

17 September 2012

Final Report
of the Future of Europe Group
of the Foreign Ministers of Austria, Belgium, Denmark, France, Italy, Germany,
Luxembourg, the Netherlands, Poland, Portugal and Spain.

Introduction and Summary

The European Union has reached a decisive juncture. The on-going sovereign debt crisis and the ever accelerating process of globalization pose an unprecedented dual challenge for Europe. We will have to master it if we want our continent to enjoy a bright future and effectively promote our interests and values in a more polycentric world.

The crisis has long also had a political dimension. In many parts of Europe, nationalism and populism are on the rise, while the feeling of solidarity and sense of belonging in Europe are dwindling. We have to take action to restore confidence in our joint project. The political debate about the future of the European project has to be conducted now, and it has to take place all across Europe. Crucially, it needs to engage Europe's citizens.

In the following report, we put forward concrete proposals designed to address the challenges that Europe is facing. Some are short- and some are long-term. Many can be done within the existing treaty framework; some may need amendments to the treaties. What is important, is to get the sequencing and the balance right, combining what can be realistically achieved in due course with a longer term perspective and vision for a stronger Europe. Clearly, strengthening EMU is the key element in our efforts to overcome the present crisis.

The report reflects our personal thoughts. We wish to underline that not all participating Ministers agree with all proposals that have been put forward in the course of our discussions, and that the Member States' individual treaty obligations and rights within the various policy areas have to be taken into account. They can be summarized as follows:

- I. Strengthening the Economic and Monetary Union has absolute priority. The Euro has profound economic advantages and is the most powerful symbol of European integration. Our proposals provide concrete input for the process of EMU reform launched by the June European Council. In doing so, our focus lies on initiatives within the scope of the existing treaties. However, we should not exclude the possibility of treaty changes if this proves to be necessary. We need to
 - further enhance the reinforced economic governance framework by establishing mechanisms at EU level, both to oversee that member states' budgets are in line with European rules and to develop further European solidarity.

- make economic policy coordination between Member States more binding in selected areas which are key for sustainable economic growth and employment and essential for the stability of the Eurozone. This will help overcome existing imbalances and strengthen overall competitiveness.
- establish an effective single supervisory mechanism, involving the ECB, for banks in the Euro area and those MS that wish to join in such a mechanism,
- ensure full democratic legitimacy and accountability. If additional action is taken at European level and this concerns EU competences, the European Parliament has to be involved either through co-decision or consultation. Most members were of the view that, if a decision applies only to the Euro area plus other “pre-in” member states who wish to participate already at this stage, ways should be explored to involve the MEPs from these countries – while fully respecting the integrity of the European Union and the European Parliament as a whole. If national competences are concerned, in particular the budget, national parliaments have to agree. Cooperation between the European and national Parliaments should be further strengthened by creating a permanent joint committee.

II. We believe that once the Euro crisis has been overcome, we must also improve the overall functioning of the European Union. In particular, the EU must take decisive steps to strengthen its act on the world stage. This should be tackled beyond and separately from EMU reform. Some of these measures could be implemented on the basis of the existing treaties – possibly already in the short term – while others could only be addressed in the long term through treaty changes.

- The EU must enhance the coherence and political clout of its external action. We call for a substantial revision of the decision on the European External Action Service (EEAS) in 2013. The High Representative/Vice-President should be rendered responsible for key external action areas. The EU also needs to fundamentally reinforce the Common Security and Defence Policy and shape relations with strategic partners more effectively.

In the long term, we should seek more majority decisions in the CFSP sphere, joint representation in international organizations, where possible, and a European defence policy. For some members of the Group this could eventually involve a European army.

- Strengthening specific policies must go hand in hand with institutional reforms. The Commission should be strengthened so it can fully and effectively fulfil its role as the engine of the Community method. One possibility would be the creation of specific clusters with “senior” and “junior” Commissioners. The General Affairs Council should be empowered to fully assume the coordinating role foreseen for it in the Treaty. The European Parliament should boost its democratic visibility by the

nomination of a European top candidate by each political group for the next EP elections.

- In a realistic view, in the long term treaty reform in a European Union of 28 or more Member States will become more and more difficult. According to most members of the Group, both the adoption and the subsequent entry into force of treaty revisions (with the exception of enlargement) should be implemented by a super-qualified majority of the EU Member States and their population. They would be binding for those MS that have ratified them.
- At the end of a long process, a more streamlined and efficient system for the separation of powers in Europe which enjoys full democratic legitimacy should be envisaged. For some members of the Group, this could include a directly elected Commission President who personally appoints the members of his “European Government”, a European Parliament with the powers to initiate legislation and a second chamber for the member states.

I. Overcoming the current crisis by fundamentally strengthening the economic and monetary union

The sovereign debt crisis in the euro area has long become a crisis of confidence in the long-term ability of individual euro states to restore stability.

Sound public finances, competitiveness, growth and employment should be promoted together. At European level, we should take the Single Market, one of our main assets and the most powerful engine for growth, to a new stage of development. We should increase the support for SMEs, including by ensuring their easier access to EU funds and stimulating investment, as exemplified by the European Pact for Growth and Jobs; in this respect we should also implement the decisions for a stronger role of the EIB. Finally, we should strengthen job creation, targeting in particular youth unemployment.

However, we will only be able to resolve the Euro crisis in a sustainable manner if we overcome the crisis of confidence within the Euro area. For this, we have to fundamentally strengthen the Economic and Monetary Union.

Work to fundamentally reform EMU will be based on the four building blocks identified by the President of the European Council, together with the President of the Commission, the President of the Euro group and the President of the European Central Bank, in their report to the June 2012 European Council. We need steps towards an integrated financial framework, an integrated budgetary framework, an integrated economic policy framework as well as measures to ensure the necessary democratic legitimacy and accountability.

An efficient and stable Economic and Monetary Union is of central importance to the functioning of the European Union as a whole. While of primary concern to Euro area MS, this affects all EU Member States, also those which have not yet introduced the Euro. Reforms should therefore be undertaken where possible in the framework of the EU-27. All necessary reform steps should be taken to deepen the EMU. Our focus lies on initiatives within the scope of the existing treaties; however, we should not exclude the possibility of treaty changes if this proves to be necessary.

An integrated budgetary framework

In the last two years, important steps have been taken to reinforce the framework for budgetary discipline in the Euro area in particular. We need to rapidly complete work on the Two-Pack and swiftly implement the Fiscal Compact. But we need to make mechanisms at EU level more effective to ensure that all Member States prevent and correct unsustainable fiscal policies and stick to the agreed rules in their individual budgetary procedures. Within the Commission, the role of the ECFIN Commissioner should be reinforced.

On the path towards an integrated budgetary framework, the following should go hand in hand:

- effective oversight powers at European level with concrete competences for European institutions to oversee the budgets and implementation of fiscal policies of member states in order to ensure that Member States comply with the commitments on deficit and debt reduction they have agreed upon. In this respect, the responsibility of the Member States for the composition of their budgets has to be fully respected.
- further European solidarity mechanisms; some members of the Group suggested steps towards mutualisation of sovereign risk.

An integrated economic policy framework

We need to overcome the fundamental flaw of EMU – monetary union without economic union. This does not mean that all economic policy measures should be decided at European level. But for certain key economic policy issues of particular relevance for sustainable economic growth and employment and the sustainability of the Eurozone we need the right mix of effective and binding coordination at European level and healthy competition of national systems and more effective ways of exchanging best practice. This concerns in particular the functioning of labour markets as well as the sustainability of pension systems. We should use the existing options within the treaties, including by enhanced cooperation. Many members were of the view that, in addition, the current voluntary commitments in relevant areas of the Euro Plus Pact should be made binding. This should be implemented in the framework of an economic partnership programme between the Member States and the European level, similar to that foreseen in the Treaty on Stability, Coordination and Governance.

An integrated financial framework

We need bolder steps to improve the functioning of European financial markets. Therefore, we are in favour of an effective single supervisory mechanism, involving the ECB, for banks in the Euro area and those Member States that wish to join in such a mechanism.

Some members of the Group underlined the importance of a common deposit insurance scheme and of a European restructuring and resolution scheme.

In the medium-term, the Euro area must be able to resolve potential problems in the Economic and Monetary Union by itself. Therefore, the European Stability Mechanism should be further developed into a “European Monetary Fund” with adequate powers.

Strengthening democratic legitimacy and accountability

A fundamental deepening of the Economic and Monetary Union must go hand in hand with greater democratic legitimacy. Wherever new competences are created at European level or closer coordination of national policies is established, full democratic control has to be ensured.

- The European Parliament should be closely involved in the further development of the EMU in line with the Community method and its role should be strengthened. If actions at European level – either within the framework of the EU or through intensified coordination of member states – concern EU competences, the European Parliament has to be part of the decision-making – either through co-decision or consultation. For example, the European Parliament should, among other things, be consulted within the scope of the European semester before the formulation of fundamental aspects (e.g. the Annual Growth Survey) or on concrete recommendations affecting the EU or the euro area as a whole. If we introduce more binding coordination at European level with regard to specific elements of the Euro Plus Pact, the European Parliament should be consulted here, too. Most members were of the view that, if a decision applies only to the Euro area plus other “pre-in” member states who wish to participate, ways should be explored to involve the MEPs from these countries – while fully respecting the integrity of the European Union and the European Parliament as a whole. If funds from a possible central budget involving these countries are drawn upon to support structural reforms in one of these Member States, the European Parliament, with a specific role for the MEPs from the countries involved, has to agree according to the procedures foreseen in the treaties.
- If additional actions at European level concern national competences, in particular the budget, the national parliaments have to agree. The European Parliament should also be informed.

- In addition, cooperation between the European Parliament and national parliaments should be placed on a new footing in the sphere of economic and fiscal policies by creating a permanent joint committee.

II. **Facilitating further integration steps and the long-term governance structure of the European Union**

Once the Euro crisis has been overcome, we must also improve the overall functioning of the European Union. In particular, the EU must take decisive steps to strengthen its act on the world stage. This should be tackled beyond and separately from EMU reform. Some of these measures could be implemented on the basis of the existing treaties – possibly already in the short term – while others could only be addressed in the long term through treaty changes, to be agreed upon on the basis of a Convention.

a) Europe as a global player

In the global competition with other economies, ideas and models of society, the countries of Europe will uphold their values and pursue their interests successfully only if we stand united. To this end, we need a comprehensive and integrated approach to all components of the EU's international profile. Beyond CFSP and CSDP, it must include, among other things, issues relating to trade and external economic affairs policy, development aid, enlargement and neighbourhood policy, the management of migration flows, climate negotiations and energy security.

- We have to enhance the coherence of the EU's external action. To achieve a comprehensive and integrated approach for all components of the EU's international profile, the European External Action Service (EEAS) should be strengthened within the framework of the review of the EEAS Decision in 2013. The High Representative/Vice-President (and the EEAS) should be responsible for central external action areas (e.g. Neighbourhood Policy); their role in the area of development cooperation should also be strengthened. For other areas its institutional capacity for coordinating the different EU actors has to be strengthened. This is necessary in particular to enable the High Representative to assume in full her role of coordinator within the Commission. There should also be clear rules on cooperation between the High Representative/Vice-President and other Commissioners in the sphere of external action (e.g. in the framework of a possible creation of "senior" and "junior" Commissioners). The EU has to act more united in international organizations; e.g. by delivering CFSP statements on behalf of the EU.
- There is a need to strengthen the Common Security and Defence Policy. Our defence policy should have more ambitious goals which go beyond "pooling and sharing". The possibilities of the Lisbon Treaty, in particular the establishment of Permanent Structured Cooperation should be implemented.

- We have to make our relations with our strategic partners more effective. The High Representative has a leading role to play here; she should be supported by Member States.
- We must improve the setting of priorities in the sphere of external relations. We have to improve how the Foreign Affairs Council works. On the basis of a six-monthly agenda planning, we have to make our consultations more strategic and focused. We need more informal meetings in the Gymnich format and better interaction with the European Council; one meeting per year should focus on external relations policy with the participation of the Foreign Ministers. We should consider reviewing the European Security Strategy.

To make the EU into a real actor on the global scene we believe that we should in the long term:

- introduce more majority decisions in the CFSP sphere or at least prevent one single member state from being able to obstruct initiatives, and in this framework also further develop the concept of constructive abstention;
- seek, where possible, joint representation in international organizations;
- aim for a European Defence Policy with joint efforts regarding the defence industry (e.g. the creation of a single market for armament projects); for some members of the Group this could eventually involve a European army.

b) Strengthening other policy areas

If Europe wants to hold its own in the new global order, we will also need increased integration in other central political fields. In the sphere of justice and home affairs, we therefore propose that the protection of the Schengen area's external borders be strengthened (by creating a "European Border Police") or, in the medium term, that a European visa be created. Another field where we need "more Europe" is sustainable energy policy: we need to create a functioning internal energy market through European energy infrastructure, improve energy efficiency and define common external energy relations.

c) Institutional reforms: Strengthening the EU's effectiveness and democratic legitimacy

In addition to the specific aspect of EMU reform, additional rights at European level or a closer coordination of national policies require a strengthened EU capacity for action and enhanced democratic legitimacy.

Improved capacity for action

- The Commission must be strengthened so that it can fully and effectively fulfil its indispensable role as the engine of the Community method. Its internal organization and its procedures should be strengthened (one possibility would be the creation of

specific clusters with “senior” and “junior” Commissioners); in the medium term the number of commissioners should be addressed.

- Cooperation within the Council needs to be improved, also with a view to ensuring that the European Council is suitably prepared by the different Council formations, above all by the General Affairs Council which should fully assume its coordinating role foreseen in the Treaty. Internal consultations in the different Council formations must be made more efficient (e.g. through the use of bundled interventions). In the medium term, we should create more permanent chairs and strike the right balance between permanent and rotational chairs, also in the General Affairs Council, to increase the efficiency of the work in the various Council formations. Moreover, the possibility of better dovetailing the work of the Council and the Commission and could be examined. Some Ministers suggested the creation of a double-hatted post of President of the Commission and President of the European Council.
- The efficiency of European decisions can also be increased by making more use of differentiated integration, a possibility provided for in the treaties, but hardly implemented so far. In the medium term, to improve the European Union’s capacity to act, we should extend the scope of decisions to be taken by qualified majority.

Increasing democratic legitimacy

- The European Parliament’s democratic visibility should be further increased: one key step would be, for instance, the nomination of a European top candidate for the next European Parliament elections by each European political group who could also stand for the post of Commission President. In addition, we need a greater distinction between majority and minority in the Parliament, European Parliament elections on the same day in all member states, the drawing up of a (limited) European list and a more public procedure in the Parliament to appoint the Commission President. European political parties should work towards the building of a truly “European political space”, which would draw European citizens’ attention to key political issues concerning their common future.
- National parliaments should become more effectively involved in the work of the European Union in the spirit of the Lisbon Treaty. To this effect, contacts between the EP and national parliaments should be strengthened further. This could be done e.g. through regular meetings, the presence of MEP’s during strategic EU-debates in national parliaments, by reinforcing the COSAC-framework and by enhancing EU-wide networks of national parliamentary committees dealing with the same particular EU-dossiers. The core task of national parliaments will however remain to control the action of their national governments.

d) Strengthening the European Union as a community of values

The possibilities to ensure respect for the fundamental values under Article 2 of the TEU should be strengthened. To this end, a new, light mechanism should be introduced enabling the Commission to draw up a report in the case of concrete evidence of violations of the values under Article 2 of the TEU and to make recommendations or refer the matter to the Council. It should only be triggered by an apparent breach in a member state of fundamental values or principles, like the rule of law.

e) Improving the long-term overall functioning of the European Union

- In an EU with 28 or more Member States, treaty reform will be more difficult. Most members of the Group believe that both the adoption and the subsequent entry into force of treaty revisions (with the exception of enlargement) should be implemented by a super-qualified majority of the Member States and their population. A large majority of member states should not be restrained of further advancing in integration due to either lack of political will or to significant delays in the ratification processes. A minimum threshold – representing a significant majority of European member states and citizens – should be established for the entry into force of amendments to the European treaties. They would be binding for those member states that have ratified them.
- Finally, we also need to think about the long-term governance structures of the EU. At the end of a longer process, we need a streamlined and efficient system for the separation of powers in Europe which has full democratic legitimacy. For some members of the Group, this could include the following elements: a directly elected Commission President who appoints the members of his “European Government” himself, a European Parliament with the powers to initiate legislation and a second chamber for the member states.