

Foreign Ministers' group on the Future of Europe
Chairman's Statement¹ for an Interim Report²

15 June 2012

The time for a debate on the Future of Europe is now

The situation in the European Union

Despite intensive stabilization and consolidation efforts, the debt crisis is not yet over. Far-reaching consequences on financial markets and in the real economy remain a very real threat. The crisis also has a political dimension. In many regions nationalism and populism are on the rise, while the feeling of solidarity and sense of belonging in Europe are dwindling. Europe is sometimes seen as part of the problem rather than part of the solution. What is more, the existing "narrative" of the European Union as an instrument for banishing war in Europe is no longer sufficient for today's "Erasmus generation". The fruits of integration, for example freedom of movement in the Schengen area, are advantages all too often taken for granted. The cost associated with the European project often receives more attention than the value it creates for our citizens.

Furthermore we must not close our eyes to a second challenge which will be just as decisive for Europe's future as overcoming the debt crisis. In this era of globalization, the distribution of power in the world is shifting. New political and economic global players are gaining more influence. In dealing with these new powerhouses, we Europeans will only be able to uphold our values and pursue our interests effectively if we pool our strengths much more both internally and in dealings with the outside world. We must seriously address this question which is decisive for our future. We face the historic task of enabling Europe to become a global player.

For Europe, the debt crisis and globalization pose an elementary challenge. We must rise to this twofold challenge if we want a bright future for our continent and so that we can convincingly realize and communicate the value of Europe.

¹ This statement reflects the discussions of the Foreign Ministers of Austria, Belgium, Denmark, Italy, Germany, Luxembourg, the Netherlands, Poland, Portugal and Spain.

² Work in the group will continue in particular regarding the issue of "Europe as a global player"

What challenges do we face?

The European Union has to pursue a two-pronged strategy: we have to work our way out of the crisis and develop Europe into a major global player.

- Overcoming the economic, financial and debt crisis has absolute priority. But crisis management alone is not enough. We are deeply convinced that charting a course for the future of Europe beyond the current crisis will ultimately help us to solve the pressing challenges immediately ahead of us. We need decisive steps on the basis of the three pillars of fiscal consolidation, competitiveness and growth, and solidarity. In order to improve its political capacity for action, the EU needs to achieve a stronger pooling of sovereignty in the medium-term in some areas.
- Alongside practical reform steps to overcome the current crisis, citizens need to be convinced that the EU can play a decisive role in maintaining our interests and values globally and contribute to resolving global challenges. The EU needs to demonstrate that it is capable to respond to global challenges and speak with one voice on central questions on the international agenda while at the same time respecting the subsidiarity of countries and regions.

We take the current crisis to be a wake-up call. Time for far-reaching reforms is short. The need to re-establish trust and confidence in our common project is urgent.

That does not mean that all problems have to be solved immediately all in one. But the political debate about the future of the European project has to be conducted now and it has to take place all across Europe. We need to provide a sense of direction and of Europe's purpose before it is too late. What we are ultimately talking about is making the European Union and the Euro irreversible.

Our main focus is on steps within the framework of the existing Treaties. However, we should not exclude the option of more far-reaching reform measures in the medium term.

The following ideas are a personal contribution to a debate that we consider essential to the well-being of our nations and all our citizens.

A. *What concrete progress should we aim for in individual policy fields?*

Overcoming the current crisis

During the euro crisis, it has become clear that we must fundamentally strengthen the economic and monetary union. An effective and stable economic and monetary union is of central importance for the overall functioning of the European Union. This concerns all members of the European Union – also those who have not yet introduced the euro. Reforms should therefore be undertaken wherever possible in all 27 member states. To do this, we must rigorously tackle the weak points revealed by the crisis. How can we put the European financial sector on a firm footing for the future? How can we ensure sounder public finances in the long term? How can we ensure the competitiveness of our economies in order to return to a sustainable path of growth? How can we further develop economic policy coordination? How can we ensure we have the necessary democratic legitimacy for decision-making in potential new fields? In the longer term, this may also necessitate further-reaching steps towards integration; these should be done ideally through treaty amendments.

The importance of sound budgets

Since the Lehman crash, the level of public debt in the EU has risen on average from an already significant 60% to well over 80%. It is imperative that we reverse this trend, as it stifles our economies and reduces our political capacity for action. The EU has taken numerous steps to ensure sounder public finances, such as the European Semester, the “Six-Pack” and the Fiscal Compact. But we need to do more to convince the people and indeed the financial markets of our dedication to long-term sound public finances. Completing work on the Two-Pack and implementing the Fiscal Compact are particularly pressing. In the medium term, the Stability and Growth Pact should be further strengthened. In this respect, we should also look into the possibility of a stronger role of European institutions regarding national budgets.

In recent years we have also taken a number of steps to strengthen the European financial sector. But we need more steps to improve the functioning of European financial markets and to make them fit for the future. Furthermore, we consider it important to develop and adopt an EU legal framework for the restructuring and orderly winding-up of ailing banks, as a step towards more financial integration.

The importance of action to foster growth, competitiveness and employment.

On the basis of sound public finances, we also need to foster competitiveness, growth and employment in order to overcome the current crisis in a sustainable manner. At European level, we should aim at completing and bringing the Single Market, one of our main assets and the most powerful engine for growth, to a new stage of development. We should also step up our efforts to finance the economy by e.g. implementing the Project Bond initiative. We should increase the support for SMEs, in particular by facilitating easier access to existing funds; in this respect we should also envisage a stronger role for the EIB. Finally we should strengthen job creation, targeting in particular youth unemployment.

Economic policy: overcoming Maastricht's fundamental flaw

In too many respects, economic policy coordination has to date not been binding. The currently available instruments such as the Europe 2020 Strategy or the Euro Plus Pact do not have real teeth. In key areas of economic policy (most members of the group suggested functioning of labour markets, sustainability of pensions and social security systems), additional steps should be envisaged – preferably at 27, but if need be also through the use of enhanced cooperation as foreseen in the Treaties. In the medium term, we must overcome Maastricht's fundamental flaw – monetary union without economic union. Most members believe that we should therefore consider making the commitments in the framework of the Euro Plus Pact binding and granting the EU institutions a central role here, and that we furthermore should think about more steps towards integration, for example more qualified majority voting in key areas of economic policy.

Strengthening solidarity

Practical solidarity among EU member states is a founding principle of our Union. Since the start of the crisis we have taken fundamental decisions to implement European solidarity, in particular by creating the European Financial Stability Facility (EFSF) and the new long-term European Stability Mechanism (ESM). Also the EU budget with its support for less developed member states is a central component of European solidarity, as an essential tool for growth and convergence. Solidarity must remain a guiding principle for our action. It should be further developed in a staged and criteria-based process; this development must also be seen in the context of the further development of the Economic and Monetary Union and of the EU institutions and their responsibilities. We should also assess whether to develop the ESM in

the direction of a “European Monetary Fund” in the medium term. There were differing views expressed on the question of mutualisation of sovereign risk.

Europe as a global player

The world is experiencing a tectonic shift. Major new players have burst onto the scene. At the same time, however, globalization forces all countries to come to grips with matters they have never had to address before. What is needed is a functioning global governance – to properly regulate financial markets, to address the challenges of global warming and newly emerging security threats. In competition with other economies, ideas and models of society, the countries of Europe will uphold their values and pursue their interests successfully only if they stand united. We believe in the continued attractiveness and adaptability of Europe's open societies.

Our ambition is to shape EU external relations to make them much more effective than to date. In particular this affects relations with our strategic partners. Here we need better institutional arrangements, more efficient procedures and a better division of labour between European and national levels.

The EU got off to an important start with the reforms of the Lisbon Treaty. Now we have to go further and improve our ability to speak with one voice in the global arena and to unite our forces more effectively vis-à-vis new players. To meet these challenges we need to have a comprehensive and integrated approach to all the components of the EU international profile. We therefore need to address, beyond CFSP and CSDP, development aid, management of migration flows, climate change negotiations, energy security and commercial policy. The European External Action Service has to be strengthened more; the next opportunity is the review of the EEAS Decision in 2013. To be able to move forward, we have to start setting the direction now. We need a more dynamic Common Security and Defence Policy, stronger EEAS planning and command capabilities for civil-military operations, more pooling and sharing. We should commit to more majority decisions in the sphere of our Common Foreign and Security Policy. With regard to Defence Policy most Foreign Ministers feel that we should be more ambitious. We should raise the level of our ambition beyond “pooling and sharing”. In the long term, we should aim for a European Defence Policy with joint efforts

regarding the defence industry; for some members this could also include a “European army”. We should also aim for a common seat in international organizations.

If Europe wants to hold its own in the new global order, increased integration in other central political fields has to be the aim. Justice and home affairs is one possibility, for example work to strengthen the protection of external borders (“European Border Police”) instead of weakening freedom of travel within the Schengen area or, in the medium term, efforts to create a European visa to replace national visas. Another field where we need “more Europe” is sustainable energy policy: we need to create a functioning European energy infrastructure, improve energy efficiency and define common external energy relations.

B. What changes are needed on the institutional side?

Strengthening specific policies must go hand in hand with improving the capacity for action and strengthening democratic legitimacy. If we want to strengthen EU cohesion, we have to improve its capacity for action. This has to mean: more efficient decision-making processes and better coordination between the institutions. Yet at the same time: additional tasks at European level or closer coordination of national policies require greater democratic legitimacy. This relates above all to the European Parliament but also requires a new understanding of the involvement of national parliaments.

Improved capacity for action

The European Commission

The Commission has to be able to perform its crucial role as driver of EU decision-making procedures also in the future in order to allow the community method to work fully and effectively. We should examine whether we can strengthen the Commission with regard to its internal organization and procedures. In the medium term, the number of commissioners should be addressed.

The Council

Cooperation in the Council needs to be improved, also with a view to ensuring that the European Council is properly prepared by the different Council formations, above all by the General Affairs Council; it should fully assume its coordinating role foreseen in the Treaty.

With regard to debate in the Councils, the possibility of written statements and bundled interventions should be envisaged to reduce the inefficient “tours de table”. In the medium term, more permanent chairs could be envisaged, also in the General Affairs Council, to increase the efficiency of the work in the various Council formations. Furthermore, the possibility of better dovetailing the work of the Council and the Commission could be explored. Some Foreign Ministers suggested to examine the creation of a double-hatted post of President of the Commission and President of the European Council.

European decision-making process

The efficiency of European decisions can also be increased by making more use of differentiated integration, a possibility provided for in the treaties, but hardly implemented so far. In the medium term, a fundamental extension of decisions taken by qualified majority should be examined.

Increasing democratic legitimacy

The European Parliament

The directly elected European Parliament today has a high degree of democratic legitimacy; the next step is to improve its democratic visibility. An important step would be the nomination of a top candidate for the next European elections that could also be a candidate for the position of Commission President. Further concrete points could be examined such as greater distinction between majority and minority in the European Parliament, European elections in all member states on the same day, drawing up a (limited) European list or a more public procedure in the European Parliament to appoint the Commission President.

National parliaments

National parliaments should become more effectively involved in the work of the European Union in the spirit of the Lisbon Treaty. To this effect, contacts between the EP and national parliaments should be strengthened further. There should be closer cooperation between the EP and national parliaments particularly in the fields of economic and fiscal policy. The core task of national parliaments will however remain to control the action of their national governments.

Most Foreign Ministers suggested that further pooling of sovereignty at the European level should be considered. In this respect, we also need to rethink the interaction between European institutions in the long term. We need to consider the question of European governance, including the role and function of European and national institutions in a European system of separation of powers. This could include: a directly elected Commission President who chooses the members of his “European Government”, and an EP with the ability to initiate legislation and a second chamber for the member states.