

ECIPE Bulletin No. 14/2014

## **Familiar fault lines: the myth of EP independence in economic policy-making**

Hosuk Lee-Makiyama, Director, ECIPE ([hosuk.lee-makiyama@ecipe.org](mailto:hosuk.lee-makiyama@ecipe.org))

Bert Verschelde, Research Associate, ECIPE ([bert.verschelde@ecipe.org](mailto:bert.verschelde@ecipe.org))

**The Lisbon Treaty expanded the scope and depth of the European Parliament's powers by bringing the bulk of EU legislation under the ordinary legislative procedure, creating a bicameral legislature in the process, in which Council and the Parliament co-legislate. One consequence of this evolution is that the Parliament now faces more pressure from interest groups and Member States, which is threatening its institutional independence. The Parliament is increasingly being used as a political distraction, whose role it is to move the centre of policy debates towards a more extreme position. This is creating a new inter-institutional dynamic that does not produce the political outcomes Europe needs.**

The entry into force of the Lisbon Treaty on 1 December 2009 marked a significant step in the history of the European Parliament, as it completed its evolution from a consultative body into a full-fledged co-legislator in a bicameral system. Throughout its first five sessions, the Parliament became more and more independent from the Member States. The voting behaviour of MEPs was increasingly defined by their ideology and political group affiliation, rather than by their nationality. This development was an essential justification for the Parliament's existence, as it should not serve the interests of the Member States, which are represented in the Council.

When national economic interests come into play however, we have seen a number of recent cases in which nationality does define the position of MEPs. From a political economy perspective, this is unsurprising. As the EP is now put on an equal footing with the Council, interest groups have shifted their lobbying efforts to the Parliament, especially if they have failed to impact the positions of Member States. This became apparent in the discussions around the EU-Korea trade agreement, the first FTA that was approved post-Lisbon, which only gained ratification by the Parliament after MEPs negotiated a stricter safeguard clause, following intense advocacy by the European automobile sector.

More recently, the Parliament has been used as forum to politicise debates in order to limit the policy space of the European Commission. For instance in the discussions around TTIP, the Parliament has taken a public position against the inclusion of any investor-state dispute settlement (ISDS) clauses in the agreement. This has put the Commission in a situation where sticking with ISDS provisions in TTIP would be considered something close to high treason, even though several Member States have negotiated similar provisions bilaterally in their investment treaties with EU trading partners.

In the policy areas in which the Parliament has little to no power, it has the liberty to take up extreme positions with strong political, but no material consequences. As evident today, when the EP voted a resolution calling for the unbundling of search engines such as Google, it has important political consequences. In essence, the EP's resolution has moved the parameters of the debate to a point where positions taken by Member States or Commissioners no longer seem far off-centre. The same

political dynamics moved the centre of gravity of the debate outside the mainstream on the General Data Protection Regulation (GDPR) and the Safe Harbour Framework.

This would not be a problem if the positions taken by MEPs were a genuine reflection of the interests of European citizens, as it would add legitimacy to the EU's policy-making process, which the EP is expected to do. This is too often not the case. Rather, the EP's policy actions are increasingly part of Member State strategies aimed at protecting narrow vested interests.

The call for Google's unbundling, a German-led initiative, only intends to bring the debate about Google's dominance to a European level, as the EP has no say in competition policy. It merely serves to justify a politicised and mercantilist economic policy of Germany (also known as "free traders when we are winning") by extending the German publishing industry's anti-Google sentiments to Brussels. In addition, the Parliament's positioning allows the German Commissioner Oettinger, hitherto feared as an anti-Google Commissioner who considers introducing copyright levies and qualifying net neutrality, to reposition himself as a moderate voice in the debate by [renouncing](#) the "planned economy instruments" advocated by the Parliament.

The allegations against the US search giant may very well hold up in court when tested against EU competition law - but the calls for unbundling appear selective and disproportionate at best. After all, the Parliament has not taken the same sharp tone against the dominance of Gazprom on European gas markets, or indeed any other case of dominance or state aid.

The politics behind this new dynamic are simple - and the fate of Google is de facto irrelevant. Witch hunts against foreign companies that lack an industrial base in Europe have no obvious short-term political costs. But the Parliament does need to consider the long-term consequences of acting as a lever for corporate infighting in the way national economic ministries do. By serving special interests and representing fringe ideas, it is undermining its own *raison d'être* when elected national governments (i.e the Council) are seen as the legitimate voice of the people. More significantly, the EP destroys its own credibility and that of the EU as a force for openness in the world, if it aims to be nothing but a blatant executor of the commercial strategy of one particular member state, that is increasingly grouped together with hardcore mercantilists like Brazil, China, India.