

O CAPTAIN MY CAPTAIN – JUNCKER’S STATE OF THE UNION

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Among EU observers, European Commission President Jean-Claude Juncker’s State of the Union speech was highly anticipated and widely expected to be more visionary and personal than in previous years. The speech was indeed much more optimistic and forward looking ; Juncker claimed that the EU now had the wind in its sails. In this snapshot, we give an overview of the key elements of the speech and discuss whether it fulfilled expectations.

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Troubled waters ahead

The whole of Juncker’s Commission Presidency, which he called the last chance saloon, has so far stood in the shadows of many crises ranging from economic, high unemployment, refugees, Brexit and the rise of populism in some Member States. Until now Juncker has fought these crises within the existing framework, advancing many important initiatives such as the Energy Union, Security Union,

Capital Markets Union, Banking Union and the Digital Single Market.

However, while the worst of the crises is over, more needs to be done to make the EU future-proof and strong enough to face the many issues that are just around the corner, internally and externally. Internally there is the division between EU Member States and after Brexit the usual alliances are tested and the old balance of power is disturbed. Several Member States have not yet fully overcome the economic crisis, which has left behind high public debts and higher levels of inequality; one of the main reasons for the rise of populism. The upcoming German election, that is likely to see strong support for the right-leaning AfD that also considers a German referendum for leaving the EU, might be a harsh reminder that the populist threat is far from over. On the up-side with Macron as a pro-EU President, there is the opportunity of a strong French-German alliance that could again become the engine of Europe. Externally, the rise of China and its competition with the EU on many key technologies, as well as the shifting world order with an US Government which has become less reliable as an ally, the increasingly aggressive behaviours of Europe’s neighbours, be it Russia or Turkey, and of course migration will all remain a challenge for years to come.

“Let us make the most of the momentum, catch the wind in our sails

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The main purpose of the speech was therefore to set out a vision on the long term future of the EU. Following the White Paper on the Future of the EU with its five scenarios, Juncker called this vision the sixth scenario. This was the last opportunity for Juncker to lay out his priorities as his next State of the Union will come just before the end of his term and the European elections.

Keeping off the rocks

In typical Commission fashion, the first part of the speech was a rather dry list of the projects that are in line with Juncker ten priorities, which the European Commission (EC) plans to address until the end of 2018. These initiatives are specified in the [letter of intent](#) sent to Parliament President Tajani and the Estonian Prime Minister Ratas. In his speech, Juncker highlighted the following projects:

- **EU trade policy:** The EC will aim to conclude the trade negotiations with Mercosur and Mexico by the end of this year and the negotiations with Australia and New Zealand by the end of Juncker’s mandate. Proposals for the launch of the negotiations with the latter were published yesterday. Juncker pledged to strengthen the EU’s trade defence and the protection against politically motivated investments through an investment screening mechanisms, which was also published yesterday and on which we will publish a separate snapshot. In addition, Juncker pledged increased transparency - negotiation mandates will in future be published. In any case, trade policy is at the top of the agenda.
- **Industrial policy:** An industrial strategy was published aimed at making the EU a leader in innovation, digitalisation and decarbonisation.
- **Transport:** The EC will publish the second batch of legislative proposals on the decarbonisation of transport, ‘Europe on the Move’, likely in November of this year.
- **Digital Single Market:** The EC also published yesterday a new Cyber Security strategy, including the establishment of a new Cyber Security Agency. We will outline the strategy in a dedicated snapshot.
- **Migration:** Juncker called for strengthening the common borders and helping countries such as Italy and Greece deal with refugees. The focus will be on

the refugees that really need Europe’s help and increasing the effectiveness of returning refugees that have no right to stay. Finally, the EU will also work towards legal migration routes and giving access to the European Blue Card.

Look over the horizon

The second half of the speech had a much more emotional tone. When Juncker reminded the Parliament of his long history with the European Union, he almost described it as a love affair. It was clear by his choice of words that it was for him a highly personal matter.

Referring to the White Paper on the Future of Europe with its five scenarios and the debate the EC aimed to stimulate, Juncker presented his “sixth scenario”. For him the time for debate is over and now is the time for action.

“Europe needs to breath with its eastern and western lung otherwise the continent will suffocate

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The key initiatives Juncker proposed or at least tried to stimulate are the following:

- The EU needs to ensure that people doing the same work at the same place earn the same wage - this is what is proposed in the **posting of workers** initiative. His newly proposed European supervision and implementation authority to ensure that labour rules are protected was among the surprises of his speech.
- He rejected the practice in which people in poorer Member States receive reduced **quality goods** under the same label and brand them as the same as provided in other Member States. This is a concern among central and eastern European countries.
- Romania and Bulgaria should be granted immediate access to the **Schengen Zone**, and Croatia should get this access as soon as it fulfils the criteria.
- Countries of the western Balkan should have a **fair path to accession**, possibly during the next Commission. On the other hand, Turkey will not become a member of the EU in the foreseeable future due to its treatment of journalists and insult of European leaders.
- He aims to introduce **qualified majority decision** making in some matters relating to the single market e.g. VAT and Financial Transaction Tax.
- He argued in favour of an **EU minister for the economy and finances** that promotes and supports

structural reforms. However, this does not need to be a new position but the Commissioner for Economy and Finance could carry out these tasks.

- The Euro should be introduced in all EU Member States except of Denmark.
- A **European Intelligence Unit** will be established to ensure that data is shared among intelligence services, enabling the EU to act more quickly on cross border terror threats.
- He proposed decision making by qualified majority in external affairs matters.
- The European **defence fund** should be ready by 2025.
- He proposed a fund to help European political parties to better structure themselves. Thereby national parliaments, civil society and the local level could be better involved in EU decision making; Juncker supports Macron’s idea of European conventions.
- He is in favour of trans-European lists for the next European Parliament election.
- The EC will develop a new **code of conduct** to ensure the integrity of European Commissioners during and after their mandate.
- He proposed merging the positions of European Council President and EC President, arguing that this would make the EU’s leadership clearer.
- The EU budget should not be lower, also after Brexit.

In his closing words Juncker reminded the Parliament that as of 19 March 2019, the EU will be a Union of 27, at which point European citizens need a clear vision of where the EU is going. To that end he proposed organising a special summit in the city of Sibiu in Romania.

Conclusions

This year’s State of the Union was certainly more visionary and ambitious than in previous years. However, he did not follow Macron’s most far reaching ideas such as a separate

Eurozone Finance Minister, a Eurozone Parliament and a two-speed Europe. This discussion might start after the German election. Nevertheless, Juncker’s State of the Union was certainly directed towards more integration. Moving from unanimity to qualified majority voting in the area of taxation and foreign policy will be a very hard nut to swallow for many Member States. Merging the Council President with the EC President might rob Member States of their specific voice in the institutional triangle, and introducing the Euro in all Member States might antagonise citizens.

The intention of the EC to launch a debate on the future of the EU in which all citizens can and should take part was positive, but claiming that the time for debate is over seems too hasty. The EC might have visited national Parliaments to debate the different visions for the EU but it has hardly reached the public. For example, it has featured very little in the German election campaign. European leaders should be careful in making far reaching reforms without treaty changes. The risk is that the EU will again be criticised for being undemocratic and elitist. Maybe it was Juncker’s intention to stimulate the debate by putting concrete ideas on the table, of which he knows that they will cause harsh reactions in many Member States and only have a slim chance to be approved.

For business, the letter of intent outlining the many upcoming initiatives is critical. However, the debate on the future of the EU is also important as it questions many business relevant issues. The internal market, social policies and the future of the Euro, are just a few of the areas in which businesses can and should contribute to the debate.

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