The functioning of the Eurozone within the framework of the European Union

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Introduction

President Barroso's « State of the Union » speech highlights the fact that the Eurozone may apply the Union's decision-making processes by making use of the institutional structures provided for by the Lisbon Treaty. For this purpose, they would need to be adapted to the Eurozone in accordance with the following guidelines :

a) The 17 Member States which currently form the Eurozone function through exercising **enhanced cooperation ;**
b) The Eurozone practises **decision-making processes** no less advanced than those of the European Union and uses processes which correspond to its role as a **pioneer group** ;
c) It implements both **qualified majorities** applied by the Council, and, if possible, the qualified majority as laid down in the future by the Lisbon Treaty ;
d) The development of the Eurozone is in keeping with the **institutional framework** of the Lisbon Treaty;
e) The 17 members of the Eurogroup, which may be joined by other Member States, are intended to pave the way towards the **Federation of European States**, as proposed by President Jose Manuel Barroso ;
f) **Transparency** is essential, especially regarding the appointment of the Eurogroup President and the decision-making processes of the 17 members ;
g) Participation by the **European Parliament** must be ensured : **approval** by the Eurogroup President and **use of codecision** ;
h) The Eurozone must in future benefit from **democratic legitimacy** and seek to avoid the current discrepancy between its rules of functioning and the decision-making processes of the Union ;
i) Contrary to the proposal put forward by President Giscard d'Estaing, one can conclude that it is **not necessary** to create a **new organisation** to ensure the smooth functioning of the 17-member Eurozone within the framework of the Union.

I. Appointment of the Eurogroup President

1. Proposal

It is important for this appointment to be handled with transparency and, moreover, that it includes the requirement of approval by the European Parliament. A procedure one might suggest along these lines would be for the first choice to be made by the **European Council acting on a joint proposal by the Commission and the ECB**.

2. Nomination of President

This nomination should preferably result from consensus at European Council level, with only Heads of State or Government of the euro area voting in this procedure. However, following the example of the procedure used to appoint the President of the Commission, **the choice of the 17 members of the Eurogroup could be made by qualified majority**.

3. Approval by MEPs from the euro area

Once this first step has been taken, the future President of the Eurogroup has to be « invested » through the **approval of the European Parliament**. Regarding the procedure of approval by the European Parliament, it would be logical to only allow voting by Members of the European Parliament representing Member States of the Eurozone.

4. Enhanced cooperation

In this way, the final appointment of the Eurogroup President will follow a procedure in keeping with the Lisbon Treaty by ensuring greater democratic legitimacy. Obviously, this **nomination procedure** which is based on transparency and the guarantee of legitimacy, does not require a new Treaty but can be implemented by using **enhanced cooperation**. Consequently, the Eurogroup President will ultimately enjoy both democratic legitimacy and greater authority.

II. Decision-making processes within the Eurozone

1. Initiatives and formal proposals

First of all, it is important to know who will have the right of initiative. In fact, it is the Member States of the Eurogroup, but also economists and various associations which propose ideas and initiatives alongside the Commission and the ECB, whereas **formal proposals** belong to the Commission and the ECB by right. In this way the ideas proposed, which are often very diverse, will be chanelled in accordance with the decision-making procedure laid down by the Lisbon Treaty, which resorts more and more frequently to codecision with the European Parliament. Decisions taken by the Eurogroup based on these proposals are within the scope of the guidelines defined by the European Council within which the decisive vote is that of the 17 Member States.

2. Meetings and resolutions of the Heads of State or Government of the euro area

The Heads of State or Government of the 17 Member States may hold more frequent meetings in which the other EU Member States can participate without having the right to vote[1]. In order to increase efficiency, these framework guidelines should preferably be adopted by qualified, and if necessary reinforced majority[2], in order to avoid vetoes and protracted wrangling and to generally speed up the decision-making process. This procedure is better adapted to the needs of the Eurozone and to its leading role.

[1] Title IV, art. 20, par.3.
[2] Art. 333.

3. Decision-making process at Council of Ministers level

As regards decisions to be made by the Council, they would be adopted by **qualified majority**. And if possible, as laid down by the Lisbon Treaty as of 2014, by **double majority** defined as at least 55% of the Member States of the Eurogroup comprising at least 65% of the population of these States[3].

4. Codecision by the Council and the « EP commission for the Eurozone »

Following the example of the legislative codecision procedure, the European Parliament would adopt decisions more and more frequently in coordination with the majority of its Members from the Eurozone. As in the case of the Council, all members could participate in the debate which would be weighted in favour of the Eurogroup, but the **final vote** by the MPs would be exclusively reserved for those representing the Member States of the Eurogroup. The same principle could be applied to the functioning of the consultative committees which could form sub-committees composed of 17 members.

5. Role of the Commission and the European Central Bank

This extended practice of the procedures laid down by the Lisbon Treaty aims to **safeguard cohesion** within the Union while at the same time allowing Eurogroup members to **progress more rapidly**. Decision-making and the implementation of adopted measures as well as the monitoring of how the measures are applied at every level would primarily fall within the competence of the Commission and the ECB, as well as of the Council acting on their proposal in accordance with the broad guidelines of the European Council.

6. Appeal to the Court of Justice

In case of dispute, the Court of Justice would be empowered to rule in the first instance through chambers which could be made up for the most part of judges from the Eurogroup. Final decrees could also be adjusted in the same way on an *ad hoc* basis. However, these adjustments do not seem to be indispensable since the Court essentially adopts a **community view**. This is also true of the **Commission** which has acted according to its community view adapted to the Eurozone since the very beginning of the crisis.

7. Urgent decisions

The crisis has brought to light the large discrepancy between the speed with which investors make decisions and markets react and the slowness of the European institutions to act. Therefore it would be advisable to reflect upon the manner in which a certain number of **decisions** could be **taken urgently** by the Commission or the ECB, or rather jointly by both institutions. Instead of going through a long procedure, these decisions would subsequently be approved by the Eurogroup members within the Council and the Parliament.

[3] Art. 238, par.3a.

8. Implementation of the community method in the Eurozone

In conclusion, the Eurozone would henceforth apply the **community method** in numerous cases while attempting to bring it into general use. As a result, its procedures would ensure greater transparency by using decision-making processes laid down by the Lisbon Treaty, or indeed other more efficient procedures. In accordance with the principles of enhanced cooperation, the Eurozone could extend the use of the community method in order to ensure greater efficiency and increased democratic legitimacy.

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