Possible evolutions and adjustments of the current institutional set up of the European Union

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The Committee on Constitutional Affairs adopted an own-initiative report by Guy VERHOFSTADT (ADLE, BE) on possible evolutions of and adjustments to the current institutional set-up of the European Union.

Responding to European challenges through reforming the Treaties: the inability of the EU institutions to cope with the deep and multiple crises currently faced by the Union and the rise of populist parties and nationalist movements have all led to increased dissatisfaction among a growing section of the population regarding the functioning of the current European Union.

These significant European challenges cannot be handled by single Member States, but only by a joint response from the European Union. According to Members, a comprehensive democratic reform of the Treaties must be achieved through a reflection on the future of the EU and an agreement on a vision for present and future generations of European citizens. This report is aimed at providing solutions which cannot be reached using the tools currently provided for in the Treaties and which are therefore only feasible through a future Treaty change.

Ending 'Europe à la carte': Members deplored the fact that every time the European Council decides to apply intergovernmental methods and to bypass the 'Community or Union method' as defined in the Treaties, this not only leads to less effective policy-making but also contributes to a growing lack of transparency, democratic accountability and control.

They considered that a differentiated path is conceivable only as a temporary step on the way towards more effective and integrated EU policy making.

The report stressed that **the 'Union method'** – the legislative procedure in which the Commission initiates legislation, Parliament and the Council decide in codecision by majority voting (unanimity obligations in the latter become the absolute exceptions) and the Court of Justice provides ultimate judicial control - **is the only democratic method in which the common European interest is taken into account**.

Considering it essential to reaffirm the mission of an 'ever-closer union among the peoples of Europe' (Article 1 of the TEU), Members suggested:

- making less restrictive the requirements for establishing **enhanced and structured cooperation**;
- limiting, at the next revision of the Treaties, the practice of opt-outs, opt-ins and exceptions for individual Member States at EU primary-law level;
- defining a **partnership** in order to set up a ring of partners around the EU for states which cannot or will not join the Union, but nevertheless want a close relationship with the EU. This new form of partnership could be one of the possible outcomes to respect the will of the majority of the citizens of the United Kingdom to leave the EU.

New economic governance: greatly concerned by growing economic and social divergences and the lack of economic reform and financial stability in the Economic and Monetary Union (EMU), as well as the loss of competitiveness of the economies of many of its Member States, Members suggested that the **common fiscal and economic policy should become a shared competence** of the Union and the Member States.

The report proposed the adoption of a '**convergence code**', as a legal act under the ordinary legislative procedure, setting converging targets (for example for taxation, labour mobility, investment, social cohesion, pensions, public finances and administrative and good governance capacities). Euro-area members will only be able to participate when they act in accordance with the convergence code.

Members also called for:

- the **integration of the Fiscal Compact into the EU legal framework** as well as the incorporation of the European Stability Mechanism (ESM) and the Single Resolution Fund into EU law;
- **stronger governmental functions** than those currently provided by the Commission and/or the Eurogroup, as well as full democratic checks and balances through the involvement of the European Parliament on all EMU aspects.

The report called for the **executive authority to be concentrated in the Commission in the role of an EU Finance Minister**. The Finance Minister should be responsible for the operation of the ESM and other mutualised instruments, including the budgetary capacity, and be the single external representative of the euro area in international organisations.

New challenges: Members stressed the importance of:

- creating a **genuine European energy union,** stressing the need for the full ratification and implementation of the Paris Agreement and the adaptation of binding EU climate targets and actions;
- incorporating the development of new and **renewable energy resources** into the Treaties as a prime objective for both the Union and the Member States;
- establishing a genuine European legal **migration** system and unify national criteria for granting asylum and access to the labour market;
- upgrading the EU's capacities in the **fight against terrorism** and international organised crime.

On foreign policy, more progress could and should be made including use of the provisions to act by qualified majority voting.

Members stressed the need for the swift establishment of a **European defence union** to strengthen the defence of the EU's territory, which, in strategic partnership with NATO, would enable the Union to act autonomously in operations abroad, mainly with a view to stabilising its neighbourhood and thus improve the EU's role as guarantor of its own defence and security provider.

As regards **safeguarding fundamental rights**, the report proposed amending Article 258 TFEU in order to explicitly allow the Commission to take '**systemic infringement action**' against Member States that violate fundamental values.

More democracy, transparency and accountability: the report recommended, *inter alia*:

- **transforming the Commission into the principle executive authority** or government of the Union;
- reducing the size of the renewed Commission as well as the number of vice-presidents to two: the Finance Minister and the Foreign Minister;
- extending the electoral rights of citizens residing in a Member State of which they are not nationals;
- deciding on a **single seat** for the European Parliament;
- considering **Eurogroup** as a formal specialised configuration of the Council with legislative and control functions;

- reducing the voting procedures in the Council from **unanimity to qualified majority** and for the full replacement of the consultation procedure by codecision between Parliament and Council;
- enhancing the powers of **national parliaments** by introducing a 'green card' procedure whereby national parliaments could submit legislative proposals to the Council for its consideration;
- reinforcing Parliament's **right of inquiry**;
- shifting decision-making procedures for both own resources and the MFF from unanimity to qualified majority voting,
- guaranteeing Parliament's right and duty to scrutinise the **whole of the EU budget** and not only the part managed by the Commission.

Constituent process: Parliament expressed its willingness to commit itself to playing a leading part in these important constitutional developments, and is determined to make its own proposals for Treaty amendments.