



Business as usual is not acceptable

by Charles Grant

In Britain, Denmark, France and Greece, anti-establishment parties won the most votes. But the European elections were less of an earthquake than some have proclaimed. Only about 150 of the 751 MEPs elected are hostile to the EU. The moderate parties will collaborate to ensure that the Parliament does its job of passing laws. Indirectly, however, the elections will have big consequences for the EU – particularly through their impact on national politics in countries like Britain and France.

In Britain, despite UKIP's victorious score of 27 per cent, David Cameron's Conservatives, on 24 per cent, look somewhat stronger than the opposition Labour Party, on 25 per cent. This is because British governments usually regain support in the run-up to a general election (the next one is due in May 2015). Many UKIP voters – having made their protest – are likely to return to the Conservatives, to keep Labour out. Cameron will also profit from the economic recovery. Labour could still win the next election, but the chances of a Cameron victory – bringing about the in-out EU referendum that he has promised for 2017 – have grown.

Marine Le Pen's Front National won 25 per cent in France, humiliating François Hollande's Socialists, who scored just 14 per cent. The French political system is drifting in a eurosceptic direction. Never popular in France, 'Brussels' will be bashed more often. Nicolas Sarkozy, the former Gaullist president, has called for the Schengen agreement on passport-free travel to be suspended and

for half the EU's powers to be repatriated. The Gaullist movement's old wounds over Europe are reopening (in recent years the pro-EU wing has predominated). The left wing of the governing Socialists, who dislike the EU for its economic liberalism, is emboldened: it will try to stop Hollande pushing through the market-friendly reforms that would strengthen the economy.

An introverted France, riven by arguments over Europe, and weakened by a sluggish economy, will be unable to rebalance the currently uneven Franco-German relationship. Germany's strong economic performance, the high electoral scores of its governing parties and Chancellor Angela Merkel's personal authority will all reinforce German leadership of the EU.

Britain's waning influence, a consequence of its possible departure, is one reason for German dominance. But Italy, seldom an influential EU country on account of its weak governments and stagnant economy, now has a chance to become

more assertive. The 41 per cent won by Prime Minister Matteo Renzi's Democratic Party may give him the credibility to push through badly-needed reforms at home – and to work with France and others to soften austerity in the eurozone.

Poland's imprint on the EU has been growing, partly through its teaming up with Germany and France in the 'Weimar triangle'. This trio has helped to lead the EU's response to the Ukraine crisis, and has also made a difference in discussions on energy and defence. Both Prime Minister Donald Tusk's governing centre-right party, and the mildly eurosceptic opposition, performed well in the elections, which will do nothing to diminish Poland's clout.

Even before the elections, the chances of a new EU treaty in the next few years were slim. But the surge of support for anti-establishment parties have made a new treaty even less likely. The French government is not alone in believing that a new treaty giving more powers to the EU could not be ratified – by parliamentary vote or referendum – in several member-states. Those who believe that a healthy euro requires a significant centralisation of economic decision-making, and thus a major new treaty, will be disappointed. If and when the euro needs a fix, it will be done without treaty change or through small treaties, which may not involve the whole EU, such as the recently negotiated agreement on a bank resolution fund. Germany would like some small treaty changes but is in no hurry. It understands that most EU governments are opposed.

That is a problem for Cameron. His plans to renegotiate the terms of British membership assume that the euro's problems will require a new EU treaty and thus a British signature, enabling the UK to extract concessions from its partners. Yet there is scant chance of a new treaty in time for Cameron's 2017 deadline. In fact most of the ideas for EU reform that he has floated could be adopted within the current treaties. But many Conservatives expect the repatriation of powers through treaty change, and he needs to lower their expectations.

In one respect, the European elections may help Cameron. When he says that the EU is in urgent need of reform, more of his fellow leaders are likely to agree. It is hard for them to defend business as usual. France, which has hitherto shown little interest in helping Britain reform the EU, may think again, particularly on issues like cutting red tape. British, German and Dutch efforts to reinforce subsidiarity, through enabling national parliaments to question Commission proposals, may gather support. And Cameron's desire to curb the right of EU migrants to welfare

benefits resonates in many northern member-states, where hostility to immigration has boosted support for populists.

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A lot of governments will agree with Cameron and Merkel that the new European Commission, due to take office on November 1st, should focus on growth and employment – for example by negotiating more trade deals, extending the single market and investing in infrastructure and innovation. But the Commission will have to grapple with a paradox: Europe's poor economic performance has nourished the anti-establishment parties, yet some key measures that would improve that performance, notably those involving liberalisation, are opposed by most populists. That is why the Commission needs vigorous leaders who can not only set out a clear agenda for boosting growth, competition and innovation at EU and national levels, but also explain why change is needed and ensure help for those who may be disadvantaged.

The Commission needs a tough and effective president who can shake up the institution as well as work with both national governments and the Parliament. Therefore EU leaders should scrap the idea of designated candidates for the presidency – promoted by the Parliament and the pan-European political parties – which, if adopted, would result in a weak president. Jean-Claude Juncker, a former Luxembourg prime minister, is the designated candidate of the centre-right European Peoples Party. Now that the EPP has won the largest number of MEPs, the Parliament demands that he be anointed.

The European Council should resist this parliamentary power-grab. Juncker is a business-as-usual candidate, scarcely known outside Brussels, who wants more powers for the EU but has never talked seriously of EU reform. The treaties say the European Council should take into account the election results when choosing the president. That probably means they should appoint someone from the EPP. They should go for a heavyweight who can communicate well, ideally with economic expertise. Christine Lagarde, the French managing director of the IMF, is one potential president who would fit the bill.

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