was a way of responding to the widespread criticisms that EU politicians did not communicate sufficiently with the people they represent.

The Convention began its work in February 2002. A twelve-member presidium headed by former French President Valéry Giscard d’Estaing and eleven working groups, each of which was devoted to a particular topic, managed in only seventeen months to produce what few had thought possible. For the first time, EU primary law
was bundled in one single coherent text, including a whole number of institutional innovations: inter alia the extension of the legislative and budgetary powers of the European Parliament and a stronger influence in the election of the President of the Commission, more rights for national parliaments, the extension of qualified majority voting, the introduction of an elected President of the European Council and of a Union Minister for Foreign Affairs, the strengthening of the Commission President, the introduction of competence categories, the incorporation of the EU Charter of Fundamental Rights, and the adoption of simplified procedures for future reforms. In accordance with the stipulations governing amendments to the treaties (Art. 49 TEU), this draft now had to be presented for a final approval to an intergovernmental conference.

The intergovernmental conference began in October 2003 under the auspices of the Italian Presidency and included participants from the ten accession states, which were due to become members of the EU on 1 May 2004. It was now the turn of the member states that were dissatisfied with some of the results that had emerged from the Convention process. The debate was primarily about the new voting procedures in the Council of Ministers, the so-called “double majority.” Poland and Spain were vehemently opposed to this, since they felt that they were being unfairly treated compared to their position in the Treaty of Nice. The Treaty of Nice stipulates that a triple majority is required in the case of majority decisions in the Council of Ministers, i.e., a majority of the EU population, a majority of the member states, and a majority of the weighted votes. Spain and Poland each had 27 votes, whereas Germany, France, the United Kingdom and Italy, which are far more populous countries, only had 29. Poland and Spain knew they were better off with the Nice rules, and wanted to retain them at all costs. But the “double majority” of the Constitutional Treaty sought to abolish this voting criterion. In December 2003 the constitutional summit in Brussels that was meant to conclude the intergovernmental conference ended in a failure. For the time being it seemed as if Europe’s hopes of adopting a new primary law had been dashed. It was in fact extremely uncertain whether the Constitutional Treaty would ever come into force. However, politicians were well aware of the fact that the failure of the constitutional process would have serious consequences. The opportunity to establish a stable and common foundation for a Europe consisting of 25 or more states would have been squandered, and would not present itself again for the foreseeable future. After the failure of the summit in

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December 2003, negotiations on the European Constitution were resumed early in 2004 under the Irish EU Presidency. It proved possible to broker a compromise, and in June 2004 the EU Constitutional Treaty was adopted after all, and signed in October 2004.

But more than two years after the Constitutional Treaty has been signed, the entry into force of the new primary law remains unclear. In early spring 2005 the French and Dutch governments put the Constitutional Treaty on referendums – and the electorate denied its support. Since then the ratification process is blocked in several EU countries. The Constitutional Treaty can only enter into force if all member states ratify it. A significant step in institution building risks being put into the archives if the EU members fail to find a way out of the constitutional deadlock.

3. What Next? Perspectives of Institution Building in the European Union

3.1 Completing the Constitutional Process

Following the rejection of the Constitutional Treaty by the electorate in two of the EU’s founding member states in early summer 2005, another historic attempt to provide a reliable political order for Europe appears to have failed. But the EU must nonetheless optimize its procedures in order to act effectively in the future. A number of ways out of the constitutional crisis have been suggested over the last months.\(^4\) However, most of the alternatives have significant shortcomings:

- **Holding on to the original Constitutional Treaty**: This option presupposes that the new primary law will be presented unaltered to the French and Dutch electorates in another referendum. However, the chances that a second referendum will lead to the desired result seem rather slim.

- **The retention of the Treaty of Nice currently in force**: This is to all intents and purposes not a viable option. The EU-25+ cannot be governed on the basis of a set of rules and regulations that in essence was originally conceived for six states. Without meaningful amendments to the Treaty of Nice the European Union will sooner or later experience a dramatic crisis of legitimacy.

- **“Making the most of Nice”**: This option is not sufficient to ensure the enlarged EU’s future efficiency or to enhance its democratic legitimacy. The implementation of constitutional innovations on the basis of the existing
Treaties and thus beneath the level of formal amendments to primary law – for example, in the shape of inter-institutional agreements or modified rules of procedure – is unlikely to be achieved in many important cases. Attempts to unravel the package as a whole and to “cherry-pick” individual elements of the Constitutional Treaty will come up against opposition from certain member states and thus fail.

- **Present the electorate with a “shortened constitution” using the terminology of a “basic treaty”:** This alternative which would imply combining Parts I, II, and IV of the Constitutional Treaty is also rather problematic. On the one hand, the opponents of the Constitution will argue that it is simply duplicitous. On the other hand, this alternative would also require a revision of Part III of the constitutional text. This would definitely be an extremely time-consuming process that could not be completed without calling yet another Convention.

A pragmatic option would be to transfer the core of the constitutional innovations into primary law in the shape of a treaty amending the Treaty of Nice. The provocatively titled “Constitutional Treaty” would be transformed into a modest revision of the Treaty of Nice, thereby making it possible to incorporate the core of the constitutional innovations into the existing Treaties. To do this, it would be necessary to identify the central reforms of the Constitutional Treaty and combine them in the shape of a treaty amending the primary law currently in force. A “Treaty Amending the Treaty of Nice” represents a realistic option that respects the vote of the French and Dutch electorates, and at the same time allows the implementation of the central elements laid down in the Constitutional Treaty. None of the controversies in the member states were sparked off by the core of the Constitution.

The considerable improvements made by the Constitution with regard to the EU’s efficiency, transparency and democratic legitimation have not been called into question.

The modesty of a “Treaty Amending the Treaty of Nice” offers a realistic solution for the constitutional crisis. In this way the failure of one project might provide the impetus for a decisive spurt ahead. The next step would be to elaborate and adopt a less voluminous text that contains only the principal constitutional provisions while relegating the detailed non-constitutional provisions to a text below the constitutional level. Such a “division of the treaties” would provide the grounds for a readable
constitutional document that corresponds both to the requirements of European governance and to the expectations of citizens.

3.2 Strengthening the EU’s Reform Capacities

When the deficits of the Intergovernmental Conference as the main instrument of EU reform became ever more visible in the 1990s, the member states decided to embark on a new path of reform with the convention method. This was an important step toward a more effective way of institution building. The EU should continue to focus on the question how reforms of different scale and priority can be effectively organised and implemented in a Union of 25 and soon more member states:

- **Learning lessons from the European Convention:** The Convention method proved far more effective as an instrument of treaty reform than the intergovernmental conference. However, a number of aspects turned out problematic in the ratification process (e.g. the internal organisation of the Convention, time constraints, the inclusion of civil society and citizens, and the broad mandate of the Laeken Declaration). These shortcomings of the method should be addressed and considerably improved.

- **Saving the reform methods of the Constitutional Treaty:** If the Constitutional Treaty ultimately fails this would mean that the Convention method laid down in its Article IV-443 would not be applied in future reforms. In that case the revision procedure of the Treaty of Nice (Art 48 TEU) should be reformed, e.g. by a “Treaty amending the Treaty of Nice” that includes the Convention method as an instrument of reform (see paragraph 3.1). This Treaty should also include the new “passerelle” or “bridging” clauses of the Constitutional Treaty that make certain treaty revisions possible without convening an intergovernmental conference: By an unanimous vote the European Council can decide to apply qualified majority voting in certain policy areas and transfer legislative procedures to the so-called “ordinary legislative procedure” (qualified majority vote in the Council combined with the right of co-decision of the European Parliament).

- **Clear procedure for problems during ratification process:** Part IV of the Constitutional Treaty includes in Article IV-443 a provision for the (likely) case of problems in the ratification process, saying that “if, two years after the signature of the treaty amending this Treaty, four fifths of the Member States
have ratified it and one or more Member States have encountered difficulties in proceeding with ratification, the matter shall be referred to the European Council“. However, these provisions are too vague, and they do not go far enough because the necessity for ratification in all member states remains a precondition of the entry into force of new primary law. The member states should therefore discuss a formula that would enable the entry into force at a lower threshold. Placing membership at disposal through the new withdrawal clause should also be taken into account.

- **Bipartition of the Treaties**: In the medium run, once the constitutional process has been brought to an end by one of the options discussed in paragraph 3.1, there should be an attempt to divide EU primary law into a clearly constitutional and an executive part. This bipartition would make it possible to apply different revision procedures. Executive provisions could be reformed at lower hurdles than the more fundamental constitutional provisions. Furthermore, the constitutional part would be a rather slim document that would be more accessible for EU citizens as a European constitutional text.

- **Permanent strategy group on reform issues**: As institution building will be an agenda for the future, a permanent strategy group on EU reform should discuss future reform issues on a regular basis. This strategy group should include representatives from European as well as from the national level in order to establish a link between national and EU reforms. Members of this strategy group could well be present or former members of a Convention. Within this strategy group a more foresighted and coherent approach to reform could be developed.

### 3.3 Fields for Future EU Reforms

Beyond further developing the EU’s reform methods the member states also need to focus on future reform content. The shortcomings of the Constitutional Treaty are clearly part of this agenda. The systematic and precision of the competence categories is insufficient, there is no clear distinction between a Legislative Council and other Council formations, a “real” election of the President of the Commission by the European Parliament has not been achieved yet, and unanimity votes are still applied in important policy fields, to name only a few remaining shortcomings. In
the medium run the European Union should therefore formulate a “Laeken II” agenda as a mandate for a new European Convention in order to overcome the deficits of the Constitutional Treaty.
Furthermore, the member states should have a particular focus on new forms of governance that reflect the European Union more than before as a multilevel system. One example should illustrate the point: Over the last years the EU started to develop new policymaking procedures that, compared to the “hard” law deriving from the community method, can be described as “soft” modes of governance. Recent examples are the so-called “Open Methods of Co-Ordination (OMCs)”\(^9\). OMCs have their origins in European Economic and Employment Policy. Since the launch of the Lisbon Strategy (2000) that aims at transforming the EU into the most dynamic, competitive knowledge-based economy by 2010, OMCs are applied in a whole number of policies related to the Lisbon agenda. Broadly speaking, open co-ordination is an exchange of information between the member states through mutual feedback processes composed of elements that support learning (inter alia by setting common objectives), including executives and parliaments at the European, national and sub-national levels as well as civil society. The aim of open co-ordination is to pool information on national practices and to identify best practices in the EU member states that might serve as guidance for others.
So far, the history of open co-ordination has been very short, and the experience of a few years has probably revealed more weaknesses than positive results. OMCs currently fall far short of providing a formalised and complete integration concept such as the community method. In light of its performance deficits, open co-ordination at the moment does not represent a policymaking panacea. Cross-border comparisons of national practices, as is performed within OMCs, are also not new. However, this does not mean that the inherent potential of open co-ordination cannot be further developed and realised, or that it should be dropped as an instrument of governance. Cross-boarder comparisons go further within the EU context than in other institutions such as the OECD, because the EU offers a political framework that is lacking in other international arenas. In that sense, the unique system of the EU – with its formalised co-operation and multilevel exchange of information and ideas – can turn out to be a competitive advantage, if the EU manages to set up a European framework for learning to support reform processes in its member states. More than before a clear line between reforms on European level and reforms in the
member states should be drawn in order to establish a complementary approach to institutional change. It goes without saying that reforms on EU level have significant impact on the political systems in the member states. This perspective has not been sufficiently taken into account in the past.

4. Concluding Remark

Some scholars are suggesting that now that the great integration projects have been largely completed, EU politics will be less about building institutions, and more about ensuring that existing policies are delivered. Well, both developments must go hand in hand. New challenges in a globalising world will continue to push the EU to further develop its policies, which also means to adapt its institutional structures. Having said this, even after twenty years of reform the EU will remain an institutional building site in the years to come. But this should not be regarded as a deficit of the EU’s institutional set up, as some critics alluding to a “reform fatigue” might argue, but as an opportunity for the EU to handle the challenges of an ever faster changing world.

However, much will depend on the Union’s capacities of reform, for which a set of reform procedures in order to effectively organize and implement future reforms needs to be developed. This is probably one of the most important lessons to be learned from the constitutional process.
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2 Founding members: Germany, France, Italy, Belgium, Netherlands, Luxemburg; UK, Ireland, Denmark (1973); Greece (1981); Spain and Portugal (1986), Austria, Sweden, and Finland (1995).


7 Bulgaria and Romania will become EU members on January 1 2007.
