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European Federalists confront Europe with their Project

Options and Proposals

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Dedicated to those who favour
a Dynamic,
a Pluralistic,
Democratic and Federal Europe

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European Federalists confront Europe with their Project

Aim

This paper (nr 42), titled 'European Federalists confront Europa with their Project', and previous paper (nr 41), titled 'European Federalists confronted with Themselves', and paper (nr 43), titled 'How can European federalists develop their project?' are complementary.

First paper (nr 41) clarifies internal measures, European federalists will have to consider, in order to improve their *modi operandi*, viz. through systematisation, co-operation, and professionalisation.

Second paper (nr 42) points at external factors, viz. context of European integration, assumptions by main actors and ideas formulated by European federalists.

Third paper (nr 43) highlights some operational recommendations and ideological support.

Fourth paper (nr 44) is in preparation and goes about 'European Federalism'. This paper will reflect on recent views regarding European federalism.

All papers are directed at those who have a keen interest in European integration.

Formulation of all papers is open to discussion, thus open to amendment and improvement. A common project at best. Ultimately the federalists, all over Europe, will be aware of common assumptions underlying their efforts.

If joint efforts are limited to a formal and disconnected exercise, it isn't worth being undertaken. The exercise can be called a success if participants effectively transpose co-operation into their organisation and operations.

Introduction

For sixty years European federalists confronted their ideas with current developments. First and most successful confrontation was the Congress of The Hague (1948), organized by the European Movement. Different ideas were directly or indirectly introduced into the European project.

Circumstances were special. In the aftermath of World War II awareness grew within a small group of intellectuals and politicians, among which many European federalists, that destructive nationalism had to be banned. A number of top politicians shared the ideas expressed at the Congress of The Hague. When Cold War started sense of urgency was reached.

In 2010, need for further institutional reform is pressing. Challenges like ageing of population, protection of prosperity, pensions and employment are poorly managed at national level. The banking, financial, fiscal and economic crisis have created awareness, but a joint and co-ordinated European economic, social, fiscal and external policy didn't materialize as expected.

When transnational crisis situations and challenges are handled exclusively at national level, it appears that better solutions will be found at supranational level only.

European federalists are not short of excellent ideas. However diversity of opinions and opposite priorities create dissonant, confused and unconvincing impressions. The voice of each section apart sounds weak. Clear and unambiguous political messages and joint campaigns will deliver a more gratifying outcome.

Last three years' crisis situations sharpened awareness. EU entered into completely new competence areas and therefore needs to shape new and efficient instruments.

Market liberalisation, harmonization of technical standards, phasing out of non-tariff barriers, and recently combat against rising neo-nationalistic reflexes and protectionism, all have yielded disenchanting results in Europe. Further deepening of the internal market meets with fierce resistance from national governments, which still believe that egocentric national measures can solve their problems.

New legislation starts to emerge in a few policy domains. See euro, fiscal control and monitoring of financial markets. A true macro-economic policy is carefully eluded. The evasive attitude by national governments caused last ten years a lower than feasible economic growth, by lack of effective macro-economic instruments. Failure of Strategy of Lisbon, a non-binding European economic co-operation, is a sad illustration of this attitude. Last ten years potential additional growth and prosperity was wasted by national governments.

Recently a unique window of opportunity opened up when France and Germany took the lead in order to set up an intergovernmental system aimed at bestowing much needed stability to euro, fiscal situation and financial markets. The illusion of a considerable breakthrough shall be spared. Member states didn't react as a consequence of their European belief, merely under pressure of financial markets and internal political motives.

A federal system would have yielded a much better outcome taking into account European public interest, reciprocal solidarity and co-ordinated governance. It will not sustain privileged national economic positions.

A difficult international context underscores necessity for the EU to move further than intergovernmental or community methods, which meet with their their limitations.

A European political union, with federal features, is getting urgent. It is the only direction that can open to a future full of promise for Europe.

European federalists are confronted with a new context. Greater complexity follows from simultaneous emergence of internal and external challenges. The growing interdependence of policy domains, calls for the introduction of vertical and horizontal

integration into European governance.

Making the right political and operational choices, elaborating a joint strategy, setting up an adapted large-scale network, displaying higher action capacity are forthcoming challenges to European federalists.

Some features of European Integration

Political Union

- European Union is no state, but is a system of rule of law, and has legal personality. It is a polycentric multilevel governance system. EU has no meaningful macro-economic, social or fiscal governance. EU cannot raise taxes and administers a very limited budget.
- A unique selling-point of EU is its capacity to accommodate and overcome differences between its members. It is strong in solving problems and reconciling different priorities (RP). EU elects the win-win practice.
- Increase of power by 'Europe' does not involve loss of power by member states. Whatever institutional reforms carried out, the centre of power remains where it was, viz. with the nation states. Thanks to transfer of powers to Europe, nation states recovered their power (MI). Europe deals with numerous day to day issues, but power exerted there is mostly very limited (OR). Europa cannot divert from the beacons set out by member states.
- European Commission plays a central role in upgrading European public interest (OR). European Parliament seems to be a breeding place for ideas, some times of federal inspiration, viz. two attempts, in 1984 and 1996, of constitutional projects.
- Europe waits for a strategic opportunity to restructure, in a world that does not wait. Any new proposal requires a new operational agenda.
- A practice develops whereby a procedure, of more advanced community policy domains, is being extended to less advanced policy domains. See broad extension of co-decision power of European Parliament (OR).
- European Parliament elections are no true European elections, they are rather part of national political debate. Real pan-European political parties hardly exist (OR).
- Bestowing more power to European Parliament doesn't imply a more democratic Europe. EU still decides according the intergovernmental method on all important political issues (OR), such as external and safety policy, fiscal, taxation and social policy and treaty revisions.
- Since the Treaty of Rome an asymmetric situation in social and fiscal affairs emerged and differences can hardly be redressed by moving market intervention instruments from national to European level. Current economic discrepancies among European member states grew too big (SC).

- EU encourages member states to enter into social and fiscal competition, with the aim of attracting new business.
- Shortcomings by member states are brushed aside in political debate. So national governments stay hostage of recurring crises and of contradictions resulting from national governance and nationalistic solutions (PU).

Economic integration

- European integration and latest crises have demonstrated interdependence of national economic systems in Europe.
- The initial objectives of the internal market can only be met unless EU-member states agree to co-operate closely in other policy domains too (OR).
- Europe shall have to generate more added value if it wants to engage in competition with growth economies. Needed added value in business will be created by remediating to current shortcomings in economic integration (MR).
- Severe crises, such as recent financial and monetary crisis, induce European policymakers to think of creative solutions enabling effectual governance.
- Member states often differ in opinion on basic issues, but membership of the internal market is never an issue.
- EU is the right policymaking level able to answer challenges of globalization.

Joint external policy and enlargements

- The big-bang of 2004-2007 reduced EU's liberty of movement due to a ritualized discourse about its mission on enlargement. A serious debate on enlargement couldn't take place anymore (OR).
- Economic national interests still overshadow external policy of member states. The latter don't want to hand over this competence for fear of losing control over an important lever of prosperity (MO).
- EU doesn't succeed establishing its final boundaries. Two standpoints confront each other: supporters of free-trade, multi-culturalism and geopolitical overstretching, against those advocating stronger internal homogeneity through consolidation, and putting the brakes on enlargement (OR).

Assumptions by European Council

- Since implementation of the Treaty of Lisbon new dynamics developed, along with the new function of chair of the European Council. Without pretending that all new initiatives originated from the chair of the European Council, it can be assumed that he played a significant role in furthering these initiatives.

- Two countries, viz. France and Germany, have taken the lead in setting the agenda and in laying down the content of these initiatives. Panicky financial markets, have pushed both countries a lot further than what they initially intended to do.
- Both countries have repeatedly taken European Commission at speed. That secured control over agenda and content. For Greece, Germany invoked internal political motives and was for some time the impediment to a European solution. Ultimately financial markets forced Germany, after long hesitation, to sideline its internal political motives.
- Under the lead of France and Germany, agreeing in advance and among themselves on certain solutions, European Council advanced in out of bounds territory. It had to happen, otherwise risking to inflinge substantial damage to the euro, the rating of sovereign debts, interest rates applicable to sovereign debt and to financial institutions in Europe.
- Many euro member countries did possibly not back these moves whole heartedly. Implementation will show how new rules will apply. European Council can live with these rules as long as its control over implementation is maintained.
- The semi-permanent function of chair of European Council secures European Council with a de facto disproportionate power over decisionmaking in Europe. European Parliament is the only institution able to challenge European Council.

Assumptions by European Parliament

- The Treaty of Lisbon bestowed European Parliament with considerable new co-decision power. The other powerful lever of power by European Parliament is increased fiscal competence. European Parliament tries to implement the principle: 'no money without rule'.
- The increase of power of European Parliament is important to the EU. As from December 1, 2009 on, EU regulation will be less unilaterally intergovernmental and will better take account of European public interest.
- Fraction leaders in European Parliament take an increasingly assertive attitude if powers of Parliament are at stake.

Assumptions by European Commission

- European Commission is guardian of public interest. At least should be. Already during a number of legislative periods European Commission sustains heavy pressure from Council of ministers. As a consequence European Commission operates with great difficulty on an independent basis. Council would prefer a European Commission assuming the role of its secretariat and its think tank.

- The personality of the chair of European Commission is an important element in this roleplay. Indeed, he can decide which legislative initiative Commission will launch. Even more, initiatives Commission will not take.
- The chair of Commission stood up for a second mandate. This candidacy further weakened his independence. In order to win the ballot he probably had to make far-reaching promises. During the second term the chair can possibly take a more independent stand, but no such indications have been noticed.
- The first State of the Union speech (in his second term) by the chair of European Commission could have been an opportunity for a more pro-active stand. Stronger worded statements do not change the balance of power with Council.
- European Parliament is so busy safeguarding its own status that little support can be expected to break European Commission out of its isolation.

Assumptions by the High Representative

- In the Treaty of Lisbon the job description of High Representative (HR) for External Action is scant. The HR had to negotiate his own competences and that of the European External Action Service (EEAS) with Council, Commission and European Parliament.
- Organising EEAS includes human resources. Who can be transferred from diplomatic services of European Commission, secretariat of Council or from member states? To whom shall they pay loyalty?
- The High Representative would like to be the external spokesman of EU. Will the chair of European Council accept this? Certainly not. Who will speak for EU? To represent whom? European public interest or interest of bigger countries?

Attitudes of public opinion, politicians and media

- Studies suggest that an average of 94 percent of the electorate doesn't care about political developments in their country, let be at European level (this empirical figure dates back to the sixties in France). The other 6 percent of population would show an interest in societal developments. Interest in politics doesn't mean being interested in European affairs. Thus for a very small part of population European public interest matters.
- Misperceptions on account of European integration are numerous. They can originate from ignorance, populist deception, laziness or an inclination for a critical attitude. Prejudices living with elder people are more tenacious than these held by pupils and students. The latter group deserves special attention from European federalists.

- National politicians show little to no interest in European developments, unless they are in direct contact with Europe as national or regional policymakers. Many confirm a whole new world opened up to them. Still national or regional interests continue to prevail.

Multistage scenerios

- Different scenario's are offered in an attempt to cast simulations reflecting a changing context . Each scenario reaches different conclusions regarding context, concept, strategy and action. Uneffective scenarios can be put aside.

1. Scenario stage one:

- Period prior to october 2014.

- Features:

- Situation without enhanced co-operation and very limited dynamics of EU.
- How to overcome a de facto institutional status quo? How shall the Treaty of Lisbon be adapted?
- An attitude of too little too late causes EU to lose influence, economic resilience and competitiveness on the international scene.
- How can a coalition of willing countries engage in structural co-operation?
- How can possible forerunners' make enhanced co-operation attractive to a larger group of member countries?

2. Scenerio two:

- Period : starting october 2014 until about 2020

-Features:

- Community method, with structural and enforced co-operation and limited own dynamics.
- Two options: first sectoral coalitions with fixed membership and structurally enhanced co-operation and second: sectoral coalitions with changing membership for enhanced co-operation. Which formula will make it?
- A coalition of willing agrees to apply the community methode with regard to enhanced co-operation. European Court of Justice will be involved. Even if this project places itself outside of the EU, it shall not fall back on intergovernmentalism or open co-ordination. The acquis of enhanced co-

operation will later be integrated in EU structures, as soon as non-participants is ready for it.

- Positive determination of forerunners will take stock on ambitious objectives/projects that are beneficial, efficient and cost-saving to participating countries.

3. **Scenario three:**

- Period: about 2020 and later.

- Features:

- Partial implementation of the federal method, featuring transparency, loyalty, democracy and sovereignty sharing, which make efficiency, and stronger internal dynamics possible.
- This scenario implies complete or stepwise introduction of federal features, whereby unanimity rule is eliminated from decision-making, full co-decision by the European Parliament is established, including treaty changes or new treaties, treaties with third countries, and enlargement treaties of EU.
- Including a priority list of treaty-changes and a roadmap. European Convention will deal with these issues.
- On the other hand shall any intergovernmental scenario be rejected, which is meant to further political union. It would mean gradual elimination of federal features and resurgence of short term thinking by member states.
- A federal approach is feasible over a time span of 10 to 15 years and on condition European federalists formulate an inspiring European project that can convince political elites of added value of their project. This project will bode well for the future, emphasizing socio-economic objectives and will put people and European public interest centrestage.
- This promising project will demonstrate that inefficiency, due to inadequate action by member states at European level, is costing horrendously much and endangers common prosperity. EU action can yield visible advantage at nominal cost and for all serves European public interest and interest of people of Europe.
- Democratic instruments and procedures at European level will help achieve more ambitious objectives. The aim is not creation of new institutions or new red tape, but instead generate new and low cost measures, through shared sovereignty and credible implementation with a high level of societal benefit.
- In a later stage non-participating member states can join forerunners' group on condition they accept the *acquis* and contribute loyally to the pursuit of ambitious objectives.

Proposals by European Federalists

Following proposals are neither new nor complete. This listing is an outline of what it can look like. This listing does not introduce any priority. Such a priority list is a must at a later stage and will reflect a number of political options.

The proposals listed under community and federal method are complementary. They refer to two successive periods in European integration. Classification of proposals per period is subject to discussion.

European institutional proposals in the community method

- European Commission will present within short a white book on true completion of internal market, together with regulatory proposals and target dates for introduction of these measures.
- Powers of European Commission are extended as to include macro-economic governance, employment, energy, industry, scientific research policy, as well as financial and fiscal supervision, European or worldwide banktaxes, stresstests and harmonisation of corporate taxes in Europe.
- Together council of ministers, European Commission, European Parliament and High Representative will decide on stepwise enhancement of effectivity of European External Action Service, in order to enable EU to speak with one voice. Mandates will enable High Representative to react promptly in certain situations (interinstitutional agreement).
- Battle against poverty and exclusion (minimum standards).
- Implement Stockholm-programme (justice and home affairs).
- Enable issuance of eurobonds, administered by a European Debt Agency (ECB).
- Initiate first steps towards creation of 'EU own income' (European taxes).
- Delete unanimity rule by 27 member countries, to authorize enhanced co-operation.
- Reform and harmonize voting procedures applicable to European Parliament's elections.
- Strengthen EU representation in multilateral institutions, viz. IMF, Worldbank, United Nations, World Trade Organisation, by speaking with one voice.
- Attribute autonomy to eurogroup, becoming independent from Ecofin. Current intergovernmental set up of eurogroup replaced by community method.
- If healthy member countries fear paying an excessive price to solidarity in the Union, they shall decide to (1) share sovereignty for external and safety policy, (2) introduce common macro-economic governance, fiscal and social policy, and (3)

prepare all 27, or just the eurogroup, for a federation or a pre-federation.

- Prepare for a European Convention dealing with institutional issues and constitutionalization of Europe. Likely not all member states will support this formula. If unfeasible, larger enhanced co-operation can be the outcome.

Institutional proposals for EU as European federation or as pre-federation

- A Europa where people feel 'at ease', implies a serious improvement of democratic quality of society.
- Transformation of European Commission into a European executive body or government. Enhancement of its powers will include fiscal and social harmonisation, as well as ageing of population and pensions.
- European Parliament will co-decide on all policy domains, as well as on all expenditure and revenues of EU and on its own place of residence. European Parliament will co-decide on all treaty revisions, treaties with third parties, a European constitution and enlargement treaties.
- Gradual replacement of current national fiscal transfers by own EU resources.
- Jurisdiction of European Court of Justice will always apply.
- In addition to the principles of proportionality, subsidiarity and precaution, three new policy principles will be introduced:
 - Compatibility and cohesion of policy measures (viz. obligatory horizontal and vertical integration of regulatory measures).
 - Urgency of action (justified expectations of people, dangerous challenges, potential dangers).
 - Anticipation principle (different from precautionary principle in environmental matters). Facilitating early action in order to avoid future higher cost.

A broad public debate will explain people why a federal approach will benefit European citizens more than egocentrism and short sightedness by nation states. The fallacy, that national or regional authorities can pretend being able solve by themselves transnational problems, needs strongest refutation and exposure.

Debate on optimal or sub-optimal functioning of EU is hardly a point of discussion. Former commission chair Delors sponsored in his time a book called 'The cost of a non-Europe'. The European Commission shall now launch a new study on 'Cost of wrong choices'. Meaning a comparison on costs/benefits of intergovernmental, community, and federal systems. European Commission will never carry out this comparison. Therefore independent experts shall take over. This study will elucidate debate on optimalization of EU working methods and will identify reforms. Commission some times published partial benefits resulting from certain measures.

Provisional conclusions

Foregoing illustrates discrepancy between current institutional situation and institutional set up needed to cope with the rightful expectations of people and of society. Public opinion will be made aware of needed institutional reforms.

As from now on European federalists will state, loud and clear, that intergovernmental and community methods are outdated and that accelerated introduction of a European federation cannot be postponed any further. Federalism is, subject to conditions, the most suitable ideology able to achieve ambitious European goals. For European federalists a European federation is far from a centralized superstate. The opposite is true. Nowadays Europe operates under the rule of law. In a federal system this rule of law can be carried forward.

Use of the word federalism is a taboo to many people. Therefore the concepts of democracy, equity, efficiency and transparency, together with shared sovereignty within a multilayer governance system can altogether replace the word federalism in a more or less acceptable way.

Treaty of Lisbon implementation is not yet completed. A number of provisions is positive, but bear limited effect. Belgian rotating presidency (the first after Treaty of Lisbon ratification by all member states) can play a positive role by introducing a number of 'good' practices. All by all just side-effects which do not solve the central problem, viz. sharing of national sovereignty.

On the other hand lawyers discern provisions which imply a backwards movement. Professor Marianne Dony (ULB/IEE) calls them 'time bombs'. These traps must be exposed in public, enabling debate on European Convention and European federation to take off. Such a debate on European Convention will lift artificial blockading, for a period of ten years, of further institutional reform in EU or eurozone.

Urgency of a number of joint European challenges and threats is such that reflection on the mandate of the Convention (agenda and power distribution) shall start soonest. Start up of Convention is urgent considering time lapse between a declaration of intention and ratification of institutional reform.

Ambition and boldness of federalist proposals/demands shall not inevitably cause straight rejection by member states. These proposals and demands relate to an ambitious project that cares about interest of people and European public interest. A democratic system shall not impede what is vital to its survival. Politicians shall better assume responsibility and remain credible by doing what is needed and what is expected.

The European project shall be supported by national leaders and all other relevant players, viz. European Parliament, European Commission, lobbies and civil society. This support is a democratic expression of public spirit. Politicians acquainted with Europe will explain the European project to opinionmakers and to public opinion. The same politicians will actively try to implement the project. People elected and mandated politicians to act and anticipate properly.

Political stand-still, at national and European level, as alternative to a pro-active attitude, lays a hefty handicap onto the future of Europe. Resulting in diminished public spirit, a deteriorated business climate and an unaffordable welfare state model. Political stand-still equals guilty neglect by national governments.

Political leaders, not people, shall identify the very societal and political priorities and timely develop 'right' action. These solutions will take globalization into account.

If 'politics as usual' cannot stand up to expectations, sheer self-preservation of society can induce replacement of these stand-still politicians. Here a new wave of democratically elected politicians will take their chance.

European federalists will present to political parties, opinion-makers and population a coherent project and solid arguments. Federalists will demonstrate virtues of a European federation and the high potential of federalism.

European federalists shall not miss the opportunity to create needed momentum.

Quotations

A number of quotations were taken from the book 'Theorie van de Europese integratie' (translated: 'Theory of European Integration', by professor Jan Orbie, PhD, University of Ghent, Acco Leuven, 2009, 217 pages).

Correlation between abbreviated names and actual ones: MA: Majone; MI: Milward; MO: Moravcsik; MR: Marvilles Rojo; OR: Orbie; RO: Rosamond; WE: Weiler.

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This paper is also **available in Dutch**: 'Europese Federalisten confronteren Europa met hun project', 2010. Can be found in: www.europadebat.be under ESIC/publicaties.