

Editorial

2017, the Year of the Dreamers; 2018, the Year of the Realists?

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On 13 September the EC president Jean Claude Juncker delivered his State of the Union address for 2017. Back in 2016, his story had still been rather gloomy. Events such as Brexit and the migrant problem meant the future for the EU was not looking so rosy, not to mention the political uncertainties surrounding the elections due to be held in some important Member States. However, while the fears of a fragmented and divided Europe were at the time entirely genuine, developments in 2017 have since given Juncker so much confidence that he now felt it was time for one of his typical ‘pep talks’. Although the election results in the various countries could not generally be seen as an overwhelming endorsement of Europe, Juncker and others nevertheless felt the Eurosceptics were now playing a losing hand and that it was therefore time to set sail and steer the European ship towards a glorious future. In other words, towards an EU utopia that no-one knows and that will always be just over the horizon.

During this year’s State of the Union address Juncker took the opportunity to remind us, once again, of the variety of positions he has held in the service of Europe, including as a Minister [of Finance and, as such, responsible for Luxembourg’s liberal policies on tax rulings; *HvA*], as Prime Minister, as President of the Eurogroup and now as President of the European Commission. He then explained how he has always fought for Europe, at times suffering and even despairing for it. But, through thick and thin, he has never lost his love for Europe. Juncker has never been averse to a certain element of demagoguery, and I certainly understand how keen he is to end his political career with a European *grande finale* so that he can be remembered for years to come as the saviour of European collaboration after the Great Recession, instead of as a cuddly teddy bear.

And Juncker is undoubtedly drawing inspiration from Macron, whose rapid ascent has provided the former with a soulmate in Europe. While France was recently described as a monarchy dressed up as a republic,

Macron himself can be seen as a Sun King dressed up as a president. By radiating the *grandeur* of France, and thus appealing to the sensitivities of so many in the French population, Macron can create support for his policy objectives. But when it comes down to it, it’s France first. In that way, Macron can also be seen as a worthy successor to De Gaulle. And, in effect, Juncker is doing exactly the same. He radiates the *grandeur* of Europe, while not being understood by his subjects. But that doesn’t matter because the people his message is intended for are the European ‘elite’, such as the members of the European Parliament, the European Council and the Council. And his hope is that they will turn some of the ideas he expresses into European policy and European regulations.

In 2017 Macron gave free rein to his dreams for Europe by launching a series of ideas for the way forward, many of which were in fact examples of old wine in new skins, while Juncker, too, took the opportunity to outline some of his visions for the future. The European Commission set out five possible scenarios for how Europe can evolve over the years to 2025 in the White Paper on the future of Europe that it published in March this year. And Juncker outlined a vision of his own in his State of the Union address. In this sixth scenario, certain aspects of which I examine below, Juncker foresees a more united, more democratic and stronger Union. As part of the efforts to promote a more united Union, he proposes that the euro should become the single currency of the whole European Union and that the Banking Union should be complemented by a common deposit guarantee system. However, his idea of creating a European Pillar of Social Rights is of a totally different order. Although he recognizes that the national social security systems will remain diverse and separate for a long time to come, we should at least be able to agree, he believes, on a European Social Standards Union. Alongside the Charter of Fundamental Rights, therefore, we also need a Charter of Social Standards or, in other words, a set of rules with the same legal status as the TEU and TFEU. This would mean these rules mandatorily determining the contents of the national systems of law, while the European Court of Justice’s powers in this

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field would also be extended. And if we create a European Social Standards Union, how long will it be before we also hear calls for a Union of European Tax Standards? In my view, that would be a very unwelcome development. The Charter of Fundamental Rights builds on the ECHR, which is a convention that all the Member States have transposed into their legal systems, but that does not apply to fields of material law such as social security and tax standards.

Although Juncker believes the EU needs to take a great leap forward if we want to achieve a more democratic Union, he was very vague about exactly what this should entail. Having transnational lists of candidates at European elections will not increase European citizens' sense of involvement in elections to the European Parliament. Indeed the current extent of their involvement and commitment is almost zero, while the commitment that members of the European Parliament feel to EU citizens can be captured in a snapshot around the time of European parliamentary elections. As far as I'm concerned, you might as well abolish elections to the European Parliament. It would be better, instead, to give certain members of the national parliaments a double mandate so that they can deal with European issues in both their national parliament and the European Parliament, with the result that the national parliaments will then be far more directly involved in issues being handled at a European level, while also being directly accountable to citizens.

Juncker's view that more democracy will result in greater efficiency is very much open to debate. Certainly when he talks about merging the positions of the President of the European Council and the President of the European Commission. As he sees it, having a single president would better reflect the essence of the European Union as both a Union of states and a Union of citizens. Given the institutional differences between the European Council and the European Commission, this proposal cannot be seen as appropriate. Indeed it is strange, in the current institutional structure of the EU, that the State of the Union address is delivered by the President of the European Commission, given that the European Council is the EU's political body. It should be Donald Tusk saying what is going to be on the European Council's agenda for the coming year. Juncker, by contrast, ought to restrict himself to the tasks of the European Commission and how he intends to perform them over the coming period. At present, however, Juncker sails all too often into the political waters of Tusk, and this is damaging to the EU's image, both within and outside the Union. Juncker's ideas for a democratic leap forward in the EU are unrealistic and will not promote understanding among European citizens.

In outlining his proposals for a stronger Union, Juncker envisages a European Minister of Economics and Finance, who should also be President of the Eurogroup. The Eurozone budget, too, needs to become

part of the EU budget, but without a separate Eurozone parliament. But as long as only seventeen Member States belong to the Eurozone, any such ideas are simply an illusion. The current situation can be seen as falling substantially short of the democratic ideal; on the one hand because the various treaties in this area are of an intergovernmental nature and, on the other hand, because, since the Great Recession, the ECB has increasingly evolved into a political body, without any democratic accountability. The latter is precisely why the *Treaty for the Democratisation of the Eurozone*, published by Piketty *et al*, calls for a Eurozone parliament.¹ Piketty and his friends, too, base their proposals on the idea of members of the national parliaments being delegated to the Eurozone parliament.

Tax will also be an element of any strong Union. And Juncker emphasized that he is very much in favour of qualified majority voting for decisions on the common consolidated corporate tax base, on VAT, on fair taxes for the digital industry and on the financial transaction tax. If decisions are able to be adopted by a qualified majority, sixteen of the currently twenty-eight Member States, representing at least 65% of the total EU population, will need to support them. In other words, it will be easier to achieve a qualified majority for a Common Corporate Tax Base (CCTB), Common Consolidated Corporate Tax Base (CCCTB) or Financial Transaction Tax (FTT) if these are supported by the larger EU countries, while the voices of many smaller countries will no longer need to be heard. We have recently seen how decisions taken in this way can create a lot of bad feeling among the losing countries, and this will do nothing to promote a sense of togetherness among EU members. Even the alternative of using closer cooperation as a means of introducing a CCTB/CCCTB or agreeing on a FTT has so far failed to produce any direct results. And although closer cooperation requires only nine Member States, that option has also failed to work in the field of tax. Personally I am very much against the method provided for closer cooperation as this will simply create a patchwork quilt of collaborative arrangements and partnerships across the EU, and this in turn will represent a major threat to the idea of further European cooperation.

Although Juncker referred to fair taxes for the digital industry in his address, recent decades have seen the world, and so also the EU, giving the digital industry an entirely free rein in this respect, with the result that digital businesses have become players on the world stage that are larger than states themselves. And now politicians are suddenly trying to do something about the omnipotence of these huge businesses through, for example, the prohibition on state aid, and also by considering a special 'Google tax' or 'internet

¹ Original title: *Pour un traité de démocratisation de l'Europe*, Stéphanie Henneffe, Thomas Piketty, Guillaume Sacriste and Antoine Vauchez, Editions du Seuil, Paris, 2017.

tax'. But introducing a tax specifically targeting the digital industry is not reflective of a fair tax system. That's why we need to continue seeking to devise a system of profit taxation in which the digital industry, too, will pay its fair share.

The past year has seen a lot of dreams about a stronger and more democratic EU. Dreams, however, as many

of us know, can be deceptive. And so instead of dreaming, Donald Tusk took the opportunity of the European Council's meeting on 19 and 20 October 2017 to announce an agenda of ten topics that politicians will set out to resolve at twelve 'super summits' over the coming period. And the year 2018 will show whether the realist, Tusk, wins out over the dreamer, Juncker.