The Lisbon Treaty in the financial and economic turmoil

Dusan Sidjanski, 24th September 2011

Introduction[1]

Europe torn asunder

From the moment that the first political moves were made to create a European union, a division appeared between the federalist method and the intergovernmental approach[2]. An example of the first sign of this was the British reaction in 1930 to *Aristide Briand's Memorandum advocating the establishment of a European Federal Union*. This disagreement resulted in a direct confrontation at the Hague Congress in 1948 beween the *unionists*, led by the British, and the continental *federalists* rallied around the French.

On top of this traditional cleavage, in the aftermath of the failure of the EDC which also dragged down the European Political Community, an artificial division occurred beween political union and economic union. Despite the profound sense of discouragement which ensued, the European project developed by stages: the Treaties of Rome, the Single European Act, the Treaty of Maastricht, which in turn strengthened the federative elements of the Union and gave birth to the euro, while at the same time attempting to bring closer together economic union and political cooperation. Periods of progress interspersed with periods of crisis were followed by the extension of the community method, the assertion of common values and principles (Treaty of Amsterdam), and enlargement as provided for by the Treaty of Nice. However, the principle of deepening prior to enlargement has been neglected in favour of the Union's enlargement to 27 Member States. At the same time, the Constitutional Treaty drafted by the European Convention was rejected in a referendum by France, the Treaty's initiator, followed by the Netherlands. In order to get out of this constitutional crisis, President Sarkozy, Chancellor Merkel and President Barroso managed to preserve the main advances in the Constitution at the expense of a few concessions and symbolic sacrifices. The proposal for a Mini-Treaty developed into the Treaty of Lisbon.

[1] The opinions expressed in this article are the sole responsibility of the author.
[2] Dusan Sidjanski, « The Treaty of Lisbon or intergovernmental temptation ? », BEPA, January 2011; *L'Avenir fédéraliste de l'Europe*, Paris, PUF, 1991.

The innovations introduced by the Treaty of Lisbon alter the distribution of responsabilities and powers within the European Union. On the one hand, they aim to strengthen certain institutions at the expense of the previous balance. On the other hand, they tend to shake up the use of the community method by creating a permanent Presidency of the European Council and by assigning a dual role to the High Representative, who both presides over the Foreign Affairs Council and is Vice-President of the Commission.

Although the Treaty of Lisbon has juxtaposed the community operating mode and the field of intergovernmental cooperation, namely in relation to foreign policy, it has not been able to reconcile the problem of the Union's dual method of functioning. On the contrary, it has placed the issue of the predominance of the community method and the intergovernmental threat at the heart of the European project[3]. Today more than ever, this question must be addressed all the more urgently as the implementation of the Treaty of Lisbon coincides with the current financial and economic crisis. This simultaneous occurrence of the worst crisis since the Great Depression of 1930, has accentuated the enticement of the leaders of the euro area towards the intergovernmental approach under the aegis of of the Franco-German pair. In spite of this stranglehold of national governments, more focused on their own interests yet conscious of the European dimension at stake, the Commission has done a remarkable job by introducing legislation to regulate the functioning of the financial markets. For my part, I believe that only the federal path and the reinstatement of the Commission in its central role will allow us to pull out of the crisis.

A comprehensive and coherent programme proposed by the Commission could successfully replace the hesitant and overdue steps taken to date without any conclusive result. Obviously, the Union and the euro area are sinking ever deeper into debt and excessive deficit, which is causing a virtual standstill of growth and an increase in unemployment. In the current struggle between the financial markets and the political authority which is handicapped by internal divisions, only *a total sense of solidarity* and a coherent programme reflecting the general interest of Europeans can offer a way out. Hence my firm belief in the

[3] By contrast, « the *community method* is being threatened by the intrusion of the *intergovernmental*. In my opinion, it is a false argument ». Speech by the President of the European Concil Herman Van Rompuy, Paris, Sciences-Po, conference organised by Notre Europe, 20 September 2010.

need to readjust the decision-making processes by resorting to the community method and respecting the balance of European powers and the participation of Member States.

After a series of diversions, the moment has come to get back on the track leading to a European Federation. To what extent has the Treaty of Lisbon managed to maintain the balance between the community institutions - the European Parliament, the Commission and the Court of Justice - and the intergovernmental institutions - the European Council and the Council? Especially since, at first sight, the big winners are on the one hand the European Parliament, and on the other the European Council and the Council. The position of the Court of Justice as the judicial power has been strengthened, whereas the Commission does not appear to have gained any visible benefit from the new distribution of powers. Nevertheless, its right of proposal has been extended in line with the extension of codecision and it remains the institution with the greatest capacity for analysis and action. Moreover, it is the only institution within the Union which is accountable to the European Parliament.

What concerns me is whether the European Council, which has been given more authority, will draw inspiration from the community model of the Council, by taking decisions on a proposal or recommendation from the Commission, or whether it will adopt an approach relying more directly on its members. As regards External Affairs and relations between RELEX and the CFSP, the High Representative, Baroness Ashton, has bridged the gap between these two areas, with the Common Foreign and Security Policy (CFSP) and Defence Policy (CSDP) being ‘sovereign’ areas *par excellence*.

Does this ambitious reform lean towards the federal approach, and is it inspired, to some extent, albeit unintentionally, by the federative spirit, method and principles? Initial answers will be provided when we see how the Treaty of Lisbon works in practice. For now, the running-in period, which is taking place against a background of financial and economic crisis, is giving a few indications. However, the quest for unprecedented European federalism is continuing[4]. To test this assertion, we propose to assess the new division of powers, to

[4] Compare Sidjanski D., *The Federal Future of Europe*, University of Michigan Press, 2000 and *The federal approach to the European Union or the quest for an unprecedented European federalism*, Notre Europe, 2001 and François Saint-Ouen, *L’Avenir fédéraliste de l’Europe II. Du Traité de Maastricht à celui de Lisbonne. Sur les traces de Dusan Sidjanski*, Brussels, Bruylant, 2011. For further references, see the website www.dusan-sidjanski.eu

examine the cases of External Affairs and the *task force* chaired by Herman Van Rompuy, and to try to determine the direction of the first steps being taken under the Treaty of Lisbon.

I
Institutional balance or imbalance
The weight of the intergovernmental method

A major innovation: the President of the European Council

The European Council, consisting of the Heads of State or Government and the President of the Commission, has been given a permanent President and its own role in the Union's political system has been reinforced. According to this system's logic, the more the Union's work involves problems of increasing political importance, the greater the need for its European and national leaders to become involved. Issues of 'high politics' involving sovereign powers, such as currency or economic or external policy, require commitment on the part of the European Council members. At the same time, globalisation, multipolarity and the rise of the emerging powers alongside the United States demand greater unity in external policy if the Union is to assert itself as a global player and legislative power. That is why a permanent President is needed.

Electing the President by a qualified majority avoids any vetoes and facilitates consensus, as in the case of Herman Van Rompuy. He is responsible for chairing and driving forward the work of the European Council, and also for ensuring the preparation and continuity of this work in cooperation with the President of the Commission and on the basis of the work of the General Affairs Council. He endeavours to facilitate cohesion and consensus within the European Council. In addition, he represents the Union in its dealings with the outside world, at the level of the Heads of State or Government, in matters of common foreign and security policy, without prejudice to the powers of the High Representative of the Union and, I would add: or to those of the President of the Commission. The Union's international representation at the highest level actually requires the presence of both Presidents, and also the High Representative, particularly as foreign policy has a strong economic dimension and, in turn, security extends far beyond the narrow concept of military security, and tends to encompass economic, social and cultural activities as well as scientific and technological activities. Although the European Council acts by consensus, confidence gained as a result of cooperating in practice should enable it to adopt and gradually extend the scope of qualified majority voting. As a result of these new powers and through the actions of its President, the European Council is already reinforcing intergovernmental power within the Union.

A dual presidency within a community system

In the case of the dual presidency, governmental authority is exercised on the basis of two institutional pillars: the European Council and its right-hand men, namely the Councils, on the one hand, and the European Executive embodied by the European Commission on the other. With its permanent President, the European Council has assumed full responsibility for the general strategies and guidelines defined in the basic text. In the future, close collaboration between the two Presidents and the High Representative will probably be imposed by *de facto interdependence* between economic and monetary policies and external relations, including security and defence. As a result, even in these political matters *par excellence*, at some point in the future the European Council will probably become responsible for these decisions, acting on a proposal from the Commission and the General Affairs Council. That at least is my prediction, which aims to guarantee, using the community method, optimum coherence according to the European public interest.

For its part, Foreign Affairs will require joint action by the Foreign Affairs Council, chaired by the High Representative, and the Commission. In the long term, the community method will tend to become more widely used, guaranteeing *efficiency* and ensuring *democratic control* by the European Parliament over the Commission and its Vice-President. At the moment, the relationship between the two Presidents seems to be moving towards a tandem vital to the smooth running of the Union, based on the division of tasks. However, in the current crisis, the European Council, its President and also the Council of Heads of State and Government of the euro area seem to be overtaking the Commission at the expense of institutional equilibrium.

The Council or the confusion of powers

Together with the Commission, the Council plays a key role in the decision-making process of the European Community. It forms the final stage in the *legislative process* under the codecision procedure with the European Parliament. Its dual role in the adoption of legislative acts and common policies proposed by the Commission and its governmental authority, which it often shares with the Commission, reinforce its position within the community system. On the other hand, the proliferation of specialised Councils undermines its coherence and hinders the rotating presidency in its task of coordination. Like Janus, it has two faces, one with *legislative power* and the other with *governmental authority*.

With the extension of the sovereign areas of the European Union, the Council has become, together with the European Council, the main holder of the new powers conferred on the Union under the CFSP. In fact it lies at the very heart of the debate on the intergovernmental or community nature of the European Union. Its inherent ambiguity is due to the fact that it not only escapes control by the European Parliament when acting as the community legislature, which is only natural, but also when it takes governmental decisions, which is less so. Paradoxically, the Commission, which proposes, is subject to the democratic control of the European Parliament whereas the Council, which decides, escapes any parliamentary control. Is it not often said that Montesquieu has not yet made a detour via Brussels?

In the Union's *legislative process*, the Commission makes proposals and tries to maintain both the consistency and the balance of community legislation. It has a tool for this purpose: the requirement for unanimity in the Council for any amendment to its proposal, which the Commission alone is authorised to make. As the source of European legislation, its scope of operation has expanded in line with the extension of codecision powers. This point has often been omitted in recent assessments of the division of powers. *Legislative codecision* has gradually been extended, increasing the power of the Commission and the European Parliament, and also the functional capacity of the Council due to the extension of qualified majority voting. It is logical to wonder whether we are not heading towards a *bicameral legislative power*. This dual participation of the Member States in the Council and of the Union's citizens in the European Parliament is evidence of the Union's move towards a federal system. Without creating a ‘legislative Council’[5], the Treaty has kept the distinction between the two functions of the Council, with the legislative function being carried out in total transparency. However, the Council’s ambivalence has been accentuated in that it now has more governmental functions in the foreign policy area. The confusion of powers remains the fundamental problem of the Council.

A breakthrough for federalism: a new voting procedure

A double qualified majority is defined as at least 55 % of Council members representing 65 % of the Union’s population. It reflects the *federative principle* of the dual representation of Member States and citizens. This procedure applies when the Council acts *on a proposal* from the Commission, which shows the trust enjoyed by the Commission. On the other hand, if the initiative stems from one or more Member States, the majority required is 72 % of members representing 65 % of the population. This new rule takes account of the population criterion and underlines the importance of proposals made by the Commission or High Representative[6]. In practice, the Council votes only rarely; instead it tries to reach decisions by consensus. However, qualified majority voting avoids paralysis and helps to speed up the reconciliation of positions and decision-making. It increases the system’s capacity, while moving it towards a federative community.

The role of the community institutions

The European Parliament: the big winner

The *European Parliament* has emerged stronger, thus giving the Union a more democratic dimension. Its legislative function under the *codecision* procedure with the Council has been extended to around 50 new areas requiring proposals to be made by the Commission. Its legislative powers are comparable to those of the Council. The same is true on budgetary matters, where it has decision-making rights equal to those of the Council. Moreover, its powers of political control over the Commission and its President have been

[5] The German government made proposals based on the ideas of Karl Lamers and Wolfang Schäuble, CDU/CSU-Fraktion des Deutschen Bundestages, Bonn, 1 September 1994.
[6] At the insistence of Poland, this procedure will take effect, following a further delay, in 2014, with an additional transitional period to 31 March 2017.

consolidated, as well as its power over the collegial body's investiture. Its authority has therefore been reinforced. However, the main advance is still the extent of its legislative codecision power and its influence over the Commission, of which it is also the natural ally. The best evidence of this progress towards a federative democracy is, firstly, the importance afforded by the Commission and the Council to the European Parliament and, secondly, the fact that it has become the target of interest groups and lobbyists. These are all indicators of the increased power that the European Parliament now has.

What about the Commission, the driving force of the Union?

As a unique and independent institution, the Commission enjoys the right of initiative and proposal, together with supervision and management powers. It is the only institution invested with *active powers* of initiative, which has *responsibility for identifying and guaranteeing the European public interest.* As the legislative codecision procedure has been extended the Commission has seen its own scope for proposal expanded. The Commission actually plays a pivotal role in legislative matters due to its right of proposal, the consequences of which include the extension of qualified majority voting to the Council. However, it has been reduced to a *rather marginal role* in the CFSP and in the CSDP, where the intergovernmental method and unanimity are the rule. On the other hand, in Justice and Home Affairs, the Commission tends to assume more direct responsibility.

As the main driving force of integration, its role is to assume governance of the Union. Quite clearly, it is the only institution consisting of full-time members with *active power,* and enjoying sufficient independence to counteract the national interests represented by the Councils and to assert the European interest. It is the main guarantor of overall cohesion within the Union. In order to maintain its role after enlargement and reinforce its *collective responsibility* and *efficiency*, the Treaty of Lisbon in particular limits the number of its members to 15 from 2014. Overall, it exercises political responsibility through its 'small' administration[7].

In its approach, which mainly involves consulting experts and the main stakeholders, the Commission looks for balanced solutions that are as objective as possible and that protect

[7] The Commission's administration is small considering the Union's field of action and compared to national administrations, and even regional or metropolitan administrations.

the interests of the small and medium-sized Member States, while taking account of those of the large Member States. This statement explains the attachment of the former to the independent role assumed by the Commission, as these States find it more difficult to assert their interests in intergovernmental structures that are generally dominated by the large Member States. With this in mind, the Treaty of Lisbon includes a series of articles which aim to reinforce the authority of the President and the collective responsibility of the Commission.

Furthermore, the Commission's key role is apparent in the relationship between its right of proposal and qualified majority voting. The Commission's right of proposal, taking into account the balance between the interests of countries and sectors of activity, has helped to extend qualified majority voting. The Commission now has a more direct basis of legitimacy, which results from the more effective involvement of the European Parliament and European political formations in the choice of its President, during hearings and at the time of the investiture of the Commission.

The Treaty of Lisbon has consolidated and expanded the role of the President, whose dual legitimacy stems from his nomination by the European Council acting by qualified majority and his election by the European Parliament[8]. The European Council takes account of the results of the European Parliament elections and conducts 'appropriate consultations' before proposing a candidate to the European Parliament. In turn, Parliament elects the President of the Commission by a majority of its component members[9]. The President decides on the internal organisation of the Commission, ensuring that it acts consistently, efficiently and as a collegial body. He therefore has the power to appoint Vice-Presidents, other than the High Representative of the Union, who is appointed by qualified majority by the European Council *with the agreement* of the President of the Commission. In addition, the Treaty of Lisbon has consolidated his authority by giving him the power to lay down guidelines within which the Commission is to work.

The Barroso II Commission composed of 27 members should be reduced in the future, based on a system of *equal rotation*, to a core of 15 decision-making members. Does this

[8] The European Council of 19 June 2009 unanimously supported José Manuel Barroso for a second term.
[9] On 16 September 2009 the European Parliament resulting from the European elections on 7 June 2009 elected José Manuel Barroso by a majority of 382 votes.

equal rotation of Member States in the allocation of Commissioners not risk weakening the Commission and, at the same time, the community method? Good sense has prevailed, as this reduction stipulated by the Treaty may be amended by the European Council acting unanimously, thus opening the way to a mini-reform.

A rapidly expanding area:
External relations and security

Responsibility for taking fundamental decisions under the CFSP and the CSDP, which involves a specific procedure, should lie, in a federative context, with the *European Council acting on a proposal from the High Representative and – as often as possible – jointly with the Commission*. The consistency and efficiency of external policy depend, to a large extent, on joint proposals being made by the High Representative and the Commission, in close cooperation with the Foreign Affairs Council chaired by the High Representative. In this way discussions would be held on a proposal based on a common vision. In addition, in this configuration, democratic control would be exercised by the European Parliament, before which the Commission is fully responsible. In practice, the division of tasks in the Union corresponds to the need for the appropriate level of political power and democratic control: the more problems fall within the area of high politics, the more the European Council's commitment is needed. As a result, the scales are tipped in favour of the intergovernmental approach, particularly since without any European Council, there can be no genuine external policy.

The key role of the High Representative

One of the Union's main handicaps remains the gap between community affairs and common foreign, security and defence affairs. The High Representative is intended to bridge this gap. In these sovereign areas, the Commission has traditionally had a more unobtrusive role. A modicum of progress has been made: the High Representative, together with the Commission, has the power to present proposals in his or her own name or on behalf of the Commission. As a result, the door has been opened to more responsibility before the European Parliament. However, the fact remains that, in these sensitive areas, unanimity is still strictly required, with the President of the European Council and the President of the

Foreign Affairs Council having the task of facilitating consensus. We can therefore expect them to try to keep the deliberations in the institutional context and avoid any *bypassing* by certain Member States using outside channels. The large Member States with diplomatic and military capability tend to assume leadership in CFSP and CSDP matters. The war in Iraq, just like the military intervention in Libya have split both the large and the small and medium-sized Member States [10]. These divisions reveal the arduous task facing the High Representative.

The Union during the running-in period

A certain point has drawn my attention: the interweaving of the responsibilities of President Van Rompuy and the High Representative within the Union system, as well as their relations with President Barroso and the European Commission. Only the operation in practice of the troika will allow us to assess its effects. However, for the time being, it is clear that their close collaboration and their mutual trust will be decisive for the future of the Union. As regards the collaboration between the two Presidents, this appears to be developing in a promising manner. A gentleman's agreement was concluded between the two Presidents, who have taken to starting their weeks by breakfasting together. Initial evidence of their collaboration is also provided by their complementary participation and intervention at G-8 and G-20 meetings[11].

The ambiguous role of the task force

A minor obstacle threatens to disrupt this harmony between the two leaders of the Union: in order to facilitate the recovery from the financial and economic crisis, the European Council set up a *task force* under the presidency of Herman Van Rompuy. Looking at this in more detail, we can see that it involves informal meetings between the Finance Ministers, together with Olli Rehn, Commissioner, Jean-Claude Trichet, President of the ECB, and Jean-Claude Juncker, President of the Eurogroup. Generally speaking, a *task force* consists of

[10] Unlike the full-on opposition between France and Germany during the implosion of Yugoslavia, on this occasion the Franco-German pair has found itself in the camp of opponents to the war on Iraq.

[11] See, for example, the joint letter on the eve of the G-20 summit in Seoul, which was assessed by the European Council on 28-29 October 2010.

either a limited number of relevant Ministers, or high-level experts. In my opinion, the functions of the President of the European Council should not include the presidency of a *task force*. What is more, this *task force* is encroaching upon the powers of the Commission and upon the Community method thereby tending to take the place of the Commission as the initiator of proposals. President Herman Van Rompuy would be performing his assigned role by facilitating the approval of the Commission's proposals by the European Council, relying on the recommendation of his task force. This procedure would guarantee institutional balance. In fact, when the European Council requests rapid implementation of legislative acts, it is obliged to use community procedure which is based on the Commission's proposals. At the same time, the European Council has set deadlines so that the Council and the European Parliament can reach an agreement on the Commission's legislative proposals before the summer of 2011.

The long experience of the European Community, and the more recent experience of the European Union, confirm the efficiency of the community method, which is an original characteristic of the European Union. This institutional invention differentiates the European Union from international organisations and associates it with federative-type communities, provided that the balance of powers and institutions is respected. This method ensures democratic control by the European Parliament of the Commission's activities, unlike the Council and the intergovernmental method, which are not subject to its control. And yet advances in European democracy involve a certain accountability to the European Parliament.

Furthermore, the community method is the only one that allows participatory democracy at the European level. When drawing up its proposals, the Commission does not limit itself to questioning governments and their administrations, but also consults socioeconomic participants. The long experience of the European Community and the European Union has shown the advantage of a proposal from the Commission being submitted for approval by the Council and the European Parliament : it places, on the discussion table, a document which presents a view of the European common interest and which takes into account the balance between various national and sectoral interests and between the large, medium-sized and small Member States. It is on this basis that negotiations begin. Conversely, intergovernmental procedures are more at risk of being dominated by the large Member States.

II

The European Union trapped by the financial crisis

Assessment of the decisions and indecision adopted in the face of the crisis

The financial crisis represents a severe test for the new Treaty. The response has been slow, piecemeal and on a case-by-case basis. At a time when financial, economic and social crises are striking one nation after another in the euro area, these countries as well as the other Member States are in urgent need of an act of total commitment, an unfailing and immediate undertaking. This is the only response possible to the "default scenario", even if planned in the case of Greece. A strong signal of solidarity sent out to the people and the financial markets is likely to restore confidence and put an end to the *vicious circle of speculation*. Europe needs a grand design, a clear sense of vision and strategy based on a political strength of will which unequivocally attests to European solidarity, rather than the faltering measures and imposed compromises undertaken to date. This is the price to be paid in order to pull out of the crisis, boost the economy and employment and entertain the prospect of dynamic growth.

While waiting for this sudden burst of solidarity, the domino effect is underway and the public deficit and debt crisis which is leading to speculation, unemployment and social unrest, is striking the most vulnerable countries, without even the large Member States being safe.[12] Consequently, after Greece and Ireland, Portugal called upon the Union for help, the next in line being Spain and perhaps Italy, followed by Belgium and not excluding France. A threat is hovering over the euro area, the very core of the European Union. As regards regulation, a step has been taken in the right direction through the Commission’s proposal to adopt four European Authorities to supervise markets and forecast systemic risk.[13] Scepticism

[12] The economist Nouriel Roubini warns about the risk of the markets' mistrust of France's public debt, *Le Monde*, 14th December 2010.

[13] European Systemic Risk Board (ESRB), European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), European Securities and Markets Authority (ESMA).

about the Union's ability to help Member States which are particularly at risk is gaining ground: if the Union is not in a position to efficiently provide aid to Greece (2%), how will it be able to come to the rescue of those countries such as Italy and Spain which represent approximately 1/3 of the total GDP of the euro area? In the meantime, the financial crisis may well spark off social unrest. The violent demonstrations in Athens, Dublin, Rome and Madrid are examples of a warning being sent to European governments and institutions, as well as to the G-20.

Although the Treaty of Lisbon was drawn up at the start of the financial crisis, it does not include any provisions to couteract the crisis. It was only after having resorted to last-minute, sparing rescue plans that the European Councils of 29 October and 16 December 2010 decided to replace, as of 2013, the two existing temporary mechanisms, the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM), with a permanent mechanism to safeguard financial stability. The Treaty of Lisbon is to be revised in order to provide this mechanism with a solid legal basis.

On top of this barrage of declarations and viewpoints, which are often contradictory, there is the debate on the financial capacity of the European Financial Stability Facility (EFSF). According to Jean-Claude Trichet and the Belgian Minister of Finance Didier Reynders, who was the Council's President during the second semester of 2010, the facility's resources ought to be doubled, failing which they should at least be substantially increased. This opinion is rejected by Eurogroup President Jean-Claude Juncker, by the CEO of the EFSF Klaus Regling, as well as by the German Chancellor's predominant voice, adhered to by France. Their opposition has done nothing but delay any decision concerning an increase in the FESF's financial capacity and in its flexibility to intervene.

Other voices can be heard advocating an idea already put forward some time ago by Jacques Delors regarding the issuance of *eurobonds*, supported by Jean-Claude Junker, Giulio Tremonti and Tommaso Padoa-Schioppa. The aim of this initiative is to send out a clear signal to the markets of the "irreversibility of the euro". In order to counter this idea, Chancellor Angela Merkel has put forward two arguments, namely the competition between interest rates and the incompatibility of *eurobonds* with the Treaties. One should not forget that this method of pooling European debt, even if only partially, would result in an increase in German interest rates, which are currently the lowest, while at the same time being of benefit to countries such as Greece, Ireland, Portugal, Spain and Italy which borrow on the markets at extremely high rates. According to Jacques Delors, *eurobonds* could serve another purpose: the funding of extensive work on European infrastructure, European research and education projects, as well as industrial cooperation programmes. The Commission has carried out a study on this idea. Apparently, it has numerous supporters, including several Member States and also the European Trade Union Confederation (ETUC). Other initiatives are either being examined or discussed: a tax on financial transactions, tax on carbon emissions, etc., which are likely to help boost the European economy. There is no shortage of new ideas, however the 17 members lack the political will to transform their words into actions and thereby prove a sense of European solidarity.

According to Paul De Grauwe, the unusual case of Greece does not explain the debt crisis in other euro area countries, which was triggered off by the excessive amount of private debt. It is worth remembering that between 1999 and 2008 - the year that the financial crisis erupted - household debt rose from 50% to 70% of GDP, while bank debt soared sky-high to over 250% of GDP in 2008. His assessment is clear: the financial markets were guilty of a lack of discipline, whereas the governments accepted responsibility for rescuing the banks and the financial system. This led to the excessive rise in public debt. In Paul De Grauwe's opinion, the rigorous mechanism imposed by Germany is based on a wrong diagnosis which is the cause of some concern. Paradoxically, Germany is endeavouring to impose its model of budgetary discipline, whereas it is not even able to make all the Länder and local councils within Germany comply with this model. Indeed, following the example of Wuppertal and North Rhine-Westphalia, certain more indulgent Länder have become overburdened with deficit and debts inherited from the prosperous times or in line with the needs of social expenditure. The federal government has offered assistance on condition that certain measures are imposed. Proposals have been put forward for more drastic reforms, but a real reform would seem to imply "dramatic" changes in the federal system.[14] North Rhine-Westphalia, which alone represents approximately 20% of Germany's GDP, has experienced a 40% increase in its debt from 123.3 to 173 billion euros.

[14] *The Economist*, 23 April 2011 : « Hundreds of mini-Greeces ». According to *Le Monde* of 23 February 2011, German debt increased by 18 % in 2010 : the federal State with 1284.1 billion euros (+ 21,9 %) followed by the Länder with 595.3 billion euros (+ 13 %) and the cities with 119.4 billion euros (+ 4,9 %).

While waiting for a sudden burst of solidarity, some analysts wonder whether a prerequisite for the granting of financial aid to a State should be that previously the latter is declared to be almost bankrupt. According to the economist Thierry Malleret, the cost of non euro is too high to be seriously considered.[15] Since the crisis broke out, the European Commission has introduced a series of directives to supervise the functioning of the markets, banks, hedge funds, rating agencies, followed by numerous projects such as the proposal to increase the transparency of stock markets. In a nutshell, it has tackled the problem of restoring order to the financial markets.[16] Hasn't the time come to present a clear and coherent overview of the situation to European citizens and to the markets, in order to put an end to the uproar and lack of unity? The next step towards a federation would involve providing a guarantee for the whole of the eurozone.

One should not forget that after the Maastricht Treaty created the economic and monetary Union, its twin, the economic Union, was neglected. Moreover, the Maastricht Treaty's legal provisions for excessive deficit were contravened initially by Germany and France. For a long period, the efforts to coordinate economic policy and the proposals for economic governance, first introduced by Jacques Delors and taken up again by subsequent French governments, came up against German reluctance. Yet in order to consolidate monetary Union, economic Union, which is its other half, must urgently be implemented. Efficient *economic governance* and a merging of economic policies, supplemented by *fiscal and budgetary union* as proposed by the President of the ECB, and referred to in other terms by the French President and German Chancellor, are all initiatives requiring a general political resolution which also includes a mechanism for preliminary examination of draft budgets and supervision of the implementation of this uniform system. In most cases, these initiatives will need to follow the community path in order to develop into a ruling and directive. At this point, the Commission resurfaces and begins the codecision procedure. Which leads us to the question of the intense time-lag between decisions taken by the financial markets and decision-making on the part of the European institutions. In order to act effectively, perhaps provisions should be made for exceptional procedures to speed up decision-making in the form of community decrees.

---

[15] "The cost of non euro", *Informed Judgement,* January 2011.

[16] The European System of Financial Supervisors (ESFS) includes : European Systemic Risk Board (ESRB), European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), European Securities and Markets Authority (ESMA) and "Omnibus" Directive.

The example of initiatives dictated by national interests and the ineffectiveness of measures taken by a Member State or a group of Member States highlights the inherent defects of the intergovernmental method. It is my firm belief that this method tends to intensify the impact of national interest and neorealism, to strengthen the domination of large States to the detriment of small and medium-sized States and, consequently, of the public interest and general balance. Using this approach, negotiations are based on divergent initiatives which generally lead to a decision imposed by the large Member States, or to an incoherent decision, or to a watered-down compromise. On the other hand, the innovation of Jean Monnet is the effectiveness of the community method.

Greece, the Achilles' heel of the eurozone

Greece has suffered the shock wave of the crisis, putting European solidarity to the test. The Greek crisis broke out following the discovery by Papandreou's government of the immense scale of the public debt and deficit, buried beneath fudged statistics. It escaped the notice of Brussels, Eurostat and Basel, or at least did not give rise to any preventive measures. Everyone recognizes that this situation is peculiar to Greece and that it is due in particular to large-scale tax evasion, corruption, an excess of civil servants and an inordinate amount of state-owned companies. The response has been as drastic as the crisis itself: severe austerity measures and reforms subject to strict conditionality and community sanctions. While the European Financial Stability Facility was being set up, the question arose as to whether this fund would be used as an active instrument, even "proactive", or whether it would be a reactive mechanism serving as a last resort in a crisis situation. This issue was looked into by Tommaso Padoa-Schioppa in collaboration with other economists[17]. They insisted on the need to activate the fund to enable financial aid to be given to countries which have fallen prey to high budget deficits in their fiscal adjustment efforts.[18] According to Tommaso Padoa-Schioppa, tough fiscal retrenchment may well plunge Greece as well as Ireland and Portugal, with repercussions in other eurozone countries, into a depression which could trigger off a deterioration in their budgetary situation and a shortfall in growth.

[17] Article in the *Financial Times* by Peter Bofinger, Henrik Enderlein, Tommaso Padoa-Schioppa and André Sapir, 28 September 2010.

[18] Tommaso Padoa-Schioppa : *The determination of a Euro's architect in the face of crisis*, Notre Europe, March-December 2010.

Rather than demonstrating a show of solidarity, the German Chancellor has advocated discipline under the threat of sanctions, while at the same time restricting herself to a waiting game. She is in a positon where she is sandwiched between, on the one hand, the need to rescue Greece and defend the euro, and on the other the constraints of domestic policy under pressure from public opinion fuelled by the media. Abounding criticism of Greece has created a "media war", accompanied by lessons on good management of public finances. It took three months of indecision for the leaders of the eurozone, with Germany at the helm followed by France, to realise the necessity of bailing out Greece in order to avoid contagion. By acting quickly, in a unified manner, many setbacks and risks could have been avoided, whether it be loan-shark interest rates imposed on Greece by the markets, or draconian austerity measures which are at the root of the economic and social crisis and of violent social movements. Moreover, it is difficult to assess the cost of delayed action and restrictive conditions, without forgetting the psychological "collateral" damage and the revival of nationalist feelings. On the other hand, it is obvious that this manner of managing the Greek crisis has created divisions within the governmental majority and strained relations with the opposition; doubts have arisen about the cohesion of the eurozone and the tendancy is to deal with each crisis separately, often in an overdue and inadequate manner, instead of adopting an overarching approach marked by unity.

The members of the eurozone contented themselves with providing for an intergovernmental *European Stability Mechanism* as of 2013, equipped with an effective lending capacity of approximately 500 bn euros. The aim is to preserve financial stability in the whole of the eurozone.[19] Of course, particular attention will be given to coordinating fiscal policies. Yet doubts remain about the capacity of the ESM to provide a global solution: do its credit guarantees measure up to the extent of public debt? Instead of taking preventive action, it is only supposed to intervene when a State is already struggling with the final stages of a crisis. The main emphasis is on conditionality and austerity coupled with sanctions, with virtually no importance attached to incentive measures to stimulate growth and employment.

As far as the Commission and Greek government is concerned, they have applied themselves, in collaboration with the Bank of Greece and private Greek banks, to developing

[19] European Council conclusions of 24 and 25 March 2011.

an instrument designed to aid small and medium-sized companies and start-ups. For every euro funded by the Commission, the private banks will provide 2 euros. In addition to this initiative, other measures include European aid for regional development and a new law on foreign investment which aim to support economic recovery and employment. At the same time, the guidelines and in particular the initiatives proposed by the European Council of 24 and 25 March 2011 call upon the Commission to intervene. This is a turning point which marks the Commission's return. Undeniably, the Commission has a key role to play regarding the development and implementation of concrete actions. This policy initiated by the Commission is a positive change of direction in the handling of the crisis. Could it be a sign of the revival of the community method?

The eurozone crisis is likely to trigger off a crisis in the whole of the European Union. As pointed out by Mario Draghi, the new President of the European Central Bank, default by Greece, Ireland and Portugal would have systemic effects. He has warned against the "systemic fallout" of the public debt crisis: "in the eurozone, the sovereign debt crisis in three countries, which together represent 6% of the area's GDP, has the potential to exert significant systemic effects". In his opinion, the eurozone "is facing its most difficult test since it was created. European surveillance over national budget policies, which was weakened in the middle of the last decade on the initiative of the three biggest countries, showed itself wanting just when it was most essential".[20] A return to budgetary discipline should be coupled with a clear assertion of the Union's solidarity consisting of preventive measures.

Undeniably, the euro has become a major currency used to carry out more than a quarter of the world's total trading activity. Consequently, the European Union, and in particular the eurozone, have a certain responsability towards the whole world. A new, common show of enthusiasm would enable the Union and its federal core, namely the eurozone, to get back on the path towards the goal of European integration. This political choice implies the immediate introduction of *economic governance* and, in the long term, of a political Union in accordance with the proposal put forward some time ago by Wolfgang Schäuble, current German Minister of Finance[21]. Inspired by the spirit of this proposal, the European institutions and Member States would declare their desire to commit themselves

[20] *Le Temps*, 1 June 2011.

[21].Wolfgang Schäuble in collaboration with Karls Lamers, *Reflections on European Policy*, CDU/CSU parliamentary group, Bundestag, Bonn, 1 September 1994. These reflections state the need to reinforce the federal core of the European Union and to transform the Commission into the Union's government.

wholeheartedly to the creation of a European federation based on the Treaty of Lisbon. This is the price to be paid for stability and growth, as well as a return to prosperity. Obviously, the very survival and future of the European project is at stake.

III
The comeback of the community method ?

Despite the efforts of the Heads of State and Government of the euro area at the Council meeting of 21 July 2011 and the Franco-German summit in Paris on 16 August 2011, the euro area is sinking ever deeper into the crisis. Repeatedly falling share prices, reservations about the solidity of French banks and the standstill of growth in the euro area are adequate proof of this. We must face the facts - the measures taken over the last few years do not measure up to the challenges set by the financial markets or the economic actors and consequently do not suggest that we will soon find a way out of the crisis. On the contrary, steps are taken bit by bit, proving to be inadequate simply aimed at bailing out countries on the verge of bankruptcy. The reactions of those responsible for the euro area are both overdue and insufficient, allowing speculators to attack one country after another.

These wavering, piecemeal moves are a far cry from the idea of European solidarity within the euro area. The last European Council meeting was devoted almost exclusively to Greece. It was only in their final statements that the Heads of State and Government defined the following four-point objectives: *economic governance*, the importance of the *legislative package* proposed by the Commission and being discussed in the European Parliament, the setting up of *budgetary frameworks* and the proposal to create a *European credit rating agency*. Finally, they invited the President of the European Council, in close consultation with the President of the Commission and the President of the Eurogroup, to make concrete proposals on how to *improve working methods* and enhance *crisis management* in the euro area. Could this be an admission of the failure of the intergovernmental path followed up until now?

During the Franco-German summit at the Elysée Palace on 16 August 2011, President Sarkozy and Chancellor Merkel proposed electing the European Council President as leader of the eurozone at the level of Heads of State and Government. This proposal confirms a subtle insistence on the increased powers of the President of the European Council and a shift towards the intergovernmental tack. It tends to break the institutional balance in favour of the governments of the large Member States and, in particular, the Franco-German pair. How can this Council of national leaders, which only meets four times a year, "govern" without the support of the Commission? In order to maintain the balance between governmental power and that of community institutions, the presidency or co-presidency of the Council of Finance Ministers should be assigned to the Commissioner in charge of economic and financial affairs. This would be an initial step towards the type of economic government formerly proposed by Wolfgang Schäuble.

This rebalancing is necessary due to the Commission's ability to make proposals which represent the general interest of the eurozone and of the European Union. Its dynamic role is confirmed in particular by the large programme of adopted or proposed guidelines aimed at regulating the financial market, controlling financial institutions and proposing preventive measures[22]. Moreover, as an autonomous institution the Commission is invested with the right of initiative and is *alone answerable to the European Parliament*. If we wish to maintain this mechanism of parliamentary control, the Commission should be reassigned its role at the centre of the European village. European democracy is achieved through the Commission and the codecision of the Council and the European Parliament.

The uninspired result of the meeting on 16 August 2011 provoked a large sense of disappointment. The German Chancellor's reticence has accentuated the discrepancy between the expectations of financial and economic actors, or even of European citizens, and the proposals made at the summit. The losses suffered by the European stock markets reflect this feeling of disappointment. Political and economic players who had hoped for a strong signal of European solidarity have been disappointed which has provoked negative reactions within the euro area.

Right at the start of the crisis in 2010, which was originally marked by the Greek crisis, there were obvious demands for a show of solidarity. And yet acts of procrastination, vetoing by the German Chancellor, followed by sparing measures, have done nothing but intensify the

[22] Michel Barnier, *« Cinq clés pour une gestion européenne de la crise. Il faut rétablir la confiance en faisant preuve d'unité »*, Le Monde, 21-22 August 2011; see the table of this whole group of measures presented by the Commission.

financial and psychological cost by undermining confidence and allowing the contagion to spread within the euro area. After a long period of hesitation, the European Council adopted the decision to enhance the lending capacity of the European Financial Stability Facility (EFSF) and increase the flexibility of the rules governing its intervention by allowing it to carry out preventive measures. This positive point is pending approval by national Parliaments - yet more proof of the inadequacy of the instruments provided by the Treaty of Lisbon to deal with a major financial and economic crisis.

The comeback of eurobonds

The idea of *eurobonds* is one that has slowly been gaining popularity. Their issuance would ensure the "irreversibility of the euro", and at the same time they represent a vital supplement to the EFSF. The advantages of eurobonds are obvious: apart from affirming a strong sense of solidarity, they would secure extensive funding for investment in buoyant sectors likely to boost sustainable development: extensive work on European infrastructure, European research, education and training projects, as well as climate-energy and industrial cooperation programmes, in particular in terms of research and innovation, regarding large, small and medium-sized businesses. Today the Commission, as its President declared in the European Parliament, is examining the possibility of adopting eurobonds, in spite of Chancellor Merkel's reluctance and President Sarkozy's indecision. Mrs Merkel is worried that this operation will be costly for Germany. As far as the French President is concerned, he believes that eurobonds should be introduced during the final stage of economic integration and advocates first and foremost establishing European governance.[23] Indeed, the approach adopted by the Franco-German pair does not seem to be in line with the prospect of European integration.

The fact remains that the idea of *eurobonds* is gaining ground amongst governments, economic actors and the general public. The German government as well as the coalition parties in power are divided on this issue, whereas the opinion of exporters has been clearly voiced. Indeed the President of the German Foreign Trade Association (BGA), Anton Börner,

[23] An ambiguous concept as long as its content has not been precisely defined. It is worth mentioning that Mrs Merkel prefers the term economic cooperation to economic governance.

believes that "we need eurobonds with a German signature. Strict conditions must be applied within the eurozone: the anchoring of debt-brake legislation in the constitutions of all eurozone countries, the modernisation of administrative services, increased flexibility of labour markets, massive investment in training. Tax increases should no longer be frowned upon. At the end of the day, all alternatives to the eurobonds would end up costing us more money." As for German Finance Minister Wolfgang Schäuble, a confirmed European, he is opposed to the introduction of eurobonds as long as Member States continue to operate their own fiscal policy. We need *economic governance* and European supervision of national expenditure, in other words a sort of *budgetary union* combined with strict coordination of fiscal policy, the first step towards *fiscal union*. Once these requirements have been met, the path would be clear for eurobonds. The global threat of the crisis calls for a collective European response. Obviously, in order to be effective this response must be composed of a *package of consistent measures*, including the creation of economic governance, a budgetary framework safeguarding certain elements of *fiscal union*, as well as the *legislative package* proposed by the Commission and adopted by European Parliament-Council codecision on 28 September 2011. The only hope for a rapid way out of the crisis is a coherent series of measures, supported by the action of the European Monetary Fund and supplemented by a programme to boost the economy financed by eurobonds, a sort of *European New Deal*. All the more so since the debt crisis has spread to Italy, proving that the EFSF does not have the capacity to help the third economy of the eurozone. Moreover, such an ambitious European project would put the Union back on track towards an unprecedented European federalism.

An enormous European debt market

Financial Times economist, Martin Sandbu, suggests that the lesson to be learnt from the US and Japanese experience is that euro obligations should be issued. [24] Eurobonds would make a lasting impression by creating an enormous sovereign debt market comparable in size to the US and Japanese markets. The US and Japanese example proves that the advantages of pooling the debts of all eurozone countries would far outweigh the costs, creating a debt market of a size to rival those of the US and Japan. He points out that in spite of the fact that the US has been stripped of its triple-AAA rating, US bonds have not lost any of their

[24] « Europe need not wait for Germany », Martin Sandbu, Financial Times, 17th August 2011.

popularity. As far as Japan is concerned, paradoxically the country with the highest public debt (200% of GNP) issues bonds with the lowest yield in the world (1% over 10 years). The large size of these two debt markets underpins their borrowing power. The total stock of US government securities is 6,600bn euros and for Japan the figure amounts to 7,900bn euros. By comparison, eurobonds would create a market worth 5,500bn euros. According to Martin Sandbu, the European debt market would be backed by governments that together owe less debt, run a lower combined deficit and have greater tax-raising capacity than the US and Japan. Moreover, he maintains that European states, on an individual basis, pay higher yields than they would by creating a single, common market. In this way, the European market would become much more attractive for investors and much less vulnerable to panic than nationally fragmented markets. The creation of this large eurobond market would free up new financial resources which could be used, amongst other things, to form a European Fund for growth and competitiveness.[25]

Opposition by the German government is mainly due to the calculated cost of expenditure, to the constraints of domestic policy and the absence of a more long-term vision of the benefits which would result from eurobonds for the German economy and at the same time for the eurozone and the whole of the European Union. Let's not forget that the German economy's buoyancy is based on the strength of its exports rather than domestic consumption. Consequently, any fall in exports will cause growth to slow down, as shown by the low rate of 0.1% registered during the second quarter. And the main market for German products is the common European market (63%), of which the eurozone accounts for 43%. The importance of the European market for German exports is illustrated by the examples given by President Barroso in his speech on « The State of Europe » in Berlin on 9 November, 2011 : « ...in 2010, Germany exported more goods and services to the Netherlands (around 15 million inhabitants) than to China, to France than to the US, to Poland than to Russia, to Spain than to Brazil, to Hungary than to India. In the same year, Germany exported almost five times as many goods to the rest of the European Union than it did to the BRICs countries altogether (China, India, Russia, Brazil, all of them). Its imports from the BRICs countries stood at just 20% of those from its EU neighbours ». It is also a market which benefits from a solid legal

[25] These funds are mentioned in a letter from President Sarkozy and Chancellor Merkel to the President of the European Council on 17 August 2011. Objections raised by the Germans and four other eurozone countries could be circumvented, according to Martin Sandbu, by resorting to reinforced cooperation while waiting for the German government to change its mind.

basis and is founded on strong mutual dependence within the European Union. Moreover, this crucial advantage of European integration, a single market of 500,000 consumers, offers maximum long-term security for intra-community trade. Obviously, the financial crisis, which is threatening to take hold for a long period, is having a direct effect on German exports. At present, various factors are involved: excessive austerity measures, a drop in growth followed by a rise in unemployment, mistrust concerning the strength of European banks, the contagion which is spreading due to economic cross-pillar activity in the eurozone, so many factors which have a decisive influence on the level of consumption, and consequently on the import of goods from European partners and from the largest exporter, namely Germany. Therefore, how can one hope to stamp out the crisis using instruments which have proven to be inadequate?

A global approach

These numerous, diffuse elements require a pooling of resources. It is the Commission's responsibility to present an overall emergency programme. Since the start of the crisis, the Commission has made a succesion of analyses and proposals. Isn't it time for the Commission and its President to take full responsibility for their role as leader of the European Union and to take the necessary steps to combat the challenges with which Europe and the world are confronted? The President's *Report on the state of the Union* to be presented to the European Parliament, is an opportunity to inform MEPs of the Commission's *global Plan* which includes *regulation* of financial transactions, budgetary discipline, the means of combating the crisis, the issuance of eurobonds and the conditions of efficient governance. The purpose of this *package*, presented as a *European New Deal*, would be to breathe new life into the eurozone economy, as well as that of the whole of the European Union and to reverse the current pernicious trend. It would outline a global vision of the economic and political future of the European Union

By way of conclusion
Ingredients of a European vision

What are the main points which emerge at the end of this period marked by the simultaneous occurence of the running-in of the Treaty of Lisbon and the ravages of the crisis? In these conditions, does the Treaty still hold out hope for progress along the federalist path? Or has the impact of the crisis revealed the shortcomings of the new Treaty, of which the provisions inspired by federalism are likely to be swept away by the financial tsunami? Amidst the confusion and the tremors sparked off by the chaotic movements of the markets and the mass sense of panic, can we start to see signs of a way out of the crisis and a revival of the integration process?

Undeniably, the crisis has exposed the indecisive and unpredictable functioning of the Treaty of Lisbon caught between its innovations and the temptation of a reversion to the intergovernmental method, which has been encouraged by the defensive reactions to counter the crisis. Nevertheless, it is the crisis which has gradually proven the irrefutable necessity of the community method, which alone will allow a common, coherent strategy to be formulated and applied. This is my firm conviction.

The strong de facto solidarity and inextricable mutual dependence beween the members of the eurozone, in particular, became obvious from the onset of the Greek crisis through the risk of contagion. Meanwhile this solidarity is gradually taking precedence over a defensive attitude which is more a response to the constraints of domestic policy than to the European public interest. The Franco-German pair, swept along by Germany, also fell prey to the failings of such an attitude. Obsessed with budgetary austerity and public debt, it has taken a long time to try and promote a balance between the necessary budgetary discipline and the necessity of growth. Yet while declaring her firm commitment to the euro, Chancellor Merkel refuses to have recourse to eurobonds. How long will she be able to withstand pressure from the opposition and from German exporters? Amidst all this indecision and procrastination, it is up to the Commission to complete its legislative proposals and initiatives and to present them in a coherent form which can easily be understood by European citizens. But above all, the Commission is expected to fill the current vacuum by resuming its function as the community institution in charge of defining and promoting the European public interest.

In this capacity, the President of the Commission has the duty to present, in the name of the College, the *action plan* consisting of the *European New Deal*. This is the price to pay to emerge from the crisis and boost the economy and employment.

The only way to achieve this large-scale initiative is by having recourse to the community method and appealing to complete European solidarity. This approach implies the creation of a *real economic government* composed of the Council of Heads of State and Government of the euro area presided over by the President of the European Council. This Council of leaders will be responsible for defining political direction acting on proposals made by the Commission and the Council of Finance Ministers of the Eurogroup co-chaired by the competent Commissioner. This suggestion could be studied by the three Presidents entrusted by the Council of 21 July 2011 with the job of improving working methods and reinforcing crisis management in the eurozone. Doesn't this amount to an official recognition of the limits and shortcomings of the intergovernmental method?

Evidently, in order to get round the inertia of the decision-making processes which correspond to situations in periods of non-crisis, it is imperative to revise the current procedures which are governed by the unanimity rule which requires ratification by all seventeen national Parliaments. Two rectifications should be enforced: establish qualified majority voting and ratification by the European Parliament, that is to say by MEPs of the eurozone.

Moreover, having learnt a lesson from the crisis, the three Presidents could suggest that an *ad hoc mechanism* is set up to allow the rapid adoption and immediate application of "European decrees" which would subsequently be submitted to MEPs within the year. This is an *emergency procedure* practised by the Swiss Federal Council and which enables it to respond effectively to market demands. Such a mechanism would be a way of filling the gap between the immediate reactions of the market and the delayed response of the European authorities. For this purpose, it would be useful to follow the example of the ECB in providing support to afflicted countries.

By bringing the crisis under control and thereby safeguarding its own future, the European Union will strengthen its influence within the G-20 and assert its legislative power.

In this way, it will be in a position to assume its role as an innovator at a global level. At the same time, it will be able to fulfill its responsabilities as the largest commercial and economic community in a world in which mutual dependence is increasing. Failure by the European Union to manage the crisis would trigger off a worldwide domino effect. This is proven by the United States' eagerness to promote a European upturn, by the fact that BRIC have offered their assistance, and by the wave of anxiety which has hit countries in Asia, Latin America and Africa.

In order to meet the expectations of the whole world and rekindle hope amongst its people, the European Union as well as the eurozone have the duty to embark courageously on the road towards European federalism.