

Report

Remaking Europe: Framework for a policy

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Executive Summary

The European Union is beset by crises. There is an economic crisis within the Eurozone; a crisis in the operation of the 28-member European Union itself; crises of confidence in Europe as a whole. **The relevance and purpose of the European project itself are questioned and argued over;** the original Community with a single purpose is at risk of becoming a Europe of different aims and objectives.

Should we shrug and accept the inevitable? No. It is our view that Europe does have a future and that it is our responsibility to build it and safeguard the entitlement of our children to think, to work and to create in Europe. But we have to learn the lessons of the last ten years and restore a sometimes faltering, or even failing, European Union to the service of Europe and its citizens. What is needed is a comprehensive approach, which is the only way in which we can preserve the balance between all the interests at stake.

The survival and success of the European Union depend on the vitality of the Eurozone. The priority is therefore to give the Eurozone a clear perspective for the coming 10 to 15 years and gradually to transform it into a truly integrated area. This approach must embrace the commitments necessary to implement sound and convergent economic policies, a determination to embrace practical instruments of solidarity and the adoption of meaningful rules of governance. These are the keys to new economic growth and higher levels of employment.

The 28-member state European Union has too to find the path of rigour and efficiency. We should agree on a few essential political goals. These goals are already there in the treaties: their concrete implementation now has to be agreed and accepted by all Member States. **Energy and the environment, the internal market, defence, and the necessary conditions for the free movement of individuals, are the key policies.**

This is a time for consolidation: in the membership of the Eurozone and the Union, in our policies, and in the institutions. **We have to stop amending the treaties all the time, as if institutional innovations are the same thing as policies. The existing treaties are flexible enough, and provide all the necessary legal bases for action,** both for the Eurozone and the European Union as a whole. It is the duty and responsibility of the institutions and of national governments to cooperate loyally towards this end. National governments have to respect the institutions; the institutions, each and every one of them, have to remedy some obvious shortcomings in the way they work. The European Council should define strategic goals and make the most important decisions, and stop being the de facto court of appeal for the failures of the Council of Ministers at lower levels. **The General Affairs Council and the Foreign Affairs Council both punch below their weight. The Commission has been weakened:** Heads of State or Government have the opportunity, with the 2014 appointments, to do what they need to do to reinvigorate it. The European Parliament and national Parliaments must define the ways and means of cooperating better with each other, in the interests of the citizens which each of them represents.

This is the price of success. This is the price of ensuring the cohesion of a 28-member state Union - hopefully including the United Kingdom. And once again in the history of Europe, it is vital that Germany and France take the initiative and show the way.

Introduction

Europe is in crisis. It is a serious and unprecedented crisis because, contrary to earlier European crises (the Empty Chair crisis, the UK membership crisis, the British rebate crisis...), it does not stem only from differing conceptions of Europe, from rivalries among national Governments or conflicts of interest, however abstract those might have seemed to the bulk of Europe's citizens. **The current crisis directly affects individuals in their jobs, their income, their long-term prospects and those of their children.**

Rightly or wrongly, "Europe" is held responsible for the present situation. The past has been forgotten, or is taken for granted and thought to be irreversible. The truth is that, since the beginning of the 1950s, this much-criticized European Union has helped secure an unparalleled prosperity for its people. It has helped bring half of its current members from dictatorship to democracy. It has, in the last fifty years, strengthened peace and harmony in Europe, facilitated French-German reconciliation, brought together a divided and broken Europe, guaranteed the place of so-called small States within the global arena, built the framework for the modernisation of the European continent, created a single market and currency.

A whole range of contradictory arguments are prayed in aid against the European Union: it is too powerful or not powerful enough; it is at once bereft of ideas and too ideological; too given to austerity or too *laissez-faire*, too bent on liberalism or on creeping protectionism. Opposition to the latest enlargements, and nostalgia for a national sovereignty, more imaginary than real, are the catchphrases of those who lay the causes of the crisis at the door of Europe – and prescribe the administration of poison to cure the disease. Of course, these criticisms and dismissal of the EU are often contradictory. The critics who want to bury the idea of Europe assume that, in doing so they can disregard all the things they dislike but keep everything that suits them. Some want to give up the Euro, or to stay out of the Eurozone but complete the single market. Some, who dislike the idea of the single market, or shared economic discipline, would nonetheless like to keep the benefits of certain common policies, or more generally, of EU-membership. But to state these contradictions is not to resolve them. We have to take a hard-headed look at Europe and the European Union if we are to fix what needs to be fixed.

For the European Union is not Europe, it is the institutional instrument at the service of Europe. But this instrument has, since 2008-2009, been through an existential crisis. It managed to hang on and survive, but with its back to the wall, reacting slowly, belatedly, and more often than not under the pressure of events. The Euro crisis and the sovereign debt crisis were the most visible drivers of the European crisis; they were not the only cause. The European Union, even more so than States and nations, has been undermined by the loss of confidence in representative democracy which we have seen in all our countries. At the same time, it was seen as being either blind to, or part of, a long series of faults and failures which fuelled hostility towards the "Community system", as well as the rise of xenophobia and populism. In the public mind, the shared successes have been forgotten, often to be replaced by narrow and sometimes aggressive nationalism.

The crisis has confronted the European Union with developments which more or less coincided and have weakened its institutional structures and destabilised an already vulnerable enterprise.

The aim of "*an ever closer union among the peoples of Europe*", affirmed in the Treaty of Rome, is defined in that treaty only through the goals set out in its policies, and through the necessary legal and institutional means of achieving them, as established by the Treaty. This compromise, which was necessary at the time, balances the national and the supranational: an independent Commission, the only institution to hold the right to propose new legislation, but composed of people appointed by the Member States; Community legislation which cannot be amended by national Parliaments, but which is determined by Ministers who are answerable to those very Parliaments; a Parliamentary

Assembly (which later became the directly elected European Parliament) in order to ensure direct representation of the interests of Europe's citizens.

Being a hybrid, the Union is inevitably subject to internal tensions. So, for example, when Jacques Delors, the President of the European Commission, proposed in 1990 that the Commission should become the Executive of Europe, answerable to the European Parliament, with a Senate composed of Heads of State or Government, he received the infuriated, and now famous, retort from Margaret Thatcher: "no, no, no". The direction proposed by Jacques Delors represented one possible way in which the institutional system might develop. However, even though they did not voice it as clearly as Margaret Thatcher, most of the other Heads of Government were not ready to back that interpretation of the "natural evolution" of the European institutions.

These tensions have now brought the system to a grinding halt.

Because it is not a State, the European Union draws its legitimacy from its results; but since 2008-2009, there have been no obvious results. The functioning of the institutions, based on checks and balances at all levels, has its limitations. **It is by definition fragile, since it relies on trust and respect for the rules of the game.** But the rules of the game have not been respected and trust is now lacking. **The system itself is one designed for peaceful times, with few tools at its disposal to tackle crises, the very notion of a chain of command being incompatible with the separation and distribution of powers which lay at the foundations of the European Union.** Bad management of recent enlargements led to the weakening of all the institutions since a blind eye was turned to the inevitable impact of sheer numbers. And so the European Union itself seems powerless in the face of a real or apparent domination by some Member States at the expense of the others and of the institutional system itself. The result is a sense of frustration and incomprehension. Finally, whereas the Community was based on the principle of identical and symmetrical rights and obligations, since the beginning of the 1970s, for understandable reasons, the European Union has progressively implemented various frameworks aimed at softening the original obligation, and at reconciling unity on the one hand with "variable geometry" on the other. This flexibility was necessary, but, however fine the words and worthy the statements of intent, it risks endangering the real-world unity of the European Union and sometimes leads to negotiating outcomes so complex, impenetrable and messy that they look less like legislation in common than the sum total of every national wish list.

Should we live with that? **It is our conviction that, in the current international context, Europe, as a political and economic entity, remains essential and that it must be safeguarded and strengthened at all costs.** Whatever their (often over-dramatized) disagreements and differences, now more than ever the Governments of Europe must work and act together if they are to remain significant players on the world stage. Where can they work together in large-scale industrial and scientific collaborations, on the lines of Airbus and Ariane? Where can they act together to establish and sustain economic growth? How can they face up to competition from Russia, China or India? How can they contain illegal immigration and fight against organized crime? Where should each Member State look for answers to the key questions about its own security? There is only one answer: European cooperation.

But the European Union is dysfunctional on many levels, political as well as institutional. We have to be honest about it and take remedial action as quickly as possible. As things stand, a European Union that works badly does damage to the European idea itself. The only way to ensure the regeneration of the Union is to restore it to its proper place at the service of Europe. Our aim is not to propose yet another miracle cure, because there are no quick or easy solutions. Our aim is to propose a way forward, that is realistic and practicable and which has the capacity to give fresh impetus to the European project.

This report will discuss in turn:

- I. The Eurozone
- II. The 28-member European Union: policies
- III. The European Union: the players

1. The Eurozone

The survival and success of the European Union now depend on the survival and success of the Eurozone, because it is in the Eurozone, peppered with “crises”, undermined by unemployment and with near zero growth, that euroscepticism finds its roots. The cohesion of the 18 states of the Eurozone; a return to stronger growth and a better situation on the jobs front; the revival of trust of the European peoples in the “system”, all are necessary for their own sake. But, more than that, they are critical to the future of the European Union as a whole. Even a slow decline of the Eurozone would probably mean the end of the European project as a whole. **Everything necessary must, therefore, be done to ensure the survival and success of the Eurozone, in terms both of governance and of policies.**

That does not mean that the prosperity of the Eurozone and its good governance alone will suffice to overcome every problem. Nor does it mean that the interests of national Governments outside the Eurozone should or could be ignored. But the **creation of a single currency has been qualitatively different for Europe than any other step taken since the creation of the European Community; the political implications have been so profound that they have made of the Eurozone the essential motor force of most of the European Union’s policies.**

Since 2008, the institutions of the European Union and of its Member States have implemented reforms which have led in short order to significant modifications of the European Union’s, and the Eurozone’s, governance, in three major fields:

- Crisis instruments: creation and implementation of action and support instruments (European Financial Stability Facility and the European Stability Mechanism (with a borrowing ceiling of 700 billion euros), for example, discussions about Eurobonds or other forms of debt mutualisation, or about a budget for the Eurozone, etc.), strengthening of the coordination and monitoring procedures (the “budget pact”), setting up of market regulation mechanisms (Banking Union);
- coordination of policies: decisions have been made to strengthen the relations and synergy between the institutions of the European Union and Member States as well as to ensure a better compliance with several economic disciplines (euro+ pact, European semester, euro-six pact, euro-two pact, etc.);
- functioning of the institutions; efforts have been undertaken to make the functioning and interactions of the institutions responsible for the single currency more efficient.

These measures helped avoid the break-up of the Eurozone in the years 2009 to 2011. They underpinned an implicit and fundamental decision, and one which could not be taken for granted at the start of the crisis: that losing a single Eurozone Member State should be avoided at all costs. That choice was made and should now be considered irreversible. The Eurozone will not survive endless questioning and doubt about its very composition. **Staying on course implies a firm commitment on the part the strongest economies, but it also requires a sustained effort by those Member**

States which are still in a fragile condition. No Member State should interpret this irreversibility as a pretext for something approaching blackmail, or for failure to implement necessary reforms.

A ten-year perspective

However, ensuring the survival of the Euro and Eurozone was just the start. The task now is to put life into the project and give it a perspective for the future. That perspective is sadly lacking. The crisis measures taken since 2008 do not point the way forward so as to allow people to understand the rationale behind decisions which seem to them, variously, ideologically motivated, or excessive or arbitrary. Which of our public opinions is going to buy into the idea of being governed either by troikas or by the office of statistics?

The first priority is to draw up a ten or fifteen-year perspective. **That perspective needs to be one which promises the formation of a large integrated economic zone**, matching the goal of the “great internal market” of the 1980s-1990s. At the end of the period (for example, in 2025), **Eurozone Member States should be, if not in an identical position, then at least one that is comparable and compatible as regards their budgets and indebtedness. The general conditions governing economic choices (notably in the field of taxation) should be, if not harmonised, then at least homogeneous; the necessary structural adaptations in respect of pensions, for example, should be mutually compatible.** This will be a gradual process, and will take many years to achieve: but the clear affirmation of the goal itself will be a powerful factor in ensuring that it is reached. If it is to be credible, this perspective must avoid being more empty rhetoric or yet another, all too familiar, catalogue of good intentions. It will need to be backed by a detailed timeframe, with quantified and measurable targets, and regular checks so as to get back on track where necessary, as was done for the customs union, for the internal market or to introduce the Euro.

This programme of action should be built on three interlinked pillars: Discipline, solidarity and good governance. If both the objective, and the means of getting there, are to find public acceptance, then the key, throughout, and at the end of the process, will lie in finding the best possible balance between the three component parts.

Discipline

The “Discipline” pillar should be built on the various decisions, conclusions and treaties adopted since 2009. Considerable progress has been made since then, and has been accomplished in most of the Eurozone Member States. “Programme countries” have made very deep and painful adjustments in just a few years and in an unfavourable environment (economic stagnation, currency uncertainties, etc.). The measures we propose should help to consolidate those gains, but, more significantly, should contribute to the future convergence and cohesion of the Euro zone economies. The worst of the crisis may be behind us, but the European economy still has a long way to go. It will take years to modernize structures, restore competitiveness and revive growth. What is needed is action on three fronts:

- **simplify and refocus the available instruments:** first, economic monitoring instruments should be simplified, and reduced in number. There are too many such instruments, and they overlap; the Europe 2020 strategy, the Euro plus pact, focussed on Eurozone Member States, the European semester, the euro-6 pact, the euro-2 pact, etc., were all at some point in time justified. But their sum total has created a sense of confusion. They are too disparate and in some cases superfluous. On top of that, who does what is even more confusing; we now have the “18 Member States” and the “28 Member States”, we also have the “28-minus-two-Member States”, the “18-plus-four- Member States”, the “18-plus-six-Member States”, and so on. On the plus side, there is something for everyone. On the downside, the instruments of action have become devalued. Moreover, these instruments are essentially a list of ‘don’ts’. They are at least as much the result of wariness and mistrust as they are the

instruments of mid-term economic management. They should therefore be adapted to the new perspective drawn up for the Eurozone;

- **enforce decisions:** second, instead of the present situation, in which the Member States are signed up to a raft of obligations but are poor at honouring them, we need to have a meaningful and sustained commitment from the Member States. The new perspective will not be sustainable unless commitments, deadlines and conditions are fully respected;

- **devise policies:** finally, we have to change fundamentally the working practices of the relevant institutions so that they do not just focus on crisis management but get to grips with the policies being pursued in individual member countries. This is not just about helping to build mutual trust and prevent “cheating”. It is above all about organising a shared sense of policy direction in the Eurozone.

Solidarity

Since 2008, new instruments have been established by the Eurozone for the Eurozone – Community instruments as such, intergovernmental instruments (the ESM) or specific, purpose-built instruments, set up by the European Central Bank (ECB). Important decisions have been made, and still have to be made, to put the finishing touches to the banking union. The new “contracts by country”, if well used, could serve as a basis for smart structural subsidies. Many decisions have thus been made, and much progress has been achieved. Consideration of the solidarity pillar must focus in the future on two issues.

- The first issue relates to the operations and decisions of the ECB. The ECB is, and has to remain, independent, and must be allowed to fulfil its duties to the best of its capacity. But the ECB has of late acted at the limit of what is allowed by the treaties. It has done so, often reluctantly, for want of a better solution, compensating for the disagreements or paralysis of the Member States. **Governments will now have to assume their responsibilities in order to help the ECB and allow it fully to play its part.** Of course, there is a legal risk in not doing so. But there is an even greater political risk: that of Governments effectively requiring an institution which does not have the political responsibility nonetheless to exercise it in a vacuum of their own creation. No way can democracy work normally if that is allowed to happen.

- The second issue relates to “debt mutualisation”. This is an old debate. It will have to be addressed again, this time dispassionately. **To refuse, on principle and in advance, any kind of debt mutualisation would be to create a clear future danger,** and would imply acceptance of the notion that certain Eurozone Member States will always have weak, badly managed and unreliable economies. By the same token, it would be an illusion and a mistake to believe, and to have others believe, that it will be possible to aim for a common management of public debt in the absence of a restoration of trust within the Eurozone. And that restoration of trust will only happen when there has been significant progress under the Discipline pillar. Here too, the way forward will have to be established. The eventual goal is to create a genuine “European Treasury”. It will need to be established gradually, in line with the pace of progress demonstrated in the setting up of the Discipline and the Governance pillars. The five main economic research institutes in Germany have put forward highly relevant suggestions; the issuance of the first commonly financed loans would be tied to the observance by the borrowing States of multi-annual public debt reduction commitments.

Governance

Good governance of the Eurozone is the third leg of the plan. The Eurozone’s governance has been the subject of much critical analysis. **National Parliaments are not prepared to be deprived of their budgetary powers by a European Parliament which is in any case ill-placed to intervene**

in areas that remain within the authority of national Governments. The Commission's role has been disputed, some finding its interventions to be excessively dictated by political considerations, others accusing it of technocracy, or even worse, of eurocracy. The Eurogroup has been criticized, sometimes rightly and sometimes wrongly, for its powerlessness and its inclination to hand matters over to Heads of State or Heads of Government. And the latter have in turn been criticized by those who fear and reject what they see as a European "directorate", or the rule of "Merkozy", or evident German supremacy. The architecture and governance of the Eurozone have to inspire trust in all those who take part, one way or another, in the decision-making process.

It will fall to the Eurozone's Heads of State or Government to agree on a new perspective, to discuss its progress and relevance on a regular basis, and to decide on the necessary modifications or additional measures. To each of these leaders, who will be committing in Brussels their Governments for several years ahead on these essential questions, will fall the responsibility of getting that commitment endorsed and honoured by the country they represent.

Secondly, **the Eurogroup at ministerial level must have the scope and means** fully to play its part; it must once again **become the default management body of the Eurozone again.** The October 26th, 2011 Eurozone summit declaration opened the way for the appointment of a full-time president of the Eurogroup, and this should help remedy many of its failings. This has been agreed in principle, notably by Germany and France. Before a final decision is taken, two series of objections still have to be overcome.

- The first one is related to the fears raised by certain Member States that such a solution would give even more weight to bigger states in the system, and that a dedicated president of the Eurogroup would become so much part of the "Brussels beltway" that he or she would be inclined to listen to Germany, France or Italy rather than to the other Member States. If set up under proper conditions, the proposed reform would, on the contrary, greatly help to improve the situation. A dedicated president will have the time and availability to consult all Eurozone Member States whenever necessary, which cannot be the case for someone from a national Government who can only devote a fraction of his or her time to such activities.
- The second series of objections stems from the suggestion that the Commissioner for Economic Affairs be appointed president of the Eurogroup. We advise against this option. It would represent a contradiction in terms, as a member of the Commission may not enjoy any other office on a full-time basis, nor, in accordance with article 9-D of the treaty, take "instructions from any Government or other institution, body, office or entity". Second, experience with 'double-hatted' responsibilities thus far is not such as to favour repeating the experiment. The idea is rooted in national practices and is not adaptable to the European Union, whose basic principle is to distinguish the law-proposing body (the Commission) from the decision-making body (the Council, in cooperation with the Parliament in certain cases as provided for by the treaty). Finally, there would be a legal requirement that such a double-hat responsibility be formalised, as was the High Representative of the Union for Foreign Affairs and Security Policy (Article 9 of the Treaty on European Union), by an amendment to the treaties ratified by all 28 member-States.

The most delicate issue may be that of parliamentary supervision. National Parliaments, not unreasonably, wish to keep tight control of decisions which seriously affect each Member State's public finances, as well as their accountability to the electorate. In some cases, notably in Germany, recent reforms have significantly increased the powers of the national Parliament in this field. The European Parliament, while conscious of the limitation of its powers, wishes to remain the sole parliamentary authority at the European level. These tensions have a consequence: **there is a missing link in the parliamentary framework.** There is a gap to be filled between Parliaments

whose competences are purely national and a European Parliament without any *ratione materiae* competence. The creation from scratch of a second chamber which would enjoy “competences” in the true sense of the word, still less one with real powers, and in the absence of relevant treaty provisions, is out of the question. But a gradual approach could be considered. Lower houses of the Parliaments of the 18 Member States of the Eurozone could agree to appoint representatives who would meet on a regular basis so as to be informed about, and discuss, the operation of the Eurozone. Bigger Member States could appoint ten representatives or so, smaller Member States four or five. The European Parliament would be represented by a delegation. If national MPs appointed in this way enjoyed sufficient personal and political authority, this body, even if at the outset it had no formal competence, could rapidly become a useful political player, ensuring a complementarity of parliamentary functions within the Eurozone.

Set out in this way, the above options give rise to three general considerations.

- None of these options requires a new treaty. The **existing treaties provide all the legal bases needed for going forward**. At the end of the process, if it is a success, what has been achieved could be consolidated in treaty form. The formal creation of a European Treasury, or the possible eventual allocation of certain specific competences to a forum of national Parliaments as proposed here, could conceivably require a text enjoying treaty status. But for the time being, the direction of travel can be set and the journey begun.

- **If things follow their course, the Eurozone, as envisaged in this paper, will become a highly integrated grouping, with both common policies and governance. That is the only way to reach the goal**, which is to equip the Eurozone to promote better growth, true modernisation and reduced unemployment.

- The proposed perspective implies the establishment of “specific bodies” for the Eurozone, as a way of avoiding the creation of distinct and different institutions. This is already the case at the top (European Council/Heads of State or Heads of Government of the Eurozone) at Ministerial level (ECOFIN/Eurogroup). Our idea is to do something on the same lines as far as parliamentary representation is concerned as well.

This will be a long process, and the achievement of the goal is inevitably some way off. We therefore have to act as soon as possible; further delay only risks a lengthy period of apathy and uncertainty.

2. The 28-member European Union: policies

As the countries of the Eurozone countries strengthen their cohesion and the effectiveness of their policies, **there will be a growing risk of a widening gap between the projects and achievements of the Eurozone and those of other European Member States**. But the necessary strengthening of the Eurozone should in no circumstances be done against, or apart from, the European Union as a whole. There is no clear border between Eurozone policies and common EU policies: taxes, the banking union, many aspects of the internal market or of the European Union’s budgetary policy are all of direct interest to the Eurozone. Besides, the way the European Union is run can, and must, help every Member State to find within it the best and balanced representation of its interests.

The European Union has always sought to reform itself in times of crisis. This capacity for introspection would be pointless if a number of general conditions were not fulfilled: some depend on the evolution of the Eurozone and within the Eurozone, others depend on the situation prevailing in Europe as a whole. The necessary ingredients of a successful 28-member European Union are: (i)

agreement on common policies which bring visible benefits to the citizens of the European Union, and which are not just adopted but actually implemented as well; (ii) the acceptance, within defined limits, of “variable geometry”, as a condition for the real-world effectiveness of the European Union; (iii) the postponement of possible amendments to the treaties.

2.1 Common policies

Over the last few years, common European policies have become weaker at the same time as the number of common policies has increased. Pressure groups, special interests or growing administrative disorganization, may explain this drift, a drift which can in some instances take ludicrous proportions, for example where some measures on bathing water or the bottling of olive oil are concerned. Hyperbole, jargon and the sheer length of conclusions or declarations have too often been a substitute for policy. The basic rule should be the one on which the project was founded: **the European Union shall act only when it is in a position to do more and better than the Member States individually and when it adds value to national actions (*added value*).**

Both leaders and public opinion have to be able to see the wood, rather than just a few trees. Of course there are serious and substantive disagreements between the Governments of the Member States, albeit often, too often, exacerbated by “I win; you lose” rhetoric. But these very leaders are now under an obligation to reach a consensus on the political goals they wish to see fulfilled by the European Union, as well as on a clear and well-reasoned set of priorities among these goals, albeit goals already set out in the treaties. They will have to define their real political priorities, to be agreed by *all* Member States, and establish a coherent plan of implementation for each of these priorities, outlining intermediate goals and measurable results, and identifying the actions available under the treaties to implement them. The vitality of the European Union will be measured by its ability to focus on these high-priority actions and to see them through to fruition effectively.

These priorities could be the following:

- **a strong energy policy**, which provides for the best balance between security of supply for the whole European Union and energy transition. This energy policy should be rounded off with a truly transnational environmental policy, going beyond the usual “green statements of intent” which are aimed more towards the public opinion than the actual definition of a policy.
- **the completion of the Single Market, which remains a major priority**, given its potential to regenerate growth in Europe;
- **the implementation by the European Union** of the range of instruments at the disposal of the European Union, for example through taxation or budgetary measures. The European Union cannot directly create growth and employment, given that its budget represents less than 1% of European GDP; but it can, through the concerted implementation of such instruments, help create the conditions for growth;
- **the implementation of an industrial policy aimed at developing defence capabilities**, an essential policy in terms of industrial scale, research and employment, but also in order to ensure that Europe’s defence capabilities are equal to the level of external threat we face; we have to make a reality of those treaty provisions which provide for a permanent, structured cooperation and call on Member States to “cooperate, as from the entry into force of the Treaty of Lisbon, with a view to achieving approved objectives concerning the level of investment expenditure on defence equipment”...as well as to “bring their defence apparatus into line with each other as far as possible”;
- **the modernisation of the Schengen system**. This is a necessary modernisation of a system which has become weakened and criticised, in order to safeguard what is a

fundamental asset of the European Union: the free movement of people. This modernisation requires loyal and in-depth cooperation of all players in areas which call for efficient cross-border action, such as immigration, asylum and the fight against international crime.

All these policies need urgent decisions and measures, and need to be included in programmes for action which are binding on national Governments. Indeed, together, they constitute the driving force of economic growth and political cohesion the European Union needs.

2.2 “Variable geometry”

The agreement of all, Member States as well as institutions, on a number of clear priorities is necessary in order to safeguard the cohesion of the 28-Member State European Union. That alone will not allow the Union to get back to the original, simple rule in which all Member States were required to accept the same rules and requirements in every sphere of action. The Eurozone best illustrates the issue. It is not new. Historically, the European Union dealt with the problem through “variable geometry”, and by various means of differentiation which are even more necessary and inevitable in a 28-member European Union, which is much more diverse and heterogeneous than was the original Community.

In October 1972, the Heads of State or Government of the six member countries, as well as those of the three soon-to-be members of the Community, met in Paris at the invitation of President Pompidou. They set two goals: Economic and Monetary Union before the end of the decade and Political Union within the same timescale. The goal of Economic and Monetary Union did not come from nowhere. The report presented to the Commission in October 1970 by Pierre Werner, then Luxembourg Prime Minister, had already defined the goal and the intermediate steps necessary to achieve it. The outline of a common currency, which would not necessarily be a single currency, was already evident. In spite of divergences among national Governments on the specific conditions for the project, the overall goal of convergence and close cooperation on currency issues was accepted by all.

The goal of a Political Union was not defined. Heads of State or Government therefore asked Leo Tindemans, Prime Minister of Belgium, to make recommendations, which he did at the end of 1975. In the meantime, in the context of the renegotiation of the terms of accession of the United Kingdom initiated by Prime Minister Harold Wilson, *all* Heads of State or Government, including the British Prime Minister, had reaffirmed their commitment to the two goals established in 1972.

The Tindemans report took the goal of an Economic and Monetary Union for granted. It argued for a gradual implementation of what was at the time called “Political Cooperation”, namely movement towards a common foreign and security policy for the whole Community. The report did not foresee any institutional revolution: **the main innovation of the Tindemans report lay in the acknowledgement that certain Member States would have the desire and capacity to progress faster than others in certain common policies, and the recommendation that they should be allowed to do so.**

This idea generated controversy at the time, because it was at odds with the prevailing orthodoxy, according to which, despite the growing number of decisions taken using qualified majority voting, the European project had to bring all member-States to the same goals, according to the same terms and the same deadlines. Any exemption could only be strictly temporary. But Tindemans’ proposal nonetheless reflected reality: the “snake in the tunnel” mechanism aimed at establishing a stable currency exchange system in the early 1970s was shattered by the 1973 oil shock; some Member States, including Germany, stuck to it while others, like France, Italy and the United Kingdom had to leave it.

With time, and without any formal mechanism, **a multi-speed Europe came into being.** The exchange mechanism of the EMS, negotiated in 1978, was indeed open to all, but all did not elect to

be part of it. The British rebate mechanism negotiated by Margaret Thatcher in 1984 was introduced, in theory, as a measure applicable to the whole Community, but was in fact specifically created for the United Kingdom. Economic disparities among Member States became bigger as the EEC was enlarged to include Greece, Portugal and Spain. The 1985 Schengen treaty, which represented a step forward towards the goal of open borders provided for in the treaties, was at the outset a deal involving only some of the Member States, concluded outside the Community framework, although the European Commission gave political support in terms of logistics and implementation. Schengen created a *de jure* and *de facto* discrimination between EEC members who had signed the Schengen agreement and those who had not.

The 1991 Maastricht Treaty, significantly more important, was the first treaty to include specific clauses allowing two Member States (Denmark and the United Kingdom) to opt out of certain provisions of the treaty, with a right – but not an obligation – to give up these exemptions later. It is true that the majority of Member States reached this agreement as the price of avoiding a veto by two other Member States. But more significant was the United Kingdom's *de facto* acknowledgement that no single Member State could in reality have a veto, even where a unanimous decision was required to modify the treaty: if London had blocked the adoption of the new treaty, Britain's partners would have signed a separate treaty, outside the Community framework.

Such a weakening of the body of obligations originally defined by the Treaty of Rome was important. It led the Swedish Parliament – obliged by its adhesion to the Maastricht Treaty to join the single currency as soon as the necessary conditions were met – unilaterally to decide that it would not do so. Although illegal under European law, this decision was never contested, and neither was its ratification by the Swedish people by way of a referendum.

The reluctance, and then the refusal, of successive British governments to consider participation in the single currency helped put the United Kingdom (and to a lesser extent, Sweden and Denmark) in a separate group: a group of countries which, after splitting off on their own initiative, refrained from taking part in the main constitutional and political commitment made by the other EU Member States.

In 1997, the EU Member States sought, in the Treaty of Amsterdam, to tackle some of the inconsistencies of the system through the adoption of a new legal instrument, enhanced cooperation, which allowed some Member States to proceed faster than others. The treaty also integrated the Schengen Agreement into the legal framework of the Community Treaties. This was made possible at the price of allowing Denmark, the United Kingdom and Ireland special arrangements for the control of their frontiers, thereby underlining the fragmented nature of the so-called “frontier-free Europe”. The Nice (2003) and Lisbon (2009) Treaties further developed enhanced cooperations: they allowed cooperating member-States to determine among themselves the conditions under which other Member States could join them. The fact that some forms of cooperation among Member States could permanently remain exclusive was therefore recognized by law.

The development of such forms of cooperation is, paradoxically, important for the vitality of the European Union: if some Member States consider some form of cooperation at the European level important, but do not find the means of achieving it within the framework of the European Union, they will organize themselves outside it. Moreover, such flexible behaviour has been made even more necessary by the latest enlargements and the resultant increased diversity within the Union. But the condition is, and remains, that such forms of cooperation must not affect the very core of the European Union: “multi-speed” means that the goal remains the same.

But a new danger looms: **the perspective not only of a Europe of multiple speeds, but also a Europe of different ultimate destinations.** There may be a referendum in the United Kingdom. **There could be a strong temptation, here and there, to take advantage of negotiations or even more so of renegotiations, to start to pick and choose from among the European Union's**

policies, in a sort of differentiated à-la-carte Europe, with dangerous consequences since that could make it impossible to enjoy a minimal level of cohesion within the Union, and could lead to its break-up.

2.3 The necessary consolidation: postponing any new treaty

Within the agreed fields of action, we will have to focus on what has to be done, and not on new institutional changes.

Following the Treaty of Rome in 1957, and with the exception of the accession treaties for new Member States, almost thirty years passed before a major new Community treaty was signed: the 1986 Single European Act. But since that date, the European Union has undertaken five significant renegotiations, the Treaties of Maastricht (1993), Amsterdam (1999) and Nice (2003), then the Constitutional treaty (signed in 2004 but not ratified) and finally the Lisbon treaty (2009). Only one renegotiation in the first thirty years of existence of the Community; then five in the next twenty years.

Each of these negotiations was perilous. Each gave birth to controversy within the Member States, which had to convince their Parliaments, and sometimes their people in the case of referendum, to authorize the ratification. The Constitutional Treaty was rejected by two of the founding members of the European Union, one of which, the Netherlands, had been the poster boy of European integration.

During the 2000s, in less than a decade, the European Union almost doubled its size in an enlargement to 28 members which has arguably been its greatest success – an enlargement which gave rise to a passionate debate between proponents and opponents of the deepening of the European Union. The European Union sought, through the Maastricht Treaty and the ensuing treaties, to reconcile these two goals. But continuity cannot be reconciled with too-frequent amendments to the treaties. The revision of the treaties came to be seen less and less as the necessary means of practical progress and more and more as a substitute for action. Even today, in no Member State does the electorate understand why so many treaties followed one after another. Most of the attempts to ‘bring the institutions closer to the citizen’ have failed.

In future, the institutions of the European Union will have to look before they leap and not leap before they look. **This means that the adoption of a new European treaty should be a decision of last resort, and certainly not the first.** Almost everything that needs to be done can be done on the basis of the existing treaties, as far as the Eurozone is concerned and also as far as the European Union itself is concerned. All the major objectives that the European Union has set itself can be realised within the scope of the existing treaties: **energy, the environment, the completion of the single market, the convergence of national economies, foreign and defence policies.**

A new treaty is not needed in the near future, and could even be counter-productive were it to become a pretext for inaction. A treaty aiming at strengthening the convergence of the Eurozone countries would, for example, need the agreement of all 28 Member States, each of which would probably have its own demands. If the Conservative Party is still in power in London after 2015, the British Government would seek to take advantage of the negotiation of a treaty to question part of the EU acquis or, failing that, to secure for the United Kingdom permanent exemptions to certain fundamental policies of the European Union. And if some Eurozone Member States prematurely agree on a separate treaty, what would be a tool of convergence for the 18 Eurozone members could become a growing factor of divergence between these countries and the rest of the EU Member States.

With the exception of Denmark and the United Kingdom, all EU Member States are committed to adopt the single currency once they meet the criteria for membership. **The cohesion of the European Union requires the maintenance of this twofold obligation: the strict obligation to**

respect the criteria as they are currently stated, the obligation to accept Member States which meet these conditions within the Eurozone. This balance can only be kept if the criteria are strictly applied and if there is no repetition of the sometimes excessive tolerance allowed in the past. This means that the qualifying stage for countries aspiring to join the Eurozone could take more time. Besides, the Eurozone will find it difficult to go on endlessly enlarging itself, while it is setting itself on a new long-term path.

This requirement will equally have consequences for future enlargements of the European Union. The commitment to allow the membership of democratic European countries should not be questioned. But we should defer possible new memberships. **It is not a question of rejecting Turkey, the Balkans or any other European country. The fact is that the capacity of these countries to join the European Union depends on the capacity of the European Union to admit them.** We will have to resort to other mechanisms of association and/or cooperation during the intermediate stage: the negotiation process could be resumed on a date to be agreed.

What Europe needs is strong, dynamic policies within a stable institutional and constitutional framework. For the Eurozone as well as for the European Union, it is time to take a break, make an honest stock-take of the situation, decide and strengthen.

3. Putting the European Union back into the service of Europe: the players

Nothing will be possible, either in the Eurozone or in the 28-member European Union, if its leaders do not restore the conditions of trust. The European Union is too often seen as a private battle ground where different visions, special interests, competing (or even mutually hostile) countries all vie with each other. It has to become once again a common endeavour, for national Governments as well as for the institutions. **But nothing will be achieved if European leaders do not share the willingness to do things together, and do not give voice to that willingness.** National leaders may have the duty of defending the interests of their Governments. **But they also, and maybe above all, have to be jointly responsible for the future of Europe.**

3.1 Restoring trust

Reducing internal divisions

For many years, the European Union has been fragmenting. Certain dividing lines (older versus newer Member States for example) will diminish in importance over time. A north/south divide appeared more recently, with the crisis of the Euro. It kept growing as the 2009-2011 discussions took place, evolving into a debate between the so-called rigorous states, who paid, on one side, and the un-rigorous, bail-out states on the other side, until it became the codename for a coalition of all those who opposed an alleged German domination. Things got worse to the point where it turned into a conflict between Catholics and Protestants, against a background of inappropriate historical references. It started to look as if an unbridgeable gap had appeared. Such slogans, such behaviour are absurd and suicidal, on both sides. They undermine the very foundations of Europe. Far from helping to achieve a rebalancing of power, **they risk turning negotiations between national Governments into conflicts between peoples.**

The divide between bigger and smaller Member States is an older, deeper one. Although it has multiple causes, two emerge as key: the first one is the decline and weakening of the institutional system, a system which is supposed to protect smaller Member States but which, for the most part, now protects only itself. The other one has been an ill-conceived enlargement, ill-conceived because it ignored the arithmetical consequences of enlargement – that size matters. Luxembourg's involvement in a 6-member Community made obvious sense. Guaranteeing equal information and participation, in all fields, to all 28 Member States is incomparably more difficult. If we want the enterprise to be a

success, we have to heal that wound. The institutions, and especially the Commission, the Council and the European Council are mainly responsible for doing this.

A system which inspires trust

Member States also have to safeguard **the efficient functioning of the institutions and the relevance of their political and constitutional practices**. The direction taken by the European Union must rest on loyalty and trust. The European Union will only trust national Governments again, and the latter will only believe in the European Union, if the common discipline which stems for the original political contract is respected. Member States must no longer put up with the rules being broken. They must therefore ensure that the legal framework remains of high quality and consistency, and they must take constant care to safeguard the internal balances of the system. Such are the necessary conditions if the European project is to become stronger and make progress.

Member States, as the constituent power of the European Union, must lead by example: **permanent suspicions and distrust can become the gangrene of the system. But the institutions too must respect the treaty in its actual wording, the balance of powers and the principle of subsidiarity**. Despite having a duty to oversee the Treaties, in one form or another, they have as often as not fallen victim to the temptation to breach the rules, to do what is not provided for under the treaties, and to treat the rules as the lower limit of their competences. All this in the name of a theoretical goal, that of seeing the Commission become, by a combination of law and practice, the Government of Europe, the Court of Justice a Constitutional Supreme Court and the European Parliament a Parliament, not just of the EU, but of the whole of Europe.

The stability of the existing system, and the firm basis of the treaties as they stand, must be established as the clear rules of behaviour. There can be no basis of trust when leaders denounce so-called “shortcomings of the treaties” and then start making proposals which would require in-depth amendments to those same treaties. That kind of talk contributes to the weakening of the European Union, because it makes people think that a particular action or undertaking is not properly authorised. The debate raises doubts about the viability of the institutional system. It also raises suspicion. For example, some have proposed merging the offices of President of the European Council and President of the Commission, which would require a complete redrafting of the treaties. Ulterior motives are plain to see: for some, the office of President of the Commission would rapidly occupy the driving seat, thereby allowing the European Parliament to control the European Council. For others, on the contrary, this “double hat” would weaken the European Commission and would allow national Governments, and especially the Governments of the bigger Member States, to take control. Such speculations are harmful. The European Union today needs simplicity, clarity, sincerity. **The temptation to attempt, by stealth, institutional coups d'état, be it in order to invent a “European parliamentary federation” from scratch or to destabilize the institutions, is the precise example of what must be avoided.**

3.2 Adapting the institutions

This report focuses on the four institutions responsible both for the Eurozone and the 28-Member State European Union. We should also look to the sound working of other policies and bodies, and, for example, finally get round to putting in place a common foreign and security policy which will command credibility and be underpinned by a respected European diplomatic capability.

(i) The European Council

The European Council is, together with the European Central Bank, the only institution whose power has increased in the last few years. The Euro crisis and the sovereign debt crisis largely account for it: in each of these fields competence remained mostly with the Member States; and within each Member State, it was the Head of State or Government who wielded the most power. The appointment, from January 1st 2010, of a full-time President of the European Council also greatly

helped to ensure that the European Council worked better. One only has to think what it would have been like if the European Council and the Summits of the Heads of State or Government had had changing Presidencies every six months (many of them not Eurozone members) to realise what, otherwise, the past four years would have been like.

But things are neither perfect, nor stable. First, we have to work relentlessly to improve the relations between the Presidency of the European Council and the six monthly Presidency.

We have to organise them so that they become two complementary presidencies and not, as has sometimes been the case, two parallel presidencies. The task is a difficult one, because the framework set out in the treaties is itself a compromise. Things have been going smoothly in the last four years, but still need some fine-tuning. Things could be improved still further through an agreed, multi-annual programme of policy priorities.

What the European Council is chiefly blamed for is that it plays to the interests of the large Member States. It is not easy to refute this criticism since, while States may be equal, countries are not. The phenomenon has been exacerbated these last few years by the deficiencies and failings of the Council. The European Council is overloaded with issues which should not be dealt with at that level. More than twenty “last chance summits” have been held since 2008. But these meetings were only made necessary because of blockages in the Council/the Eurogroup and their inability to take the decisions for which they were responsible. The European Council has been required to opine on day-to-day management and technical matters when it should be focussing on major issues. It is not our business to say who is responsible: is the European Council stifling the Council, or is the Council overburdening the European Council? The fact is that the best way to remedy the frustration of “smaller member-States” is to improve the working of the Council, which is by design much more egalitarian.

(ii) The Council

The specific case of the Eurogroup has already been mentioned. The Council has also suffered from institutional drift over the past few years. None of its formations, be it the General Affairs Council, the Foreign Affairs Council, or even ECOFIN, is still playing its proper role. The Council is, however, a key piece of the machinery of government. Its job is both to ensure that decisions are soundly based politically and, as far as possible, to avoid the European Council being overburdened and the Heads of State or Government becoming over exposed. The role of the Council as the body where European Council meetings are prepared has been studied in various reports and useful suggestions made by the Council’s General Secretariat and several Presidencies. But most of those reports have gone unheeded. The best approach, as has been suggested for more than ten years, and as provided for by the Lisbon Treaty (but never implemented), would be to have a real General Affairs Council. It would be devoted to the implementation of high-priority policies agreed upon by the European Council, according to an agenda, deadlines and means agreed with the President of the European Council. Failing that, the preparation of the European Council as well as its proceedings will remain in the hands of Heads of State or Government.

(iii) The Commission

The competences of the Commission have been regularly increased since the Single European Act. But **the weight of the institution has gradually diminished**: the Commission does not play as big a role as it used to ten or fifteen years ago. Of all European institutions, the Commission is the one which needs the most urgent, serious reform – but it is also the hardest one to reform. Several things account for the weakening of the Commission. The ever tighter control of the Commission by the European Parliament was matched by ever more frequent meddling by the Member States in the Commission’s day-to-day operations. The system of one Commissioner per Member State has contributed to a change in the nature of the “College” of Commissioners, making it now more of a “COREPER¹ at a political level” than an effective body capable of discerning the overall European

¹ Committee of Permanent Representatives, composed of Ambassadors of each Member State.

interest. The latest EU enlargement has made this more pronounced, leading to more portfolios held by Commissioners and a proliferation of Directorates General, making consultation and collective responsibility, which is the very essence of the Commission, ever more difficult. Finally, the crisis of the Euro and the sovereign debts crisis hit Europe in areas where the institutions (including the Commission) had little or no competence. But the European Union needs a strong Commission, even more so after enlargement. The appointment of a new Commission, in 2014, provides an opportunity for EU member Governments to start thinking now about how to improve matters.

The first goal should be to restore the collective responsibility which used to be the hallmark of the college. Is it possible to reduce the number of Commissioners? Such a reduction is provided for in the Lisbon Treaty. The enforcement of the relevant provision was suspended by the June 2009 European Council, before the second Irish referendum. It would therefore be enough, in legal terms, to rescind the decisions of the European Council of June 2009 and May 2013 and take the College back to far fewer than 28 members. This would, of course, require the agreement of all Member States; and it would only be possible to reach such an agreement if all Member States felt listened to, respected and correctly represented in the institutions.

More than ever, it is in the interest of the Heads of State or Government to appoint a head of the Commission capable both of presiding over the “College” and managing its place within the institutional framework, notably in its relations with the Parliament and the European Council. The Commission is indeed answerable to the European Parliament which, by virtue of the provisions of the Lisbon Treaty, elects the Commission President. **But the President of the Commission is at the same time a member of the European Council, and would lose much of his or her authority within the Council if s(he) seemed mostly to be a sort of spokesperson for the Parliament.** The European Council should, before appointing the next President of the Commission, satisfy itself that he or she will fully respect the institutional balance provided for by the treaties. The authority of the Commission depends on it.

More generally speaking, the appointment of the members of the next Commission must reflect this newly-found trust and partnership. Their appointment by hasty decisions, dubious compromises or Byzantine intrigue is an insult to Europe’s citizens. **No Commission will be respected that is appointed in ways that would provoke either anger or derision were it an orchestra or a football team chosen in that way.** The nationality or political background of the Commissioners should be secondary. The only question which really matters is a simple one: can Europeans trust the individuals who are appointed, and especially the future President of the Commission, to fulfil their mission in the common interest of Europe?

Finally, it has been suggested that the President of the European Commission should be elected by direct universal suffrage, by the European Union’s citizens. Such a measure would not only require significant amendment of the treaties, it would also give rise to a major shift in the institutional balance. It might well be in line with the logic of a federal Europe as imagined by Jacques Delors in 1990. **But which of the EU’s Governments would accept such a radical change?**

(iv) The Parliamentary framework

The powers of the European Parliament have been considerably strengthened since the Maastricht treaty. The main outcome has been a new balance of powers, chiefly achieved at the expense of the Commission, whose room for action has been significantly reduced. The Lisbon Treaty increases the powers of the European Parliament in the designation of the future President of the Commission, although, in accordance with article 9D of the treaty, **it is the duty of the European Council – and only of the European Council, and not of the European Parliament – to propose a candidate for this office.** Will the future President of the Commission, who will be chosen in accordance with the new system introduced by the Lisbon Treaty, be under greater threat of a vote of no confidence by the European Parliament, and consequently, be more inclined to satisfy pre-emptively the wishes

of a majority? Will, or will not, this President be considered too politically committed both by the other members of the Commission and by those Heads of State or Government who do not share his political opinions? Will the legitimacy of the College rest on firmer foundations? These questions remain to be answered. Finally, if the governance of the European Union comes out weakened rather than strengthened, the fact that the system would, superficially, be more democratic would carry little weight.

The European Parliament must remain the only competent law-making body within the framework established by the treaties, notably through the co-decision procedure which has worked, and continues to work, quite well. But in areas where the treaty does not give the European Union any competence, and where it consequently has no power to make law, in these so called “grey areas”, **there is uncertainty, tension, a growing gap, and even conflict, between the European Parliament and national Parliaments**. Although, on the face of it, it might seem to make sense gradually to replace national democracies with a hypothetical European democracy, that way lies failure. It would be a mistake to seek to transform a hybrid system into a perfect structure, completely rational in constitutional terms. **Democracy at the European level will have to co-exist with democratic procedures in each Member State, local, regional and national practices, and not substitute for them**. The point is not to replace what is already there. What is needed is communication and complementarity between the different levels.

The authority proposed earlier for the Eurozone would serve as such a link as far as Eurozone-related issues are concerned. More generally, the provisions of article 8C of the treaty will have to be used more often in order to allow national Parliaments to be fully informed and to take part in important political debates affecting the future of the European Union and the Member States. Serious analysis, not political posturing, is required to establish which measures are most likely to work. The alleged lack of democracy within the European Union does not find its roots in the absence of politically responsible players, but in the lack of commitment, coherence and willingness to act.

3.3. The United Kingdom

The United Kingdom is a European country like no other. It is a great country, an important country for the balance and power of Europe; questioning its participation would have profound consequences. **The best way to answer the concerns of a sceptical public opinion, in the United Kingdom as well as in the rest of Europe, is to define a comprehensive programme for action which would turn the Eurozone into a catalyst for growth, alongside the adoption of economic policies of benefit to all Member States**. Of course, only the British Government and the British people can ultimately decide whether to remain in the European Union or not.

In this context, we have to start now to adapt our institutional practices and Community policies. For, the British are not always wrong, and the European Union would be wise to take a close look at some of Britain’s criticisms and suggestions. Yes, the European Union should only act when it brings added value, when it does more and better than the Member States acting separately and on their own. Yes, the internal market remains a priority. Yes, the European Union urgently needs a true energy policy. Yes, the Schengen system has its weaknesses. Yes, it is possible to make the operation of the Community budget more efficient. Yes, it is necessary to revive failing institutions. Saying this is not to “give in to British blackmail”: it is, rather, to help the 28-member European Union.

There has, however, to be a line which should not be crossed. The European Union would be denying its very principles if, in order to bring satisfaction to the United Kingdom, it was prepared to renege on its core policies and goals. It would be better to have the British leave a strong European Union than to remain in one that was no longer recognisable. If, as we should wish, the majority of Member States agree on a European *New Deal*, they will then have to be ready to look, after the next General Election in the United Kingdom, at British proposals aimed at adapting some European policies, or their implementation. As any *New Deal* would be rooted in the existing treaties, changes could be achieved, be it by the Commission, the Council or the European

Parliament, only within the framework and on the basis of the treaties. The situation in the United Kingdom being what it is, it would be pointless to focus now on what these British proposals might amount to. But one thing must be clear: the extent to which any British Government can look to its partners for help and cooperation will depend on whether the rest of the European Union judges that the British Government is seriously intent on negotiating for an outcome which can be recommended to the British people as a basis for remaining within the Union. **Other Member Governments are most unlikely to agree to changes in hard-fought European laws which continue to command the support of all but the United Kingdom.**

3.4. The Franco-German motor

Capax imperii ?

Once again, as in the past, it is vital that Germany and France, along with other Member States of course, take the initiative together to revive the Eurozone and the European Union more generally. The last few years have, rightly or wrongly, been perceived in Europe, and by the European institutions, as being marked by a lack of understanding between these two countries. Some have tried to take advantage of the alleged misunderstanding, others suffered from the absence of a clear direction and perspective. Today, Germany, the most powerful economy on the continent, is the dominant force in Europe. What happens in the European Union is therefore the product both of the state of German public opinion and of the German Government's own, deeply-held, European conviction. The German Government no longer has a partner, as it once had in France, whose economic weight or political outlook matches its own. The only alternative to the French-German duo, which has served Europe so well, is more German *leadership*, with all the difficulties which that represents both for Germany and the rest of the European Union.

The French-German duo has been through testing times. But, so long as French and German leaders believed that it was worth making national sacrifices for the greater good of the European Union, their partnership brought unrivalled and much needed leadership to the European project. The measures and decisions we have suggested in this paper are capable of acceptance by the German and French Governments, for they largely correspond to their own ideas. Their clear and long-term commitment to pursue the goals they set together is essential. They first have to accept one vital point: **they must accept that they are under an obligation to reach agreement. That is what Chancellor Schmidt and President Giscard d'Estaing did when they established the European Monetary System. They agreed that they must agree. The rest followed.**

Conclusion

For fifty years, the European enterprise enjoyed the support of its citizens. That has now changed. Are the Europeans turning away from Europe? We doubt it. But they no longer trust a European Union which seems to them powerless, ideological and partisan. They no longer support a system which does not offer hope for the future and which seems beset by internal power struggles, arguments between institutions and Member States and quarrels between the Member States themselves. The time has come to call a halt to pointless attempts to conceal these disagreements under tortuous structures, short termism and fatuous announcements.

Europe's leaders have a duty to deliver. They have to agree on policies and set a course, which means they have to prove, hard headedly, that Europe still means something, that we need it and that it still has a strength and cohesion which can carry us forward. Europe, the Eurozone as well as the 28-member Europe, now needs an overall perspective based on a limited number of priorities, backed by a real commitment to carry them into effect and with a clear route map and timetable. The approach must be a comprehensive one. It would be pointless to undertake policy reform without also tackling the failings of the institutions. It would be pointless to attempt to reform the 28-member European Union without taking into account the specific requirements of the Eurozone. In this report we have set out the main ingredients of what needs to be done as well as the main steps needed to get there.

The road will be long and we have to start as soon as possible. **The renewal of important institutions, in 2014, could be the first step in this revival of the European Union: we should take decisions, before the deadline, aimed at getting these institutions to work properly.** We should not wait until the next European elections to agree on the general framework of a policy for Europe. The end of 2013 and the beginning of 2014 will be key moments. Later may be too late.

Neither this perspective, nor its implementation, involve new treaties or new institutional frameworks. The policies which need to be implemented are those which are already set out as priorities by the treaty itself, and whose conditions of adoption and implementation are also defined in the treaty. **It is sufficient honestly, wholeheartedly and comprehensively to implement the existing treaties, which provide everything we need going forward.** Where there is a will to rebuild Europe, there is also the way.

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