



REPORT

SIMULATION EXERCISE

Differentiated Integration in the European Union

Brussels, 20-24 June 2022

INTRODUCTION

This simulation exercise took place in the framework of the DiCE Summer School on Differentiated Integration in the EU organised by TEPSA in Brussels on 20-24 June 2022. Organised under the academic lead of Prof. Michael Kaeding (Professor at the University of Duisburg-Essen and TEPSA Honorary Board member), the Simulation exercise was based on a real political issue in the European Union (EU): the adoption of a Directive on the Financial Transaction Tax (FTT) within the Council, potentially a first tangible step for taxing such transactions at the global level.

The Simulation was designed to reproduce key elements of the decision-making process in the Council of the EU and the interaction with the European Parliament (EP), while shedding light on the role of the Commission. Students were faced with many of the same difficulties and choices as occur in the real negotiation.

During the Simulation students were divided in teams of two, each representing one Member State (including the Council Presidency) or the European Commission. They took part in daily negotiation sessions during the training week with a view to finding an agreement during a final session on the last day, Friday 24 June.

Ahead of the training week students developed – under the guidance and feedback of the simulation game coordinator – a set of confidential negotiating instructions and country positions that helped them determine and guide the negotiation strategy and tactics.

MEETING PROCEDURES

The rules of procedure for the meeting in the Council were based as closely as possible on the real Council's Rules of Procedure, most importantly:

a) The delegates were seated according to a pre-established seating plan (which is the Order in which the Member States will serve as the Presidency of the Council);



b) Both sessions were chaired by the President. The President's tasks were to guide the Session according to the Council's rules of procedure, to set the agenda, and to steer negotiations towards a successful outcome;

c) The President opened the proceedings by welcoming the delegates to the meeting, by stating the Presidency's ambitions for the negotiation, and by then requesting the Commission to introduce and explain its proposal. The President then indicated how the debate should be structured and took note of which delegations wish to speak.

d) Thereafter, the President invited the Commission to respond to the points made by delegations. At appropriate moments in the debate, and notably at its conclusion, the President summed up what had been said, identifying points of agreement or disagreement, and indicating what the next procedural steps would be;

e) There were regular adjournments for informal discussion between delegations, the Commission and the Presidency (maximum 10 minutes);

g) Occasionally the Presidency held bilateral "confessionals" with individual national delegations.

The aim of the simulation was to approve the directive by consensus after consulting the European Parliament.

RESULT OF THE NEGOTIATIONS

The French Presidency decided to group some articles of the directive together depending on whether they affected the scope of the tax (Part I) or the dealings with the generated revenue (Part II). It was then proposed to have two separate votes.

Part I

Proposal by Presidency accepted by all member states due to a lack of objections

- The member states agreed on the FTT applying to companies with registered offices in the taxing state and whose market capitalization exceeds EUR 500 million.
- full exclusion of pension schemes
- Bonds and equities will be taxed at 0.2 %
- The Commission will produce an impact assessment within the next five months

Part II

Proposal by Presidency backed by a small group of economically wealthy countries and objected by the majority



- Each member state gets at least EUR 30 million
- 25 % of the rest will flow into a cohesion fund for the participating countries
- The remaining 75 % will proportionally flow back to the member states according to the share of tax revenue they levied nationally

Acknowledging the difficulties of the negotiations and the extensive efforts of the delegations participating in the enhanced cooperation, no final consensus was reached.

Some findings are that an initial atmosphere of general agreement was sabotaged by an attempt of the Presidency to push the first package through which then caused the negotiations over the second package to be much more controversial. Indeed, the failure to reach an overall agreement realistically reflected the obstacles delegations face during the current negotiations.

About DiCE



DiCE establishes a large, open and inclusive research network designed to ensure that state-of-the-art research on differentiation is translated into policy advice made accessible to policy-makers at European, national and regional levels. DiCE clusters three large EU-funded research projects on differentiation and the dynamics of integration: EU3D, InDivEU and EU IDEA. The three Research and Innovation Actions, as well as the DiCE project, are funded by the Horizon 2020 programme of the European Union.

More information on DiCE activities can be found at <https://www.dice.uio.no/>

About TEPSA



The Trans European Policy Studies Association - TEPSA - was established in 1974 as the first trans-national research network in the field of EU affairs. It comprises leading research institutes throughout Europe, with an office in Brussels. Its aim is to provide high quality research on European integration in order to stimulate discussion on policies and political options for Europe. This is achieved by interaction between the European and national institutions as well as the academic and research community. TEPSA is active on a wide range of research topics, with a particular focus on differentiated integration, the EU's external relations, democratic participation and citizens' engagement.

More information on our activities can be found at <http://www.tepsa.eu/>

