

*Council for
the Future of
Europe*

Members

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Jacques Delors

Felipe González

Jakob Kellenberger

Mario Monti

Gerhard Schröder

Matti Vanhanen

Guy Verhofstadt

Nicolas Berggruen

Juan Luis Cebrián

Mohamed El Erian

Niall Ferguson

Anthony Giddens

Alain Minc

Robert Mundell

Nouriel Roubini

Michael Spence

Joseph Stiglitz

Senior Advisors

Max von Bismarck

Nathan Gardels

Council for the Future of Europe

September 6, 2011

Statement by the Council for the Future of Europe:

EUROPE IS THE SOLUTION, NOT THE PROBLEM

This statement is the result of a consensus. All the members of the committee support it. Having in common the ambition of a unanimous position it is therefore approved by every member without implying that each member totally agrees on every individual point. What we do share without reservation is a vision that the solution to Europe's crisis is more integration based on the Community method, not less.

EUROPE AT A CROSSROADS. Europe is at a crossroads. It is a moment of choice for both the 17 countries of the Eurozone and the 27 countries of the European Union. The Eurozone needs to decide whether it will move in the direction of a more comprehensive fiscal and economic union or risk a breakup that would put in danger the whole European integration.

The European Union needs to decide whether to promote growth, speak with a common voice on global issues and play a significant global role in the 21st century or accept that the world will move on without us. Not making a decision and taking action on these fundamental questions will weaken Europe as a whole and its member states individually, including the larger ones.

EUROPEAN PROJECT A HISTORICAL SUCCESS. It is important to emphasize that, despite the recent difficulties; the European project has been a tremendous historical success. European integration has brought peace and stability to the continent to an extent unimaginable only a generation ago. It has been an economic win-win all across Europe. For all countries membership in the European Union has meant dramatic rises in the standards of living, while countries in the core have equally benefited from an enlarged and integrated market. Today the European Union, with more than 500 million people, is the largest common market on the planet and a model for other regions. It is for the sake of preserving and furthering this historically successful project that we must deal boldly with our current challenges.

FORWARD-LOOKING LEADERSHIP. Several members of this group were present at the creation of the European Union and its single

currency. They have joined together with the rest of us as Europeans first and foremost to send a message that a revitalized vision of a truly integrated Europe is the best way out of the present crisis of governance. Nothing can be resolved by a north vs. south, us vs. them mentality.

Meanwhile, our preoccupation with the fiscal crisis comes at the expense of the broader EU agenda. Whether it be foreign policy, energy, immigration or plans to stimulate growth and employment, many priorities are largely left ignored.

ENGAGE EUROPEAN CITIZENS. There is no greater task for forward-looking European leadership than honestly engaging the doubts and anxieties of European citizens who feel disconnected and alienated from the abstract processes in Brussels. The vision of Europe that will succeed is that which inspires the commitment of its citizens whose faith in a European future is shaken.

INSPIRE CONFIDENCE. A forward-looking approach that inspires confidence instead of doubt must include short-term steps as well as mid-term and long-term goals. The necessary short-term steps will only be credible if there is every assurance that the medium and long-term steps will also be implemented.

1. **A EUROPEAN FUND.** In the short-term further market contagion needs to be avoided. Therefore, rapid implementation of the July 21st decision to allow the stabilization facilities to intervene with precautionary measures, is of critical importance. In addition, the size of the existing facilities needs to be expanded. By 2012, these facilities should be transformed into a full-fledged European Fund.
2. **APPROPRIATE FINANCIAL SECTOR CAPITALIZATION.** The Eurozone must practically ensure that the banks which need it are properly capitalized, including through private sector participation.
3. **A RESPONSIBLE FISCAL UNION.** It has become clear that a monetary union without some form of fiscal federalism and coordinated economic policy will not work. Nation states will need to share certain dimensions of sovereignty to a central European entity that would have the capacity to source revenue

at the federal level in order to provide European-wide public goods. Furthermore, a common European debt facility, Eurobonds, should be developed. Eurobonds need effective control mechanisms to avoid systematically large fiscal deficits. The existing stability and growth pact has proven insufficient. To ensure fiscal discipline that protects the public from irresponsible policies on the part of any government, the Eurozone requires an effective and enforceable control system. While standards must be strict the diversity of conditions across the Eurozone requires flexibility in how those standards are met.

4. **ORDERLY DEBT RESOLUTION.** Mechanisms for orderly debt resolution must be established for both public and private liabilities if lasting and unmanageable insolvencies arise.
5. In pursuing the necessary fiscal austerity and structural reforms to restore growth in the medium and long run, we must be careful not to undermine the present fragile recovery in the short-run. Adequate macro-economic policies must be employed to avoid this.
6. **GROWTH AND EMPLOYMENT.** Austerity is necessary but not sufficient. To compete in the globalized world, Europe needs to implement an ambitious "Agenda for Growth and Employment" to boost competitiveness (see EU 2020 Strategy).

A growth strategy should include efficient use of existing EU funds to stimulate growth and job creation in the periphery as well as programs to enhance research & development, professional skills and higher education. So far Europe has fallen far short of the goals set out in the Lisbon Agenda. Absent such a strategy, the temptation for economic nationalism will arise.

7. **SOCIAL COMPACT.** One of Europe's key challenges will be an ongoing re-adjustment of the social compact in order to both recognize new realities and preserves this key pillar of the

European social model. Social security systems must be prepared to accommodate the impact of an ageing population.

8. **EUROPE AS A KEY GLOBAL PLAYER.** The relevance and geopolitical strength of Europe is directly correlated with the strength of the European Union. Without a strong and integrated Union, European countries face the prospect of ever-decreasing geopolitical influence. It will be necessary to further lay out a vision of a Federation that goes beyond a fiscal and economic mandate to include a common security, energy, climate, immigration and foreign policy as well as develop a common narrative about the future of the union and its place in the world. This is a challenge for all the 27 nations of the European Union.
9. **ENGAGED CITIZENS.** These steps toward further integration can only go hand in hand, step by step, with a broad and deep engagement of the public. The process of further integration must be led by a Parliament, a Commission and a Council that has the active support of European citizens. European citizens will become more engaged through democratic processes when the Parliament is further empowered.

Conclusion

ENLIGHTENED SELF-INTEREST. The current crisis is a matter of the utmost urgency but at the same time an opportunity. Now European citizens expect their leaders to move from a day-to-day crisis management to taking charge and prepare the European Union for the challenges of the 21st century. Supporting European integration is not a matter of solidarity but of enlightened self-interest. It is time to address the big questions in order to preserve the unique European balance of individual freedoms, market economy and systems of social protection.

For us, Europe is the only solution.