



## The Santa Colomba Report



## Alternative Ideas for the European Union

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## Introduction

From December 2006 to July 2010, a group of European and North American academics and policy-makers met periodically to discuss alternative ideas for the European Union (EU). In the course of four conferences – the first held in Schengen (Luxembourg) and the rest in the Tuscan village of Santa Colomba (near Siena) – the participants put forward ideas and policy proposals intended to stimulate further academic research, political reflection and public debate on the future of the Union.

This initiative was led by Robert Mundell, Professor of Economics at Columbia University and the 1999 Nobel Laureate in Economic Sciences, and Dr Armand Clesse, Director of the Luxembourg Institute for European and International Studies (LIEIS). The LIEIS organized the four conferences, which brought together about 40 experts, with a core of approximately 25 regular members and partially overlapping groups of occasional participants. The conference discussions were steered by A. Clesse.

The aim of the present report is to synthesize the proceedings and set out the main findings in the form of 70 propositions and 45 policy recommendations. Even though each conference focused on a distinct topic, there is a shared perspective running through all the debates – a constructive critique of the EU in its current configuration, coupled with a series of alternative ideas that either require treaty revision or involve important institutional and policy adaptation. Based on a substantive exchange of ideas among a diverse group of experts with a wide range of different disciplinary knowledge, the discussions combined overarching arguments with specific points. That is why the list of propositions and policy proposals is divided into different (thematic) sections:

### I. The Current Crisis Confronting the EU

1. The existential crisis of the eurozone
2. The Union's post-Lisbon condition

### II. Key Challenges Facing the EU

1. The nature of the Union's challenges
2. Key political challenges to the EU's institutional and constitutional arrangements
3. Challenges concerning core areas of EU policy-making

### III. Proposed Reforms and Policy Recommendations

1. Economic reforms
2. Political reforms (with and without treaty revisions)
3. Wider institutional and constitutional reforms
4. Three models for Europe's future

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There are a number of premises that underpin the propositions and policy recommendations set out in the “Santa Colomba Report”.

- (1) the regularly repeated pledge by the 27 Heads of State and Government to make the Union work on the basis of the Lisbon Reform Treaty is unrealistic, as the ongoing crisis of the eurozone underscores; treaty revision and reform cannot be ruled out for the next decade or so – whether in relation to enlargement or to integration;
- (2) the dominant paradigms governing the complex processes of EU integration and enlargement are largely outmoded and cannot cope with the new challenges that confront the Union of 27 in the wake of the global economic crisis; the *status quo* of the EU is institutionally unsustainable and politically untenable;
- (3) Europe as a whole and the EU in particular face a period of protracted uncertainty and they lack a distinct, strategic direction; both the European Convention and the Intergovernmental Conference leading to the Lisbon Reform Treaty sidestepped fundamental questions about the foundations and the finalities of the European integration and enlargement process;
- (4) the failure of the Constitutional Treaty was not the cause of the current crisis but a symptom of a wider malaise that encompasses, but is not limited to, an unprecedented integration and enlargement fatigue, as indicated by the lack of ambition of the Lisbon Reform Treaty;
- (5) the policy- and decision-makers of the Community institutions and the member-state governments are either unable or unwilling to envision a genuine alternative to the prevailing strategies and policies; as such, they require input from independent analysts like the members of the “Santa Colomba group”.

Since the discussions at all four conferences were informal and free-wheeling, the propositions are neither fully compatible with one another nor endorsed by all the members of the “Santa Colomba group”. However, each and every proposition aims to provide a fresh engagement with the EU’s current condition and to help lay down a new conceptual foundation for original and innovative ideas and policies.

## I. The Current Crisis Confronting the EU

### 1. The existential crisis of the eurozone

**Proposition 1:** The ongoing turmoil of the eurozone is engulfing the entire Union, as the financial and fiscal crisis that centres on both corporate and public debt has profound political repercussions. In all likelihood reforms will not be limited to a surgical revision of the Lisbon Treaty aimed at setting up a permanent crisis resolution mechanism.

**Proposition 2:** Both the origins and the consequences of the eurozone crisis must be seen in the context of the global ‘credit crunch’ that was initially triggered by the collapse of the US subprime market and that mutated into a sovereign debt crisis following the banking bailout. The eurozone’s design faults notwithstanding, the near financial meltdown cannot be blamed on the common currency.

**Proposition 3:** Financial crises tend to exhibit certain recurrent patterns linked to careless lending, excess borrowing, market panics and government defaults which characterise both developed countries and emerging markets. As such, the 27 EU member-states must learn lessons and press for systemic reform both across the Union and at the level of the G20.

**Proposition 4:** Within the eurozone, one of the most pressing problems is to deal with the excessive private and corporate borrowing at low interest rates that largely underpins the sovereign debt crisis. Except Greece, there was no fiscal failure at the outset, as Ireland and Spain (and other peripheral countries) had fairly sound fiscal positions going into the crisis.

**Proposition 5:** Nevertheless, pro-cyclical fiscal policy – spending in the good times and cutting back in the bad times – has unnecessarily inflated structural deficits. It has also exacerbated the overall imbalances between surplus countries at the core (such as Germany, the Netherlands, Austria and Scandinavia) and the deficit countries in the periphery (such as Greece, Ireland, Portugal, Spain, Italy, Lithuania and Latvia).

**Proposition 6:** In addition to unknown banking liabilities that have not been fully disclosed by the stress tests, the eurozone has been left with higher than viable structural deficits and divergent spreads on bonds. That is raising the costs of borrowing for the highly indebted, peripheral countries which also suffer from low levels of productivity and a limited potential to increase their exports to the surplus countries.

**Proposition 7:** The current policy mix of fiscal austerity and emergency funding temporarily alleviates the problem of public insolvency but fails to deal with the underlying imbalances between surplus and deficit countries. Nor do the actual and proposed financial reforms do enough to tackle corporate debt, toxic assets and other structural problems.

**Proposition 8:** Since numerous European banks that are systemically important hold bonds from the deficit countries, the sovereign debt crisis could trigger another wave of banking bailouts – fuelling a vicious cycle that would bring down the eurozone.

**Proposition 9:** Neither a temporary exit of insolvent countries (like Ireland, Greece and Portugal) nor a break-up into a northern and a southern eurozone is economically sensible and politically feasible. Both entrench the deepening divide between surplus and deficit countries. The former would permanently damage the periphery (in terms of credibility), while the latter would send the value of the ‘northern euro’ soaring, damaging the (German) exports to the rest of the world upon which the entire eurozone and the whole Union depend.

**Proposition 10:** Failure to find a lasting solution to the structural problems of the eurozone will plunge the EU as a whole into an existential crisis, as the centrifugal forces that undermine the common foundations would gain in strength. Given the modest ambition of the failed Constitutional Treaty of 2004, a break-up of the eurozone would undoubtedly represent the single worst setback since the rejection of the European Defence Community and the European Political Community in 1954.

## 2. The Union’s post-Lisbon condition

**Proposition 11:** The twofold promise of the Lisbon Reform Treaty to overcome the crisis in the wake of the failed Constitution and to streamline the institutions following eastern enlargement has not been fulfilled. While the treaty has introduced some useful changes, it has failed to reinvigorate or strengthen the Union at a time of economic turmoil at home and strategic challenges abroad.

**Proposition 12:** Lisbon does not address the conceptual and intellectual vacuum in which Europe and the world find themselves. Instead, the current void is filled with unpleasant spectres from the past that are alive and kicking – nationalism and xenophobia, to which the ruling elites have responded with an equally unattractive blend of populism and introspection.

**Proposition 13:** It is true that in Europe crises have often jolted the system and had a liberating effect through economic and political shocks, but Lisbon does not prepare the Union for a step forward and upward. What beckons is not just economic stagnation and jobless growth but also political paralysis and the EU’s continued decline relative to emerging powers. In the past, Europe used external crises as opportunities, but now it is engulfed by a crisis which it itself has in large part brought about.

**Proposition 14:** With Lisbon, the EU has implicitly admitted that it is largely a system driven by internal and external events instead of constituting a coherent common political project designed to shape politics at home and abroad. Lisbon has reinforced the re-nationalisation of certain powers. Coupled with the decline of the Franco-German engine, Brussels faces ever-growing expectations that it is unable – and perhaps unwilling – to meet.

**Proposition 15:** The post-Lisbon generation of leaders want neither integration nor enlargement. The European Commission is weak and sidelined. No new treaty is on the agenda. The negotiations and ratification procedures of EU treaties have become so cumbersome that the 27 are stuck with the Lisbon Treaty for some time. That’s why in the short and the medium term, the only real option seems to be to make it work and use both new powers and existing institutions to their full potential. This includes the European Parliament in conjunction with national parliaments, one of the few winners of Lisbon.

**Proposition 16:** What has gone unnoticed is the shift from the Council to the Commission under rule changes in relation to ‘comitology’. Even if the current Commission President is weak and lacks the profile of towering figures such as Jacques Delors, this shift will enable the Commission to retain and possibly extend its grip over the EU agenda – especially as long as the powers of the Council President remain ill-defined and the new posts are filled with technocrats rather than statesmen.

**Proposition 17:** Since there is little hope of significant treaty revisions or a new constitutional-institutional settlement over the next 5-10 years, there are two mechanisms that could produce progress. First, the open method of coordination could be used to work out broad economic guidelines (including fiscal consolidation). Second, the treaty clauses allowing a ‘coalition of the willing’ to engage in closer cooperation could be deployed to tackle the looming crisis of Europe’s welfare state. The trouble is that the former lacks effective instruments, leads to little more than non-binding decisions and is completely cut off from the populations and regions – while the latter entrenches existing divisions between Euro-enthusiast and Euro-sceptic member-states and consolidates a two-speed Union. These divisions are not just between the prosperous north and west and the poor south and east but also between and even among old and new member-states.

**Proposition 18:** Lisbon does nothing to address a design fault that has plagued the Union since the 1970s – “procedure as a substitute for policy”, as David Allen and William Wallace perceptively remarked in the late 1970s when Europe faced a period of sclerosis that is not wholly unlike the current stagnation. That design fault accounts for the lost decade of 2000-2010 when the EU conspicuously failed to offer an alternative to old-style bipolarity and US unipolarity.

**Proposition 19:** The Union’s post-Lisbon crisis is intellectual rather than institutional. With the world’s largest economy, the second highest level of defence spending and three-quarters of global development aid, the Union is a hyper-power that is (seen to be) powerless. Instead of institutional navel-gazing or increasingly meaningless ‘strategic partnerships’, the EU must understand the world and how to achieve Europe’s objectives therein. Institutions matter, but what is more significant and currently lacking is a compelling vision and a coherent strategy.

**Proposition 20:** The current crisis raises a fundamental question: has the EU fallen short of the self-generated expectations or is it the victim of its own success? Has the Union failed to make good on its promises? Or is it facing the unintended consequences of an unprecedented – and on many accounts astonishing – process of deepening and widening? Are integration and enlargement incompatible and will the EU of 27 spell the end of the ‘Delors model’?

## II. Key Challenges Facing the EU

### 1. The Union's challenges in relation to *telos*, *ethos* and *demos*

The first category of challenges relates to values, goals and the Union's strategic direction, with a focus on the question of *telos*, *ethos* and *demos*.

**Proposition 21:** All the key challenges facing the EU are interconnected, and the various dimensions (local, regional, national, European and global) relate to one another in complex ways. One of the EU's most urgent task is to define a hierarchy of challenges and a concomitant hierarchy of shared ends and means.

**Proposition 22:** Such a set of hierarchies is needed to identify the EU's most pressing problems and to determine the order of priority in which to address them. Of course, events modify challenges and problems but the post of Council President established by Lisbon is meant to offer political coordination and leadership.

**Proposition 23:** Political leadership requires a sense of identity that is embedded and expressed in a narrative about Europe and its place in the world. Without a clear purpose, the EU's putative powers and strengths are irrelevant. Only a proper narrative can help the Union address questions about its *telos*, *ethos* and *demos*.

**Proposition 24:** The centrist pragmatism that has become the dominant ideology of the current generation of leaders will only exacerbate the lack of self-belief and the sense of diminished ambition which characterise the Union post-Lisbon.

**Proposition 25:** Specific goals cannot be determined without addressing preliminary questions. First, are integration and an 'ever-closer union' the primary aim of the EU or is enlargement a goal in itself? Are deepening and widening compatible or mutually exclusive objectives? Does the EU have to scale back its ambitions as long as it is enlarging and thereby reinforcing the centrifugal forces that reinforce the divergence of interests? Second, have some fundamental goals of the EU fallen into oblivion or been neglected in the last decade or so? Does this constitute a rational and sober assessment or is it an expression of disillusionment and disenchantment?

**Proposition 26:** The EU's current unwillingness to make sacrifices stands in stark contrast with the hitherto prevailing ethos of integration and enlargement. Strident demands for extraordinary sacrifices from candidate countries (Balkans and Turkey) or peripheral members contrast with the refusal by the core member-states to make any significant sacrifices to uphold integration or facilitate accession. Meaningful institutional reform would require sacrificing some national interests in favour of the Union as a whole.

**Proposition 27:** The question of finalities requires a discussion of the fundamental basis or foundations of Europe. Geography and culture alone do not define 'European-ness'. Is the EU also an ideological or philosophical construction? What is it that makes us European? Does the EU have a geo-strategic mission similar to NATO's? Or is the Union's prime *raison*



*d'être* economic – to produce growth and secure prosperity? As yet there is no European equivalent of ‘Americanism’ that can provide social bonds and mobilise the citizenry.

**Proposition 28:** The goals of the EU should not be too specific and should not touch on culturally and politically sensitive issues such as abortion and euthanasia or core aspects of the welfare state. But the Union can no longer afford to evade the question of goals and finalities or refuse to determine their order of importance.

**Proposition 29:** The EU of 27 has been slow to recognise several seismic shifts that have fundamentally re-ordered the strategic environment that structures the key challenges facing the Union. First, new interests, as the geo-political conflicts have been superseded by geo-economic issues. Second, a new geography, as the old east-west divide has given way to a growing gulf between north and south – with France replacing Germany as the main balancing power. Third, a new philosophy of international relations characterised by “political realism” and the absence of grand projects or competing visions. Fourth, a new global constellation, as the G20 risks undermining existing organisations and transatlantic relations are less central than at any point since 1945.

**Proposition 30:** Even in the absence of grand projects and competing visions, the European integration and enlargement process cannot be reduced to a functionalist project centred on economic cooperation and trade. Rather, the EEC and subsequently the EC and the EU were guided by a civilising mission – to transmit the values of liberal democracy, social market economy and the peaceful coexistence of nations by pooling sovereignty. The rejection of the Constitution represents a setback, but it does not inevitably lead to the abandonment of this core civilising mission. Thus one key challenge is to renew and extend the Union’s mission at home and abroad.

**Proposition 31:** One of the EU’s constitutionally enshrined goals is to promote democracy, but this presupposes a functioning democracy – a contest of rival goals and choices based on majorities. But the EU is governed by compromise and consensus and tends to reach the lowest common denominator while avoiding big choices. At present, there is not sufficient scope for contestation.

**Proposition 32:** If the EU aspires to being a beacon of democracy, does it not need to undergo a process of politicisation? This would necessitate acceptance of divisive decisions and win-lose outcomes. Indeed, the mark of democracy is a contest of rival ideas and a shared politics based on ideological differences. In the current system of consensus, the risk for the Union is that socio-economic convergence will entail a form of harmonisation which will eliminate cultural and political diversity altogether.

**Proposition 33:** A political system can only be called a genuine democracy if it passes three tests: first, it must be intelligible to society at large; secondly, it must be capable of mobilising the citizenry; thirdly, it must be entertaining and offering a platform for the contest of rival ideas. However, the EU does not fulfil any of these tests. Nor is the EU a unitary actor that can set goals to member-states: the goal ‘democracy’, if there is such a goal at the EU level, is disputed between different public authorities.



**Proposition 34:** A distinction must be drawn between the EU's democratic deficit and its crisis of legitimacy. The former is part and parcel of a properly configured liberal democracy because it imposes limits on majoritarian and procedural decision-making, thereby guarding against the rise of elective tyrannies. The latter concerns the lack or absence of any widely accepted or understood framework for public decision-making, e.g. the transfer of competencies or the policy-making process.

**Proposition 35:** At the EU level, there is a growing distance between elites and populations, reinforcing alienation and undermining much-needed critical engagement between Euro-enthusiasm and Euro-scepticism. One fundamental challenge is to devise ways to reconnect the Union with national public opinion and national political classes.

**Proposition 36:** Given the growing gulf between the EU and national constituencies, another key challenge is to set absolute upper limits on the transfer of competencies. The EU as an organisation has its own dynamic that cannot stop but only ever adds to itself – an ever-increasing flow of ‘creeping competencies’ towards Brussels by way of judicial activism and bureaucratic zeal. An upper limit might in fact set free alternative energies and innovation, thereby outgrowing the EU's own stagnation or sclerosis (Mancur Olson). Thus, the Union might once again play the role of beacon of democracy, as a countervailing force to other global powers.

**Proposition 37:** Widespread and growing disaffection with politics risks eroding authority and further alienating the citizenry. Populism and xenophobia tend to become part of mainstream ideology and legitimate policies that exacerbate divisions and conflicts within society. Cohesion and solidarity are hollowed out and replaced by an ever fiercer competition for scarce resources. Self-segregation and ghettoisation undermine efforts to integrate minorities. Ultimately, the social fabric which all vibrant democracies require may disintegrate.

**Proposition 38:** Can Europe fashion a common *demos* based around a shared *ethos* and social bonds of reciprocal trust? The challenge for the EU – insofar as it is a political system *sui generis* – is to find ways of integrating national *demosi* into a European *demos* that upholds national, regional and local distinction.

**Proposition 39:** The prevailing liberal consensus is contested and disputed by some of the new member-states, above all Poland, and also by some candidate countries such as Turkey. Religion is back on the agenda, in the sense of the political purchase of religious identities and value systems that are non-liberal. The widely recognised shift towards a ‘post-secular Europe’ (Jürgen Habermas) is hardly reflected in the Lisbon Treaty – except for Article 17 of the Treaty on The Functioning of the EU (TFEU) that institutes an “open, transparent and regular dialogue with [...] churches and [non-confessional] organisations”. The challenge is thus to integrate religious and non-religious groups, associations and bodies into the current reflections on the future of Europe.

**Proposition 40:** Reflections on the Union's fundamental goals also raise a series of further questions about the foundation of its distinct ethos. First, how to reaffirm the importance of Europe as an idea and to give Europe a moral standing centred on the ideal of human dignity?

Second, could or should one of the core goals be to defend a European model of life? Might a more robust European social and societal model provide a common basic ethos and thus prevent a new fragmentation within Europe along social lines? Third, what could a practical expression of such a vision look like and how to translate it into political action? Fourth, does it make sense to speak of a political and an economic ‘dispensation’ (in the context of French calls for an economic government as a counterweight to the power of the European Central Bank)?

## 2. Key challenges to the EU’s institutional and constitutional arrangements

The second category of challenges concerns the division of constitutional powers between the EU and its member-states and the institutions that govern the Union of 27 as a whole.

**Proposition 41:** The EU is best described as a political system *sui generis* that can be characterised as a neo-medieval polity composed of hybrid institutions, overlapping jurisdictions, polycentric authority, multi-level governance, divided sovereignty, plural identities and multiple membership in different political cultures.

**Proposition 42:** The distinction between European societies as national constituencies and the EU as a supranational entity remains unclear. Since the rejection of the Constitutional Treaty, the EU is unlikely to become a federal super-state. At the same time, the Union is more than a glorified free-trade zone or a simple international organisation. In a landmark ruling in June 2009 confirming the constitutional compatibility of the Lisbon Treaty with the German constitution, the German Constitutional Court described the EU as an ‘association of nations’. Without a commonly shared understanding of their nature, the EU’s constitutional arrangements cannot be translated into appropriate institutions.

**Proposition 43:** In terms of the executive, the Lisbon Treaty seems to strengthen in some ways both the post of Council President and Commission President. But in the case of the Commission power and competence are inversely related to legitimacy and accountability.

**Proposition 44:** Nor is it at all clear whether the Lisbon reforms create the conditions for political leadership amid divisions among those representing the EU (Commission, Council, High Representative and head of state or government of the country holding the rotating presidency) and the ensuing lack of visibility.

**Proposition 45:** In terms of the legislature, the Lisbon Treaty has strengthened the involvement of national parliaments and reinforced the role of the European Parliament. But the EP has served as an excuse for national political classes to distance themselves from the European project. Worse, the EP itself has contributed to its own partial failure in that it has not shaped opinion or policy on a fundamental level.

**Proposition 46:** The EP has also contributed to the malaise over the European integration and enlargement process as a result of its perceived lack of transparency and accountability. Coupled with the popular perception of the inexorable delegation of power to the EU, the threat confronting the Union is that the entire European political edifice is seen as a pseudo-democracy.

**Proposition 47:** In terms of the judiciary, there is a constitutive tension between the constitutional duty on the part of the European Court of Justice (ECJ) to enforce the treaties, on the one hand, and the danger of quasi-paraconstitutional judicial activism, on the other hand.

**Proposition 48:** The ECJ's exact constitutional status and jurisdictional role remain unclear. Because the ECJ has never renounced its claim to supreme constitutional authority, the clashes with national constitutional courts could continue to aggravate conflicts between national countries and Community institutions and thus contribute to Euro-scepticism and Euro-fatigue.

**Proposition 49:** Another major internal problem that the EU needs to address is a growing imbalance of power between countries, especially the centre and the periphery. The sheer velocity of the transition process, coupled with the hasty and ill-prepared enlargement process, has created a degree of heterogeneity and divergence which has unleashed powerful centrifugal forces. In the absence of a reconfiguration of competencies and a re-orientation of the EU budget, it is hard to see how the Union can preserve the existing levels of cohesion and solidarity among the 15 'old' member-states, let alone achieve similar levels in the 12 new members (and prospective members such as Croatia, Iceland or Serbia).

**Proposition 50:** The EU's system of multi-level governance exhibits a series of constraints and impediments that undermine its ability to respond to the key challenges facing the Union of 27. First, a strong bureaucratic lethargy and a self-imposing agenda that dictates the terms of thinking and acting in Brussels and the national capitals. Second, an ability only to cope with the most immediate concerns and a failure to think long-term. Third, the EU as a bureaucratic and technocratic organisation stands in inherent tension (or perhaps contradiction) to the member-states as living political societies.

### 3. Challenges concerning core areas of EU policy-making

The third category encompasses challenges across the whole spectrum of EU policy-making, with a focus on socio-economic issues and foreign, security and defence policies.

#### A. Socio-economic issues

**Proposition 51:** Economic vitality is indispensable to the preservation of the Union's key achievements – the common market and the single currency. In the light of the eurozone crisis and a largely jobless recovery, the EU as a whole can hardly afford to muddle through. This time is not business as usual.

**Proposition 52:** The 27 face some searching questions. First, according to which principle and criteria should the EU distribute income between member-states (especially following eastern enlargement)? Second, should the EU adopt a common macroeconomic policy or should such a policy be limited to eurozone members? Third, what can the EU (rather than the individual member-states) do to boost economic growth and improve the operation of the single market – in the context of increasingly discrepant growth rates within Europe and relative to buoyant emerging markets such as China and India?

**Proposition 53:** The pressure of economic globalisation and competition which the EU faces threatens not only the existence of the EU's social (and societal) model(s) but also Europe's very survival. Here the single market is ambiguous, as it enhances the Union's place in the world economy while at the same time transmitting the volatility and other destabilising effects of global trade and finance.

**Proposition 54:** Without a sound material basis, institutional reforms or political changes lack the potency to improve the fundamentals upon which the European integration and enlargement process rests. Could and should the EU make strategic decisions in relation to the various social models or is this a national prerogative?

**Proposition 55:** The growing heterogeneity that has resulted from eastern enlargement requires more – not fewer – efforts towards cohesion based on the principle of solidarity. That, coupled with the other foundational principle of subsidiarity and the devolution of power to the most appropriate level, means a wider regional and local distribution of Community funds and institutions. In turn, that would help diffuse the concentration of power in Brussels and also command allegiance and loyalty from the new members.

**Proposition 56:** The EU won't secure the long-term future for lack of investment in education, science, R&D and professional skills. As a result, the 27 have failed miserably in relation to the Lisbon Agenda whose aim was to transform the EU into "the most competitive and dynamic knowledge-driven economy by 2010".

**Proposition 57:** In terms of the emerging economic structure, the number of PhDs per head of population and other similar statistics are a good measure of future economic success. This is why education and R&D must have absolute priority: as Europe becomes third-rate (behind Asia and the USA), the attractiveness of the EU will diminish. The draft 2020 economic strategy contained a commitment to spending 3% of national output on education and R&D, but this goal has been dropped amid the austerity policy of member-states' governments in response to the sovereign debt crisis within the eurozone.

**Proposition 58:** In addition to a lack of investment, the living conditions of important parts of society are worsening, with poverty, inequality and homelessness on the rise – and not just in the aftermath of the recession. Virtually all member-states are seeing the rise of a new underclass or *Unterschicht* – people and families trapped in pockets of misery and deprivation who are cut off from the rest of society, with little or no prospect of improving their lot. The mark of Europe is a growing disparity between the very rich and the very poor and a squeezed middle class which is struggling to make ends meet.

**Proposition 59:** Childlessness and ageing populations are pan-European problems which have to some extent been alleviated by immigration. Foreign workers embrace the dominant work ethic but, if they do not buy into the social contract, become "foreigners amongst citizens" (Jean-Jacques Rousseau). Will illegal and legal migrants fit into the dominant societal model? Can they be assimilated? How will ensuing conflicts be managed – competition for work, education, housing and other socio-economic advantages as well as declining standards in education? Such and similar conflicts will not be national or ethnic but

social – intra-European social conflicts partly resulting from global and external pressures. What the EU member-states may face is a European social war.

**Proposition 60:** There are also growing differences and polarities both within and across EU countries, raising the spectre of nationalism and separatism which the EU had so successfully reined in during the decades following the Second World War. For instance, in France, the accession of Turkey may be seen as another Algeria. Similarly, in countries that suffer a substantial outflow of skilled labour, nationalism is developing, e.g. in Poland and the Baltic States.

### B. Foreign, security and defence policy

**Proposition 61:** At present EU external action is little more than dispensing development aid and coordinating peace-keeping missions. For the foreseeable future the Union will not have an autonomous – let alone independent – foreign, security or defence policy. As such, the EU in its current configuration cannot claim to be a genuine ‘security community’ (Karl Deutsch) or aspire to be a real global strategic actor.

**Proposition 62:** NATO eastern expansion has been counter-productive because it has failed to preserve the transatlantic alliance as a politically effective and militarily decisive actor, whilst also alienating key European countries, chief of all Russia. Indeed, the EU must not fall into the same trap but instead undertake renewed efforts to forge genuinely strategic relations with non-EU countries such as India and China.

**Proposition 63:** The geopolitical decline of both the EU and NATO seems to confirm Jürgen Habermas’ thesis of a divided West – the decreasing purchasing power of the West in terms of global governance and the models which Western countries would like to export to the Middle East, Central Asia and beyond.

**Proposition 64:** In a world that is increasingly post-Western and multi-polar, Europe lacks first and foremost a narrative about its place in the international system. On paper, the EU is indeed very powerful but without a clear purpose it cannot mobilize its strengths or deploy its capabilities. At this historical juncture, the Union is missing an unprecedented opportunity to shape global geo-politics. Neither the US nor China have a clear idea in our post-American world what their purpose is beyond the defence of their self-interest – masquerading as the promotion of US-style “global market democracy” or China’s “harmonious society”.

**Proposition 65:** The new multi-polarity is not the same as the multilateralism of the mid-1990s. The US and Europe are keen to bring in China, but bilateral deals dominate global geo-politics. In his book *Why Europe will run the 21<sup>st</sup> century*, Mark Leonard said that the mark of the EU is to syndicate its values (such as human rights, civil society, liberal democracy and social market economy) to the rest of the world. But Europe’s seems to be running out.

**Proposition 66:** The wider origins of the EU’s in-existent security and defence policy can be traced to the French rebuff of the 1954 European Defence Community (EDC) and the European Political Community (EPC). Instead of pursuing a common substantive political project, Europe’s nations only committed themselves to more narrow economic cooperation

that followed a largely functionalist logic. As a result, integration was predominantly technocratic and did not contribute to the formation of a shared political culture. In a sense, the EU has never recovered from this monumental setback.

**Proposition 67:** Europe's lack of geo-political clout can also be attributed to its three main social preferences. First, a refusal or denial of *realpolitik*. The Union has (to have) an anti-Schmittian bias, based on the assumption that in an increasingly interdependent world, power politics is becoming less relevant. Second, a strong belief in the socialising effects of trade through interdependence. This is the EU's Kantian, cosmopolitan dimension. But whereas within Europe, the EU is often associated with liberalising and deregulatory policies, internationally it is seen as bureaucratic and over-regulated. Third, a marked preference for non-market values. European societies are risk-adverse and demand more regulation. Thus, the EU is a *kratos* without a *demos*, with contradictory strategic and policy preferences.

**Proposition 68:** From the foregoing, it follows that the key challenge facing the EU's foreign, security and defence is to develop a narrative about Europe's place in a world that enables the EU to exercise power and influence across the globe.

**Proposition 69:** In terms of actual policy-making, the challenge is three-fold. First, how to devise an effective defence and security policy that includes the EU's two nuclear powers, France and the UK? Second, how to agree on a substantive common foreign policy that overcomes the various divides (Anglo-Saxon, German-French, 'old' and 'new' Europe, centre and periphery)? Third, how to ensure energy security in the face of increasing demand and diminishing supply?

**Proposition 70:** In reconfiguring its policy-making strategy and process, the EU must confront the paradox of becoming an ever-more expanding bureaucratic colossus that is increasingly incapable of solving the most pressing political, economic and societal problems.



### III. Ideas for Reforms and Concrete Policy Recommendations

#### *1. Economic reforms for the Union in general and the eurozone in particular*

**Proposal 1:** Since the current economic strategy perpetuates and exacerbates the gulf between the core, surplus countries and the peripheral, deficit countries in the eurozone, one alternative is to consider the option of debt restructuring (including a measure of debt forgiveness). Debt restructuring is imperative for three reasons. First, to avoid debt-deflation in the periphery. Second, to reduce the risk of contagion to all heavily indebted euro members and the rest of the eurozone. Third, to mitigate a largely jobless recovery in the core. While there is a residual risk of another banking crisis and financial market uncertainty, debt restructuring can help kick-start the recovery and sustain growth by reducing the interest rate burden and putting a floor under asset prices. That, coupled with closer fiscal coordination and possibly the introduction of eurobonds, can tackle the structural problems that beset the eurozone.

**Proposal 2:** European and international financial markets remain unconvinced by the permanent crisis resolution mechanism adopted in December 2010. Current levels of debt and interest rate payments are unsustainable, and the bond markets do not believe that Greece, Ireland or any other country in the periphery will be able to repay the emergence loans in three years and fulfil the targets of the fiscal austerity programmes. One concrete option is to lengthen the maturity of short-term debt to 10 or 20 years and pay lower-level interests. That is why the idea of e-bonds proposed by J.-C. Juncker and G. Tremonti is largely compelling.

**Proposal 3:** Beyond debt restructuring, the Union could consider introducing GDP growth warrants. Such growth warrants would replace regular fixed or variable interest rate bonds by a security that would use the GDP growth rate as its interest rate. So there would be a shared public and private sector interest in promoting economic growth, as it would simultaneously reduce the overall debt burden but also raise the return on sovereign debt.

**Proposal 4:** In addition to transforming sovereign debt into GDP growth warrants, the eurozone could also set up mechanisms to convert some of the debt held by households and corporations into equity. That could replace the current system which privatises profit, nationalises losses and socialises risk with one which promotes both risk- and profit-sharing.

**Proposal 5:** Another reform that the eurozone countries should consider is to change the mandate of the European Central Bank to include the promotion of economic growth. Maintaining price stability alone has neither avoided credit and other bubbles nor maximised private sector investment. Such a change could be part of the forthcoming limited treaty revision aimed at introducing the permanent crisis resolution mechanism.

**Proposal 6:** Punishing banks ‘too-big-to-fail’ with a new tax but refusing to break them up is inconsistent and makes little economic sense. Rather, it is preferable for the EU as a whole to separate casino-style investment banking from retail banking and to reintroduce a much greater diversity of banks, especially local credit unions, mutualised banks and a variety of public-private initiatives that channel savings into investment projects that build up physical, social and human capital.

**Proposal 7:** Instead of looking to the G20, the EU should adopt and implement a wholesale reform of financial services: concrete options include reforming credit rating agencies, introducing a financial transaction tax and promoting investment models that combine private profit with greater social benefit. That would help reconnect finance to the real economy and link global capital to productive activities that generate income and build up assets – rather than speculative practices that inject even greater volatility and benefit mostly institutional investors.

**Proposal 8:** Within the eurozone, member-states have to go further than the Stability and Growth Pact in the direction of fiscal coordination. The common currency was always a political project that required leadership and a shared national commitment to making it work. In addition to penalties for persistent current account deficits, persistent current account surpluses could be penalised by way of some temporary fiscal transfers to structurally disadvantaged regions in the eurozone periphery. Since countries outside the eurozone such as Britain won't submit their budget for common scrutiny, it seems premature to set up an EU-wide new system of economic government.

**Proposal 9:** However, to introduce centralised fiscal control whereby Brussels approves budgets before national parliaments do is both unnecessary and undesirable. Unnecessary because fiscal control is not indispensable to currency areas (e.g. the USA, Canada or Switzerland where the centre has no fiscal power or responsibility over the borrowing levels of lower tiers). Undesirable because decisions on taxes and expenditure are at the core of democracies. To centralise fiscal policy is to alienate people by disenfranchising parliaments and overriding nationally elected representatives, neither of which the European electorate would tolerate.

**Proposal 10:** Besides a greater measure of fiscal coordination, the EU in general and the eurozone in particular need to take full advantage of the single market. This includes devolving more powers to regions and localities, promoting a greater balance between small-, medium- and large-sized business and investing in cross-border projects, as many European regions trade more with regions in neighbouring states than with the rest of their home country. Much depends on the new economic strategy 2020 that in its current form lacks the means to attain its stated ends. On this and other key economic issues, it is the Council – not the Commission – that should be in charge.

## 2. Political reforms (with and without treaty revisions)

**Proposal 11:** The EU structures, institutions and mechanisms must respond to the Union's general objectives and ambitions. After decades of piecemeal adjustments and muddling through, the aim of any real reforms should be to strive for greater conceptual coherence and greater institutional and operational consistency. Concretely, this means that the operation of existing institutions and the exercise of EU powers needs to be realigned. The Union needs to do less small-scale policy activism and more large-scale strategy, linked to real capabilities that can translate the EU's political resources into transformative action.

**Proposal 12:** The Union needs to eschew the largely misleading rhetoric on federal *versus* intergovernmental models in favour of a discourse on a political model *sui generis* wherein a greater emphasis on shared ends and a shared ethos can facilitate the formation of a common *demos*. Since the constitutional character of European treaties is fiercely contested by Euro-enthusiasts and Euro-sceptics alike, it is preferable to focus on a joint polity in which all can participate – beginning with a much more extensive involvement of citizens who feel increasingly disillusioned with both national and EU politics that alienates them. Concrete options include encouraging a greater use of citizens’ initiatives and consultation about what the Union can do for the citizenry.

**Proposal 13:** Community institutions are at the heart of the post-1945 European integration and enlargement process. Besides formal powers and mechanisms, what needs to be reconfigured and reinvigorated is the collective ethos embodied in the EU’s current institutional architecture – providing a sense of continuity in uncertain times like ours.

**Proposal 14:** At home and abroad, the EU could do worse than to recover Alcide de Gasperi’s notion that Europe is a myth and an imagined future. That would help provide a starting point for constructing a narrative about the Union and its place in the world. Without such a narrative, neither political nor institutional reform will significantly improve the EU’s influence across the 27 member-states and in the world.

**Proposal 15:** New institutions offer the opportunity to change the dynamic if they can give expression to a collective ethos. However imperfect, the EU’s external action service is an embryonic diplomatic corps that can be harnessed to respond to international demand for greater European influence – “to be a player and not just a payer”. In order to achieve these goals, EU institutions and political leaders should focus on how fully to realise the potential of the new service, rather than be involved in turf wars over competences.

**Proposal 16:** In addition to a greater collective ethos, the EU needs harness its potential as a global actor by seeing itself as an imperial power – not as a colonising force but rather in terms of creating order in volatile regions such as the Balkans or pursuing a ‘civilising mission’ such as the defence of a “pan-European community of values”. Without exercising some measure of imperial power, the EU will continue to be marginalised in global affairs. Even on its own doorstep the Union is absent, like in the Middle East where Brussels does not matter for the Israeli-Palestinian conflict or Tehran’s nuclear ambitions.

**Proposal 17:** One concrete way for the EU to deploy its imperial power responsibly is to promote virtuous institutions and practices at home and abroad, notably the pooling of sovereignty through more associationist arrangements. Within the Union, this could take the form of devolving more powers to regions, localities, communities and neighbourhoods, coupled with more rights for groups and intermediary institutions such as professional associations, trading guilds, universities, religious bodies, independent hospitals, etc. Abroad, this could take the form of encouraging and supporting pan-regional trade and security initiatives, e.g. the African Union, Mercosur or ASEAN (including ASEAN’s security forum aimed at strengthening East Asian cooperation). Such a broad approach has the potential to neutralise negative voices and hawks by setting out a positive agenda.

**Proposal 18:** If the EU wants to be in a position to respond to the Russian President Medvedev's overtures in the area of security and defence policy (notably his idea of a new Treaty on European Security), then it requires a robust strategic framework, which it currently lacks. The challenge the Union faces is to make a transatlantic alliance work while also engaging with European powers who are neither members of the EU nor NATO. The world may be moving away from "*pax americana*" towards a polymodal system and perhaps even a new balance-of-power equilibrium. But so far the Union is in no position to negotiate a new alliance that excludes – or diminishes the role of – the USA and other Western partners.

**Proposal 19:** In some areas, the EU seems keen to exercise global influence because world affairs are badly managed. Concrete examples include climate change and the international monetary system. On the latter, the French President Sarkozy wants a new Bretton Woods agreement but so far he has failed to provide any concrete detail. On climate change, the Europeans had no plan B if their proposals for the Copenhagen summit failed – and their proposals had no chance of being accepted. That's because the EU position on climate change was Brussels-based and paid no attention to receptivity around the world. Thus, the Union needs to produce policy plans that resonate with other global stake-holders.

**Proposal 20:** In terms of EU foreign policy, the Union must combine the success of enlargement with new ideas in relation to associating neighbours such as Ukraine and forging new partnerships with key global powers such as India or China.

### 3. Wider institutional and constitutional reforms

**Proposal 21:** The EU needs to secure its survival before it can envision a new political compact and a proper social contract. The Europeans have sufficient market and cultural capital, but they lack social capital – they lack the trust in themselves and each other. The ingenuity of the European experiment since the end of the Second World War was the reinvention of the nation-state by pooling sovereignty in order to retain it. But over time this process has led to the disconnection of the trans-national state from the trans-national communities. In itself, this does not mark the death of politics but it entails the disenchantment of politics, which has been hollowed out and been reduced to management. At the level of domestic politics, citizens still deal with institutions that were designed in the nineteenth century. At the dawn of the twenty-first century, the main challenge for the EU is whether it can provide the space where trans-national communities are embedded in a genuinely trans-national state.

**Proposal 22:** In order to overcome the wider political malaise, the EU must devise policies to implement the following goals: first, empowering citizens at every level, engaging them and generating popular interest in public affairs; second, limiting the power of unelected and unaccountable institutions and reconnecting elites to national politics; third, re-empowering national parliaments and making them a core decision-maker in the EU by enabling parliamentarians to scrutinise the Commission and have greater influence over the implementation of EU policies.

**Proposal 23:** In terms of the executive, the balance of power between the Commission and the various levels of the Council needs to be rethought – especially now that new provisions on ‘comitology’ in the Lisbon Reform Treaty privilege the Commission over the Council.

**Proposal 24:** Conceptually and practically, to defend the action of the Commission in terms of its output legitimacy is to privilege short-term efficiency at the expense of checks and balances and thus long-term viability. The distinction between input and output legitimacy also obfuscates the need for greater ‘through-put legitimacy’, i.e. making the decision-making process and the content of policies both more legitimate and democratic.

**Proposal 25:** Contrary to the stipulation of the Rome Treaties, Commissioners do not in practice defend exclusively the common good but instead tend to serve the specific interests of their country of origin. As such, they betray the spirit of the European integration process. EU member-states must reduce the size of the Commission and abandon the principle that each member-state is entitled to one Commissioner. 10-15 Commissioners would do a better job than 27 and soon 29 or 30. A system of rotation could be devised to accommodate both small and big countries. One specific idea is to model the Commission on the European Investment Bank by streamlining its competencies and focusing on core issues (e.g. energy, security, research and innovation) – rather than producing endless piecemeal regulation and red tape.

**Proposal 26:** In terms of the legislature, one key way to achieve greater legitimacy is to enhance the accountability of the Commission vis-à-vis the European Parliament (EP). Parliaments have traditionally been mechanisms of control, scrutiny and accountability, so the deficiencies of the Commission reinforce the arguments in favour of strengthening the EP. The Council is perhaps the single most valuable institution because it is both an effective decision-making body and enjoys legitimacy – it combines important legislative functions with political clout.

**Proposal 27:** In terms of the judiciary, it is imperative to define and redistribute the prerogatives between the European Court of Justice (ECJ) and the European Court of Human Rights. The latter has replaced national parliaments in several areas of law, but it lacks moral legitimacy in the eyes of many member-states and their populations (e.g. Poland and Ireland).

**Proposal 28:** The unintended consequences of the European integration process have had the effect of weakening national political classes as a result of the transfer of power and competencies. This has sterilised national politics and exacerbated the decline in the scope and level of popular mobilisation and protests. Unlike other unintended consequences, the creeping ‘constitutionalisation’ of Europe cannot be limited on the basis of existing treaties but instead is beyond control because at present nothing can curb the power of the ECJ. Against the spectre of a *gouvernement des juges*, several measures can be taken: first, introducing more parliamentary scrutiny of judges who at present are appointed by national governments (This could be part of a broader strategy aimed at politicising the EU); second, the role and scope of the courts would have to be solved in conjunction with the question of the charter of fundamental rights; third, the relations between national and European courts require further clarification.

**Proposal 29:** The EU could introduce a State of the Union Address. Such an address could summarise the current state of the EU, define the fundamental challenges and set out the main goals which the Union seeks to attain. Input for the annual address could come from a wide array of sources, include a ‘council of wise men’ who have no decisionary power but could contribute in terms of their experience and insight. On the basis of such a major public event, there could be an EU-wide debate, with comments from national parliaments and the various EU institutions. Over time, after years of careful deliberations, this process may produce a document that brings together some of the main goals and thus succeeds where the Convention failed.

**Proposal 30:** The EU must rethink the *acquis communautaire* and adopt a mechanism that can reverse the inevitable increase of competencies (e.g. sunset clauses that trigger automatic review of directives and other EU decisions and policies). Coupled with limits on further integration, the Union must apply the principle of subsidiarity to its full potential and undergo a comprehensive process of decentralisation, including fundamental issues on which people should be able to disagree and make local decisions. This top-down localisation could be matched by a bottom-up movement of enhanced coordination at the local and regional level.

#### 4. Three models for Europe’s future

**Proposal 31:** The EU has three options. Either it turns into a con-federal or federal union. Or it reverts to a largely economic construct centred on free trade and a dose of common regulation. Or else it continues to forge a political system *sui generis* with hybrid institutions that reflect its idiosyncratic character and unique outlook.

##### A. Towards a ‘Commonwealth of Europe’?

**Proposal 32:** The idea of a ‘Commonwealth of Europe’ is modelled on the U.S. federal system and seeks to transform the EU into a (con-)federation. The European Commission would constitute the executive, the Council of Ministers would be transformed into a Senate, the European Parliament would become one of two branches of the legislature, and the national electorates would form the European Electoral College.

**Proposal 33:** The EU’s President and Vice-President would be elected directly by the nations, and national votes in the European Electoral College would be proportionate to the population size. A majority of votes in one nation would take all the votes in the Electoral College. If the election were tied, there would be a second round between the winner and the runner-up of the first round.

**Proposal 34:** The European Parliament would be reconfigured as the Assembly or Lower House, consisting of 500 members distributed by populations, approximately one per 1 million citizens. Senators representing the nations would constitute the Senate or Upper House. There could be five levels of population: accordingly, Germany would have 10 Senators; France and the UK 8, etc., and there would be a total number of about 122 Senators. The mode of electing senators could either be by direct vote or via national parliaments. Compared with the Assembly, the Senate would have different competencies, perhaps reserve



functions, the approval of the judiciary and of international treaties as well as other powers to appoint or approve appointment of senior posts following confirmation hearings.

**Proposal 35:** The powers delegated to the executive could include customs union, immigration, human rights, deficit/debt levels (monetary union), the environment, security and defence policy as well as foreign policy. Rather than precipitating change, the EU could define two or three different levels of integration: like the move from the customs to the monetary union, different member-states could commit to further integration in separate stages, perhaps creating a tax union at some point in the future.

### B. Towards a two-speed Europe?

**Proposal 36:** The urgent need for greater fiscal coordination among the eurozone countries will bring about a two-speed EU, with closer integration among the core and looser ties among the periphery (especially the UK and countries like Denmark that are not part of the euro and have reservations about other arrangements such as the Schengen zone). Creating a sensible structure could lead to a two- or three-tiered EU. As an unintended consequence, such a configuration may even trigger a process of ‘constitutionalisation’. On the other hand, there is the risk of deepening division and permanent stalemate within the remaining political structures like the Council of Ministers and the Commission.

**Proposal 37:** To avoid what some see as an inexorable drive towards a federal super-state, certain EU members could agree on a set of restrictions on the transfer of political powers from the national level to Brussels. Eurosceptic countries like the UK have already introduced a lock on further political integration (via the new sovereignty bill passed by the British Parliament in July 2011, which stipulates a referendum on any transfer of new competencies). This could be emulated by others, including newer member-states such as Poland.

**Proposal 38:** The preservation of the social *acquis communautaire* for all 27 member-states seems unrealistic because at present, various national economies (both inside and outside the eurozone) lack competitiveness. Moreover, the welfare state – in its current configuration – is unsustainable. What the EU requires is not primarily more political integration but better economic performance. That includes more structural reform of labour and other markets, greater competition through privatisation, deregulation and liberalisation, coupled with a retrenchment of the state in favour of market forces in a wide array of sectors (including utilities, transport, health, education, housing, etc.).

### C. Building a European polity *sui generis*?

**Proposal 39:** Representative government always suffers from a democratic deficit and lacks legitimacy because there are restrictions on majority rule. But neither the federal nor the intergovernmental approach properly solve this problem. The process of premature, formal ‘constitutionalisation’ proved disastrous for the EU, as evinced by the failure of the Convention and the Constitutional Treaty. Intergovernmentalism makes the mistake of denying the import of a constitution and other mechanisms and reducing cooperation to merely technical transactions.

**Proposal 40:** One clear alternative is to agree a foundational document with the following provisions: first, introducing right of exit from the EU (unlike the USA which after the civil war was no longer a voluntary association of states); second, curtailing the rights-based culture (which generates excessive judicial activism) by drafting a short Charter of Fundamental Rights; third, establishing a parliamentary system of bicameralism. Since the population/majority principle and the state/territoriality principle come into conflict with one another, they need to be brought together in a European Parliament that consists of a lower house and a senate.

**Proposal 41:** Establishing an upper chamber or senate of the EP which holds limited sessions and focuses on core issues could go some way towards restoring popular confidence and participation in European politics. Properly configured, the European Senate could be given the power to overrule the ECJ. Coupled with radical decentralisation and subsidiarity, the upper chamber might act as a second lock on further moves towards the concentration of power at the centre, precisely because the ECJ has been an agent of centralisation. Besides reviewing legislation and providing a limit on further central control, foreign policy could be the third role for the Senate. As for its composition, two traditional principles conflict: territoriality and majority. As such, it may be best to appoint leading figures from national constituencies.

**Proposal 42:** Either in addition or as an alternative to the senate, the EU could reconfigure the composition of the EP by combining delegations from national parliaments and directly elected members. Such a revamped EP may be capable of relating European politics to national politics and thus bridge the growing gap between the EU and the national level.

**Proposal 43:** Moreover, elections for the EP could be ‘europeanised’ by having candidate lists selected by pan-European party federations in close coordination with local party associations – rather than imposed by national party headquarters. Thus European-wide elections would bypass exclusively national party politics and avoid a situation where each country sends its own proxies to Brussels. So constituted, the EP could choose the Commission President from its ranks.

**Proposal 44:** Instead of rotating national presidencies, the EU could and should have direct elections for the President of the Council. This office could then command widespread legitimacy, not least by avoiding accusations of horse-trading and favouritism. Coupled with a Europe of localities that promotes political participation and civic structures, mutual political practices across the Union will help foster a shared identity. A Europe that speaks to local concerns will find itself supported by all and thereby be empowered at the global level.

**Proposal 45:** The EU needs to move from an opaque system of governance to a clear structure of government, where the Commission ceases to be the executive and reverts to its historical mission of a high-level civil service (the High Authority) that supports the work of the elected legislature and a newly elected executive. The latter could be composed of a President elected by universal suffrage and a cabinet that consists of ministers drawn from the national government, so as to reinforce a link between the national and the EU executive. The EU should devolve a wide range of issues to lower levels that are more efficient and

accountable and instead focus on developing a strategic vision and a foreign policy led by France and the UK.

### **Concluding Remarks**

In the context of the eurozone crisis and the shortcomings of Lisbon, there are arguably three scenarios for the EU's short- and medium-term future.

First, the Union muddles through – rescuing the eurozone, implementing some Lisbon provisions such as the European External Action Service (EEAS) and enlarging to countries like Iceland or Croatia. But this will come at the price of deflation in the south, growing social unrest, sullen introspection in the case of Germany and relative decline in terms of global influence.

The second scenario will see the Union take a ‘great leap forward’ – not unlike the late 1970s and early 1980s when Euro-sclerosis and the Western economic recession were followed by the Single European Act and the Maastricht Treaty. This time the EU could opt for fiscal consolidation within the eurozone, greater economic integration across the 27 and a more unified foreign and security policy led by France and the UK.

Third, the EU will regress and revert to little more than a free-trade zone and a single market. Economically, the eurozone will break up, either into a northern and southern union or mass default in the periphery followed by the re-emergence of a Deutschmark bloc. Politically, failure of the EEAS will bury the remnants of the CFSP and the ESDP. Thus the Union will split into a multi-speed Europe devoid of any global power beyond trade.

Whatever scenario will eventually unfold, the way in which the EU deals with its existential crisis will determine the sort of pole the Union will be in the emerging multi-polar world. On recent evidence, the Union's influence within the 27 member-states and across the globe is waning. Unless the EU opts for radical reform, Europe will cease to shape global geo-politics for the first time in over 500 years.

Adrian Pabst  
Spring 2011  
revised August 2011

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## Appendix

### **Conference I: Possible political structures for the European Union**

*2-3 December 2006, Kochhaus, Schengen*

#### **Session 1: Challenges ahead (internal and external; political, economic, social and strategic)**

- geographic widening
- rise of powerful economic competitors in Asia and elsewhere
- demographic decline / population ageing
- crisis of the welfare state
- political fatigue and growing disaffection of the citizens
- immigration

#### **Session 2: Goals**

- strengthening the political foundations of the EU action
- enhancing economic efficiency and competitiveness
- guaranteeing satisfactory social standards
- making the EU a meaningful political actor in the international system
- strengthening the identity

#### **Session 3: Means and ways to achieve those goals**

- adapting and restructuring the political and institutional setting
  - inducing greater flexibility in the various socio-economic realms
  - bringing about a greater responsiveness at all levels of the Union
  - reducing bureaucracy and decentralizing the organization
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### **Conference II: Searching for a new political dispensation for the European Union**

*2-3 June 2007, Palazzo Mundell, Santa Colomba (Siena)*

#### **Part I: What is ahead?**

**Session 1:** The key challenges for the upcoming European Union

#### **Part II: Responding to the key challenges: Different models of integration**

**Session 2:** The case for preserving the *status quo*

**Session 3:** The case for a more integrated Union

**Session 4:** The case for a less integrated Union

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***Part III: Practical implications and consequences of the different models***

**Session 5:** What model best responds to the key challenges?

**Session 6:** Implementing the ideas: Suggestions for policy-makers

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**Conference III: Beyond the Lisbon Treaty: Ensuring the long-term viability and vitality of the European Union**

*12-13 July 2008, Palazzo Mundell, Santa Colomba (Siena)*

**Session 1: Implications and consequences of the Irish referendum**

**Session 2: Conceptual questions**

- The twin objective of long-term viability and vitality – convergent or divergent?
- Which model for the EU? Adapting the US or the Swiss Model? Developing a model *sui generis*?
- 'Political contestability' and the future of the EU

**Session 3: Policy issues**

- Which basis for Europe's social models and policies? Individualism, corporatism or personalism?

**Session 4: Policy issues**

- Does the EU need a cultural policy?
- The EU's role in the world: political-military bloc, 'soft hegemon' or civilian power?

**Session 5: Constitutional and institutional questions**

- Does the EU require a process of 'constitutionalisation' before it can have a constitution? Or should it 'de-politicize' cooperation?
- Could and should the Union create an EU government by fusing the Commission with the Council Presidency?

**Session 6: Constitutional and institutional questions**

- The power of the European Parliament and the European Court of Justice

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**Conference IV: New mechanisms of policy-making for the European Union**

*3-4 July 2010, Palazzo Mundell, Santa Colomba (Siena)*

***Part I: The current crisis***

**Session 1:** What is at stake? The Union's effectiveness and political coherence? The entire integration and enlargement model

**Session 2:** What is required? More coordination, a new governance model or even an economic government?

***Part II: The EU after the Lisbon Treaty***

**Session 3:** Can and will the Lisbon reforms survive? What adaptations or transformations are desirable and feasible with or without treaty revisions?

**Session 4:** How could and should integration and enlargement evolve? What is the case and prospect for a common telos, ethos and demos?

***Part III: The EU's role in world affairs***

**Session 5:** What are the causes of the EU's limited influence, and how to remedy it? Does and should the Union stand for a clear set of values or principles?

**Session 6:** Should the EU play a greater role on the global stage, and if so, what is needed to bring this about? Rethinking relations with present and upcoming global actors (USA, China, Russia, Brazil, etc)

**Session 7:** Concrete policy ideas, proposals and recommendations

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