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For a Euro Community

Foreword

Everyone expected that Economic and Monetary Union would bring prosperity and improve the living conditions and employment possibilities of Europe's citizens, prior to political rapprochement.

Its design flaws, and management errors, have produced the opposite. Europe's citizens have grave doubts. We however are convinced that we must not give up. The initial goals of European integration - to ensure well-being and peace - are as relevant as ever. To turn our backs on Europe would today be anachronistic, and tomorrow suicidal. Without building up expectations which can never be achieved, which has previously so often led to disappointment, a new step forward needs to be taken. Europe must find solutions to its concrete problems such as rising inequalities and unemployment, while also contributing to the preservation of the planet. It is essential that Europe does more to ensure that the values it defends are respected and which, far more than questions linked to the Single Market and European procedures, are likely to bring Europeans together. It must lead once again.

This is why we are suggesting a strategic choice: building a political and democratic Community based on the euro, while remembering that monetary union was conceived as the bedrock of a much greater project, which intended to unite men and not as an end in itself. Our group is pluralist because the urgency of the situation, just as the violence of the attacks against Europe, needs all Europeans to come together, while respecting each other.

We want to raise awareness in France but also to launch an appeal which goes much further. We are convinced that France and Germany still have a particular responsibility in Europe, and we share most of the diagnoses and proposals made by the German Glienicker group.

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For a Euro Community

Where does France want to go, both within Europe and on a global level? What is the future, in a ten or twenty year timeframe, of the Euro and of the European Union? These legitimate questions have often been left unanswered.

Most governments and political parties have maintained a management approach which has allowed them to "muddle through" up to this point. The radical parties advocate withdrawal to the national level and exiting the eurozone as a miracle cure. In order to launch a new dynamic system, adapted to the world of 2014, it is essential to learn from the crisis and collective errors committed and to propose a balanced vision.

ANALYSIS

How to exist in a changing world?

Ensuring that Europe's voice is heard is not a question of prestige, nor an idealist whim. It is how to ensure that in the future the priorities which are important to Europe's citizens, such as equality between men and women, access to education and social security for all, the preservation of the environment, are protected.

Looked at from Beijing or Riyadh, or even from Washington, what Europeans have in common is infinitely superior to what separates them. Beyond common interests, which are more or less convergent depending on the mood of the moment, we share a patrimony of incredible richness. As for common values, created as a result of the historic events and dramas of the twentieth century - such as peace, human rights, democracy - their fragility should encourage us to take even greater care. The decisions of the European Court of Human Rights illustrate to what extent there is still a lot to be done, even in Europe, in order to guarantee that pluralism is protected, to improve the quality of our prisons, or to curb the authoritarian drift of certain Member States.

The world order that has been in place for several centuries is drawing to a close. In 20 to 30 years there will not be a single European country in the G8, which brings together the most powerful world economies. France or Germany will represent less than 1% of the global population. At Nelson Mandela's funeral not a single European leader was invited to speak. In contrast, together we have the means to carry some weight: the eurozone has 350 million inhabitants, meaning its population is similar to that of the United States and its GDP is larger than China's, in spite of spectacular Chinese growth recently. The commercial power of Europe is currently unmatched. Europe has potential in the fields of industry, agriculture and services which must be harnessed.

However, unity requires greater efforts. The European Union's "common foreign and security policy" remains far below expectations. Even at the International Monetary Fund, called in to help in multiple European countries, the eurozone is not represented as a single entity. *Vis-à-vis* China, other emerging countries or the United States, the decisions of Europe's capitals to continue to go it alone is a decidedly short-term vision.

A permanent exit from the economic and financial crisis

We must not be fooled by the current lull on the financial markets. In multiple countries the policies undertaken have certainly borne beneficial fruits; the interdependence of countries sharing the same currency is now better sensed. Remarkable efforts have been undertaken in the fields of discipline and reforms, but they have been poorly calibrated and the burden has not been shared equally, as has clearly been illustrated in Greece. Overall fiscal policy has been too restrictive, and insufficiently differentiated.

Public and private over-indebtedness risk choking economies, while the suffering of Europe's citizens feeds political radicalisation. This analysis must not lead to consolidation efforts being abandoned but rather, in the interest of those countries with excessive debt, for them to be completed.

A major risk today is that Japanese-style deflation leads to stagnation and the sacrifice of a whole generation. The European Central Bank was very active at the beginning of the crisis (2007-2010), and still has further means to react in order to avert this risk but it has to overcome multiple, contradictory concerns linked to differences in monetary culture and the heterogeneity of the different Member States.

Europe needs to be better integrated into global growth, and in order to achieve this, it needs once again to find a creative, scientific and entrepreneurial dynamic. The crisis is not simply "a difficult moment". It is our production (notably industrial) and organisation models which are challenged by new technologies, global interdependence and an ageing European population.

Each Member State, and particularly France, must tackle their individual problems, but Europe must also do more. Common solutions are starting to be put in place in order to monitor and clean up the banking sector, without requiring money from tax payers. These solutions need to be implemented seriously so that banks are once again in a position to finance companies and households, at reasonable rates, throughout the EU.

Overcoming the democratic deadlock

The extent of the difficulties also now gives a political dimension to the crisis. Even if no election has led to a rejection of the euro, the countries which have asked for assistance, such as Greece, Portugal or Ireland, feel the burden of an ill-defined authority, made up of Heads of State and European governments, finance ministers (Eurogroup), the European Central Bank and the European Commission, as well as the International Monetary Fund. The responsibilities are diluted in a politico-technocratic magma, deprived of legitimacy, which the "troika" has come to represent. Certain countries' destinies have been the subject of a vote in the Bundestag and decisions of the Constitutional Court in Karlsruhe. The general feeling is, as underlined by the Italian Prime Minister Mario Monti in 2012, of a risk of "creditocracy" whose perception exceeds reality given that Italy has not received any assistance and is contributing to financing the rescue efforts.

All Member States have had to accept mutual surveillance being strengthened, which is essential for restoring collective credibility. The level of intrusion which has been reached, notably in programme countries, is however fuelling a dangerous resentment between "The North" (essentially Germany) and "The South". The euro has become the source of divisions.

A section of public opinion has been lost. Some make people believe that austerity is imposed on the southern countries by "Europe" when it is these countries which have largely put their own futures in danger by creating too much public debt (as for example in Greece) or too much private debt (as in Spain or in Ireland). The "virtuous" countries forget that they often supplied the "southern" countries with a large proportion of the goods which were bought on credit, and they also supplied them with equity and which meant that they ended up highly indebted. Thus it is both the North and the South, national governments and European institutions, which are responsible for the current situation. As for the markets, who were supposed to hold people to account, they turned a blind eye for a long time.

Hence the temptation to "throw everything overboard" by abandoning the euro. This hypothesis is nothing but an illusion. Because of the chain of consequences, no one is able to calculate a precise estimate of this cost, but it would be terribly expensive. Devaluation would mathematically increase the cost of the debt, denominated in euros, often held by foreigners; countries would be required to default, and it would lead to bankruptcies in the financial sector. It would also increase the price of imported products, oil and gas for

starters. Companies would once again be subject to exchange rate risks for exports, which would be bad for growth and employment. Households would lose part of their savings, Europeans their reputation.

A calm analysis, on the contrary, points towards continuing and accelerating the reconstruction of the Economic and Monetary Union. Limiting reform to a reinforcement of the rules accompanied by mutual surveillance is insufficient. If one compares the management of the crisis by the Europeans and by the Americans the advantages of a more legitimate political organisation, and for this reason, more reactive and efficient, are clear.

A particular responsibility for France

A fault line threatens to separate the North and South of Europe. Because France belongs to both sides and because it, along with Germany, wanted the creation of the euro, France has a particular role to play. As long as it respects three conditions then France could play a decisive role.

The first is that it must abandon some of the illusions it has been harbouring for a long time; thanks to Jean Monnet and Robert Schuman, France was behind the creation of the European Coal and Steel Community but it has also been responsible for giving European integration its most brutal beatings: in 1954 with the rejection of the European Defence Community, in 2005 with the refusal of the Constitutional Treaty. Concerning Europe, France has been hesitant for decades. When German politicians², on two occasions, suggested a closer political union, based around a solid core, before the establishment of the single currency, the French authorities of all political leanings rejected these suggestions without even discussing them.

The second condition is that France finally broaches the question of its place in an open, competitive and highly integrated world. The French dream of a "powerful Europe" but this will never be "a power leverage" at their exclusive service. If France undertakes more than its other European partners in the field of security and defence, as it has recently once again illustrated in Africa, its economic performances over the last ten years spoil its credibility. The status of being a permanent member of the Security Council, the nuclear strike force which appears to guarantee autonomy, could reveal itself to be illusory if our means are reduced.

European issues are far too often reduced to slogans which, like "Social Europe" or "Europe which protects", tend to close the French in on themselves, increasing their anxieties. Our European partners are more successful at combining an open approach to the world and the legitimate desire to defend their social model. The best protection is found in the quality of education and training, as well as in the creativity of companies.

Finally, France must once again become a force with positive suggestions. For many years France has been in a defensive position, with many things unsaid and many taboos. With the creation of the euro, France had already accepted to share its sovereignty. The idea that a "Europe of Nations" could still, in 2014, offer a useful outlook, is not helpful for progress. There is no reason to fear a discussion on the best forms of political organisation, nor to reject outright all forms of federalism, even if up until now France has never experienced it.

These diverse fears and misunderstandings greatly fuel the feeling of unease which is currently noticeable in France. However, with a methodical approach, influence can be recovered. The battle which the current French government has undertaken on posted workers gives a recent, positive example of what a government which has clearly defined its position, and defends it, can achieve in the EU in its current state. The low level of interest in the European Parliament, for most French political parties, is a depressing counter example.

² Karl Lamers and Wolfgang Schäuble in 1994, Joschka Fischer in 2000

Thus Europe is at a crossroads. The shortfalls of the European Union, such as its intrusions into the affairs of Member States who continue to believe themselves completely sovereign, generate increasing frustrations. In order to get out of this impasse we recommend a new step towards democracy and integration.

OUR PROPOSAL

Reignite political ambition

We propose a Euro Community, open for other European countries to join, and with a positive global outlook, not because the euro would be an end point in itself, but rather because it expresses a common destiny. The actions agreed upon in the name of the single currency, in the crisis, only make sense by putting them in the framework of a positive political vision, facing towards the future, worthy of our shared European identity.

The first mission must be to consolidate the single currency, because a return to prosperity and employment depends on this. The requirement for "competitiveness" all too often means lower wages or welfare benefits or a race to the bottom. This approach does not create a desirable future, hence the idea of a Euro Community which goes beyond the current scope of the eurozone.

Without calling the mutual commitment for solid public finances into question, nor the reform efforts achieved during the crisis, the Community will be endowed with new instruments intended to absorb fluctuations in the economic situation and to support the most vulnerable people. This could be achieved, with European level responsibilities, such as unemployment benefits or even policies which encourage mobility, being accompanied by the partial harmonisation of labour markets. Solidarity would not be conceivable without greater responsibility, and a joint effort is necessary if we want to stabilise and make sustainable Economic and Monetary Union in the eyes of Europe's citizens.

The fight against inequalities and exclusion and the enhancement of human capital through education, training and innovation must be placed at the heart of the Euro Community's ambitions: over recent years the excessive priority given to the concept of "subsidiarity" has put the existence of recognised rights for all European citizens on a back burner. Human dignity, along with preserving the environment and quality of life are the first to have been overshadowed.

At the same time, this Community will undertake policies which focus on the long-term, in the domains where policies are more efficient at a community level than at the level of each participating Member State. Far from being an exhaustive list, areas could include investment in energy transition and major infrastructures such as digital, transport and energy networks, or research, notably in order to help industrial production, but also in order to ensure an agricultural model capable of feeding a densely populated planet where the availability of resources is reducing.

Law and justice are values in themselves; but they are also frameworks which are particularly important for the development of economic activity and growth: legal certainty, simple rules, an efficient cross-border legal system and the fight against corruption are the objectives which the Euro Community will make their own.

The Euro Community must also play a role on the global stage because such a commercial and economic power would not be able to ignore the future of the planet. For us, the question of knowing whether the level of "eurozone" is pertinent is of secondary importance. On the one hand when facing the United States and China, but also concerning its immediate neighbours, this Community intends to pursue external representation so as to ensure that questions such as civil liberties, security and migration are not neglected.

This would primarily be economic representation but could also include diplomatic or even defence representation. The pace and the form need to be discussed but we should not forget that the Schuman declaration of 1950 opens with the ambition of preserving "world peace" and references the development of Africa, a continent with even greater strategic importance today.

Democratic guarantees

The Euro Community must offer democratic guarantees in line with the highest standards in the member countries. German pride in the construction of exemplary democracy and rule of law since 1949 is legitimate. Following on from the distressing history of the 20th century this is progress not simply for Germany but for the whole continent. However, the German authorities must understand that the control of European decisions by the institutions of a singular Member State is difficult for others to accept. Without a doubt the Germans would not accept this themselves from another Member State. The current situation, where German federal bodies (Bundestag, Court in Karlsruhe) hold the fate of the euro in their hands is not good for Germany, placed in a position of hegemony, nor for Germany's partners, reduced to complying.

An executive of the Euro Community, which is small³ and distinct from national bodies, should be established; this government will be chosen as the result of an election of an assembly by Europeans of the participating countries, voting on the same day, according to the same modalities. This point is of the utmost importance; we cannot call an authority which has been appointed and not "elected" through a pan-European election, which is open and allows a clear choice between political positions, a "government" (be that an economic government or another).

The assembly will be responsible for controlling the executive, and, if necessary, expressing a loss of confidence in it. In order to avoid duplications and to illustrate the openness of the Community vis-à-vis the EU, the Community parliamentary assembly can be made up of Members of Parliament who also sit in the European Parliament (of the EU with 28 Member States).⁴

This executive will, on the one hand, be charged with carrying out the policies for which it is responsible, with an independent budget, financed by own resources (see below). Within its competences it will have a discretionary power, framed by fixed common rules and under the control of the parliamentary assembly and the Court of Justice. On the other hand it will be responsible for ensuring that the national governments respect their joint commitments.

The Member States will maintain their own responsibilities, for deciding their policies according to clearly defined competencies, thus putting an end to the ill-defined option of "subsidiarity", a pretext for the renationalisation of policies.

The national parliaments will continue to control national governments, in line with national constitutions and provisions in this sense can be reinforced in many countries, including France. The conditions concerning the creation and the financing of the European Stability Mechanism have meant that in the immediate context national parliaments are responsible for controlling national budgetary commitments allocated to it. It is logical that structures which are financed by national funds are controlled by national members of parliament. On the other hand, in the long-run, the principal must be imposed that a European decision requires European control, and a national decision national control. It is essential to avoid giving democratic

³ A team whose members would be selected based on their competencies, while respecting a certain geographical balance, without each Member State necessarily being represented.

⁴ If electoral law was modified, for example in line with the electoral system of the members of the German Bundestag, elected on the one hand in small constituencies and on the other on the basis of lists at the Community level.

control to structures which dilute the responsibilities, as the "fiscal compact"⁵ foresees for example, by associating in a very vague, so as not to say allusive, manner the European and national parliaments. Citizens rightly demand to be able to understand who is responsible for what.

It is also important to note that citizens are also asking for new forms of decision making, which are more interactive, more "participatory". The question is not simply how to provide representative democracy, by asking questions on the division of power between Brussels and the Member States, European Parliament and national parliaments. It must be completed with stronger links between citizens, companies, the media, local or regional authorities, which are cross-border. The Euro Community must be one which is alive and which involves all societies in their entirety.

Finally, one of the serious shortcomings of the current Economic and Monetary Union is that no sanctions are foreseen for States who breach their obligations. In a state of law, it is important that a judge can decide in the case of disputes. Our preference would be, also in this case, not to duplicate institutions and to entrust this role to the Court of Justice of the EU, which would organise itself in a special way to judge issues concerning the Euro Community.

A Community budget

The Euro Community must have an independent budget in order to finance the policies which have been outlined further up in this document. Its autonomy in relation to the EU budget is justified because it is primarily conceived in order to resolve issues which are specifically linked to the existence and the functioning of the euro: to stabilise the Economic and Monetary Union through a common unemployment insurance for example. Beyond that it will also allocate resources to improve training, increase worker mobility or to put in place energy, industry and service infrastructures which will be beneficial to the Community.

It is imperative that this budget is financed through own resources, in order to avoid inappropriate and counterproductive debates about a "fair return", which we have experienced in the EU. Amongst the resources which can be envisaged we can mention corporation tax or environmental taxes (carbon tax). The creation of a Community budget will be the occasion to move forward with a certain degree of tax harmonisation (harmonisation of tax bases, even if this means leaving Member States with a certain flexibility concerning the rates, within a range).

This budget would also enable savings at the national level, by streamlining expenditure. This is particularly true in the area of defence. The question of the capacity of collective indebtedness should also be broached, at least in the long-term, while underlining the fact that this is not a question of mutualising existing Member State debt, but, if necessary, the ability to borrow together in order to finance joint projects.

There is an open question to which this group does not claim to have the definitive answer. In such a completed Euro Community, the prospect of sovereign default would once again be a possible option because it would not destabilise the whole structure and it would not affect the most vulnerable. Eventually, a Member State default could be reintroduced, in order to ensure that national leaders and the markets behave responsibly. The Community would thus be even less intrusive because the division of responsibilities would be clear, each would take full responsibility for their risk. This is one of the advantages of federalism which, in general, is absent from the French debate: federated entities are better protected against intrusions from the federal level. The paradoxical outcome of the current situation is that the eurozone practices on the sly what could be called a "fédéralisme d'exception", interfering with national

⁵ Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, signed by 25 Member States, on 2 March 2012.

decisions without this situation having been fully foreseen, and to an even lesser extent explained and legitimated.

The link between the Community and the EU

Our wish is to enable the Community and the European Union with 28 Member States to cohabit, as harmoniously as possible, as the *raison d'être* of the EU has of course not disappeared. It is in the interest of all European countries that the eurozone permanently stabilises, just as it is in the interest of the latter that the Single Market is consolidated for all 28 Member States, and that the common institutions, first and foremost the European Commission, are strengthened.

All Member States who wish to join the Euro Community, and accept the rules and obligations which go with it, are welcome (even if it would be beneficial to take the issue of income disparity much more seriously in the future). On the other hand, Member States who make the sovereign decision to not share the currency must bear all the consequences without complaining about alleged discrimination. In this regard, the time has come to clarify some issues, and to give to the eurozone what belongs to the eurozone, and to the EU what belongs to the EU. Rescue mechanisms financed exclusively by countries which are members have been created in the crisis (European Stability Mechanism, tomorrow maybe a bank resolution fund). Control of these mechanisms is the responsibility of the contributing countries, and them alone. Additionally it is absolutely legitimate that the Member States of the eurozone equip themselves with further common tools or joint policies because they need to compensate the fact that they have given up certain instruments, such as exchange rate policy.

It is likely that the outlook in a few years will be quite different to the one we have today. Out of the 28 Member States of the EU, only two (the United Kingdom and Denmark) have a derogation concerning the single currency; all the others have committed to adopt the euro, notably Poland which is an important Member State. Additionally, if the negotiations concerning a free trade agreement with the United States are successful then the Single Market could be significantly altered. Finally it is difficult to know what will come of David Cameron's promise to hold a referendum on his country's membership to a "reformed" EU. What is essential is to move forward with the spirit of cooperation.

The most open circle, that concerning the Single Market, could maybe welcome countries whose adhesion is problematical, because of their size (Turkey, Ukraine) or their lower level of development (Moldova, Albania).

METHOD

We are convinced, as the German Glienicker Group is, that an "optimal Europe", developed with great intellectual rigour, has a greater chance of convincing public opinion than a "minimal Europe" which is always frustrating.

This is also what experience has taught us. For approximately two decades governments have chosen to present Europe as a necessary evil whose "damage" they try to limit, and not as a "new frontier", to be conquered collectively. Many pro-Europeans voted no in 2005, out of disappointment. Citizens need direction, just as investors and the markets do. What pushes us to refrain from using the term "eurozone", and to instead use euro "Community", is that the former in no way reflects the political scope of the project. If the direction is clear and twinned with a clear and respected calendar, then that would already be progress. There is no point in missing out steps.

Given the magnitude of reluctance, the project must be carefully prepared, firstly straight away within the confines of the current Treaties. The first priority should be to improve the economic and social situation

which is causing increased tensions in the Member States and between them. The question of debt must also be broached, as the modernisation of the 28 economies must be accelerated.

Ultimately, the creation of a Euro Community will require a new Treaty whose ratification modalities must be decided in advance: it is possible, under international law, to foresee that ratification does not need to be unanimous (in order to avoid the possibility that a tiny majority of the population can take the whole Community hostage) and to prevent Member States who refuse to advance from blocking others. In a democracy it must remain possible to say no but the consequences of such a rejection must be borne by the country who expressed it, not by its willing partners.

Furthermore, the tacit consent of Europe's citizens for European integration has ceased. Thus the transition to the Community, just as the subsequent accession of new members, requires a formal democratic procedure, involving all the Europeans involved. Europe's citizens are weary of adhesion decisions which surreptitiously alter, unbeknown to them, the boundaries of their "shared destiny". This is also one of the reasons why the Constitutional Treaty was rejected in 2005.

If it proves necessary then dual negotiations must be undertaken: those concerning a Treaty for countries who wish to be part of the Euro Community and those for all 28 Member States in order to reform the EU. Two pitfalls must be avoided: any exclusion of countries who wish to progress in good faith, and blackmail by those who wish to prevent others from advancing, without nevertheless accepting the constraints of the euro themselves.

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We are absolutely convinced that a new momentum can and must be given, and a new milestone reached. The time is now. Citizens who wish to support the project must urgently react together, surpassing questions of national borders and sensitivities.

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