Klaus Weber | Henning Ottmann

Reshaping the European Union



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Preface

In winter semester 2013/ 2014, Peter M. Huber, Professor of Law at the Ludwig-Maximilians-Universität München and Judge at the Bundesverfassungsgericht (Federal Constitutional Court), delivered a lecture on European Law. ¹ The lecture of Professor Huber provided a thorough introduction into the European Law. On the basis of this lecture, one of us (K.W.) began to realize that something was wrong with the European Union. The result of these considerations was the publication of a paper with the title "Europa in der Sackgasse – Überlegungen zur Verfasstheit der Europäischen Union" which was published in the *Politisches Denken Jahrbuch* 2014 13: 229-259.²

The positive response to this article in the *Jahrbuch* induced K.W. to go ahead with the preparation of a book on European questions. Two aims were envisaged concerning the book. The first aim was to look deeper into the structure and functioning of the European Union in order to uncover the misconstructions and defects of this political entity. The second aim was to find recipes for reshaping the European Union.

One of us (H.O.), Professor emeritus of Political Science and Philosophy at the Ludwig-Maximilians-Universität München, has been interested in European questions for many years. On request of K.W., H.O. agreed to contribute one chapter to this book. We got to know each other when H.O. delivered lectures on political science and philosophy at the Ludwig-Maximilians-Universität München between 1995 and 2009. For years, we have been discussing political matters after the lectures of H.O. These discussions were a great inspiration to K.W. On request of H.O., K.W. commented on three chapters of the *Geschichte des politischen Denkens* 2008, 2010, and 2012.³

¹ The title of the lecture was "Staatsrecht III (Europaverfassungsrecht, internationale Bezüge des Grundgesetzes)".

² The translation of the title is as follows: Europe in the dead end – Considerations about the *Verfasstheit* of the European Union.

³ Henning Ottmann is author of the *Geschichte des politischen Denkens (History of Political Thought)* in nine volumes published between 2001and 2012.

We would like to express our deep gratitude to Eva Weber-Wüst for correcting the English text and to Dr. Hans Weber for making comments on the content of the book. Nathaniel Bach thankfully went through the text of chapter IV.

For years, K.W. has been appreciating the political, economic, and philosophical discussions with Gerald Adams, Professor (Univ. Gyumri) Dr. Dipl. Sc. pol. Felix Dirsch, Dr. Ulrich Horstmann, Professor Dr. Michael Kutschker, Professor Dr. Ram Adhar Mall, FOM Professor Dr. Gerald Mann, Professor Dr. Frank Pilz, Dr. Günter Rittmann, Ulrich Thoma, and last but not least Dr. Eckhard Tiemann.

K.W. would also like to thank Steffen H. Elsner, Dr. Moritz Fink, and Dr. Thomas Schölderle of the Akademie für Politische Bildung Tutzing for their kind advice. The Akademie für Politische Bildung Tutzing (headed by Prof. Dr. Ursula Münch) holds conferences on various political, legal, economical, and philosophical issues. K.W. attended a variety of these conferences organized by Dr. Andreas Kalina, Dr. Gero Kellermann, Dr. Wolfgang Quaisser, and Dr. Michael Spieker. Several of the conferences were related to European questions.

August 2017

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6

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Abł	orevi	ations	17
	oduc us W	ction Weber and Henning Ottmann	21
I.	History of the European Union Klaus Weber		
	1.	Origins of the European Community 1.1 Ideas on a United Europe 1.2 National Interests 1.3 Influence of the USA 1.4 Cold War	31 31 34 37 38
	2.	Foundation of the European Community 2.1 European Coal and Steel Community Treaty 2.2 European Defence Community 2.3 Evolution of the European Economic Community Treaty 2.4 European Economic Community Treaty	38 40 42 42 45
	3.	Development after the European Economic CommunityTreaty 3.1 European Economic Community and De Gaulle 3.2 Two Important Decisions of the European Court of Justice 3.3 Deepening and Enlargement of the European Community	46 47 49 50
	4.	The Dynamic of the 1980 s	52
	5.	Euro and Eurozone Crisis	54
	6.	Political Events after 1985	59
	7.	Further Development of the European Union	61
	8.	Comment	63
	9.	Conclusion	66

II.	Basic Issues Klaus Weber	68
	1. The Constitutive Treaties	69
	2. <i>Verfasstheit</i> of the European Union	70
	2.1 Arguments pro Constitution	71
	2.2 Arguments contra Constitution	74
	2.3 Discussion	76
	3. The European Union as International Organiza	ation 77
	4. Supranationality of the European Union	78
	5. Three Intriguing Theories	80
	5.1 Intergovernmentalism	81
	5.2 Supranationalism	81
	5.3 Constructivism	82
	5.4 Comment	83
	6. Sovereignty	83
	7. Constitutional Pluralism	86
	7.1 Discussion	88
	8. Legitimacy	89
	9. Accountability	93
	10. Purposes and Goals	93
	11. Conclusion	96
III.	Structure and Functioning of the European Union <i>Klaus Weber</i>	99
	1. General Remarks on European Union Instituti	ons 100
	2. European Commission	101
	2.1 Tasks of the Commission	102
	2.2 Composition of the Commission	103
	2.3 Structure of and Voting within the Comm	ission 105
	2.4 Network between European Union and M	Iember
	States	106
	2.5 Agencies	107
	2.6 State of the Union Address	109
	2.7 Comment	110

3.	European Council	111
	3.1 Shared Executive Power	113
	3.2 President of the European Council	113
	3.3 General Affairs Council	114
	3.4 Comment	115
4.	Council	115
	4.1 Composition of the Council	116 116
	4.2 Decision-making in the Council	
	4.3 Council Configurations	
	4.4 Presidency of the Council	118
	4.5 Assisting Committees	118
	4.6 Intergovernmental Conference	120
	4.7 Foreign Affairs and Security Policy4.8 Comment	120 121
_		
5.	1	121
	5.1 Composition of the European Parliament	122
	5.2 Political Groups in the European Parliament	123
	5.3 Parliamentary Organs	124
	5.4 Decision-making in the European Parliament	126
	5.4.1 Legislative Functions	126
	5.4.2 Budgetary Functions	127 127
	5.4.3 Supervisory Functions5.4.4 Elective Functions	127
	5.5 Comment	127
_		
6.	.	128
7.	European Central Bank	129
	7.1 Comment	131
8.	Court of Auditors	133
9.	Order of Competences	134
	9.1 Union Competences	134
	9.2 Principle of Conferral	
	9.3 Subsidiarity and Proportionality	
	9.4 Enhanced Cooperation	
	9.5 Comment	137
10.	. Summary	138
11.	Conclusion	140

IV.	The European Court of Justice – a Controversial Institution? <i>Klaus Weber</i>			
	1.	Jurisprudence of the European Court of Justice	143	
		1.1 Basic Considerations	143	
		1.2 Legal Order of the European Union	144	
		1.3 Direct Effect	146	
		1.4 Regulations	148	
		1.5 Directives	148	
		1.6 Supremacy of the Union law	150	
		1.7 Preliminary References	156	
	2.	Debate on the Jurisprudence of the European Court of		
		Justice	157	
		2.1 Supportive Opinions	157	
		2.2 Opinions of the Critics	161	
	3.	Other Recent Opinions of Legal Scholars	163	
	4.	Political Question Doctrine	171	
		4.1 Political Question Doctrine in the USA	171	
		4.2 Political Question Doctrine in the European Union	173	
	5.	Discussion	175	
	6.	Recommendations	180	
	7.	Conclusion	181	
V.		arosystem and Eurozone Crisis aus Weber	183	
	1.	Basic Issues	184	
		1.1 Currency Unions	184	
		1.2 Exchange Rate Regimens	185	
		1.3 The Burden of Public Debt	186	
		1.4 Lessons from Previous Financial Crises	189	
		1.5 Sovereign versus Corporate Bankruptcy	192	
		1.6 Peculiarities of the Bank System	192	
	2.	Creation of the Eurosystem	194	
	3.	The Beginning of the Great Recession	199	

4.	The Eurozone Crisis	202
	 4.1 Competitive Weakness in the Eurozone 4.2 Remedies in Ireland and the Baltic States 4.3 Competition from Middle-East and Eastern Europe 4.4 Interest Rates 4.5 Fiscal Problems in the Eurozone 4.6 Private Wealth within the Eurozone 4.7 The Eurosystem in the Crisis 4.8 The Effect of Moral Hazard 	203 205 206 206 207 209 209 214
5.	Target Balances	215
6.	Handling the Current Account Deficit	217
7.	Rescue Programmes	218
8.	Structural Reforms and Austerity	221
	8.1 Critique on the Troika	223
9.	The Banking Union	225
10.	The Challenge of Fiscal Union	232
	10.1 Fiscal Federalism 10.1.1 Fiscal Federalism in the USA 10.1.2 Fiscal Federalism in Switzerland 10.2 Disregard of the Maastricht Criteria 10.3 Does the Eurozone Need a Fiscal Union? 10.4 Fiscal Recommendations	233 233 235 235 236 239
11.	Previous Suggestions for Reshaping the Eurosystem 11.1 Transfer Union, Debt Mutualisation, and Similar Proposals 11.2 Self-responsibility of Every Eurozone Country 11.3 Reconciliation of Both Standpoints	239 240 243 247
12.	The Challenge of Debt	249
13.	An Insolvency Procedure	251
14.	Exit from the Eurozone	251
15.	Fate of the Future Eurozone	255
	15.1 Dissolution of the Eurozone 15.2 Price Adjustment in the Eurozone 15.3 Eurobonds and Transfer Union	255 256 258

	16.	Own Reform Proposals	258
	17.	Conclusion	262
VI.		fects of the Existing European Union ous Weber	264
	1.	The Ambiguity of the Ever-Closer-Union Clause	264
	2.	Challenge of Diversity of the Member States	265
		2.1 Inequality of Size and Population	266
		2.2 Diversity of Background	267
		2.3 Cultural and Religious Diversity	268
		2.4 Small versus Large Member States	273
		2.5 The Challenge of the Equality Claim	274
		2.6 Comment	276
	3.	Defects of Democracy	277
		3.1 Equality and Citizenship	277
		3.2 Defects of Representative Democracy	278
		3.3 Democratic Deficit of the European Union	279
		3.4 Defects of Parliamentary Representation	281
	4.	Defects of Popular Sovereignty	284
	5.	Defects of the Separation of Powers	285
		5.1 Defects of the Horizontal Separation of Powers	286
		5.2 Defects of the Vertical Separation of Powers	288
	6.	Deficient Jurisprudence of the European Court of Justice	290
	7.	Defects of the Law-making Process in the European Union	290
	8.	Deficient Activities of the European Central Bank System	291
	9.	Lack of Duties	292
	10.	A Misarranged State of the Union Address	292
	11.	Conclusion	293
VII.		ropean Nation State versus European Union	295
	1.	Historical Aspects	296
		1.1 The View of the Comparative Historians	296
		1.2 Factures of the State in the Light of History	200

	1.3 History of the European Nation State	300
2.	Political Order and the State	302
	2.1 Good and Bad Political Order	302
	2.2 Nature of the State	303
	2.3 Staatlichkeit within the European Union	304
3.	Democracy	306
	3.1 Democracy in the Greek Polis	306
	3.2 Democracy and the Modern State	307
	3.3 Types of Democracy	308
	3.4 Preconditions of Democracy	312
	3.5 Democratic Legitimacy	314
	3.6 Limits of Democracy	315
	3.7 Advantage of the Democratic State	316
	3.8 Democracy of the EU Member States	316
	3.9 European Union versus State Democracy	316
4.	Parliamentarianism	318
	4.1 The National Parliament	318
	4.2 National Parliaments in the European Union	319
	4.3 European Parliament	320
	4.4 Comment	321
5.	Popular Sovereignty	321
	5.1 Popular Sovereignty in the Nation State	322
	5.2 Popular Sovereignty in the European Union	323
	5.3 Popular Sovereignty and National Constitutions	323
	5.4 Comment	324
6.	Separation of Powers	325
	6.1 Separation of Powers in the State	326
	6.2 Separation of Powers in the European Union	327
	6.3 Comment	327
7.	Rule of Law	328
	7.1 European Rule of Law Tradition	328
	7.2 Rule of Law and the Classics	329
	7.3 Principles of the Rule of Law	330
	7.4 Comment	335
	7.5 Rule of Law in the European Union	336
8.	Conclusion	337

VIII.		odels for a Future European Union enning Ottmann	339
	1.	A Short History of Federations 1.1 The Polis and its Federations 1.2 Empires 1.3 The Nation State	341 341 342 344
	2.	The Present Status of the European Union	344
	3.	Reforms and Models of the Future European Union	349
	4.	Empire and Neo-medievalism	356
IX.		e People and the Making of the European Union Treaties aus Weber	361
	1.	Public Participation and Popular Sovereignty in the European Union 1.1 Public Participation 1.2 Popular Sovereignty	363 363 365
	2.	Public Participation and Popular Sovereignty in the USA 2.1 Public Participation 2.2 Popular Sovereignty	366 366 370
	3.	Discussion	372
		 3.1 Appropriate Public Participation 3.2 Differences between Europe and USA 3.3 Similarity of Procedures in Different Polities 3.4 Popular Sovereignty 3.5 Are the People Dangerous? 3.6 Consequences 	372 375 376 377 378 380
	4. Recommendations		
	5.	Conclusion	382
X.		oposals for a Reshaped European Union aus Weber	384
	1.	Previous Suggestions for a Future European Union	385
		1.1 Ideas and Models for a United Europe	385
		1.2 Nation State and Governance	388
		1.3 Deviations from the Treaties and Agreements	391

	1.4 Democratic Legitimacy and Accountability	393
	1.5 Promises and Shaken Expectations	396
	1.6 Challenges	398
2.	General Considerations	402
3.	Purposes of the Future European Union	405
4.	Supranationality and Limited Supranationality	407
	4.1 Supranationality	407
	4.2 Limited Supranationality	409
5.	The European Union as Unique Polity	411
6.	Reign, Structure, and Functioning of the Future European	
	Union	411
	6.1 The Future European Council	412
	6.2 The Future Council	413
	6.3 The Future Chamber of National Parliamentarians6.4 The Future European Parliament	413 413
	6.5 The Future European Commission	413
	6.6 The Future European Court of Justice	414
	6.7 The Future European Central Bank	415
7.	The Future Treaty-making	416
8.	Law-making in the Future European Union	417
9.	Uniformity of Law and Principles	419
	9.1 Differentiation of Law	420
	9.2 Uniformity of Principles and Values	420
10.	Equality of the Member States	421
11.	Sound Finances	422
12.	Future Defence Policy	425
13.	Future Foreign and Security Policy	426
14.	Implications of the Brexit	427
15.	The Challenge of Immigration	430
16.	Admission of New Members	433
17.	Future State of the Union Address	434
18.	Conclusion	435

References	438
Name Index	459
Subject Index	463

Abbreviations

BIS Bank for International Settlements

CAP common agricultural policy

CDS Credit Default Swap

CEE Central and Eastern Europe

CFSP common foreign and security policy
CMEA Council for Mutual Economic Assistance

CoCo Contingent Convertible Bond

Coreper Committee of Permanent Representatives

CSCE Conference on Security and Cooperation in Europe

CT Constitutional Treaty

DM Deutsche Mark

EAC European Affairs Committee EBA European Banking Authority

EC European Community

ECA Economic Cooperation Administration

ECB European Central Bank

ECHR European Convention on Human Rights

ECJ European Court of Justice

ECOFIN Council of Economic and Finance Ministers

ECU European Currency Unit

ECSC European Coal and Steel Community

EDC European Defence Community

EEA European Economic Area

EEAG European Economic Advisory Group EEC European Economic Community EFSF European Financial Stability Facility

EFSM European Financial Stabilization Mechanism

EFTA European Free Trade Association

EIB European Investment Bank
EMS European Monetary System

Abbreviations

EMU Economic and Monetary Union

EP European Parliament

EPU European Payments Union
ERM Exchange Rate Mechanism
ESM European Stability Mechanism

EU European Union

EUI European University Institute

Euratom European Atomic Energy Community

FTA Free Trade Area

GAC General Affairs Council GDP Gross Domestic Product

GIIPS Greece, Ireland, Italy, Portugal, and Spain

GIPSIC Greece, Ireland, Portugal, Spain, Italy, and Cyprus

GNP Gross National Product

IGC Intergovernmental Conference IMF International Monetary Fund

NATO North Atlantic Treaty Organization

NCB National Central Bank

NGO non-governmental organization

OECD Organization for Economic Cooperation and Development

OMT Outright Monetary Transactions

OEEC Organization for European Economic Cooperation

QMV qualified majority voting
SEA Single European Act
SGP Stability and Growth Pact
SMP Securities Market Programme
SRB Single Resolution Board
SRF Single Resolution Fund

SRM Single Resolution Mechanism SSM Single Supervisory Mechanism

Target Trans-European Automated Real-time Gross settlement

Express Transfer system

TEU Treaty on European Union

TFEU Treaty on the Functioning of the European Union

UK United Kingdom
UN United Nations
US United States

USA United States of America
WEU Western European Union
WTO World Trade Organization

Introduction

Klaus Weber and Henning Ottmann

Since its foundation in 1951, the European Community, later called the European Union (EU), has experienced a period of integration over decades. The integration stood under the motto of the "ever closer union". The ever-closer-union clause has been included in various EU Treaties since 1957. Recently, however, the picture has changed. There is now a debate about disintegration of the EU, especially since the Eurozone crisis and the Brexit vote of June 2016. The fears extend from the dissolution of the Eurozone to the dissolution of the entire EU. Europe would then find itself to be again in the status of independent Westphalian states.

The considerations about integration and disintegration of the EU lead to the question whether the EU has a future and, if this is the case, how the future of the EU would look like.⁵ The authors believe that the EU only has a future as a profoundly reshaped political entity. The reason for our concerns is that the existing EU has pronounced defects which urgently need correction and that the EU is exposed to potentially fatal challenges. Thus, reshaping the EU appears to be essential for the survival of the EU. Under these circumstances, the aim should not be an ever closer union but simply a better EU.⁶

In this context, an intriguing question refers to the role of the nation state in relation to the EU. A widely held belief assumes that the time of the nation state is over and that the EU should replace the nation state. However, a closer look into this issue reveals a somewhat complex situation. The European nation state is accused of having a propensity to nationalism and waging war. This propensity cannot be denied. Yet, the tendency to wage war is also seen in the Polis and in empires such as the Roman, Ottoman, and Russian Empires. Moreover, nationalism is not restricted to the European nation state if one takes into account quasi-nation-

⁵ On 1 March 2017, the European Commission presented a White Paper on the Future of Europe which addresses five scenarios; according to our opinion, the conception of this paper is not sufficient.

⁶ This conception has already been proposed by one of us (see Weber 2014: 256-257).

alistic enthusiasm in other polities. An additional point of view appears to be even more important. The well-designed European nation state has developed valuable principles such as democracy, rule of law, separation of powers, popular sovereignty, and parliamentarianism. The EU has more or less been deficient concerning these principles as it is outlined in this book. Even worse, the EU lacks the promise to be able to develop better principles than the nation state. Thus, the authors argue that the EU cannot replace the well-designed European nation state under these circumstances.

This book has developed the conception of a balanced view of the nation state in order to cope with the role of the nation state in the EU. The balanced view in this respect means that the disadvantages of the nation state, namely its propensity to nationalism and waging war, need to be curbed. On the other hand, the valuable principles of the well-designed European nation state mentioned should be preserved within the EU. The conception of the balanced view of the nation state contributes to the question of the role of the nation state in the EU. If the well-constituted European nation state ensures the principles of the Western civilization and the EU cannot promise better principles, the EU shall do everything possible to cultivate an agreeable relationship with its member states.

Additional considerations emphasize the essential role of the European nation state. Alan Milward claimed that the European nation states founded the EU in order to rescue themselves (see Milward 2000: 1-20). Although this view might be somewhat exaggerated, the observation that the EU was created in the interest of the European nation states is the prevailing view among historians (see Dinan 2014 c: 347). The role of the European nation state is further strengthened by two other aspects. First, the EU Treaties are derived from the EU member states. Secondly, the welldesigned EU member states are democratically legitimized contrary to networks, NGOs, and multinational companies. Certainly, regional governments and cities are usually also democratically legitimized, but they have less power than the nation state. In other words, the European nation state has not resigned. On the contrary, it appears that the EU cannot appropriately be reshaped without its member states. These considerations do not rule out that the EU has some advantages compared with the EU member states as outlined below.

The EU is widely regarded as a unique political entity because it combines supranational and intergovernmental elements (see Fabbrini 2015: 248-250 and 265-268). Throughout the history of the EU, there has been a

conflict between these two elements. The EU member states have experienced a decreasing influence. On the other hand, the competences of the EU have constantly been enlarged over time. Now, it seems to be time to delineate the relationship between the EU and its member states anew. Accordingly, this book presents the conception of limited supranationality in order to cope with this conflict. Limited supranationality implies that the EU should be in charge of only a limited number of competences and tasks. The other competences and tasks should remain in the realm of the EU member states.

Along these lines, the EU should mainly fulfil four purposes, namely securing peace, promoting economic prosperity, compensating the relatively small size and limited power of its member states, and ensuring the compliance with the valuable principles of Western civilization mentioned. These purposes can better be fulfilled by the EU than by any individual EU member state. This book forwards the opinion that the EU should focus on these purposes instead of concentrating on the ever closer union. It cannot be the task of a sound polity to follow a teleological ideology. Rather, a non-ideological and sober approach should be pursued in the future EU.

This book contains some ideas which might appear unusual in the eyes of EU enthusiasts. This means that seemingly well-established principles of the EU ought to be called into question. Striking examples refer to the principles of the superiority of the EU legal order and the supremacy of Union law over national law. Chapter IV argues that there is no justification for these principles. The abandonment of these principles necessitates a change of the entire law-making process in the EU. Another consequence of the altered law-making process could be the reduced number of enactments leading to a more careful law-making. At the same time, the future European Commission (Commission) should lose its monopoly for the initiation of laws.

Three particularities could be of interest concerning the future treaty-making. First, the Lisbon Treaty cannot be regarded to be a constitution. As outlined in chapter II, an important reason for this assertion is the fact that the EU member states simply did not and do not want to regard the Lisbon Treaty to be a constitution. Accordingly, we prefer to speak of treaty-making instead of constitution-making if a future treaty of the Lisbon-Treaty-type shall be constituted among certain European nation states. In this context, the term treaty-making does not refer to any other type of EU treaty. Secondly, Dieter Grimm has concluded that only the core part

corresponding to the TEU should be framed in the future EU Treaties and the remnant part should be simple law (see Grimm 1995: 48 and 2016: 27 and 119-120). Along these lines, von Weizsäcker, Dehaene, and Simon (1999: 12) suggested to the Commission that there ought to be a basic and a separate part of the EU Treaty. Thirdly, the future EU Treaties corresponding to the present TEU should take into consideration the limited supranationality principle which is recommended in this book. This means that the future EU Treaties of the Lisbon-Treaty-type should mainly be concerned with the four purposes of the EU mentioned above.

The large number of EU member states represents a great challenge to the creation of the future EU Treaties. Accordingly, the future treaty-making and law-making processes in the EU will necessarily have to be complex. This is quite unfortunate, but is unavoidable. Concerning the treatymaking process, the participation of the people appears to be mandatory. This can be achieved by an indirect participation of the people via special treaty-making conventions similar to the special US constitution-making conventions of the 1770 s and 1780 s. But we would like to emphasize that the similarities only refer to the procedure of involving the conventions since the political situation in the USA of the late 18th century and in the present Europe is different. In the USA of that time, constitutions were created, for instance the US Constitution constituting the federal state of the USA. In present Europe, the aim is to create a future treaty among European nation states constituting a unique European polity, but not a federal state. This kind of future treaty-making would ensure a more intense involvement of the people. In addition, the national parliaments should actively be involved in the future treaty-making process and should not be restricted to an act of ratification. Ratification only allows to agree or to disagree (see Grimm 2016: 184).

The national parliaments are conceived to become the centre of the future law-making process. The national parliaments are fully legitimized and its parliamentarians are fully accountable to the peoples of the EU member states. By comparison, the European Parliament is not fully legitimized because there is not a European demos and because of the lack of a European public. The involvement of the national parliaments best ensures the overcoming of the democratic deficit of the EU. This is not the case with the European Parliament. Thus, this book revitalizes the previous idea of a Chamber of National Parliamentarians. The proposal is that the national parliaments delegate a certain number of parliamentarians to this

chamber. Chapters IV and X outline how the future law-making process could function.

The structure of the future EU should be changed to a certain degree. The European Council and the Council shall be the dominant executive institutions. The future Commission should be a purely administrative institution subordinated to the European Council and the Council. The composition of the Commission, the European Court of Justice (ECJ), and the Governing Council of the European Central Bank (ECB) should be modified. The European Parliament should cooperate with the Chamber of National Parliamentarians. The voting rights within the EU institutions should orientate themselves towards the number of inhabitants of the EU member states.

The ECJ, the ECB, and the Commission are not accountable to the citizens of the EU. It is therefore not surprising that these "independents" have over-extended their mandate and their competences as Vauchez (2016), the authors, and others have demonstrated (see chapters IV –VI). A check of these institutions is necessary. Thus, one of us has proposed a Court of Appeal to control the ECJ (see Weber 2014: 255-256 and chapter IV). The Commission ought to be only a subordinated institution as outlined above. The ECB is difficult to control, but this might be carried out by supervision of a group of renowned financial experts.

The future policies of the EU need an arrangement which should avoid animosities among the EU member states. This is particularly important in the field of the finances. Animosities can only be avoided if every EU member state is fully responsible for its own finances. This precludes any transfer union or eurobonds. The same holds true for the defence policy. A European army should not be the aim of the EU. Instead, cooperation in finance and defence matters is desirable, but not a complete Europeanization in these areas. The foreign policy of the EU should mainly remain in the domain of the EU member states, but not the control of the outer border of the EU which ought to be supervised by the European Council via a Foreign and Security Representative. All European institutions should have the right to initiate law proposals.

One of the functions of the European Council should be to decide by a 75% vote on the loss of the EU membership in case a given EU member state does not comply with the essential principles of the EU mentioned. The decision of the European Council needs to be backed by the opinion of a committee of renowned experts such as the Venice Council. Prior to losing the EU membership, the EU member state in question should re-

peatedly be warned to lose its voting rights and its financial support by the EU. Readmission should be possible provided there is proof for complying with the essential principles of the EU.

Crises may or may not have favoured the development of the EU (see Schmitter 2015: 181-182). The EU has overcome several crises before so that the idea has been forwarded that it could also overcome the present crises. However, presently the EU faces several crises at once. Besides the defects of the existing EU, there are at least three other crises: the Eurozone crisis, the immigration problem, and the Brexit. Each of these crises could endanger the existence of the EU. Taken together, these crises mean a great challenge to the EU. This book is predominantly considered with the deficiencies of the EU in general, but will also cover the other three crises.

Another important point has been raised by Antoine Vauchez, namely the role of the scientific communities in the EU. Vauchez pointed out that there has been a "cozy symbiotic relationship" of the scientific communities with the ECJ, the Commission, and the ECB. The scientific communities received financial supports from the Commission and functioned as "private army in the service of the European Community" (Vauchez 2016: 75).7

In this book, we have proceeded in two steps. First, we have tried to provide information on the complex nature of the EU and to analyse the defects of the EU. Secondly, on the basis of this analysis, we have presented proposals for a reshaped EU. Analysis and proposals are rather difficult to accomplish because of the complex nature of the EU and the vast literature on various aspects of the EU.

Chapter I is concerned with the history of the EU. On one hand, the chapter is descriptive. On the other hand, history can reveal hidden mistakes and misconceptions which might play a role until today. Three examples shall be provided. First, the High Authority, later called the European Commission, was created as a supranational institution against much resistance within the United Kingdom, France, Germany, and the Benelux countries. Jean Monnet and associates were successful with their policy of dirigisme. Today, the Commission has developed into a highly professional administrative institution with great power. But some reasons for the re-

⁷ Similar observations have been reported by Karen Alter, Max Haller, and Michael Hartmann (see chapters IV and VI).

sistance against the supranational conception of the European Commission still appear to be justified. Secondly, in the early 1960 s, the ECJ decided on its own initiative on the legal order of the EU and on the supremacy of Union law over national law. There are plausible reasons that these rulings were not justified as mentioned above. Thirdly, the euro was created on doubtful assumptions.

There are a variety of issues which play an important role in the EU. Chapter II is concerned with these issues. Thus, remarks are made on constitutive treaties, so-called *Verfasstheit* of the EU,⁸ (limited) supranationality, sovereignty, legitimacy, accountability, purposes and goals of the EU, and several theories on the nature of the EU. These remarks help to understand what makes the EU unique as polity and as home of its citizens.

Reshaping the EU cannot successfully be carried out unless the complex structure and functioning of the EU are understood. Therefore, chapter III addresses this point. The chapter is mainly descriptive with a few critical remarks. The description alone means a challenge for the reader because of the complexity of its matters. The main critique on the structure and functioning of the EU is reserved to later chapters.

Chapter IV deals with the controversial role of the ECJ. The ECJ has had a considerable influence on the development of the EU. The chapter mainly addresses four issues: parts of the jurisprudence of the ECJ, a debate on the jurisprudence of the ECJ, a discussion of the political question doctrine, and recommendations. The issues of the legal order and the supremacy of Union law over national law are of particular importance. The supportive and critical opinions about the jurisprudence are discussed in some detail. The chapter concludes that the ECJ has unduly extended its mandate. This conclusion is similar to the one of Vauchez although he used different arguments (see Vauchez 2016: 59-64). The consequence of these conclusions is that the ECJ must be controlled as outlined above. Another consequence from the debate in chapter IV is the necessity to modify the law-making process of the EU.

The introduction of the euro has had a profound influence on the EU, especially on the countries whose currency is the euro. Chapter V tries to explain the complex reasons for the problems of the Eurozone and presents the possibilities for handling these problems. Reshaping and future fate of the Eurozone are discussed. Suggestions are made for the solu-

⁸ Since the EU does not really have a constitution, the term *Verfasstheit* is preferred.

tion of the problems of the Eurozone. The fate of the Eurozone will at least partly determine the fate of the entire EU.

Chapter VI specifies the defects of the EU. The historical, political, economic, cultural, linguistic, and geographical diversity of the EU member states represents a great challenge to the EU. In addition, small and large member states have somewhat different interests. Moreover, there are defects in regard to democracy, popular sovereignty, separation of powers, and parliamentary representation within the EU. There are also defects of the ECJ (see chapter IV) and of the ECB System. This book tries to correct at least some of these defects (see chapter X).

Some of the most frequently forwarded theses concerning the necessity for a united Europe has been the assertion that the European nation state is old-fashioned in the age of globalization and that the European nation state has waged too many wars and tended to nationalism as mentioned above. Chapter VII deals with a comparison between the nation state and the EU to clarify these assertions. On one hand, these assertions are to a certain degree true. On the other hand, compared to the EU, the well-designed nation state has advantages in regard to all important principles of the Western civilization. These considerations underscore the importance of the European nation state for the EU.

The EU is envisaged as a mixture of confederation and federal state. Chapter VIII presents a short history of federations. The history of the federations and the shortcomings of the present status of the EU reveal that the future of the EU will depend on the question whether the EU will be open for reform. The United States of Europe will not and should not be the aim of the future EU. Rather, sovereign rights should be granted according to the principle of conferral. Moreover, the ECJ ought to respect the EU Treaties and should not be the motor of integration. The European nation state remains the source of identity, solidarity, and democracy. Various models of the future EU are discussed.

So far the European people have only had, via their national parliaments and governments, an indirect chance to participate in the creation of the EU Treaties. The treaty-making process has mainly been a project of elites. This lack of participation of the people may be one reason for the present disappointment to the EU. To be sure, the EU Treaties of the Lisbon-Treaty-type are derived from the EU member states. The governments of the EU member states will negotiate the future EU Treaties. Chapter IX pleads for the participation of the national parliaments and special conventions in the negotiations on the making of the future EU Treaties. The na-

tional parliaments thereby obtain the possibility to be more actively involved in the treaty-making instead of just ratifying the future EU Treaties. Special conventions elected by the people could also participate in the negotiations of the future EU Treaties.

The first section of chapter X discusses the previous suggestions for a future EU. Based on these suggestions and several own ideas, proposals are presented for a future EU. The proposals take into consideration the principles of limited supranationality and of a balanced view of the nation state. It is pointed out that the future EU mainly needs to observe four purposes because the EU is capable to fulfil these purposes better than its individual member states. Then the structure and functioning of the future EU are outlined. The future treaty-making and law-making processes are presented in some detail. Various policies of the future EU, the Brexit and its implications, and the future immigration policy are also discussed.

In this book, we try to show that a substantial improvement of the condition of the EU is possible. A consequent reshaping of the EU is the prerequisite for that.

I. History of the European Union *Klaus Weber*

History might contribute to uncover what went wrong with the development of the European Union (EU). This point is particularly important since one of the main aims of this book is to elucidate eventual defects concerning the construction of the EU and to present remedies to overcome the defects. If the EU is really poorly constituted, then a profound diagnosis ought to be made of all the misconstructions. A presentation of the history of the EU seems therefore necessary because misconceptions have not arisen over night.

On 18 April 1951, the EU was founded as European Community with the Treaty on the European Coal and Steel Community (ECSC). Yet, the idea about a united Europe had been discussed for many years prior to the foundation of the EU. In this chapter, the focus lies not so much on ideas, but on facts. Brunn and Dinan pointed out that the idealistic historiography was replaced by a more realistic historiography in recent years (see Brunn 2002: 112-17; Dinan 2014 c: 345-375).

After the end of World War II, a new world constellation had been formed. The USA and the Soviet Union had now been the dominant powers. The influence of Europe had lessened. Great Britain experienced a decreasing hold on its commonwealth. France had suffered a lot during World War II and had been faced with the diminishing importance of its former colonies. Germany was devastated and morally at the bottom. Spain had still been under the influence of its fascistic leader, Franco. Some of the smaller European countries such as Switzerland and Sweden were lucky enough to have not participated in the war. Other smaller countries had suffered more or less under Nazi Germany and the war.

The dominance of the two great powers had consequences. The Soviet Union under its shrewd and brutal leader Stalin had expanded its influence to the West. The communist bloc now included the Middle-Eastern and Eastern European countries and East Germany. The Western European

30

⁹ In this book, the designation European Union is usually used although the European Community was renamed to European Union with the Maastricht Treaty but in November 1993.

countries sought protection by the USA. West Germany was divided between the American, British, and French zones. Berlin was divided in four zones. Austria was neutral. The communists led by Stalin tried to undermine the economically desolate Western European countries hoping that they would become part of the Soviet realm (see Brunn 2002: 41-50). The tensions between East and West steadily increased. The so-called Cold War began. The air-bridge for West Berlin in 1948/ 1949 was an expression of these tensions. So was the Korean War of 1950.

1. Origins of the European Community

There were four important origins of the EU: first, ideas on a united Europe, often in form of idealistic ideas; secondly, interests of the nation states; thirdly, the influence of the USA; and fourthly, the Cold War. Not infrequently, these origins were intermingled.

1.1 Ideas on a United Europe

The idea about a united Europe has been around in Europe for centuries. The empire of Charlemagne has covered big areas of continental Europe. However, it should be noted that the nation state did not yet exist at the times of Charlemagne. This was different when Richard Hooker, Duc de Sully, William Penn, Baron de Leibniz, Abbe'de Saint Pierre, and Henri de Saint-Simon came up with their ideas (see Dinan 2014 c: 349). Between 1925 and 1934, almost 600 books or press articles addressed the question of a united Europe. Of particular importance was the so-called "Paneuropa-Union" which had been founded by the Austrian Graf Richard Coudenhove-Kalergi (see Brunn 2009: 19-32; Stirk 2014: 20).

There was a strong longing for peace and prosperity throughout the free non-communistic European countries after World War II. It was in this setting that different endeavours came to the fore for a united Europe. A starting point was the famous speech of Winston Churchill in Zurich in September 1946. Churchill pointed out that "we must build a kind of United States of Europe" and he pleaded for a partnership between France and Germany. He also propagated the re-creation of the "European family in a regional structure ... stating that France and Germany must take the lead together" (Dinan 2014 b: 308). However, Churchill "was far from being a